

NOTICE OF SPECIAL MEETING
of the Stockholders of
THE AVIATION CORPORATION

To the Stockholders of

THE AVIATION CORPORATION:

Notice is hereby given that a Special Meeting of the Stockholders of The Aviation 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, October 18, 1945, at 11:00 A.M., Eastern Standard Time, for the following purposes:

- (a) To consider and act upon a proposal to amend the Certificate of Incorporation of the Corporation, as amended, by striking out Article Fourth thereof, and substituting therefor a new Article Fourth, reading as set forth in Exhibit A to the accompanying Proxy Statement, which is made a part of this notice;
- (b) To take action upon such other matters as may properly come before the meeting, or any adjournment or adjournments thereof.

The changes to be effected by the proposed amendment are the authorization of 500,000 shares of Preferred Stock, without par value, the increase in the authorized number of shares of Capital Stock of the par value of \$3 per share to 10,000,000 shares, and the redesignation of such shares of Capital Stock as Common Stock of the par value of \$3 per share. The foregoing changes will be accomplished by increasing the total number of shares of all classes of stock which the Corporation shall have authority to issue, from 7,500,000 shares of the par value of \$3.00 each to 10,500,000 shares, of which 10,000,000 shares are to be Common Stock of the par value of \$3.00 per share, and 500,000 shares are to be Preferred Stock, without par value, and by authorizing the Board of Directors, at any time, and from time to time, to issue the Preferred Stock in one or more series, and in connection with the creation of such series, to fix by resolution or resolutions, the designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions 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 o'clock P.M., Eastern War Time, September 28, 1945, has been fixed as the date of record for determining stockholders entitled to notice of and to vote at the Special Stockholders' Meeting, or any adjournment or adjournments thereof, and only stockholders of record at said date are entitled to notice of, or to vote at said special meeting of 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 attached proxy promptly in the enclosed addressed envelope which requires no postage.

By order of the Board of Directors,

R. S. PRUITT, *Secretary,*

THE AVIATION CORPORATION

Dated at New York, N. Y.,
September 29, 1945.

PROXY STATEMENT

THE AVIATION CORPORATION

A Delaware Corporation

To the Stockholders of

THE AVIATION CORPORATION:

The accompanying proxy is solicited by the management of The Aviation Corporation, a Delaware corporation, for use at a Special Meeting of Stockholders of the Corporation to be held at the statutory office of the Corporation, 927 Market Street, Wilmington, Delaware, on October 18, 1945 at 11:00 A.M. Eastern Standard Time, or at any adjournment or adjournments thereof. All stockholders who cannot be present at the Special Stockholders Meeting are requested by the management to execute and return the enclosed form of proxy, which requires no postage if mailed within the United States, and which is revocable at any time before it is exercised.

This meeting is called and held to pass upon a proposal, recommended by the Board of Directors, to amend Article Fourth of the Certificate of Incorporation of the Corporation, as amended, by striking out the present Article Fourth and substituting therefor a new Article Fourth reading as set forth in Exhibit A attached hereto and made a part hereof.

The effect of the proposed amendment will be to authorize the creation of 500,000 shares of Preferred Stock, without par value, which may be issued in series with such designations, dividend rates, redemption price or prices, liquidation preferences, sinking fund provisions, conversion and exchange provisions, and other preferences or special rights, as may be fixed by the Board of Directors, from time to time, prior to the issuance of any series, as authorized by the laws of the State of Delaware, to increase the authorized number of shares of Capital Stock of the par value of \$3 per share of the Corporation to 10,000,000 shares and to designate such shares hereafter as Common Stock of the par value of \$3 per share.

OFFERING TO STOCKHOLDERS

If the proposed amendment is adopted, The Aviation Corporation (hereinafter called the "Corporation") depending upon a Registration Statement becoming effective with the Securities and Exchange Commission proposes to grant to the holders of its Common Stock of record at 3:00 P.M., Eastern Standard Time, October 26, 1945 the right to subscribe for 289,675 shares of an initial series of 300,000 shares of such Preferred Stock in the ratio of one share of Preferred Stock for each 20 shares of Common Stock held on such record date. The subscription price will be fixed by the Board of Directors on or before October 26, 1945, the record date, and will in no event be less than \$48 nor more than \$52 per share. The subscription warrants will be exercisable during a twelve-day period commencing with the day after such record date. The Corporation will mail to stockholders transferable warrants evidencing subscription rights but exercisable only in amounts calling for full shares. The warrants will be listed on the New York Stock Exchange and the Chicago Stock Exchange and warrants for fractional shares may be combined with other warrants aggregating one or more full shares. After the expiration of the subscription period, the warrants will be void.

UNDERWRITERS

It is presently contemplated that a Registration Statement with respect to 300,000 shares of Preferred Stock will be filed under the Securities Act of 1933. The Corporation is negotiating with underwriters for the sale to them of such of the 289,675 shares as shall not have been subscribed for by the stockholders of the Corporation at the same price per share at which such shares are offered to stockholders, and for the sale to underwriters at such price of 10,325 shares of such stock which will not be offered to stockholders for subscription. No contract, however, has been entered into nor any commitment made with respect to such proposed purchase by underwriters, nor has the amount of their compensation been determined. If such contract is entered into, it is expected that underwriters will receive a fixed amount per share for the 289,675 shares to be offered to stockholders for subscription as compensation for their commitment to purchase the unsubscribed shares, and additional compensation for such of the 300,000 shares purchased by them.

DESCRIPTION OF PREFERRED STOCK

Title:

The title of the new stock proposed to be authorized is Preferred Stock, without par value, and the number of shares to be authorized is 500,000 shares.

Dividend Rights:

The holders of shares of Preferred Stock shall be entitled to receive, and the Corporation shall be obligated to pay, when and as declared by the Board of Directors from funds legally available therefor, dividends at such rate per share per annum for each series, as shall be fixed by resolution of the Board of Directors prior to the issue of any such series, and no more. Such dividends shall be cumulative, and shall be payable in full before any dividends are paid or set apart for the Common Stock.

Limitation on the Payment of Dividends:

There are no limitations on the payment of dividends on the Preferred Stock except as hereinafter stated and except as provided by the laws of the State of Delaware and other states in which the Corporation may be qualified to do business. On October 1, 1945, the Corporation will enter into a Loan Agreement with a group of banks, pursuant to which the Corporation will agree, among other things, that until payment in full of any notes evidencing any borrowings thereunder, together with interest thereon, it will not pay any dividends or make any other distributions on any shares of any class of stock outstanding unless the net current assets of the Corporation and wholly owned subsidiaries before deduction of any installments due within one year on outstanding borrowings of the Corporation under said Loan Agreement, plus the market value, in the case of securities listed and traded in on a National Securities Exchange, or the fair value in the case of securities which cease to be so listed and traded in after acquisition by the Corporation, of securities owned by the Corporation and wholly owned subsidiaries are at least equal to one hundred and twenty-five per cent (125%) of the Corporation's then outstanding indebtedness under said Loan Agreement. In addition, the Corporation will pay to the banks on April 1st following the close of any fiscal year during any portion of which such ratio was not maintained, in reduction of any indebtedness outstanding under said Loan Agreement, seventy-five per cent (75%) of the net income of the Corporation and wholly owned subsidiaries for the period in said fiscal year during which the Corporation failed to maintain such ratio.

Voting Rights:

The holders of shares of Preferred Stock, except as otherwise required by the statutes of the State of Delaware, and except as set forth herein in the paragraph entitled "Additional Restrictions", shall have no voting rights, except that in case the Corporation shall be in default in respect of the declaration and payment of full regular quarterly dividends on the Preferred Stock of any series, for six quarterly dividend periods, then the number of directors shall be two more than prior to

such default, and the holders of the Preferred Stock of all series shall have the right, as a class, to elect such two additional directors, and the holders of the Common Stock shall be entitled to elect the remaining directors. Whenever the default in the payment of dividends, as aforesaid, has been cured, so that no accumulated dividends remain unpaid on the Preferred Stock of any series, the term of office of the directors elected by the holders of Preferred Stock shall terminate at the next annual meeting of stockholders following the correction of such default, and the right of the holders of Preferred Stock to elect directors terminates, subject to its being revived by further defaults, as aforesaid. Upon such termination, the exclusive right to elect directors shall again be vested in the holders of Common Stock of the Corporation.

Liquidation Rights:

In the event of any liquidation, dissolution or winding up of the Corporation, the holders of the Preferred Stock of each series shall be entitled to receive such amounts as shall be fixed by resolution of the Board of Directors prior to the issue of any such series, and no more, before any of the assets of the Corporation shall be distributed among or paid over to the holders of the Common Stock, and after such payment has been made the remaining assets of the Corporation shall be divided or paid ratably to the holders of Common Stock.

Preemptive Rights:

None.

Subscription Rights:

None.

Conversion Rights:

The Preferred Stock of any particular series may be made convertible and exchangeable for shares of Common Stock of the Corporation at such conversion price or prices, and with such rights of exchange, and such adjustments, and upon such terms and conditions as may be fixed and determined by resolution or resolutions of the Board of Directors prior to the issue of the shares of such particular series.

Redemption Provisions:

The redemption price or prices per share of each series of Preferred Stock shall be such as shall be fixed by the Board of Directors by resolution prior to the issuance of each series. The Preferred Stock of each series may be redeemed by the Board of Directors at the redemption price at any time in whole or in part on thirty (30) days previous notice.

Liability to Assessment:

Preferred Stock may be issued and disposed of, from time to time, for such consideration as may be fixed, from time to time, by the Board of Directors, and, upon payment of such consideration, such stock shall be deemed fully paid, and not liable to any further call or assessment thereon.

Additional Restrictions:

The Corporation may not, without the consent of the holders of at least two-thirds of the total number of shares of Preferred Stock of all series then outstanding, expressed by vote in favor of a resolution duly adopted at any annual meeting of stockholders or at a special meeting of the Preferred Stockholders called for that purpose, or if permitted by law, given in writing by the holders of at least two-thirds of the total number of shares of Preferred Stock of all series at that time outstanding:

- (a) Increase the authorized amount of Preferred Stock or create or authorize any class of stock ranking prior to or (other than a series of this Preferred Stock) on a parity with the

Preferred Stock or any stock or obligation convertible into or evidencing the right to purchase any stock ranking prior to or on a parity with the Preferred Stock, unless the Preferred Stock is to be fully redeemed in connection therewith.

(b) Amend, change, or repeal any of the express terms of the Preferred Stock, or of any series thereof, in a manner prejudicial to the holders thereof, except, that if such amendment, change, or repeal is prejudicial to the holders of one or more, but not to the holders of all of the series of Preferred Stock, then only the consent of the holders of two-thirds of the shares of such series so affected shall be required.

(c) Merge or consolidate with or into any other corporation unless the corporation resulting from such merger or consolidation will thereafter have no class of stock either authorized or outstanding ranking prior to or on a parity with the Preferred Stock, except the same number of shares with the same rights and preferences as the stock of the corporation authorized and outstanding immediately preceding such merger or consolidation, and unless each holder of the Preferred Stock immediately preceding such merger or consolidation shall receive the same number of shares with the same rights and preferences of the resulting corporation, unless the Preferred Stock is fully redeemed and retired in connection therewith.

(d) Sell, lease or otherwise convey (except to a subsidiary all of the capital stock of which, except shares necessary to qualify directors, is owned by the Corporation) all or substantially all of its property or business, unless the Preferred Stock is fully redeemed and retired in connection therewith.

(e) Issue or sell any shares of the Preferred Stock (other than an initial series of 300,000 shares of the Preferred Stock), or issue or sell any additional classes of stock ranking prior to or on a parity with the Preferred Stock, or any stock or other obligation convertible into or evidencing the right to purchase any stock ranking prior to or on a parity with the Preferred Stock, unless the consolidated net tangible assets of the Corporation and its subsidiaries (as defined in Article Fourth of the Amendment to the Certificate of Incorporation) will be at least equal to two hundred per cent (200%) of the sum of:

(1) The principal amount of the then outstanding indebtedness for money borrowed of, or guaranteed by, the Corporation and its subsidiaries; plus

(2) The total par value of the shares of the Preferred Stock to be outstanding after giving effect to such transaction, or, if the Preferred Stock shall be without par value, the total preference on involuntary liquidation of all such shares, and the total par value, or, if such stock has no par value, the preference on involuntary liquidation of all shares to be outstanding after giving effect to such transaction of all classes of stock of the Corporation ranking prior to or on a parity with the Preferred Stock.

In addition, so long as any of the Preferred Stock remains outstanding no dividend whatever shall be paid or declared, nor any distribution be made on any junior stock whether in cash, stock or otherwise, nor shall any shares of any junior stock be acquired for a consideration by the Corporation unless all dividends on the Preferred Stock of all series for all past quarterly dividend periods shall have been paid, and for the current quarterly dividend period shall have been declared and paid or provided for, and after all payments have been made or set aside, if any are required, for any sinking fund or purchase fund for the retirement of the Preferred Stock.

So long as any of the Preferred Stock remains outstanding no dividend whatsoever shall be declared, nor any distribution made, on any junior stock other than a dividend payable in junior stock, nor shall any shares of any junior stock be acquired for a consideration by the Corporation except to the extent that the sum of the consolidated net earnings of the Corporation and its subsidiaries accumulated after November 30, 1944, plus \$2,800,000.00, plus the aggregate net proceeds of the issue or sale after November 30, 1944, of shares of any junior stock issued for cash, including the total par value of the shares of Common Stock issued upon conversion of shares of the Preferred Stock shall exceed the sum of:

(a) The aggregate amount of dividends and other distributions paid or made on such junior stock subsequent to November 30, 1944 (exclusive of dividends payable in shares of junior stock); plus

(b) The aggregate cost of all shares of any junior stock purchased or redeemed subsequent to November 30, 1944; plus

(c) The aggregate amount of dividends paid or declared on the Preferred Stock;

provided that no shares of any junior stock shall be acquired for a consideration by the Corporation unless the consolidated net tangible assets of the Corporation and its subsidiaries will be at least equal to two hundred per cent (200%) of the sum of (a) the total par value of the shares of Preferred Stock then outstanding, or, if such shares have no par value then the preference on involuntary liquidation of such shares, and (b) the total par value of the outstanding shares of any class or classes of stock ranking prior to or on a parity with the Preferred Stock, or, if such shares have no par value, then the preference on involuntary liquidation of such shares.

As used in Article Fourth of the Certificate of Amendment to the Certificate of Incorporation of the Corporation, the terms "consolidated net earnings" and "consolidated net tangible assets" are defined in said Certificate in paragraph 14 thereof.

DESCRIPTION OF COMMON STOCK, \$3 PAR VALUE (NOW DESIGNATED CAPITAL STOCK)

Subject to the prior rights to dividends of the holders of the Preferred Stock and of the restrictions contained in the Certificate of Amendment and in the Loan Agreement, all as hereinbefore summarized under "Description of Preferred Stock", each share of Common Stock outstanding will be entitled to dividends when, as and if declared by the Board of Directors out of funds legally available therefor.

The holders of Common Stock will have sole voting rights, except with respect to certain actions (referred to above under the heading "Description of Preferred Stock") which may not be taken without the vote and consent of the holders of at least two-thirds of the then outstanding Preferred Stock, and also that after default in the payment of full quarterly dividends on the Preferred Stock for six quarterly dividend periods, the number of directors shall be two more than prior to such default, and the holders of the Preferred Stock of all series shall have the right, as a class, to elect such two additional directors, and the holders of Common Stock shall be entitled to elect the remaining directors. Whenever the default in the payment of dividends, as aforesaid, has been cured so that no accumulated dividends remain unpaid on the Preferred Stock of any series, the term of office of the directors elected by the holders of the Preferred Stock shall terminate at the next annual meeting of stockholders following the correction of such default, and the right of the holders of Preferred Stock to elect directors terminates, subject to its being revived by further defaults as aforesaid. Upon such termination, the exclusive right to elect directors shall again be vested in the holders of Common Stock of the Corporation. Subject to the liquidation rights of the holders of Preferred Stock then outstanding, the holders of Common Stock are entitled to receive upon liquidation, share for share, the remaining assets and funds of the Corporation. The Common Stock will have no preemptive rights, no subscription rights, no conversion rights, nor are there any redemption provisions applicable thereto. Each share of Common Stock when issued will be fully paid and non-assessable, but may not be issued for a consideration less than the par value of \$3 per share.

PROPOSED TERMS OF INITIAL SERIES OF PREFERRED STOCK

The designation of the 500,000 shares of Preferred Stock, the dividend rate of any series thereof, the redemption price or prices, the terms and amount of any sinking fund for the purchase and redemption of such shares, the liquidating preferences thereof, and whether or not the shares of such series shall be convertible into, and exchangeable for, shares of the Common Stock of the Corporation and, if so, the rate of conversion or exchange of such shares, will be fixed by the Board of Directors of the Corporation by resolution or resolutions prior to the issuance of such series. It

is the present intention of the Board of Directors of the Corporation to establish an initial series of Preferred Stock to be designated "Cumulative Convertible Preferred Stock", having a preferential dividend of not less than \$2.125 nor more than \$2.375 per share per annum, a redemption premium above the initial public offering price of not more than \$2.50 per share for the first three years, \$1.50 per share for the next three years, 50¢ for the next two years, a conversion price of not more than twenty per cent (20%) above the market price of the Common Stock at the time such conversion price is fixed, a sinking fund providing for the setting aside annually from consolidated net earnings (as defined in Article Fourth of the Certificate of Amendment to the Certificate of Incorporation) of the preceding fiscal year of ten per cent (10%) thereof, but not in excess of \$300,000, after deducting from such consolidated net earnings the amount of dividends paid during such fiscal year on the Preferred Stock, with a provision for the return to the Corporation of all moneys not used in the purchase at less than \$50 per share of the Preferred Stock during a period of six months following the deposit thereof, and a preference on involuntary liquidation of \$50 per share and on voluntary liquidation of the then current redemption price.

POWER RESERVED TO THE BOARD OF DIRECTORS

In the event the proposed Amendment to the Certificate of Incorporation is adopted, full power and authority will be vested in the Board of Directors to authorize the issuance from time to time without further authorization from the stockholders of such of the 500,000 shares of Preferred Stock and of shares of Common Stock that would then be authorized and not outstanding, for such consideration as the Board of Directors in their absolute discretion might determine but, in the case of Common Stock, for a consideration of not less than \$3 per share. Upon payment of the consideration so fixed by the Board of Directors, the stock issued will be fully paid and not liable to further call or assessment.

In view of the foregoing all statements hereinbefore made with respect to the contemplated issuance of Preferred Stock and additional Common Stock are tentative and the ultimate amounts, terms and times when Preferred or Common Stock will be issued depend upon the exercise by the Board of Directors of their best judgment with respect thereto, and the Board of Directors reserves all its rights so to do. It is not at present contemplated that any shares of Preferred Stock or Common Stock will be issued other than within the general intentions above described, and for the purposes above described.

PURCHASE OF STOCK OF THE CROSLLEY CORPORATION

On August 7, 1945 the Corporation purchased after approval thereof by the Federal Communications Commission an aggregate of 310,701 shares or 56.9% of the issued and outstanding Common Stock of The Crosley Corporation from the controlling stockholder and other stockholders of that corporation. Subsequently the Corporation acquired an additional 170,408 shares of such stock from other stockholders and owned as of September 15, 1945 a total of 481,109 shares or 88.15% of such stock at an aggregate cost of approximately \$19,100,000.

The price paid to the stockholders of The Crosley Corporation who sold their shares to the Corporation was \$39 per share, but in addition thereto, the Corporation agreed to pay Management Planning, Inc., for its own services and the services of associated brokers and agents who negotiated said transaction, commissions amounting in the aggregate to \$354,426, of which Emanuel & Co. will receive from Management Planning, Inc., for their assistance in negotiating said transaction, approximately \$100,000. Mr. Victor Emanuel, Chairman of the Board of Directors of the Corporation, is a limited partner of Emanuel & Co. but did not participate in any way in the negotiations with the Crosley interests and will not share in the portion of said commission received by Emanuel & Co.

The Crosley Corporation (hereinafter called "Crosley") is a corporation organized under the laws of the State of Ohio. Its business falls into two main categories conducted under its manufacturing division and its radio broadcasting division respectively, in connection with both of which it maintains an engineering and research division. Prior to the war Crosley was one of the nation's leading manufacturers of radio receiving sets, which were produced in plants located in Cincinnati, Ohio, and

of household refrigerators produced in its plants at Cincinnati, Ohio, and Richmond, Indiana. It also manufactured other household appliances and a small automobile. Through its broadcasting division the company has for more than twenty years operated Station WLW in Cincinnati, Ohio, from which programs are broadcast locally and are relayed over nationwide networks. The products of Crosley were distributed and sold under the trade name "Crosley" on a nationwide basis pursuant to contracts with distributors located in principal cities. However, for more than three years Crosley has been engaged exclusively in the manufacture for the United States Government of war materials, including radios, radio equipment, naval sunsights and bomb turrets.

Crosley is proceeding as rapidly as possible within governmental and other limitations to convert its manufacturing facilities to production of its peacetime products. Automobile production, however, will not be resumed by The Crosley Corporation, as pursuant to the agreement between the controlling stockholder and the Corporation, The Crosley Corporation, prior to the consummation of the agreement for the sale of the controlling interest in its stock to the Corporation, entered into a contract for the sale to a new corporation, Crosley Motors, Inc., of certain of its assets devoted to the manufacture and development of automobiles and internal combustion engines having a book value, after depreciation and reserves, of not in excess of \$250,000. Crosley Motors, Inc., it has been announced, will continue the development and manufacture of the Crosley automobile and engine but the stock of Crosley Motors, Inc. acquired by The Crosley Corporation in payment for the assets to be transferred to Crosley Motors, Inc. will be disposed of so that neither The Crosley Corporation nor the Corporation will be interested in any way in the future development and manufacture of the Crosley automobile or engine. Crosley's engineering department is conducting an extensive research and development program both in its manufacturing and radio field. There are now pending before the Federal Communications Commission applications by Crosley for licenses to construct additional broadcasting stations, one for television and one for frequency modulation in each of the cities of Columbus, Dayton and Cincinnati, Ohio and an application to conduct a frequency modulation broadcasting station in Washington, D. C. Crosley has also applied to the Federal Communications Commission for consent to the assignment by Hearst Radio, Inc. to Crosley of the radio broadcasting station license heretofore issued to Station WINS, New York, N. Y.

PROPOSED USE OF PROCEEDS FROM SALE OF PREFERRED STOCK

On October 1, 1945 the Corporation will enter into a Loan Agreement with a group of banks providing for the extension of credit thereunder to the Corporation not in excess of \$27,500,000 at any one time. The Corporation will immediately borrow pursuant to such Loan Agreement an aggregate of \$22,000,000. Upon the execution of such Loan Agreement and the making of the aforesaid borrowing thereunder, the Corporation will pay in full borrowings aggregating \$22,000,000 theretofore incurred under Loan Agreement dated June 18, 1945 with said banks. \$18,000,000 of the aforesaid borrowing under said Loan Agreement dated June 18, 1945 was utilized to effectuate the purchase of stock of The Crosley Corporation hereinbefore described. Additional borrowings will be made under the Loan Agreement dated October 1, 1945, to finance in part the purchase of all or a controlling interest in New Idea, Inc., pursuant to a contract signed with its principal stockholders September 25, 1945. New Idea, Inc. is a corporation with plants at Coldwater, Ohio, and Sandwich, Illinois, where it is engaged in the manufacture and sale of farm implements and mechanized farm equipment, and has outstanding 272,000 shares of Common Stock. As the Corporation's commitment is to extend its offer to all holders of New Idea, Inc. stock, the total obligation will amount to \$8,160,000 if all of said stockholders accept the offer, and in addition, a commission of \$1 per share on the stock purchased will be paid to the brokers and agents who negotiated said transaction. One of such agents is Carlton M. Higbie Corporation, which will participate in said commissions to the extent of 30¢ per share. Carlton M. Higbie, a director of the Corporation, is President and one of the principal stockholders of Carlton M. Higbie Corporation. Additional borrowings under the Loan Agreement are estimated to be not less than \$4,250,000 and may require the utilization of the balance of the credit available under the Loan Agreement, depending upon the number of shares of stock of New Idea, Inc. acquired by the Corporation. Pursuant to the aforesaid Loan Agreement dated October 1, 1945, the Corporation is required to utilize all of the net proceeds from the sale of the 300,000 shares of Preferred Stock

to be offered as hereinbefore described in repayment of amounts outstanding under said Loan Agreement.

The Corporation has no present plans for the issuance of the remaining 200,000 shares of Preferred Stock proposed to be authorized. Of the 4,206,487 shares of Common Stock of the Corporation which will be authorized but unissued in the event of the adoption of the proposed Amendment to the Certificate of Incorporation, 375,000 shares are reserved for issuance to present and future officers and supervisory executives of the Corporation, pursuant to a Stock Option Plan approved by the Board of Directors and stockholders of the Corporation. The Corporation has no present plans for the issuance of the remaining 3,831,487 shares of such authorized, but unissued, Common Stock, except as to such number of shares of Common Stock as may be necessary to provide for the issuance upon the exercise of the conversion rights of the holders of the 300,000 shares of Preferred Stock proposed to be offered and sold as hereinbefore described.

**INTEREST, DIRECT OR INDIRECT, OF DIRECTORS, OFFICERS OR ANY ASSOCIATES
IN MATTERS TO BE ACTED UPON AT THE MEETING**

No director or officer of the Corporation has any substantial interest, direct or indirect, in any matter to be acted upon at the meeting, except as hereinafter disclosed and insofar as the ownership of the Corporation's securities by such officer or director may be deemed to create such an interest. The following is a statement of the securities of the Corporation owned beneficially as of the close of business on August 20, 1945, by each director and officer of the Corporation or any associates (as such word is defined under the rules and regulations of the Securities and Exchange Commission) thereof:

<u>Name</u>	<u>Position</u>	Shares of Common Stock of The Aviation Corporation Beneficially Owned September <u>15, 1945</u>
VICTOR EMANUEL	Chairman of the Board and Director	55,000(1)
IRVING B. BABCOCK	President and Director	500(2)
WILLIAM F. WISE	Executive Vice President and Director	791
L. I. HARTMEYER	Vice President and Director	2,000
W. A. MOGENSEN	Vice President and Treasurer	512
R. S. PRUITT	Vice President, Secretary and Director	47,568(2)
IRA J. SNADER	Vice President	100
BERT CONWAY	Vice President	None
GEORGE E. ALLEN	Director	400
C. COBURN DARLING	Director	18,900
FLOYD B. DEAN	Director	500(3)
ARTHUR W. HERRINGTON	Director	1,500
CARLTON M. HIGBIE	Director	177(4)
BENJAMIN H. NAMM	Director	312
THOMAS A. O'HARA	Director	700
A. N. WILLIAMS	Director	200
HENRY DALZELL WILSON	Director	7,000(2)

NOTES:

- (1) Mrs. Victor Emanuel was the beneficial owner of 25,000 shares, and two other associates of Mr. Emanuel beneficially owned 50 shares each. In addition Mr. Emanuel was the trustee of certain trusts which in the aggregate owned 800 shares of such stock, but in which he had no beneficial interest.
- (2) As of said date, Mrs. Irving B. Babcock and Mrs. M. D. Scott, respectively the wife and mother-in-law of Irving B. Babcock, owned respectively 6,000 and 100 shares of stock of the Corporation; and Mrs. R. S. Pruitt, wife of R. S. Pruitt, and Mrs. H. Dalzell Wilson, wife of H. Dalzell Wilson, owned respectively 6,017 and 1,500 shares of such stock.
- (3) Mrs. L. B. Manning, and the Estate of L. B. Manning, whose interests Mr. Dean represents on the Board of Directors of the Corporation, owned in the aggregate, 104,500 shares of stock of the Corporation.
- (4) On said date the Carlton M. Higbie Corporation, of which Mr. Higbie is the principal stockholder, owned 177 shares of such stock. In addition, certain trusts created by Mr. Higbie, but in which he has no beneficial interest, owned in the aggregate as of said date, 26,900 shares of such stock.

The Aviation Corporation is informed that no officer or director of The Aviation Corporation or any of its associates, or any other person held of record or owned beneficially as of August 20, 1945, more than 10 per cent of the 5,793,513 outstanding shares of Capital Stock of the Corporation.

As hereinbefore set forth, the Corporation is negotiating with underwriters for the sale to them of such of the 289,675 shares of the Preferred Stock to be offered for subscription to its stockholders as shall not have been subscribed for by the stockholders of the Corporation at the same price per share at which said shares are offered to the stockholders, and also for the sale to underwriters at such price of 10,325 shares of such stock which will not be offered to stockholders for subscription. While no contract has been made with the underwriters, Lehman Brothers and Emanuel & Co., with whom said negotiations have been conducted, it is anticipated that they will be among the principal underwriters. Mr. Victor Emanuel, Chairman of the Board of Directors and a director of the Corporation, is also a limited partner of Emanuel & Co., and Emanuel & Co. is therefore an associate of Mr. Emanuel. Mr. Rudolph H. Deetjen, a director of New York Shipbuilding Corporation, American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation, is a general partner of Emanuel & Co., and Mr. John Hertz, a director of Consolidated Vultee Aircraft Corporation, is a general partner of Lehman Brothers.

EXPENSES AND METHOD OF PROXY SOLICITATION

The accompanying proxy is solicited by and on behalf of the management of The Aviation Corporation 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 the Corporation. In addition to the solicitation of proxies by use of the mails, the Corporation will retain Georgeson & Co., 52 Wall Street, New York City, assisted by approximately 60 persons, for limited periods, to aid in solicitation of proxies. For all of these services the Corporation will pay a fee plus out-of-pocket expenses and disbursements incurred in such solicitation, estimated in the aggregate at approximately \$12,500. 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.

EXHIBITS AND FINANCIAL INFORMATION

A copy of the proposed Amendment to the Certificate of Incorporation of the Corporation is attached as Exhibit A; and there are also attached as Exhibit B hereto certain financial statements with respect to The Aviation Corporation and consolidated subsidiaries, and as Exhibit C a Schedule of Dividends paid by the Corporation during the three years and six months period ended May 31, 1945. Additional financial statements of The Aviation Corporation are on file at the office of the Securities and Exchange Commission, Philadelphia, Pennsylvania, and at the offices of the New York Stock Exchange and the Chicago Stock Exchange.

The accompanying financial statements of The Aviation Corporation and consolidated subsidiaries do not include financial statements of Consolidated Vultee Aircraft Corporation, New York Shipbuilding Corporation, The Crosley Corporation or American Central Manufacturing Corporation, as in the opinion of the management such statements are not material for the exercise of prudent judgment as to the proposals to be voted on at the stockholders' meeting, inasmuch as Note 4 of the financial statements on page 26 hereof shows all dividends received by the Corporation from unconsolidated subsidiaries, the Corporation's equity in the undistributed earnings of said subsidiaries for each of the last three fiscal years, and its equity in the net assets of such subsidiaries at the close of the last fiscal year. In the case of The Crosley Corporation, such information is not included as it did not become a subsidiary until August, 1945, subsequent to date of accompanying financial statements. Financial statements of all of the corporations referred to are, however, on file in the office of the Securities and Exchange Commission and in the case of Consolidated Vultee Aircraft Corporation, New York Shipbuilding Corporation and The Crosley Corporation at the office of the New York Stock Exchange, and in the case of American Central Manufacturing Corporation at the office of the New York Curb Exchange.

SUMMARY OF EARNINGS

The following summary of earnings has been prepared from income statements of the Corporation and Consolidated Subsidiaries and from income statements of the Corporation's subsidiaries not consolidated (Vultee Aircraft, Inc., which was merged into Consolidated Vultee Aircraft Corporation in March 1943, Consolidated Vultee Aircraft Corporation, American Central Manufacturing Corporation and New York Shipbuilding Corporation). Such income statements were examined by Arthur Young & Company, independent public accountants, in the case of the Corporation and Consolidated Subsidiaries and in the case of Vultee Aircraft, Inc., Consolidated Vultee Aircraft Corporation and American Central Manufacturing Corporation and by its own independent public accountants in the case of New York Shipbuilding Corporation. The figures for the three years ended November 30, 1944 should be read in conjunction with the financial statements and related notes and certificate of Arthur Young & Company contained elsewhere in this Proxy Statement.

The major portion of the operations reflected in the following summary for the periods from January 1, 1935 to November 30, 1939 relates to the Vultee Aircraft and Stinson Aircraft businesses which were transferred to Vultee Aircraft, Inc. as of October 31, 1939 and August 7, 1940, respectively.

Substantially all of the sales, net income and equity in undistributed earnings of subsidiaries not consolidated shown in the following summary for the four years ended November 30, 1944 have resulted from war business. Substantially all of the war contracts of the Corporation and Consolidated Subsidiaries and of American Central Manufacturing Corporation were terminated for the convenience of the U. S. Government during the summer of 1945. In the case of Consolidated Vultee Aircraft Corporation and New York Shipbuilding Corporation similar terminations, while not so drastic, were nevertheless substantial.

11

	The Aviation Corporation and Consolidated Subsidiaries						Memorandum		
	Net Sales	Dividends and interest received	Profit (loss) on sale of securities and other extraordinary income (deductions)—net	Income (loss) before provisions for Federal taxes based on income and for post-war readjustment	Provision for Federal taxes based on income	Provision for post-war readjustment	Net income (loss) exclusive of equity in undistributed earnings of subsidiaries not consolidated (a)	Equity in undistributed earnings of subsidiaries not consolidated (b)	Before provision for post-war readjustment
Year ended Dec. 31, 1935.....	\$ 1,782,373	\$ 142,088	\$ (1,452)	\$ (376,518)	\$ —	\$ —	\$ (376,518)	\$ —	\$ —
Eleven months ended Nov. 30, 1936	3,511,303	214,599	258,956	22,107	23,302	—	(1,195)	—	—
Year ended Nov. 30:									
1937.....	3,987,362	310,200	(186,265)	(436,866)	43,127	—	(479,993)	—	—
1938.....	6,373,762	305,305	(90,294)	25,686	4,100	—	21,586	—	—
1939.....	3,299,410	164,785	(545,716)	(2,183,723)	54,326	—	(2,238,049)	(63,858)	(63,858)
1940.....	5,206,556	128,659	468,404	92,350	4,000	—	88,350	268,187	268,187
1941.....	18,626,460	455,382	2,421	3,179,142	725,000	—	2,454,142	3,650,746	3,650,746
1942.....	42,028,155(c)	1,421,496	1,318,154	8,423,894	3,830,319	600,000	3,993,575(c)	2,978,264(c)	1,636,945(c)
1943.....	68,436,010(c)	1,514,943	—	8,333,940	4,863,748	800,000	2,670,192(c)	5,406,663(c)	3,333,555(c)
1944.....	61,259,997(d)	1,762,932	—	9,806,179	6,100,000	600,000	3,106,179(d)	4,604,295(e)	2,559,174(e)

NOTES:

- (a) Adjustments recorded as charges or credits to earned surplus (deficit) in the annual financial statements submitted to stockholders have been applied as reductions or increases in net income in the foregoing summary.
- (b) The equity in undistributed earnings of subsidiaries not consolidated applies principally to Consolidated Vultee Aircraft Corporation (29.61% owned by The Aviation Corporation since March 1943) and to Vultee Aircraft, Inc. (The Aviation Corporation's ownership of which varied from 60% in January 1940 to 75.77% in March 1943 when merged into Consolidated Vultee Aircraft Corporation). Reference is made to Note 4 on page 26 hereof for information with regard to the three years ended November 30, 1944. With respect to the earlier periods the information is as follows:

	<u>Equity in net earnings</u>	<u>Dividends received</u>	<u>Equity in undistributed earnings</u>
Month of November, 1939:			
Vultee Aircraft, Inc.—(loss).....	\$ (63,858)	\$ —	\$ (63,858)
Year ended November 30, 1940:			
Vultee Aircraft, Inc.....	\$ 268,187	\$ —	\$ 268,187
Year ended November 30, 1941:			
Vultee Aircraft, Inc.....	\$3,269,905	\$ —	\$3,269,905
American Central Manufacturing Corporation..	57,117	—	57,117
New York Shipbuilding Corporation.....	632,124	308,400	323,724
	<u>\$3,959,146</u>	<u>\$308,400</u>	<u>\$3,650,746</u>

- (c) After provision for renegotiation on basis agreed upon with the Price Adjustment Board.
- (d) See Note 11 on page 29 hereof in regard to renegotiation for the year ended November 30, 1944.
- (e) After provision for renegotiation:
- Consolidated Vultee Aircraft Corporation—on basis proposed by the Price Adjustment Board but not accepted by the Company.
 - American Central Manufacturing Corporation—on basis agreed upon with the Price Adjustment Board.
 - New York Shipbuilding Corporation—estimated on the basis of the renegotiation settlement for the year 1943.

CONCLUSION

The only items of business which the management intends to present or is informed that others intend to present to this special meeting of stockholders are those 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 the Corporation, the Board of Directors has fixed 3:00 P.M., Eastern War Time, September 28, 1945 as the record date for determining stockholders entitled to notice of and to vote at the aforesaid special meeting of 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 the Corporation will not be closed.

By order of the Board of Directors.

THE AVIATION CORPORATION

VICTOR EMANUEL

Chairman of the Board

Dated at New York, N. Y.,
September 29, 1945.

EXHIBIT A

PROPOSED AMENDMENT

to the

CERTIFICATE OF INCORPORATION

of

THE AVIATION CORPORATION

Pursuant to Section 26 of the General Corporation Law
of the State of Delaware

"FOURTH: The total number of shares of all classes of stock which the corporation shall have authority to issue is Ten Million Five hundred thousand (10,500,000), of which Five hundred thousand (500,000) shares shall be shares of Preferred Stock without par value (hereinafter called 'Preferred Stock') and Ten Million (10,000,000) 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 designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations, or restrictions thereof of the classes of stock of the corporation which are fixed by the Certificate of Incorporation, and the express grant of authority to the Board of Directors of the corporation (herein referred to as the Board of Directors) to issue the Preferred Stock in series, and to fix by resolution or resolutions the designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations, or restrictions thereof, of the shares of Preferred Stock which are not fixed by the Certificate of Incorporation are as follows:

"1. Authority is hereby expressly granted to, and vested in the Board of Directors, at any time, and from time to time, to issue the Preferred Stock in one or more series, and, in connection with the creation of each such series, to fix by resolution or resolutions providing for the issue of shares thereof, the designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations, or restrictions thereof of such series to the full extent now or hereafter permitted by the laws of the State of Delaware in respect of the matters set forth in the following subdivisions (a) to (f), inclusive:

"(a) The designation of such series.

"(b) The dividend rate of such series, and the quarterly dates upon which dividends at the rates so fixed shall be payable on shares of such series.

"(c) The redemption price or prices per share of such series.

"(d) The amount per share of such series (in addition to unpaid and accumulated dividends thereon) payable upon the dissolution of, or upon any distribution of the assets of, the corporation.

"(e) The terms and amount of any sinking or purchase fund provided for the purchase or redemption of the shares of any series.

"(f) Whether or not the shares of such series shall be convertible into and exchangeable for shares of the Common Stock of the corporation, and, if made so convertible, or exchangeable, the conversion price or prices of the rates of exchange, and the adjustments, if any, at which and all other terms and conditions upon which such conversion or exchange may be made.

"2. The holders of the Preferred Stock of each series shall be entitled to receive, and the corporation shall be obligated to pay, when and as declared by the Board of Directors of the corporation out of funds legally available therefor, dividends payable quarterly at such rate per share per annum of such series, and no more, as shall be fixed by resolution of the Board of Direc-

tors as in this Article Fourth provided and expressed or set forth in the certificates representing shares of Preferred Stock of such series. Such dividends shall accrue from the quarterly payment date next preceding the date of the original issue of each such share of Preferred Stock, unless such share shall be issued on a quarterly dividend payment date, and in such case from said date. Such dividends on the Preferred Stock of each series shall be cumulative, and shall be payable before any dividends shall be paid upon or set apart for the Common Stock, so that if in any quarterly dividend period, dividends at the per annum rate determined as in this Article Fourth provided, shall not have been paid upon, or declared and set apart for, the Preferred Stock of each series, the deficiency shall be fully paid or set apart, but without interest, before any dividends shall be declared or paid upon the Common Stock. Dividends shall not be paid exclusively upon any one or more series of Preferred Stock, but dividends shall be paid ratably upon all outstanding Preferred Stock in the proportion to any one series that the annual dividend requirements of such series bear to the total annual dividend requirements of all outstanding Preferred Stock.

"3. So long as any of the Preferred Stock remains outstanding no dividend whatever shall be paid or declared, nor any distribution be made on any junior stock whether in cash, stock or otherwise, nor shall any shares of any junior stock be acquired for a consideration by the corporation, nor shall any moneys be paid or set aside or made available for the purchase or redemption of any such junior stock, unless all dividends on the Preferred Stock of all series for all past quarterly dividend periods shall have been paid, and for the current quarterly dividend period shall have been declared and paid or provided for, and after all payments have been made or set aside if any are required for any sinking fund or purchase fund for the retirement of the Preferred Stock.

"4. So long as any of the Preferred Stock remains outstanding no dividend whatsoever shall be declared nor any distribution made on any junior stock other than a dividend payable in junior stock, nor shall any shares of any junior stock be acquired for a consideration by the corporation, nor shall any moneys be paid or set aside or made available for the purchase or redemption of any such junior stock, except to the extent that the sum of the consolidated net earnings of the corporation and its subsidiaries as herein defined accumulated after November 30, 1944, plus \$2,800,000.00, plus the aggregate net proceeds of the issue or sale after November 30, 1944, of shares of any junior stock issued for cash, including the total par value of the shares of Common Stock issued upon conversion of shares of the Preferred Stock shall exceed the sum of:

"(a) The aggregate amount of dividends and other distributions paid or made on such junior stock subsequent to November 30, 1944 (exclusive of dividends payable in shares of junior stock); plus

"(b) The aggregate cost of all shares of any junior stock purchased or redeemed subsequent to November 30, 1944; plus

"(c) The aggregate amount of dividends paid or declared on the Preferred Stock;

provided that no shares of any junior stock shall be acquired for a consideration by the corporation unless the consolidated net tangible assets of the corporation and its subsidiaries will be at least equal to two hundred per cent (200%) of the sum of (a), the total par value of the shares of Preferred Stock then outstanding, or, if such shares have no par value then the preference on involuntary liquidation of such shares, and (b) the total par value of the outstanding shares of any class or classes of stock ranking prior to or on a parity with the Preferred Stock, or, if such shares have no par value, then the preference on involuntary liquidation of such shares.

"5. Subject to the provisions of Paragraphs 3 and 4 hereof, and not otherwise, such dividends, payable in cash or otherwise as may be determined by the Board of Directors, may be legally declared and paid on any junior stock from time to time out of the remaining assets or funds of the corporation legally available therefor, and the Preferred Stock shall not be entitled to participate in any such dividends.

"6. The holders of the Preferred Stock shall not be entitled to receive any dividends declared and paid in stock of the corporation.

"7. Upon at least thirty (30) days previous notice to the holders of record of the Preferred Stock to be redeemed, given by mail, postage prepaid, at their respective addresses as the same shall appear on the stock transfer records of the corporation, the corporation, by action of its Board of Directors, may redeem the whole of the Preferred Stock, or any series thereof, or any part of any series thereof, at any time (which time when so fixed in each case is hereinafter called the 'Redemption Date'), and at such price for shares of each series as may be determined by the Board of Directors pursuant to authority vested in it as in this Article Fourth provided (the price so determined for any series, plus dividends accumulated and unpaid thereon to the Redemption Date, being hereinafter called the 'Redemption Price' of such series). If less than all of the outstanding shares of Preferred Stock of any series subject to redemption are to be called for redemption, the shares to be redeemed may in the discretion of the Board be selected by lot or in such other manner as may be prescribed by the Board of Directors. From and after the date fixed in any such notice as the Redemption Date (unless default shall be made by the corporation in depositing moneys for the payment of the Redemption Price), all dividends on the Preferred Stock thereby called for redemption shall cease to accumulate, and upon deposit by the corporation in trust for the account of the holders of such stock called for redemption of the aggregate Redemption Price of the Preferred Stock so called for redemption, with a bank or trust company doing business in the Borough of Manhattan, in the City of New York, and having a capital and surplus of at least Five Million Dollars (\$5,000,000), all rights of the holders thereof as stockholders of the corporation shall cease and terminate except the right to receive the Redemption Price without interest from such bank or trust company, upon surrender of the certificates of stock to such bank or trust company, and except the right, if any, to convert such Preferred Stock into Common Stock of the corporation on or prior to a date ten (10) days before the Redemption Date at the conversion price determined by the Board of Directors pursuant to authority vested in it as in this Article Fourth provided. After the deposit of such amount with such bank or trust company, the respective holders of the Preferred Stock to be redeemed shall be entitled to receive the Redemption Price at any time on actual delivery to such bank or trust company of certificates for the number of shares to be redeemed, properly stamped for transfer (if required), and duly endorsed in blank or accompanied by proper instruments of assignment and transfer thereof, duly endorsed in blank. The moneys so deposited which shall not be required for such redemption because of the exercise of any right to convert such Preferred Stock subsequent to the date of such deposit, shall be repaid to the corporation forthwith. Any moneys so deposited which shall remain unclaimed by the holders of such Preferred Stock at the end of six years after the Redemption Date, together with any interest thereon, which shall be allowed by the bank or trust company with which the deposit shall have been made, shall be paid by such bank or trust company to the corporation, after which the holders of such Preferred Stock shall look only to the corporation for payment of the Redemption Price thereof (but without interest thereon). Preferred Stock so redeemed shall be cancelled and shall not be reissued.

"8. In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, the holders of the Preferred Stock of each series shall be entitled to receive such amount per share as may be determined by the Board of Directors for such series, plus an amount equal to the dividends unpaid and accumulated thereon, and no more, before any of the assets of the corporation shall be distributed among or paid over to the holders of the Common Stock. If, upon any such liquidation, dissolution, or winding up, the assets of the corporation, distributable as aforesaid, among the holders of the Preferred Stock of all series shall be insufficient to permit full payment to them of said amounts, then payment shall be made, first on account of the accrued and unpaid dividends on such Preferred Stock of all series, and then on account of the shares of Preferred Stock of all series ratably according to the total amounts which they shall be entitled to receive as hereinabove in this paragraph provided. After the payment in full of said amounts to the holders of the Preferred Stock of all series, the remaining assets and funds of the corporation shall be divided among and paid ratably to the holders of the Common Stock. A consolidation or merger of the corporation with any other corporation or corporations or a sale of all or substantially all the assets or business of the corporation shall not be deemed to be a liquidation, dissolution or winding up within the meaning of this clause.

"9. Anything herein, or in the By-Laws to the contrary notwithstanding, so long as any shares of the Preferred Stock of any series shall be outstanding the corporation shall not without the consent of the holders of at least two-thirds of the total number of shares of the Preferred Stock of all series then outstanding, expressed by vote in favor of a resolution duly adopted at any annual meeting of stockholders, or at a special meeting of the Preferred Stockholders called for said purpose, or if permitted by law, given in writing by the holders of at least two-thirds of the number of shares of Preferred Stock of all series at that time outstanding:

"(a) Increase the authorized amount of Preferred Stock or create or authorize any class of stock prior to or (other than a series of the Preferred Stock) on a parity with the Preferred Stock or any stock or obligation convertible into or evidencing the right to purchase any stock ranking prior to or on a parity with the Preferred Stock, unless the Preferred Stock then outstanding is to be fully redeemed and retired in connection therewith; or

"(b) Amend, change, or repeal any of the express terms of the Preferred Stock, or of any series thereof, in a manner prejudicial to the holders thereof, except, that if such amendment, change or repeal is prejudicial to the holders of one or more, but not to the holders of all of the series of Preferred Stock, then only the consent of the holders of two-thirds of the shares of such series so affected shall be required; or

"(c) Merge or consolidate with or into any other corporation unless the corporation resulting from such merger or consolidation will thereafter have no class of stock either authorized or outstanding ranking prior to or on a parity with the Preferred Stock, except the same number of shares with the same rights and preferences as the stock of the corporation authorized and outstanding immediately preceding such merger or consolidation, and unless each holder of the Preferred Stock immediately preceding such merger or consolidation shall receive the same number of shares with the same rights and preferences of the resulting corporation, unless the Preferred Stock is fully redeemed and retired in connection therewith; or

"(d) Sell, lease or otherwise convey (except to a subsidiary all of the capital stock of which, except shares necessary to qualify directors, is owned by the corporation) all or substantially all of its property or business, unless the Preferred Stock then outstanding is to be fully redeemed and retired in connection therewith; or

"(e) Issue or sell any shares of the Preferred Stock (other than an initial series of 300,000 shares of the Preferred Stock), or issue or sell any additional classes of stock ranking prior to or on a parity with the Preferred Stock, or any stock or obligation convertible into or evidencing the right to purchase any stock ranking prior to or on a parity with the Preferred Stock, unless the consolidated net tangible assets of the corporation and its subsidiaries will be at least equal to two hundred per cent (200%) of the sum of:

"(1) The principal amount of the then outstanding indebtedness for money borrowed of, or guaranteed by, the corporation and its subsidiaries; plus

"(2) The total par value of the shares of the Preferred Stock to be outstanding after giving effect to such transaction, or, if the Preferred Stock shall be without par value, the total preference on involuntary liquidation of all such shares, and the total par value or, if such stock has no par value, the preference on involuntary liquidation of all shares to be outstanding after giving effect to such transaction of all classes of stock of the corporation ranking prior to or on a parity with the Preferred Stock.

"10. Except as otherwise required by the statutes of the State of Delaware, and as in this Article Fourth otherwise provided, the holders of the Common Stock shall exclusively possess voting power for the election of directors and for all other purposes, and the holders of the Preferred Stock shall have no voting power; provided, however, that in case the corporation shall be in default in respect of the declaration and payment of full regular quarterly dividends on the Preferred Stock of any series for six quarterly dividend periods, then and in every such case the number of directors shall be two more than the number constituting the Board prior to such default, and the holders of the Preferred Stock of all series, until such default shall have been cured by the payment of dividends,

so that no accumulated dividends remain unpaid on the Preferred Stock of any series, shall have the right to elect two additional directors to represent the Preferred Stockholders as a class, voting separately as a class on such election; and the holders of the Common Stock, voting separately as a class, shall be entitled to elect the remaining directors. Upon the happening of any such default so entitling the Preferred Stockholders to elect directors representing them as a class, a meeting of the Preferred Stockholders for the election of such additional directors shall be held upon call by the holders of record of not less than one thousand (1,000) shares of the Preferred Stock, or upon call by the Secretary of the corporation, which shall be issued at the written request of the holders of record of not less than one thousand (1,000) shares of the Preferred Stock of the corporation. At any such meeting of the Preferred Stockholders, a majority of the shares of Preferred Stock then outstanding shall be required for a quorum. Whenever after any such default in the payment of dividends on the Preferred Stock of the corporation and the election of directors to represent Preferred Stockholders as a class, such default shall have been cured by the payment of dividends on the outstanding Preferred Stock so that no accumulated dividends remain unpaid on the Preferred Stock of any series, the term of office of the directors so elected to represent Preferred Stockholders as a class shall terminate at the next annual stockholders' meeting following the correction of such default, and subject, however, to being again revived upon any such subsequent failure of the corporation in respect of six quarterly dividend periods to declare and pay the accumulated dividends upon the Preferred Stock of any series, the right of Preferred Stockholders to elect directors representing Preferred Stockholders as a class shall terminate and the exclusive right to elect directors shall again be vested in the holders of the Common Stock of the corporation.

"11. In the event of any increase in the authorized capital stock of the corporation or the issuance from time to time hereafter of unissued stock of the present capitalization, or of any obligations convertible into stock of the corporation, the shares of such increased stock or of unissued stock of the present capitalization, or any such obligations convertible into stock, so to be issued, need not be offered in the first instance to stockholders of the corporation at the time when such increase becomes effective or when such issuance or sale of increased stock or of unissued stock of the present capitalization, or of obligations convertible into stock, is effected, in proportion to the number of shares of the capital stock of the corporation then held by them or at all, and such stockholders shall have no preemptive or preferential right of subscription to any shares of any stock of this corporation or to any obligations convertible into stock of the corporation issued or sold hereafter other than such rights, if any, as the Board of Directors of the corporation in its discretion from time to time may determine, and at such price as the Board of Directors from time to time may fix pursuant to the authority hereby conferred by the Certificate of Incorporation of the corporation. Any stock of the corporation of the present capitalization or any increased stock hereafter authorized, or any obligations convertible into stock, may be disposed of by the Board of Directors of the corporation at any time hereafter to such person or persons, for such price or other consideration, in such manner and on such terms and conditions as in their absolute judgment and discretion they may see fit, and the Board of Directors may also from time to time give and grant to any person or persons options to purchase all or any part of the authorized and unissued stock of the corporation at such time or times thereafter and for such prices or considerations and on such terms and conditions as in their sole judgment and discretion they may see fit. The acceptance of stock in the corporation by any stockholder shall be a waiver of any such preemptive or preferential right, which in the absence of this provision might otherwise be asserted by stockholders of the corporation or any of them.

"12. Notice of any regular or special meeting of the stockholders of the corporation, or of the holders of any class of the stock of the corporation, required or authorized by the Certificate of Incorporation, as amended, or by law, shall be mailed not less than ten days prior to the meeting of the stockholders entitled to vote thereat, of record as of a date fixed by the Board of Directors, and, unless some mandatory provision of law shall be controlling, no other or longer notice need be given of such meeting, and all holders of stock of the corporation by becoming such stockholders, waive to the extent permitted by law, any right to any other or longer notice.

"13. The corporation may from time to time issue and dispose of any of the authorized and unissued shares of Preferred Stock, for such consideration as may be fixed from time to time by the Board of Directors, or of Common Stock for such consideration at not less than its par value, as may be fixed, from time to time, by the Board of Directors, without action by the stockholders and may provide for payment therefor to be received by the corporation in cash, property, or services. Any and all such shares of the Preferred or Common Stock of the corporation, the issuance of which has been so authorized, and for which the consideration so fixed by the Board of Directors has been paid or delivered, shall be deemed fully paid stock, and shall not be liable to any further call or assessment thereon.

"14. As used herein the following terms shall be deemed to have the meaning specified below:

"The term 'consolidated net earnings' whenever used with reference to the Preferred Stock shall mean the consolidated net earnings of the corporation and its subsidiaries (as herein defined) determined in accordance with generally accepted accounting practice.

"The term 'consolidated net tangible assets' when used herein shall mean the total of all assets of the corporation and its subsidiaries (as herein defined), as shown by a consolidated balance sheet, prepared in accordance with generally accepted accounting practice, as of a date not more than ninety (90) days prior to the date of the proposed transaction in connection with which the computation is made, less the sum of (a) the amount of intangible assets shown on such consolidated balance sheet such as good-will, trademarks, trade names and patents, (b) current liabilities, other than current liabilities representing indebtedness for money borrowed, (c) any reserves carried by the corporation and such subsidiaries other than reserves deducted from assets, reserves included in current liabilities, and reserves for post-war readjustment and other contingent expenditures within the control of the corporation and such subsidiaries, and (d) minority interests, if any, in such subsidiaries, adjusted in respect of the deductions in (a), (b) and (c) next above. In computing consolidated net tangible assets, adjustment shall be made to reflect the receipt of the net proceeds by the corporation or such subsidiaries of any indebtedness or stock in connection with the proposed creation, issuance or guarantee of which the computation is made; and securities carried as investments by the corporation or any such subsidiary shall be stated at a value based upon market quotations or, in the case of investments having no quoted market values, the fair value thereof determined by the Board of Directors.

"The term 'subsidiaries' shall mean corporations (other than New York Shipbuilding Corporation so long as less than 50% of the equity stock of said company is owned by the corporation) the majority of the shares of stock of which at the time outstanding having voting power for the election of directors, either at all times or only so long as no senior class of stock has such voting power because of default in dividends or because of the existence of some other default, is owned directly or indirectly by the corporation and/or one or more of its other subsidiaries.

"The terms 'junior stock' and 'stock ranking junior to the Preferred Stock', whenever used herein with respect to the Preferred Stock, shall mean stock (as the same may exist from time to time) not entitled to receive any dividends until all dividends accrued have been paid or declared on the Preferred Stock, and also not entitled to receive any assets upon liquidation, dissolution or winding up until the Preferred Stock shall have received the entire amount to which it is entitled upon liquidation, dissolution or winding up.

"The certificate of any independent firm of public accountants of recognized standing, elected by the Board of Directors, shall be conclusive evidence of the correctness of any computation made hereunder."

"15. Each share of the Capital Stock of the corporation outstanding on the effective date of the amendment of this Article Fourth to read as hereinbefore set forth, shall be deemed thereby to have been converted and changed into and shall thereafter be a share of the Common Stock of the Corporation."

EXHIBIT B

ARTHUR YOUNG & COMPANY

ACCOUNTANTS AND AUDITORS

1 CEDAR STREET

NEW YORK 5, N. Y.

CERTIFICATE OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders

THE AVIATION CORPORATION:

We have examined the balance sheets of THE AVIATION CORPORATION and of THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES at November 30, 1944, the statement of investments at that date and the statements of income, surplus and supplementary profit and loss information for the three years ended that date. In connection therewith, we reviewed the system of internal control and the accounting procedures of the Companies and, without making a detailed audit of the transactions, examined or tested accounting records of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to confirm receivables from the U. S. Government, as to the substantial accuracy of which we satisfied ourselves by other means. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, subject to the adequacy of the provision for renegotiation refund for the year ended November 30, 1944, the status of which is set forth in Note 11, the above described financial statements present fairly the position of The Aviation Corporation and of The Aviation Corporation and Consolidated Subsidiaries at November 30, 1944 and the results of their operations for the three years ended that date, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

New York, N. Y.
September 28, 1945.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

At November 30, 1944

ASSETS

	<u>The Aviation Corporation</u>	<u>The Aviation Corporation and Consolidated Subsidiaries</u>
CURRENT ASSETS:		
Cash on hand and demand deposits.....	\$ 8,912,481	\$10,458,746
Cash in special bank account (use restricted to a certain U. S. Government subcontract)	\$ 1,029,681	\$ 1,029,681
Accounts receivable (Note 1):		
U. S. Government.....	\$ 2,066,684	\$ 3,443,339
Other trade accounts.....	1,845,426	1,929,511
Due from consolidated subsidiary.....	34,209	—
	<u>\$ 3,946,319</u>	<u>\$ 5,372,850</u>
Less: Reserve for doubtful accounts.....	116,612	116,612
	<u>\$ 3,829,707</u>	<u>\$ 5,256,238</u>
Inventories—materials and parts, work in process, finished product and supplies (Note 2).....	\$ 3,499,929	\$ 3,985,014
Less: Reserve	21,258	21,258
	<u>\$ 3,478,671</u>	<u>\$ 3,963,756</u>
Total current assets.....	<u>\$17,250,540</u>	<u>\$20,708,421</u>
INVESTMENTS:		
Securities of consolidated subsidiaries, at cost (Note 3).....	\$ 405,750	\$ —
Notes receivable from consolidated subsidiary.....	2,380,712	—
	<u>\$ 2,786,462</u>	<u>\$ —</u>
Less: Reserve (Note 3).....	1,227,231	—
	<u>\$ 1,559,231</u>	<u>\$ —</u>
Securities of subsidiaries not consolidated (value based on market quotations at November 30, 1944—\$11,093,377) (see accompanying statement for details) (Notes 4, 5 and 6).....	8,586,566	8,586,566
Other security investments (value based on market quotations at November 30, 1944—\$17,532,199) (see accompanying statement for details) (Notes 5 and 6).....	3,200,044	3,200,044
	<u>\$13,345,841</u>	<u>\$11,786,610</u>
OTHER ASSETS:		
Accounts receivable from U. S. Government (1944 to 1947) for emergency plant facilities (of which \$562,383 is assigned as security to 2½% installment note payable).....	\$ 748,176	\$ 748,176
Post-war refund of excess profits tax.....	362,143	684,143
Miscellaneous non-current notes and accounts receivable (Note 7).....	287,116	287,116
	<u>\$ 1,397,435</u>	<u>\$ 1,719,435</u>
PROPERTY, PLANT AND EQUIPMENT, AT COST (Note 8).....	\$ 3,053,389	\$ 3,695,651
Less: Reserves for depreciation and amortization (Note 8).....	1,613,899	1,987,688
	<u>\$ 1,439,490</u>	<u>\$ 1,707,963</u>
DEFERRED CHARGES (prepaid taxes, insurance, etc.).....	\$ 97,311	\$ 127,633
	<u>\$33,530,617</u>	<u>\$36,050,062</u>

Reference is made to the accompanying notes.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS

At November 30, 1944

LIABILITIES, CAPITAL STOCK AND SURPLUS

	<u>The Aviation Corporation</u>	<u>The Aviation Corporation and Consolidated Subsidiaries</u>
CURRENT LIABILITIES:		
Accounts payable—trade	\$ 1,109,725	\$ 1,275,954
Dividend payable December 26, 1944.....	\$ 579,351	\$ 579,351
Note payable to consolidated subsidiary.....	\$ 1,000	\$ —
Liability for renegotiation refund—year ended November 30, 1943 (Note 10)	\$ 358,550	\$ 478,550
Provision for renegotiation refund—year ended November 30, 1944 (Note 11)	\$ 1,100,000	\$ 4,300,000
Federal income and excess profits taxes (Note 12).....	4,699,991	6,534,106
	<u>\$ 5,799,991</u>	<u>\$10,834,106</u>
Less: U. S. Treasury Tax Notes, at cost plus accrued interest.....	5,248,877	8,871,897
	<u>\$ 551,114</u>	<u>\$ 1,962,209</u>
Accrued liabilities:		
Salaries and wages.....	\$ 482,823	\$ 651,244
Taxes, other than Federal income and excess profits taxes.....	568,556	743,353
Miscellaneous	99,422	179,325
	<u>\$ 1,150,801</u>	<u>\$ 1,573,922</u>
Customer's deposit	\$ 1,202,713	\$ 1,202,713
Total current liabilities	<u>\$ 4,953,254</u>	<u>\$ 7,072,699</u>
FUNDED DEBT:		
2½% Installment Note payable to bank (1944 to 1946) (secured by account receivable from U. S. Government for emergency plant facilities)	\$ 562,383	\$ 562,383
RESERVE FOR POST-WAR READJUSTMENT (Note 13)	<u>\$ 1,600,000</u>	<u>\$ 2,000,000</u>
CAPITAL STOCK, PAR VALUE \$3 PER SHARE:		
Authorized —7,500,000 shares		
Issued and outstanding—5,793,513 shares.....	<u>\$17,380,539</u>	<u>\$17,380,539</u>
SURPLUS (per accompanying statement):		
Capital surplus (paid-in).....	\$ 6,147,473	\$ 6,147,473
Earned surplus since December 31, 1932 (Note 11).....	2,886,968	2,886,968
	<u>\$ 9,034,441</u>	<u>\$ 9,034,441</u>
	<u>\$33,530,617</u>	<u>\$36,050,062</u>

Reference is made to the accompanying notes.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

**STATEMENT OF INVESTMENTS IN SECURITIES OF SUBSIDIARIES
NOT CONSOLIDATED AND OTHER SECURITY INVESTMENTS**

At November 30, 1944

Name of issuer and title of issue	Number of shares of stock	Per cent of total issue	Amount at which carried in balance sheets (Note 6)	Value based on market quotations at Nov. 30, 1944 (Note 5)
SECURITIES OF SUBSIDIARIES NOT CONSOLIDATED:				
Consolidated Vultee Aircraft Corporation:				
Common stock, par value \$1 per share....	410,417	29.61	\$ 5,299,014	\$ 6,823,183
American Central Manufacturing Corporation:				
Common stock, par value \$1 per share....	213,262	60.83	817,596	2,559,144
New York Shipbuilding Corporation:				
Founders stock, par value \$1 per share....	103,700	59.26(a)	2,469,956	1,711,050
			<u>\$ 8,586,566</u>	<u>\$11,093,377</u>
			(Note 4)	
OTHER SECURITY INVESTMENTS:				
American Airlines, Inc.:				
Common stock, par value \$10 per share..	143,769(b)	24.08	\$ 1,797,113	\$11,501,520
Pan American Airways Corporation:				
Common stock, par value \$5 per share....	183,477(c)	9.20	1,360,131	5,848,329
Roosevelt Field, Inc.:				
Common stock, par value \$5 per share....	60,000	19.96	30,000	180,000
Miscellaneous			12,800	2,350
			<u>\$ 3,200,044</u>	<u>\$17,532,199</u>
			<u>\$11,786,610</u>	<u>\$28,625,576</u>

(a) The Corporation owns 59.26% of the founders stock (voting) of New York Shipbuilding Corporation but only 20.74% of the total of founders stock and participating stock. On the basis of the number of shares of each class now outstanding, the participating and founders stock have equal rights on a share for share basis in respect of dividends and assets although the participating stock has no voting rights.

(b) In December 1944 the American Airlines, Inc. common stock was split two-for-one, the Corporation receiving 287,538 shares of \$5 par value stock in exchange for 143,769 shares of \$10 par value stock. The Corporation's investment in American Airlines, Inc. common stock has, with the approval of the Civil Aeronautics Board, been deposited with a trustee under a trust agreement which does not permit such stock to be voted but which imposes no restrictions on the receipt of dividends or the Corporation's right to sell such stock. The Civil Aeronautics Board is now conducting an investigation on its own initiative for the purpose of ascertaining whether the ownership of the aforesaid American Airlines, Inc. stock by the Corporation constitutes control thereof and, if so, whether such control is consistent with the public interest.

(c) In February 1945 the Pan American Airways Corporation common stock was split two-for-one, the Corporation receiving 366,954 shares of \$2.50 par value stock in exchange for 183,477 shares of \$5 par value stock.

Reference is made to the accompanying notes.

THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF INCOME

For the Three Years Ended November 30, 1944

	<u>Year ended</u> <u>Nov. 30, 1942</u>	<u>Year ended</u> <u>Nov. 30, 1943</u>	<u>Year ended</u> <u>Nov. 30, 1944</u>
GROSS SALES, LESS DISCOUNTS, RETURNS, ALLOWANCES AND PROVISION FOR RENEGOTIATION REFUNDS (Notes 10, 11 and 16).....	\$42,028,155	\$68,436,010	\$61,259,997
COST OF GOODS SOLD (Note 2).....	34,086,075	58,243,794	50,075,340
GROSS PROFIT ON SALES.....	<u>\$ 7,942,080</u>	<u>\$10,192,216</u>	<u>\$11,184,657</u>
EXPENSES:			
Selling, advertising and service.....	\$ 359,528	\$ 896,928	\$ 840,693
General and administrative.....	1,318,337	1,473,825	1,491,584
Federal capital stock and State corporate taxes.....	257,200	489,793	383,365
Provision for doubtful accounts.....	24,223	26,720	53,040
	<u>\$ 1,959,288</u>	<u>\$ 2,887,266</u>	<u>\$ 2,768,682</u>
	<u>\$ 5,982,792</u>	<u>\$ 7,304,950</u>	<u>\$ 8,415,975</u>
OTHER INCOME:			
Dividends received (in cash):			
On securities of subsidiaries not consolidated (Note 4).....	\$ 901,238	\$ 1,067,468	\$ 1,259,891
On other security investments (Note 17).....	484,391	399,130	414,131
	<u>\$ 1,385,629</u>	<u>\$ 1,466,598</u>	<u>\$ 1,674,022</u>
Interest earned	35,867	48,345	88,910
Profit on disposal of property, plant and equipment.....	2,188	13,416	25,375
Miscellaneous	94,544	12,762	37,784
	<u>\$ 1,518,228</u>	<u>\$ 1,541,121</u>	<u>\$ 1,826,091</u>
	<u>\$ 7,501,020</u>	<u>\$ 8,846,071</u>	<u>\$10,242,066</u>
INCOME DEDUCTIONS:			
Amortization of goodwill (Note 9).....	\$ 294,343	\$ 294,343	\$ 294,343
Interest paid	65,494	146,317	141,216
Miscellaneous	35,443	71,471	328
	<u>\$ 395,280</u>	<u>\$ 512,131</u>	<u>\$ 435,887</u>
	<u>\$ 7,105,740</u>	<u>\$ 8,333,940</u>	<u>\$ 9,806,179</u>
EXTRAORDINARY PROFIT ON SALE OF SECURITIES (Note 18).....	1,318,154	—	—
	<u>\$ 8,423,894</u>	<u>\$ 8,333,940</u>	<u>\$ 9,806,179</u>
PROVISION FOR FEDERAL INCOME AND EXCESS PROFITS TAXES (Note 12):			
Excess profits tax.....	\$ 2,290,032	\$ 4,013,053	\$ 5,555,000
Less:			
Post-war refund	114,838	399,305	170,000
Debt retirement credit.....	—	—	385,000
	<u>\$ 2,175,194</u>	<u>\$ 3,613,748</u>	<u>\$ 5,000,000</u>
Normal income tax and surtax.....	1,655,125	1,250,000	1,100,000
	<u>\$ 3,830,319</u>	<u>\$ 4,863,748</u>	<u>\$ 6,100,000</u>
INCOME BEFORE PROVISION FOR POST-WAR READJUSTMENT.....	\$ 4,593,575	\$ 3,470,192	\$ 3,706,179
PROVISION FOR POST-WAR READJUSTMENT (Note 13).....	600,000	800,000	600,000
NET INCOME (Notes 10, 11 and 16).....	<u>\$ 3,993,575</u>	<u>\$ 2,670,192</u>	<u>\$ 3,106,179</u>

Reference is made to the accompanying notes and statement of supplementary profit and loss information.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENT OF SURPLUS
For the Three Years Ended November 30, 1944

CAPITAL SURPLUS (paid-in):

Balance, November 30, 1941.....	\$ 6,147,473
No change during three years ended November 30, 1944.....	—
	\$ 6,147,473
Balance, November 30, 1944.....	\$ 6,147,473

EARNED SURPLUS SINCE DECEMBER 31, 1932:

Balance, November 30, 1941 (deficit).....	\$(3,120,018)
Add: Net income for year ended November 30, 1942 (see statement of income).....	3,993,575
	\$ 873,557
Less: Dividends (25¢ per share in cash).....	1,445,555
	\$ (571,998)
Balance, November 30, 1942 (deficit).....	\$ (571,998)
Add: Net income for year ended November 30, 1943 (see statement of income).....	2,670,192
	\$ 2,098,194
Less: Dividends (20¢ per share in cash).....	1,158,702
	\$ 939,492
Balance, November 30, 1943.....	\$ 939,492
Add: Net income for year ended November 30, 1944 (see statement of income).....	3,106,179
	\$ 4,045,671
Less: Dividends (20¢ per share in cash).....	1,158,703
	\$ 2,886,968
Balance, November 30, 1944 (Note 11).....	\$ 2,886,968

Reference is made to the accompanying notes.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Accounts receivable include war contract termination claims as follows:

The Aviation Corporation	\$376,866
The Aviation Corporation and Consolidated Subsidiaries	631,681(*)

(*) After deduction of \$1,056,968 partial payments received.

All of such claims have been settled since November 30, 1944 for substantially the amount at which carried at that date.

NOTE 2:

Inventories are stated at November 30, 1944 at the lower of average cost or realizable market (the latter largely based on estimated results of contracts in process) after allowance for obsolete and slow moving items. The same basis was followed during each of the three years ended November 30, 1944 except that (a) patterns, dies, jigs and special tools, which were classified as property, plant and equipment during the year ended November 30, 1942 were thereafter included in inventories, the unamortized cost of such patterns, dies, jigs and special tools being chargeable in full to specific contracts in process (this change in treatment had no effect on net income) and (b) certain overhead expenses included in inventory costs at November 30, 1943 and prior thereto were excluded from inventory costs at November 30, 1944 (this change in treatment had no material effect on net income).

Inventories have been used as an element in the computation of cost of goods sold. The inventory balances, after deduction of reserves, at the beginning and end of each of the three years ended November 30, 1944 were as follows:

	<u>The Aviation Corporation</u>	<u>The Aviation Corporation and Consolidated Subsidiaries</u>
At November 30, 1941.....	\$5,019,267	\$ 5,019,267
At November 30, 1942.....	7,212,713	9,722,818
At November 30, 1943.....	9,259,870	12,096,489
At November 30, 1944.....	3,478,671	3,963,756

NOTE 3:

It has been the consistent practice during the three years ended November 30, 1944 to include in consolidation only subsidiaries which are wholly-owned by the Corporation, such consolidated subsidiaries being as follows:

American Propeller Corporation

Republic Aircraft Products Corporation (inactive)

Aviation Manufacturing Corporation (inactive from December 1, 1941 to December 8, 1941, date of dissolution)

The Corporation has followed the practice of recording in its income account, as a separate item, the current earnings or losses of its consolidated subsidiaries. As a result of this practice, the securities and indebtedness of consolidated subsidiaries (after deduction of reserve of \$1,227,231 equivalent to the accumulated net loss of American Propeller Corporation from date of organization in 1931 to November 30, 1944) are carried on the Corporation's books at an amount equal to the Corporation's equity in the net assets of such subsidiaries based on the books of the latter.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 4:

The Corporation's equity in the net assets of its subsidiaries not consolidated, based on the books of the latter, in comparison with the amounts at which its investments in such subsidiaries are carried on the Corporation's books, is shown in the following summary:

	Equity in net assets	Amount at which investment is carried on the Corporation's books	Excess of equity over amount at which carried
AT NOVEMBER 30, 1944:			
Consolidated Vultee Aircraft Corporation.....	\$10,437,311(c)	\$5,299,014	\$5,138,297
American Central Manufacturing Corporation.....	1,344,334(e)	817,596	526,738
AT DECEMBER 31, 1944:			
New York Shipbuilding Corporation.....	3,042,789(d)	2,469,956	572,833
	<u>\$14,824,434(a)</u>	<u>\$8,586,566</u>	<u>\$6,237,868</u>

The Corporation's equity in the net earnings of its subsidiaries not consolidated, based on the books of the latter, in comparison with dividends received by the Corporation from such subsidiaries, is shown in the following summary:

	Equity in net earnings(*)	Dividends received	Equity in undistributed net earnings
YEAR ENDED NOVEMBER 30, 1942:			
Vultee Aircraft, Inc. (merged into Consolidated Vultee Aircraft Corporation in March 1943).....	\$1,740,537(e)	\$ 456,019	\$1,284,518
American Central Manufacturing Corporation.....	172,085(e)	136,819	35,266
YEAR ENDED DECEMBER 31, 1942:			
New York Shipbuilding Corporation.....	625,561(e)	308,400	317,161
	<u>\$2,538,183(b)</u>	<u>\$ 901,238</u>	<u>\$1,636,945</u>
YEAR ENDED NOVEMBER 30, 1943:			
Consolidated Vultee Aircraft Corporation.....	\$3,254,813(e)	\$ 615,626	\$2,639,187
American Central Manufacturing Corporation.....	203,352(e)	142,092	61,260
YEAR ENDED DECEMBER 31, 1943:			
New York Shipbuilding Corporation.....	942,858(e)	309,750	633,108
	<u>\$4,401,023(b)</u>	<u>\$1,067,468</u>	<u>\$3,333,555</u>
YEAR ENDED NOVEMBER 30, 1944:			
Consolidated Vultee Aircraft Corporation.....	\$2,891,782(c)	\$ 820,834	\$2,070,948
American Central Manufacturing Corporation.....	240,590(e)	127,957	112,633
YEAR ENDED DECEMBER 31, 1944:			
New York Shipbuilding Corporation.....	686,693(d)	311,100	375,593
	<u>\$3,819,065(b)</u>	<u>\$1,259,891</u>	<u>\$2,559,174</u>

(*) Substantially all of the net earnings of subsidiaries not consolidated for the three years ended November 30, 1944, have resulted from war business. Substantially all of the war contracts of American Central Manufacturing Corporation were terminated for the convenience of the U. S. Government during the summer of 1945. In the case of Consolidated Vultee Aircraft Corporation and New York Shipbuilding Corporation similar terminations, while not so drastic, were nevertheless substantial.

(a) After deduction of reserves for post-war readjustment of which the amounts applicable to the Corporation's equity in these companies were as follows:

Consolidated Vultee Aircraft Corporation.....	\$5,626,430
American Central Manufacturing Corporation.....	240,580
	<u>\$5,867,010</u>

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 4 (Continued):

(b) After deduction of provisions for post-war readjustment of which the amounts applicable to the Corporation's equity in these companies were as follows:

Year ended November 30, 1942:		
Vultee Aircraft, Inc.....	\$1,288,023	
American Central Manufacturing Corporation.....	53,296	
	<u>\$1,341,319</u>	
Year ended November 30, 1943:		
Consolidated Vultee Aircraft Corporation.....	\$2,013,670	
American Central Manufacturing Corporation.....	59,438	
	<u>\$2,073,108</u>	
Year ended November 30, 1944:		
Consolidated Vultee Aircraft Corporation.....	\$1,924,831	
American Central Manufacturing Corporation.....	120,290	
	<u>\$2,045,121</u>	

(c) After provision for renegotiation for the year ended November 30, 1944 on basis proposed by the Price Adjustment Board but not accepted by the Company.

(d) After provision for renegotiation for the year 1944 estimated on the basis of the renegotiation settlement for the year 1943.

(e) After provision for renegotiation on basis agreed upon with the Price Adjustment Board.

NOTE 5:

Unrealized appreciation, based on market quotations (which are not necessarily the amounts realizable on immediate sale) without reduction for Federal income taxes which would be payable in the event of sale, was as follows at the beginning and end of each of the three years ended November 30, 1944:

	Investments in securities of subsidiaries not consolidated	Other security investments	<u>Total</u>
At November 30, 1941.....	\$4,451,503	\$10,158,606	\$14,610,109
At November 30, 1942.....	1,060,465	8,175,099	9,235,564
At November 30, 1943.....	(2,398,969)	10,632,341	8,233,372
At November 30, 1944.....	2,506,811	14,332,155	16,838,966

Substantial increases in the market quotations for the Corporation's investments have occurred since November 30, 1944.

NOTE 6:

The Corporation's investments in securities of subsidiaries not consolidated and other security investments are carried in its accounts on the following bases:

Investments in securities of subsidiaries not consolidated:

Consolidated Vultee Aircraft Corporation common stock:

202,500 shares—at \$1,373,319 representing the book value of the net assets of the Vultee Aircraft Division of Aviation Manufacturing Corporation at October 31, 1939, date as of which this division was sold to Vultee Aircraft, Inc. in exchange for 450,000 shares of Vultee Aircraft, Inc. common stock. Such 450,000 shares of Vultee Aircraft, Inc. common stock were exchanged for 202,500 shares of Consolidated Vultee Aircraft Corporation common stock on merger of Vultee Aircraft, Inc. into Consolidated Aircraft Corporation in March 1943.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 6 (Continued):

135,976 shares—at \$2,341,800 representing the sales price, as recommended by independent engineers, of the net assets of the Stinson Aircraft and Barkley-Grow Aircraft Divisions of Aviation Manufacturing Corporation at August 7, 1940, date as of which these divisions were sold to Vultee Aircraft, Inc. in exchange for 302,168 shares of Vultee Aircraft, Inc. common stock. The amount of \$407,561, by which the above-mentioned sales price exceeded the book value of the net assets sold, was credited to earned surplus in 1940. Such 302,168 shares of Vultee Aircraft, Inc. common stock were exchanged for 135,976 shares of Consolidated Vultee Aircraft Corporation common stock on merger of Vultee Aircraft, Inc. into Consolidated Aircraft Corporation in March 1943.

71,941 shares—at \$1,583,895 representing cash cost of 159,870 shares of Vultee Aircraft, Inc. common stock exchanged for 71,941 shares of Consolidated Vultee Aircraft Corporation common stock on merger of Vultee Aircraft, Inc. into Consolidated Aircraft Corporation in March 1943.

New York Shipbuilding Corporation founders stock—at cost.

American Central Manufacturing Corporation common stock—at cost.

Other security investments:

American Airlines, Inc. common stock—at cost.

Pan American Airways Corporation common stock—at valuation determined by Board of Directors at December 31, 1932 plus subsequent additions at cost (total cost \$3,406,503).

Roosevelt Field, Inc. common stock—at valuation determined by Board of Directors at December 31, 1932 (cost \$745,000).

Miscellaneous—at cost.

NOTE 7:

Miscellaneous non-current notes and accounts receivable include a note receivable of \$250,000 and an account receivable of \$15,116 from Mr. T. M. Girdler, who was at November 30, 1944 an officer of Consolidated Vultee Aircraft Corporation, a subsidiary not consolidated. The note is dated September 10, 1942, is due on or before September 10, 1947 and bears interest at 3% per annum. The Corporation holds, as collateral, insurance policies in the face amount of \$300,000 on the life of Mr. T. M. Girdler, which policies had a cash surrender value of approximately \$98,000 at November 30, 1944.

NOTE 8:

Property, plant and equipment include emergency facilities acquired for use in performing war contracts and covered by "necessity certificates" issued by the U. S. War or Navy Departments, the amount of such facilities and the reserve for amortization thereof being as follows at November 30, 1944:

	<u>The Aviation Corporation</u>	<u>The Aviation Corporation and Consolidated Subsidiaries</u>
Emergency facilities	\$1,710,266	\$2,218,454
Reserve for amortization thereof.....	980,363	1,310,865

A material portion of the plant facilities used by the Corporation and American Propeller Corporation in performing war contracts is leased from the U. S. Government.

Depreciation and amortization of property, plant and equipment are provided on the "straight-line" basis over the estimated useful lives of the various classes of depreciable assets. The annual rates used during the three years ended November 30, 1944 for the principal asset classifications were as follows:

Buildings	4% to 6-2/3%
Machinery and equipment.....	8% to 16-2/3%
Airplanes used for transportation purposes.....	25%
Furniture and equipment.....	10% to 20%
Emergency facilities covered by "necessity certificates"	20%

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 8 (Continued):

Patterns, dies, jigs and special tools which were classified as property, plant and equipment during the year ended November 30, 1942 (and thereafter included in inventories) were amortized on the basis of out-put of products for which such items were used.

The Corporation and American Propeller Corporation follow the policy of capitalizing expenditures for expansion of plant facilities and also expenditures which materially increase the life of the plant. Expenditures for maintenance and repairs are charged to income as incurred.

At the time an item of property, plant or equipment is sold or retired, the reserves for depreciation and amortization are charged with accrued depreciation or amortization applicable to such item and the difference between the net book value and proceeds from sale or retirement is charged or credited to income.

NOTE 9:

Amortization of intangibles has been provided during the three years ended November 30, 1944 as follows:

The goodwill arising from the acquisition in 1940 of the assets and business of Republic Aircraft Products Corporation was completely amortized by November 30, 1944 by charges to income of \$220,758 during the year ended November 30, 1941 and of \$294,343 in each of the three years ended November 30, 1944.

The unamortized balance of patents and licenses carried on the Corporation's books at November 30, 1941 in the amount of \$12,016 was completely amortized by charge to income during the year ended November 30, 1942. Expenditures in connection with patents and patent applications during the three years ended November 30, 1944 have not been material in amount and have been charged directly to income as incurred.

The trade name "Lycoming" carried on the Corporation's books at November 30, 1941 at \$25,000 was written off by charge to income during the year ended November 30, 1942.

NOTE 10:

Renegotiation for the year ended November 30, 1943 and prior years has been settled. The adjustments required as a result thereof, which were charged to earned surplus in the accounts of the Corporation and Consolidated Subsidiaries, have been applied in the accompanying financial statements as reductions of the income of the years to which applicable with the result that the net income shown in the accompanying statement of income differs from that previously reported as indicated in the following reconciliation:

	<u>Year ended Nov. 30, 1942</u>	<u>Year ended Nov. 30, 1943</u>
Net income previously reported.....	\$4,723,894	\$3,519,437
<i>Deduct:</i>		
Adjustment resulting from renegotiation:		
Reduction in net sales.....	\$3,400,000	\$4,185,497
<i>Less:</i> Provision for Federal income and excess profits taxes applicable thereto (less reduction in applicable post-war refund of excess profits tax)	2,669,681	3,336,252
	<u>\$ 730,319</u>	<u>\$ 849,245</u>
Net income now reported.....	<u>\$3,993,575</u>	<u>\$2,670,192</u>

NOTE 11:

Provision has been made, by reduction of sales for the year ended November 30, 1944, for a gross renegotiation refund of \$4,300,000. Renegotiation proceedings for such year have been started but no indication has yet been given by the Price Adjustment Board as to the amount of refund which may result from such proceedings. If a refund were required on the same general basis as the settlement for the preceding year, the net income (after taxes) for the year ended November 30, 1944 and the earned surplus at November 30, 1944 would be reduced by approximately \$300,000. It is the opinion of the Corporation's officers that, because of price reductions and production accomplishments, no refund in excess of the amount provided should be required.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 12:

The provision for Federal income and excess profits taxes is believed to be adequate but the liability therefor for the three years ended November 30, 1944 is subject to final determination with the Treasury Department

NOTE 13:

The reserve for post-war readjustment was created by the management as a provision for cost of transition from wartime to peacetime operations.

NOTE 14:

The Corporation and American Propeller Corporation had no outstanding indebtedness at November 30, 1944 under Regulation "V" loan agreements which provide revolving credits until April 1, 1946 of not to exceed \$8,000,000 in the case of the Corporation and \$4,000,000 in the case of American Propeller Corporation. Under the terms of the loan agreements, the Corporation agreed, among other things, not to declare or pay dividends (unless payable in capital stock of the Corporation) in any fiscal year in excess of 50% of the consolidated net income for such fiscal year. The loan agreements were, however, voluntarily terminated by the Corporation and American Propeller Corporation on June 11, 1945 and the above-mentioned dividend restriction is no longer effective.

NOTE 15:

There are no suits or claims pending which, in the opinion of counsel, will result in any material loss or expense to the Corporation or its consolidated subsidiaries.

The Corporation has guaranteed the performance by its consolidated subsidiary, American Propeller Corporation, of the latter's obligations under its Regulation "V" loan agreement (see Note 14), war production contracts and Defense Plant Corporation lease agreement.

NOTE 16:

Substantially all of the sales and net income of the Corporation and Consolidated Subsidiaries during the three years ended November 30, 1944 have resulted from war business. Substantially all of the war contracts of the Corporation and Consolidated Subsidiaries were terminated for the convenience of the U. S. Government in the summer of 1945.

NOTE 17:

Dividends received on "other security investments" consisted of the following:

	Year ended Nov. 30, 1942	Year ended Nov. 30, 1943	Year ended Nov. 30, 1944
On American Airlines, Inc. common stock.....	\$290,654	\$215,653	\$215,654
On Pan American Airways Corporation common stock..	178,477	183,477	183,477
On Roosevelt Field, Inc. common stock.....	15,000	—	15,000
Miscellaneous	260	—	—
	<u>\$484,391</u>	<u>\$399,130</u>	<u>\$414,131</u>

NOTE 18:

The extraordinary profit on sale of securities during the year ended November 30, 1942 is comprised as follows:

Profit on sale of 50,000 shares of American Airlines, Inc. common stock.....	\$1,250,000
Profit on sale of miscellaneous securities.....	68,154
	<u>\$1,318,154</u>

The cost of such securities was determined by the "specific certificate" method. Substantially the same profit would have resulted if the "average cost" method had been used.

THE AVIATION CORPORATION
and
THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS—(Continued)

NOTE 19:

On April 5, 1943 an officer of the Corporation purchased, by exercise of an option previously granted, 11,291 shares of the Corporation's capital stock (previously held in treasury) at \$3 per share in cash, or an aggregate of \$33,873. The average quoted market value of such shares on April 5, 1943 was \$5.375 per share, or an aggregate of \$60,689, which is \$26,816 in excess of the option price. No charge has been made to income in respect of this transaction.

NOTE 20:

On December 28, 1944 the Directors authorized, and on March 27, 1945 the Corporation's stockholders approved, the reservation of 375,000 shares of the Corporation's authorized and unissued common stock to be optioned for sale to officers and supervisory executives of the Corporation to provide a continuing incentive for faithful service and employment, the shares reserved for options to be allocated by a committee consisting of Directors of the Corporation not connected with the management and not eligible to receive options upon the Corporation's stock. Under this reservation options were granted on December 28, 1944 to purchase 75,000 shares at \$5.75 per share (being \$.25 per share above the quoted market price on date granted) and on May 8, 1945 to purchase 214,000 shares at \$6.375 per share (being \$.125 per share above the quoted market price on date granted). The option granted December 28, 1944 expires December 28, 1947 and may be exercised or disposed of on or after October 1, 1945 with respect to 1/3 of the optioned stock, on or after January 1, 1946 with respect to an additional 1/3 of the optioned stock and on or after January 1, 1947 with respect to the balance of the optioned stock. The options granted May 8, 1945 expire May 8, 1948 and may be exercised or disposed of on or after November 8, 1945 with respect to 1/3 of the optioned stock, on or after May 8, 1946 with respect to an additional 1/3 of the optioned stock and on or after May 8, 1947 with respect to the balance of the optioned stock. In each case the options provide certain limitations in the case of death or termination of employment of the optionees.

On August 7, 1945 the Corporation purchased after approval thereof by the Federal Communications Commission an aggregate of 310,701 shares or 56.9% of the issued and outstanding Common Stock of The Crosley Corporation from the controlling stockholder and other stockholders of that corporation. Subsequently the Corporation acquired an additional 170,408 shares of such stock from other stockholders and owned as of September 15, 1945 a total of 481,109 shares or 88.15% of such stock at an aggregate cost of approximately \$19,100,000. Such cost is approximately \$8,000,000 in excess of the corresponding equity in the net tangible assets of The Crosley Corporation based on the latter's books at July 31, 1945. Such excess cost is considered to relate to intangible asset values not carried on the books of The Crosley Corporation. If at some later date it should become apparent that such intangible assets have a limited life the Corporation intends by appropriate charges to income or earned surplus to amortize such excess cost over the estimated remaining life of such intangible assets.

American Central Manufacturing Corporation, a subsidiary not consolidated, proposes to offer for subscription to the holders of its outstanding common stock one share of additional stock for each two and one-half shares now outstanding, but the applicable registration statement filed with the Securities and Exchange Commission has not yet become effective, the additional offering has not yet been made, and the offering price of the additional stock has not yet been determined. The Corporation agreed, under date of July 27, 1945, to purchase at the offering price, provided same is not in excess of \$16 per share, the 85,304 shares of additional American Central Manufacturing Corporation common stock to which it will be entitled to subscribe as a result of its present investment in this company and, in addition, to purchase at the same offering price such of the shares (but not in excess of 56,850) as may not be subscribed for by other stockholders of American Central Manufacturing Corporation. Upon the above mentioned registration statement becoming effective and the additional stock offering being made the Corporation's commitment, if the offering price is \$16 per share, will amount to a minimum of \$1,364,864 and a maximum of \$2,274,464, depending upon the extent to which the other stockholders of American Central Manufacturing Corporation subscribe to the additional shares offered.

Reference is made to page 8 of the foregoing proxy statement under the heading "Proposed use of proceeds from sale of preferred stock" for information with regard to other material transactions since November 30, 1944, the date of the accompanying financial statements.

THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY PROFIT AND LOSS INFORMATION

For the Three Years Ended November 30, 1944

	Charged directly to income		Charged to other accounts	Total
	To cost of goods sold	Other		
YEAR ENDED NOVEMBER 30, 1942:				
Maintenance and repairs.....	\$1,853,542	\$ 1,902	\$ —	\$1,855,444
Depreciation and amortization of fixed and intangible assets:				
Property, plant and equipment (Notes 1 and 2).....	\$ 949,372	\$ 24,870	\$ —	\$ 974,242
Intangible assets.....	—	331,359	—	331,359
	<u>\$ 949,372</u>	<u>\$356,229</u>	<u>\$ —</u>	<u>\$1,305,601</u>
Taxes, other than Federal income and excess profits taxes:				
Real estate and personal property.....	\$ 46,540	\$ 2,701	\$ —	\$ 49,241
Social security.....	541,243	14,133	—	555,376
Federal capital stock.....	—	140,146	—	140,146
State corporate.....	—	117,054	—	117,054
Miscellaneous	—	7,169	—	7,169
	<u>\$ 587,783</u>	<u>\$281,203</u>	<u>\$ —</u>	<u>\$ 868,986</u>
Management and service contract fees.....	\$ —	\$ —	\$ —	None
Rents	\$ 333,373	\$ 15,808	\$ —	\$ 349,181
Royalties	\$ 1,485	\$ —	\$ —	\$ 1,485
YEAR ENDED NOVEMBER 30, 1943:				
Maintenance and repairs.....	\$2,673,980	\$ 635	\$ —	\$2,674,615
Depreciation and amortization of fixed and intangible assets:				
Property, plant and equipment (Notes 1 and 2).....	\$ 544,789	\$ 18,866	\$ —	\$ 563,655
Intangible assets.....	—	294,343	—	294,343
	<u>\$ 544,789</u>	<u>\$313,209</u>	<u>\$ —</u>	<u>\$ 857,998</u>
Taxes, other than Federal income and excess profits taxes:				
Real estate and personal property.....	\$ 169,439	\$ 1,368	\$ —	\$ 170,807
Social security.....	854,789	14,816	—	869,605
Federal capital stock.....	—	205,167	—	205,167
State corporate.....	—	284,626	—	284,626
Miscellaneous	3,513	6,963	—	10,476
	<u>\$1,027,741</u>	<u>\$512,940</u>	<u>\$ —</u>	<u>\$1,540,681</u>
Management and service contract fees.....	\$ —	\$ —	\$ —	None
Rents	\$ 672,325	\$ 12,920	\$ —	\$ 685,245
Royalties	\$ 4,515	\$ —	\$ —	\$ 4,515

THE AVIATION CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY PROFIT AND LOSS INFORMATION—(Continued)

For the Three Years Ended November 30, 1944

	Charged directly to income		Charged to other accounts	Total
	To cost of goods sold	Other		
YEAR ENDED NOVEMBER 30, 1944:				
Maintenance and repairs.....	\$1,986,985	\$ 9,981	\$ —	\$1,996,966
Depreciation and amortization of fixed and intangible assets:				
Property, plant and equipment (Notes 1 and 2).....	\$ 584,054	\$ 16,417	\$ —	\$ 600,471
Intangible assets.....	—	294,343	—	294,343
	<u>\$ 584,054</u>	<u>\$310,760</u>	<u>\$ —</u>	<u>\$ 894,814</u>
Taxes, other than Federal income and excess profits taxes:				
Real estate and personal property.....	\$ 123,304	\$ 541	\$ —	\$ 123,845
Social security.....	716,222	16,239	—	732,461
Federal capital stock.....	—	211,923	—	211,923
State corporate	—	171,442	—	171,442
Miscellaneous	431	989	—	1,420
	<u>\$ 839,957</u>	<u>\$401,134</u>	<u>\$ —</u>	<u>\$1,241,091</u>
Management and service contract fees.....	\$ —	\$ —	\$ —	None
Rents (Note 3).....	\$ 622,734	\$ 13,825	\$ —	\$ 636,559
Royalties	\$ 4,367	\$ —	\$ —	\$ 4,367

NOTE 1: Includes amortization of emergency facilities covered by "necessity certificates" as follows:

Year ended November 30, 1942.....	\$348,181
Year ended November 30, 1943.....	402,946
Year ended November 30, 1944.....	435,441

NOTE 2: Includes amortization of patterns, dies, jigs and special tools in the amount of \$477,161 for the year ended November 30, 1942. Such items were reclassified from property, plant and equipment to inventories as of December 1, 1942 and the amortization thereof for the years ended November 30, 1943 and November 30, 1944 is not included in the amounts shown in this statement for such years.

NOTE 3: The aggregate annual rentals (based on minimum annual payments in the case of leases involving conditional rents) on all real property leased by the Corporation and its consolidated subsidiaries for terms expiring more than three years after August 31, 1945 are not significant in amount.

SUPPLEMENTARY PROFIT AND LOSS INFORMATION (Continued)

For the Three Years Ended November 30, 1944

EXHIBIT C

SCHEDULE OF DIVIDENDS PAID BY THE AVIATION CORPORATION DURING THE THREE YEARS AND SIX MONTHS PERIOD ENDED MAY 31, 1945.

<u>Date Paid</u>	<u>Amount per Share Paid in Cash</u>
December 20, 1941.....	15¢
April 20, 1942.....	10¢
December 21, 1942.....	15¢
April 30, 1943.....	10¢
December 20, 1943.....	10¢
May 25, 1944.....	10¢
December 26, 1944.....	10¢
May 15, 1945.....	10¢