

NOTICE OF ANNUAL MEETING  
of Stockholders of  
THE AVIATION CORPORATION

*To the Stockholders of*

THE AVIATION CORPORATION :

Notice is hereby given that the Annual Meeting of Stockholders of The Aviation Corporation, a Delaware corporation, will be held at the statutory office of the Corporation at 927 Market Street, Wilmington, Delaware, on March 27, 1945, at 11 o'clock A. M., Eastern War Time, to consider and take action with respect to the following:

1. The election of fourteen directors to hold office until the next Annual Meeting of the Stockholders or until their successors are elected and qualified.
2. The election of independent auditors for the Corporation for the fiscal year to end November 30, 1945.
3. The consideration of and voting upon a Stock Purchase and Option Plan providing for the reservation of 375,000 shares of authorized and unissued Capital Stock of the Corporation for sale to officers and supervisory executives of the Corporation, and the granting to them of options to purchase said shares upon the terms and conditions set forth in the accompanying Proxy Statement.
4. To consider and act upon any other business which may properly come before the meeting, or any adjournment or adjournments thereof.

The close of business February 23, 1945 has been fixed as the record date for determining stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment or adjournments thereof, and only stockholders of record at said time and date are entitled to notice of and to vote at said meeting. The transfer books of the Corporation will not be closed.

The management of the Corporation requests that you fill in, date, sign and mail the enclosed proxy promptly in the enclosed stamped and addressed envelope.

By Order of the Board of Directors

R. S. PRUITT  
*Secretary*

Dated at New York, N. Y.  
February 26, 1945.

**PROXY STATEMENT**  
**THE AVIATION CORPORATION**

A Delaware Corporation

To the Stockholders of

THE AVIATION CORPORATION:

The Annual Meeting of Stockholders of The Aviation Corporation (hereinafter called the "Corporation") will be held at the statutory office of the Corporation, 927 Market Street, Wilmington, Delaware, on March 27, 1945, at 11 o'clock A. M. Eastern War Time, for the purpose of electing fourteen directors to serve the Corporation for the ensuing year, or until their successors are elected and qualified; to elect independent auditors for the Corporation for the fiscal year to end November 30, 1945, and to consider and vote upon a Stock Purchase and Option Plan providing for the reservation of 375,000 shares of authorized and unissued Capital Stock of the Corporation for sale to officers and supervisory executives upon the exercise of options granted to them pursuant to said Plan more fully described herein in the paragraph entitled "Stock Purchase and Option Plan."

**ELECTION OF DIRECTORS**

The following are the nominees for directors of the Corporation, whose term of office, if elected, will be until the Annual Meeting of Stockholders of the Corporation in 1946, or until their successors are elected and qualified:

GEORGE E. ALLEN  
IRVING B. BABCOCK  
C. COBURN DARLING  
FLOYD B. DEAN  
VICTOR EMANUEL  
L. I. HARTMEYER  
ARTHUR W. HERRINGTON

CARLTON M. HIGBIE  
BENJAMIN H. NAMM  
THOMAS A. O'HARA  
R. S. PRUITT  
A. N. WILLIAMS  
H. DALZELL WILSON  
WILLIAM F. WISE

All of the nominees except Mr. Floyd B. Dean have been designated by the management and the Board of Directors as candidates for directors of the Corporation and all except Mr. A. N. Williams and Mr. Floyd B. Dean are directors of the Corporation. Mr. Dean has been designated by Mrs. L. B. Manning to represent her interests in the Corporation and the interests of the Estate of the late Col. L. B. Manning, a director of the Corporation who was killed in an airplane crash on April 9, 1944 while serving in the United States Army. Mr. Dean has been nominated in accordance with an arrangement between him and Mrs. Manning with the approval of the management of the Corporation.

Unless otherwise specifically restricted in the proxy hereby solicited, the persons acting thereunder at the Annual Meeting, or any adjournment or adjournments thereof, will vote for such candidates. However, in the event of contingencies not presently foreseen over which the management has no control, the persons acting under the authority of said proxy may vote for the election of different persons as directors of the Corporation for the aforesaid term.

**BUSINESS EXPERIENCE OF NOMINEES NOT PREVIOUSLY ELECTED  
BY STOCKHOLDERS**

Messrs. Irving B. Babcock, A. N. Williams and Floyd B. Dean have not previously been elected to the Board of Directors by the stockholders. Mr. Babcock was elected a director by the Board of Directors on December 28, 1944, and on the same date was also elected President of the Corporation effective February 1, 1945.

During the past five years Mr. Babcock has been President of Yellow Truck and Coach Manufacturing Company; Chairman of the Board of Directors of Yellow Manufacturing Acceptance Corporation; and Chairman of the Board of Hertz Driv-Ur-Self Companies and since October 1943, he has been a Vice President of General Motors Corporation, which offices he resigned to become President and a director of The Aviation Corporation and an officer and director of certain of its subsidiaries.

Mr. Williams has been since July 8, 1941 President of Western Union Telegraph Company, and is also an officer of various of its subsidiaries. From August 1, 1939 to January 16, 1940, he was

Chairman of the Board of Directors and Executive Vice President of Lehigh Valley Railroad Company, and from January 16, 1940 to July 8, 1941 he served the Lehigh Valley Railroad Company as its President. He is at the present time also a director of Manufacturers Trust Company, Lehigh Valley Railroad Company, American Express Company, General Aniline and Film Company, Manning, Maxwell & Moore, Inc., Magor Car Corp., Westinghouse Air Brake Company, Union Switch and Signal Company and First National Iron Bank of Morristown, New Jersey.

During the past five years Mr. Floyd B. Dean has been associated in business with the late Colonel Manning and during said period he was also the managing director of F. B. Dean & Company. Mr. Dean handled Colonel Manning's extensive investments while Colonel Manning was in the armed forces and also represented his interests in and from time to time served as an officer of various corporations owned or controlled by Colonel Manning, including Wisconsin Commission Company, Thermek Corporation, Hy-Dry Food Products Company, Inc. and Platville Milk Products Company.

#### INFORMATION REGARDING NOMINEES FOR ELECTION AS DIRECTORS

<u>Name</u>	<u>Principal Occupations</u>	<u>Year First Elected Director</u>	<u>Shares of Stock of The Aviation Corporation Beneficially Owned as of January 25, 1945</u>
GEORGE E. ALLEN	Vice President and Secretary of The Home Insurance Company; Director of: National Liberty Insurance Company; Gibraltar Insurance Company; Hugo Stinnes Corporation; Hugo Stinnes Industries, Incorporated; Homestead Fire Insurance Company; Steep Rock Iron Mines, Ltd.; The Home Indemnity Company; War Damage Corporation; Washington Properties, Inc.; Trustee of Penn Mutual Life Insurance Company.	1943	400
IRVING B. BABCOCK	President, The Aviation Corporation; Chairman of the Board, American Central Manufacturing Corporation; Director, Consolidated Vultee Aircraft Corporation.	Nominee	500 <sup>(1)</sup>
C. COBURN DARLING	Director of: Consolidated Vultee Aircraft Corporation; New York Shipbuilding Corporation; Roosevelt Field, Inc.; American Central Manufacturing Corporation; President and Director, New England Distillers, Inc.	1932	20,600
FLOYD B. DEAN	Secretary, Treasurer and Director, Thermek Corporation; Financial Representative, Estate of L. B. Manning; and managing director, F. B. Dean & Company.	Nominee	500 <sup>(2)</sup>
VICTOR EMANUEL	Chairman of the Board, The Aviation Corporation; President and Director, Standard Power and Light Corporation; Director and Member Executive Committee, Republic Steel Corporation; Director of: Standard Gas and Electric Co.; New York Shipbuilding Corporation; American Propeller Corporation; General Dyestuff Corp.; General Aniline and Film Co.; Consolidated Vultee Aircraft Corporation; American Central Manufacturing Corporation; Limited Partner, Emanuel & Co.	1938	55,000 <sup>(3)</sup>
L. I. HARTMEYER	Vice President, The Aviation Corporation; Vice President and Director, American Central Manufacturing Corporation; Director, Standard Power and Light Corporation; Vice President and Director, American Propeller Corporation.	1941	2,200
ARTHUR W. HERRINGTON	Chairman of the Board, Marmon-Herrington Company, Inc., Indianapolis, Indiana; Chairman of the Board, Merz Engineering Company; Director of: Gar Wood Industries, Inc.; St. Paul Hydraulic Hoist Company, Inc.	1942	500
CARLTON M. HIGBIE	President, Carlton M. Higbie Corporation; Vice President, Director, Square D Corporation; Chairman of the Board, McAleer Manufacturing Corporation; Vice President, Director, Kalamazoo Stove and Furnace Company.	1937	None <sup>(4)</sup>
BENJAMIN H. NAMM	President, A. I. Namm & Son, Brooklyn, N. Y.	1941	312
THOMAS A. O'HARA	President and Director, Colonial Ice Co.; President and Director, Central States Edison Co.; Director of: Standard Gas and Electric Co.; General Dyestuff Corp.; General Aniline and Film Co.	1942	700

<u>Name</u>	<u>Principal Occupations</u>	<u>Year First Elected Director</u>	<u>Shares of Stock of The Aviation Corporation Beneficially Owned as of January 25, 1945</u>
R. S. PRUITT	Attorney, Pruitt, Hale and Coursen, New York, N. Y. and Pruitt and Grealis, Chicago, Illinois; Vice President and Secretary, The Aviation Corporation; Secretary and Director, New York Shipbuilding Corporation; Director, Consolidated Vultee Aircraft Corporation; Secretary, American Central Manufacturing Corporation; Director, Checker Cab Manufacturing Corporation.	1932	47,568 <sup>(1)</sup>
A. N. WILLIAMS	President and Director, Western Union Telegraph Company; Director of: Lehigh Valley Railroad Co.; Manufacturers Trust Co.; American Express Co.; General Aniline and Film Co.; Manning, Maxwell & Moore, Inc.; First National Iron Bank, Morristown, N. J.; Magor Car Corporation; Westinghouse Air Brake Company; Union Switch and Signal Company.	Nominee	200
H. DALZELL WILSON	Director and Consultant, Consolidated Vultee Aircraft Corporation.	1941	7,000 <sup>(1)</sup>
WILLIAM F. WISE	Executive Vice President, The Aviation Corporation; President and Director, American Propeller Corporation; Director, American Central Manufacturing Corporation.	1942	791

NOTES:

- (1) As of January 25, 1945, Mrs. Irving B. Babcock, Miss Clover S. Babcock and Mrs. M. D. Scott, respectively the wife, daughter and mother-in-law of Irving B. Babcock, owned respectively 6,000, 1,000 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 9,017 and 1,500 shares of such stock.
- (2) Mr. Dean is trustee of trusts which owned, in the aggregate, 2,300 shares of stock of the Corporation on January 25, 1945. In addition, 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 as of January 25, 1945, in the aggregate, 108,900 shares of stock of the Corporation.
- (3) 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.
- (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 director of The Aviation Corporation or nominee for director of The Aviation Corporation, and his associates, or any other person, held of record or owned beneficially, as of January 25, 1945, more than 10% of the 5,793,513 outstanding shares of Capital Stock of The Aviation Corporation, all of which are of one class and have full voting power.

REMUNERATION OF DIRECTORS, NOMINEES FOR ELECTION AS DIRECTORS AND CERTAIN OFFICERS<sup>(1)</sup>

<u>Name (1)</u>	<u>Offices Held (1) (2)</u>	<u>Remuneration from The Aviation Corporation and Subsidiaries (1)</u>	<u>Amount Paid or Set Aside Pursuant to Pension Plan by The Aviation Corporation and Subsidiaries (3)</u>	<u>Estimated Annual Benefits from Pension Plan, The Aviation Corporation and Subsidiaries (4)</u>
VICTOR EMANUEL <sup>(5)</sup>	President, Director (The Aviation Corp.); Director (Consolidated Vultee Aircraft Corporation); Director (American Central Mfg. Corp.); Director (American Propeller Corp.); Director (New York Shipbuilding Corporation)	\$100,400.00	\$ 4,601.44	\$14,250.00

Name (1)	Offices Held (1) (2)	Remuneration from The Aviation Cor- poration and Subsidiaries (1)	Amount Paid or Set Aside Pursuant to Pension Plan by The Aviation Corporation and Subsidiaries (3)	Estimated Annual Bene- fits from Pension Plan, The Aviation Corporation and Subsidiaries (4)
IRVING B. BABCOCK	None	None	None	None
WILLIAM F. WISE	Executive Vice Pres., Director (The Aviation Corp.); President, Director (American Propeller Corp.); Director (American Central Mfg. Corp.)	\$ 77,400.00	\$ 5,638.14	\$14,250.00
L. I. HARTMEYER	Vice Pres., Director (The Aviation Corp.); Vice Pres., Director (American Central Mfg. Corp.); Vice Pres., Director (American Propeller Corp.)	27,400.00	3,558.56	6,750.00
W. A. MOGENSEN	Vice Pres., Treasurer (The Aviation Corp.); Vice Pres., Treasurer (American Propeller Corp.); Controller (American Central Mfg. Corp.)	27,000.00	2,517.04	7,350.00
IRA J. SNADER	Vice Pres., Labor (The Aviation Corp.); Vice Pres. (American Propeller Corp.)	30,000.00	5,535.12	8,250.00
BERT CONWAY <sup>(5)</sup>	Vice Pres., Manufacturing (The Aviation Corp.)	29,999.92	7,929.84	7,350.00
R. S. PRUITT <sup>(5)(6)</sup>	Vice Pres., Director, Secretary (The Aviation Corp.); Director (Consolidated Vultee Aircraft Corporation); Secretary, Director (American Propeller Corp.); Secretary, Director (New York Shipbuilding Corp.); Secretary (American Central Mfg. Corp.)	50,500.00	13,977.71	14,250.00
GEORGE E. ALLEN	Director (The Aviation Corp.)	6,000.00	None	None
C. COBURN DARLING	Director (The Aviation Corp.); Director (Consolidated Vultee Aircraft Corp.); Director (New York Shipbuilding Corp.); Director (American Central Mfg. Corp.)	19,400.00	None	None
FLOYD B. DEAN	None	3,600.00	None	None
ARTHUR W. HERRINGTON	Director (The Aviation Corp.)	6,000.00	None	None
CARLTON M. HIGBIE	Director (The Aviation Corp.)	6,000.00	None	None
L. B. MANNING	Director (The Aviation Corp.); Director (Consolidated Vultee Aircraft Corp.)	4,000.00	None	None
BENJAMIN H. NAMM	Director (The Aviation Corp.)	6,000.00	None	None
THOMAS A. O'HARA	Director (The Aviation Corp.)	6,000.00	None	None
A. N. WILLIAMS	None	None	None	None
H. DALZELL WILSON <sup>(5)</sup>	Director (The Aviation Corp.); Director and Consultant (Consolidated Vultee Aircraft Corp.)	27,400.00	3,137.34	550.00
All Officers and Directors of The Aviation Corporation as a Group (excluding attorneys' fees explained in Note 6)		\$427,099.92	\$46,895.19	\$73,000.00

NOTES:

- (1) Information given is for fiscal year ended November 30, 1944.
- (2) In not every instance did each person receive remuneration in every capacity in which he served.
- (3) Includes amounts paid or set aside for both past and future services during the fiscal year ended November 30, 1944.

- (4) The amount given is the estimated amount of annual benefit which the officers and directors named would receive in the event their connection with The Aviation Corporation and its subsidiaries is continued until retirement age 65, and assumes continuance of their compensation at the rate in effect on December 1, 1944, and of payments to the Retirement Plan, both by The Aviation Corporation and its subsidiaries and by the individual at the same rates for future services as was in effect on December 1, 1944. The estimated retirement benefit at age 65 is, however, in each case subject to change in the event of a decrease or increase in the individual's compensation in intervening years, resulting in a corresponding change in his and the Corporation's contributions to the Plan.
- (5) In the fiscal year ended November 30, 1944 Mr. Wilson received remuneration in the amount of \$183.42 and Mr. Emanuel in the amount of \$2,083.38 in excess of the remuneration received by them respectively during the previous fiscal year of the Corporation ended November 30, 1943. All of the officers and directors of the Corporation, considered as a group (including additional officers who were not employed as such by the Corporation or its subsidiaries in the previous fiscal year), received as compensation for the fiscal year ended November 30, 1944 \$55,516.99 more than the aggregate compensation of the officers and directors of the Corporation, considered as a group, for the fiscal year ended November 30, 1943. Messrs. Conway and Pruitt, for the fiscal year ended November 30, 1944, received compensation for the first time as officers of the Corporation.
- (6) Mr. Pruitt is a partner in the law firms of Pruitt, Hale and Coursen, New York, New York, and Pruitt and Grealis, Chicago, Illinois, who are the General Counsel for The Aviation Corporation and its subsidiaries, Consolidated Vultee Aircraft Corporation, New York Shipbuilding Corporation, American Central Manufacturing Corporation and American Propeller Corporation. These corporations paid to such law firms for legal services during the fiscal year ended November 30, 1944, the aggregate sum of \$305,600. Not all of such sum accrued to Mr. Pruitt personally, nor to members of said law firms, inasmuch as for the aggregate fees so paid Pruitt, Hale and Coursen and Pruitt and Grealis maintain a staff of attorneys to serve the Home Office of The Aviation Corporation and its various operating Divisions, American Propeller Corporation, New York Shipbuilding Corporation, American Central Manufacturing Corporation and the Home Office and twelve operating Divisions of Consolidated Vultee Aircraft Corporation, and also provide at their own expense the services of local counsel at several of the operating Divisions of Consolidated Vultee Aircraft Corporation and absorb numerous expenses of the members and employees of said firms while engaged in the business of said corporations. The aggregate amounts received by Pruitt, Hale and Coursen and Pruitt and Grealis from The Aviation Corporation and said subsidiaries during the fiscal year ended November 30, 1944 was \$50,333.30 less than the aggregate amounts received by them from The Aviation Corporation and its subsidiaries during the previous fiscal year ended November 30, 1943.

Number of Employees of The Aviation Corporation and Subsidiaries, other than officers and directors of The Aviation Corporation, who received from The Aviation Corporation and Subsidiaries over \$20,000 but not over \$50,000	<u>Aggregate Remuneration</u>	Number of Employees of The Aviation Corporation and Subsidiaries, other than officers and directors of The Aviation Corporation, who received from The Aviation Corporation and Subsidiaries over \$50,000 but not over \$100,000	<u>Aggregate Remuneration</u>	Number of Employees of The Aviation Corporation and Subsidiaries, other than officers and directors of The Aviation Corporation, who received from The Aviation Corporation and Subsidiaries over \$100,000
23,	\$649,274.07	6	\$389,136.67	1—\$137,500
of whom 2 are employees of The Aviation Corporation and the balance officers or employees of New York Shipbuilding Corporation, Consolidated Vultee Aircraft Corporation or American Central Manufacturing Corporation.		None of these are employees of The Aviation Corporation.		This represents one-half of the total compensation paid by Republic Steel Corporation to Tom M. Girdler, Chairman of the Board of Directors of Republic Steel Corporation and Chairman of the Board of Directors and Chief Executive Officer of Consolidated Vultee Aircraft Corporation, which pays no salary directly to Mr. Girdler, but pays to Republic Steel Corporation the amount above indicated for Mr. Girdler's services, which is a pro rata portion of Mr. Girdler's total compensation from Republic Steel Corporation and represents no profit to Republic Steel Corporation, nor additional compensation to Mr. Girdler.

**REMUNERATION TO PERSONS, OTHER THAN DIRECTORS,  
OFFICERS AND EMPLOYEES**

The following persons, other than directors, officers and employees, received aggregate remuneration from The Aviation Corporation during the fiscal year ended November 30, 1944 in excess of \$20,000 for their services in the following capacities:

<u>Name</u>	<u>Capacity in which Remuneration was received from The Aviation Corporation</u>	<u>Aggregate Remuneration during last fiscal year</u>
FRUITT, HALE AND COURSEN; and FRUITT AND GREALIS	Legal Services	\$49,600.00
ARTHUR YOUNG AND COMPANY	Independent Auditors	21,869.80
STEPTOE AND JOHNSON	Legal Services	20,711.41

**INTEREST OF DIRECTORS, NOMINEES FOR ELECTION AS DIRECTORS  
AND ASSOCIATES IN TRANSACTIONS WITH THE  
CORPORATION AND SUBSIDIARIES**

American Central Manufacturing Corporation, a majority owned subsidiary of The Aviation Corporation, of which Mr. Victor Emanuel, Mr. C. Coburn Darling, Mr. William F. Wise and Mr. L. I. Hartmeyer are directors and Mr. R. S. Pruitt is Secretary, and of which Mr. H. Dalzell Wilson was a director during the fiscal year ending November 30, 1944, manufactured and sold in the ordinary course of business during such fiscal year ended November 30, 1944, as a sub-contractor, engine baffles and parts to the Lycoming Division of The Aviation Corporation, all of which were built according to designs and specifications furnished by the Lycoming Division of The Aviation Corporation.

American Central Manufacturing Corporation, as a sub-contractor, manufactured and sold to Consolidated Vultee Aircraft Corporation in the ordinary course of business during the fiscal year ended November 30, 1944 airframe parts which were constructed according to designs and specifications furnished by Consolidated. American Central Manufacturing Corporation also purchased from Consolidated raw materials and parts. Messrs. Victor Emanuel, H. Dalzell Wilson, R. S. Pruitt and C. Coburn Darling are directors of Consolidated Vultee Aircraft Corporation.

Consolidated Vultee Aircraft Corporation and The Aviation Corporation during the fiscal year ended November 30, 1944 engaged in sales, each to the other, the consideration for which aggregated less than \$60,000. Messrs. Victor Emanuel, C. Coburn Darling, Henry Dalzell Wilson and R. S. Pruitt were directors both of Consolidated and The Aviation Corporation during such period and Mr. L. B. Manning was a director of both said corporations during a part of such period.

The Lycoming Division of The Aviation Corporation made sales in the ordinary course of business during the fiscal year ended November 30, 1944 to Marmon-Herrington Company, Inc., of which company Mr. Arthur W. Herrington, a director of The Aviation Corporation, is Chairman of the Board.

The Aviation Corporation and its subsidiaries, American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation, purchased sizeable amounts of steel in the ordinary course of business from Republic Steel Corporation of which Mr. Victor Emanuel is a director and member of the Executive Committee. Mr. T. M. Girdler is Chairman of the Board of Directors and chief executive officer of both Consolidated Vultee Aircraft Corporation and Republic Steel Corporation.

Consolidated Vultee Aircraft Corporation made purchases in the ordinary course of business from General Aniline and Film Company aggregating less than \$6,000. Messrs. Victor Emanuel, Thomas A. O'Hara and A. N. Williams are directors of General Aniline and Film Company.

All of the foregoing transactions were wholly in aid of the war effort and the prices charged and the profits realized thereon are in all cases subject to renegotiation by the Price Adjustment Boards of the Army and Navy. It is anticipated that transactions of a similar nature to those above mentioned will be made by the foregoing corporations during the current fiscal year and in the ordinary course of the business of said corporations.

In May, 1944, Mr. W. F. Wise, Executive Vice President and a director of The Aviation Corporation, purchased from The Aviation Corporation 6 small, used machines not required by the Cor-

poration in its business and all of which were at least 5 years old, and paid the Corporation their depreciated value of \$6,038.39, which was the fair and reasonable market value of all of said machines.

In July, 1944, The Aviation Corporation, being in need of additional storage space in the City of Detroit, leased the premises at 2485 Scotten Avenue, Detroit, Michigan, having 14,500 square feet of available storage space for a period of one year from August 1, 1944, with option to renew at expiration on a month to month basis. This property is owned by Republic Realty Corporation, in which William F. Wise, one of the directors and Executive Vice President of The Aviation Corporation, is interested as a stockholder. Independent appraisals of the rental value of the property were secured from qualified experts prior to making this lease, which is at a rental of \$8,700 annually, the appraised rental value as fixed by said qualified real estate expert appraisers.

Pruitt, Hale and Coursen, New York. New York and Pruitt and Grealis, Chicago, Illinois, of which law firms, Mr. R. S. Pruitt, Vice President and a director of this Corporation is senior partner, are General Counsel for this Corporation, as well as for its various operating Divisions and its subsidiaries, American Propeller Corporation, New York Shipbuilding Corporation, American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation. The aggregate compensation received for legal services by the law firms of Pruitt, Hale and Coursen and Pruitt and Grealis from this Corporation, its operating Divisions and said subsidiaries is set forth in Note 6 on page 6 hereof.

Emanuel & Co., investment bankers, in which firm Mr. Victor Emanuel is a limited partner, purchased, during the fiscal year ended November 30, 1944, as a broker for Consolidated Vultee Aircraft Corporation, on the New York Stock Exchange, 26,900 shares of Preferred Stock of Consolidated Vultee Aircraft Corporation for Sinking Fund requirements, in connection with which purchases Emanuel & Co. received regular Stock Exchange commissions amounting to \$4,856.48.

Emanuel & Co., as brokers, purchased, during the fiscal year ended November 30, 1944, for the account of The Aviation Corporation, on the New York Curb Exchange, 2,800 shares of Common Stock of American Central Manufacturing Corporation, in connection with which purchases Emanuel & Co. received regular Curb Exchange commissions amounting to \$302.00.

#### PROPOSED STOCK PURCHASE AND OPTION PLAN

On December 28, 1944 the Corporation entered into a contract with Mr. Irving B. Babcock pursuant to which Mr. Babcock was employed as manager of the operating Divisions of the Corporation and certain of its subsidiaries. Mr. Babcock was on that date elected a director of the Corporation, and also its President effective February 1, 1945. On January 4, 1945 Mr. Babcock was also elected a director and Chairman of the Board of Directors of this Corporation's subsidiary, American Central Manufacturing Corporation, and on January 30, 1945 a director of Consolidated Vultee Aircraft Corporation. Mr. Babcock is a leading manufacturer and executive in the automotive field, having been President of Yellow Truck & Coach Manufacturing Company; Vice President of General Motors Corporation; Chairman of the Board of Directors of Yellow Manufacturing Acceptance Corporation, and Chairman of the Board of Hertz Driv-ur-Self Companies, from which offices he resigned to become President of this Corporation and Manager of its operating Divisions and certain of its subsidiaries.

Mr. Babcock's employment contract is for a period of three years, during which period he is to devote his entire time and services to the interests of The Aviation Corporation and its subsidiaries. As compensation for his services to said corporations in all capacities he will receive the sum of \$125,000 annually to be allocated between this Corporation and its subsidiaries in such proportion as the directors of the respective corporations may from time to time determine. This compensation is substantially less than Mr. Babcock's average earnings in his previous employment during the past three years and as a continued incentive for the services which Mr. Babcock is to perform for the Corporation and its subsidiaries, his contract of employment provides that, subject to the approval of the directors and stockholders of the respective corporations concerned and the Salary Stabilization Unit of the Treasury Department, The Aviation Corporation will cause him to have the right to receive certain options to purchase for cash certain shares of the authorized and unissued stock of this Corporation and its subsidiaries. Included in these options is an option to purchase 75,000 shares of Capital Stock of this Corporation at a price of \$5.75 per share, which is 25¢ per share

above the closing market price of such stock on the New York Stock Exchange on December 28, 1944, the date of the signing of the contract of employment. This option is for a period of three years and the first one-third of the optioned stock may be purchased by Mr. Babcock, or his rights to purchase the same disposed of at any time after October 1, 1945; the second one-third at any time during the year 1946, and the third one-third, including any option rights not previously exercised or disposed of, at any time during the balance of the three year period, but only provided he remains in the employment of the Corporation as of the dates the respective options are exercised or disposed of. In the event of the termination of his employment for any reason, he may, for a period of six months following such termination, exercise his option or dispose of the same with respect to the number of shares, rights to purchase which had accrued as of the date of the termination of his employment and the balance of the option will revert to the Corporation.

In the event of his death while in the employ of the Corporation and before all of his option rights with respect to stock of the Corporation have been exercised or disposed of, his legal representative shall have for a period of six months following his death, the right to exercise or dispose of any options which would have been exercisable or transferable by him six months after his death and the balance of the option then reverts to the Corporation.

The option price of the stock is subject to equitable adjustment in the event that while said option is outstanding the Corporation issues additional Common Stock as a stock dividend or issues Common Stock or securities convertible into Common Stock for a consideration which may involve the issuance of Common Stock at a lower price than the price at which shares of authorized and unissued stock of the Corporation are optioned to Mr. Babcock.

In view of Mr. Babcock's important position of authority and responsibility with his previous employer and his opportunities for further advancement in said employment, it was necessary to offer him this additional incentive in the way of stock options in order to secure his services for this Corporation and its subsidiaries. Following the execution of the employment contract, Mr. Babcock and the Board of Directors of this Corporation were of the opinion that shares of the authorized and unissued Capital Stock of the Corporation and certain of its subsidiaries which he is to manage should be set aside for option and sale to other officers and supervisory executives of the Corporation and such subsidiaries upon substantially the same terms and conditions as his own options in order to furnish a like continuing incentive to those upon whom he is to depend for assistance in the operation of the corporations and in order to assist him in securing the employment of additional personnel whose services may be required in the postwar activities of the corporations.

With that end in view, the Board of Directors of this Corporation has recommended to the stockholders the reservation of an aggregate of 375,000 shares (including therein the 75,000 shares optioned to Mr. Babcock) of the authorized and unissued Capital Stock of the Corporation to be optioned from time to time for sale to present and future officers and supervisory executives of the Corporation upon the same terms and conditions as the shares optioned to Mr. Babcock. The Board of Directors also has appointed a Committee consisting of C. Coburn Darling, H. Dalzell Wilson, George E. Allen, Arthur W. Herrington, Carlton M. Higbie, Thomas A. O'Hara and Benjamin H. Namm, all of whom are directors of the Corporation not connected with its management and not persons eligible to receive options under the Plan, to make recommendations to the Board of Directors with respect to the allocation of the remaining 300,000 shares of stock to be optioned to officers and supervisory executives other than Mr. Babcock.

In the case of any options which are not allocated and granted to officers and supervisory executives within the first three months of 1945, it is intended that the time within which the recipients may exercise or dispose of their options shall be proportionately extended so that, during the entire period of three years, the privilege of the option will furnish a continuing incentive for faithful service and employment.

Only officers and supervisory executives designated by the aforesaid Committee will be eligible to participate in the Plan. There are at the present time, as shown by the table upon pages 4 and 5, eight principal officers including Irving B. Babcock, the newly elected President of the Corporation, all of whom are eligible for such participation, but, inasmuch as the Committee will make no report unless the Stock Purchase and Option Plan is approved by the stockholders of the Corporation, and

also because the Plan is intended to furnish a continuing incentive to future as well as present officers and supervisory executives of the Corporation, it is not possible to state at this time how many of the present officers other than Mr. Babcock, or how many supervisory executives or what new officers and supervisory executives will be designated to receive options, or to name the persons who will be eligible to receive the three highest allotments under the Plan, except that it may be definitely stated that Mr. Babcock will receive one of the three highest allotments. It is likewise impossible to determine the aggregate number of shares which would have been optioned under the Plan during the past fiscal year had the Plan then been in effect.

The present officers, Messrs. Emanuel, Babcock, Wise, Hartmeyer, Mogensen, Snader, Conway and Pruitt, as well as any other officers who may be elected in the future while the Plan is in effect and while shares remain available for option, are eligible to participate in the Plan. In addition to the officers, supervisory executives, now comprising a group of not exceeding fifty persons, are eligible. It is intended that options will be offered to those persons and supervisory executives whose services to the Corporation are, in the opinion of the Committee, of such outstanding value or importance as to make it desirable in the interest of the Corporation to insure the retention of their services by granting them participation in the Stock Purchase and Option Plan.

The proposed Stock Purchase and Option Plans of American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation are substantially similar to the Plan of The Aviation Corporation, except that American Central Manufacturing Corporation has reserved for option and sale to its officers and supervisory executives 26,000 shares of its authorized and unissued Common Stock at a price of \$12.62½ per share, and Consolidated Vultee Aircraft Corporation has reserved for option and sale to its officers and other employees 125,000 shares of its authorized and unissued Common Stock at \$19.87½ per share, which option prices were in each case in excess of the market price of the shares of said stock as of the date when the Boards of Directors of said corporations recommended the respective Plans to the stockholders thereof. No director of the Corporation or of American Central Manufacturing Corporation is eligible as such to participate in any of said Stock Purchase and Option Plans unless he is also an officer or supervisory executive of the corporation creating such Plan, and no director of Consolidated Vultee Aircraft Corporation is eligible to participate in its Plan unless he is also an officer or employee of that corporation. Of the 26,000 shares of American Central Manufacturing Corporation stock reserved for option and sale to officers and supervisory executives subject to the approval of its stockholders, 10,000 shares have been allocated to Mr. Babcock, Chairman of the Board of Directors of said corporation and President of this Corporation, 12,000 shares have been allocated to other officers of American Central Manufacturing Corporation who are not officers or employees of this Corporation, and the remaining 4,000 shares are reserved for future allocation.

Mr. Emanuel, now President and a director of this Corporation, who has been elected to the office of Chairman of the Board of Directors effective February 1, 1945, is not a member of the foregoing Committee which is authorized to allocate options upon the stock of this Corporation among eligible officers and supervisory executives. Mr. Emanuel is, however, a director of American Central Manufacturing Corporation and of Consolidated Vultee Aircraft Corporation and a member of the Committees appointed by the directors of said corporations which will make the allocations of options to purchase stock of American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation pursuant to their respective Stock Purchase and Option Plans, if same are approved by the stockholders of said corporations.

This Corporation as well as its affiliates, American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation, have heretofore established Pension Plans integrated with the Federal Social Security Act, designed to afford pensions to certain qualified officers and employees upon their retirement, which is normally at age 65. The funds for such pensions are provided for by the investment of the joint contributions of the participants and the respective corporations in annuities purchased from legal reserve insurance companies. While the several plans are not identical, they are similar in that they have for their general purpose a method of providing a continuing income to the participants after they have retired from active employment.

The amounts contributed during the past fiscal year by the Corporation for the benefit of each of its present officers who is a participant in the Pension Plan and eligible to participate in the Stock Purchase and Option Plan, as well as the estimated amount of the annual benefits to be received thereunder are set forth in the table on pages 4 and 5. Assuming that Mr. Babcock enters its Pension Plan in March, 1945, the Corporation will set aside \$13,100 as its annual contribution, and Mr. Babcock will receive on retirement at age 65 an estimated annual benefit of \$14,250. As it is not known what present or future officers or supervisory executives may be allocated stock options by the Committee pursuant to the Plan, it is neither practical nor possible to give detailed information at this time regarding their possible participation in the Pension Plan.

Messrs. Darling, Wilson and Allen, directors of this Corporation and members of the Committee to allocate options, are also directors of Consolidated Vultee Aircraft Corporation and members of the Committee which will make allocations of options to purchase stock of Consolidated Vultee Aircraft Corporation pursuant to its Stock Purchase and Option Plan, if same is approved by the stockholders of said corporation. Mr. Darling is also a member of the Committee which will make allocations of options to purchase stock of American Central Manufacturing Corporation pursuant to its Stock Purchase and Option Plan, if same is approved by the stockholders of said corporation. Mr. Wilson, in addition to being a member of the Committee to allocate options under the Consolidated Vultee Aircraft Corporation Plan, is also a participant under its Pension Plan, as shown in the table on page 5 hereof.

Mr. Babcock, a director of this Corporation, is also Chairman of the Board of American Central Manufacturing Corporation, and as such is eligible to participate in its Pension Plan, and in the event that he elects to come under the Plan he will receive an annual benefit of \$4,920 upon retirement at age 65, for which the Corporation will pay an annual premium of \$5,680.

Mr. Emanuel, who is a participant in the Corporation's Pension Plan, is a member of the Committees to allocate options to purchase stock of American Central Manufacturing Corporation and Consolidated Vultee Aircraft Corporation pursuant to their respective Stock Purchase and Option Plans, if same are approved by the stockholders of said corporations.

The consideration to be received by the Corporation upon the issuance of the optioned stock will be at the rate of \$5.75 per share sold, and in the event that all of the 375,000 shares reserved for sale pursuant to the options are sold, the sum of \$2,156,250 would be received by the Corporation. It is presently contemplated that any sums received by the Corporation from the sale of such reserved stock will be added to the Corporation's working capital. The Corporation has only one class of securities authorized, that being its Capital Stock of the par value of \$3 per share of which 5,793,513 shares are issued and outstanding and of which the stock to be optioned will be a part. Pursuant to a Loan Agreement, dated June 22, 1943, between the Corporation and The Chase National Bank of the City of New York and other participating banks, the Corporation may not, without the previous consent of the Banks, pay any dividends or make any other distribution on any shares of its Capital Stock in any fiscal year except to the extent of 50% of the net earnings for said fiscal year.

## FINANCIAL STATEMENTS

This Proxy Statement is being accompanied by the Annual Report of the Corporation to its stockholders for the fiscal year ended November 30, 1944, including Consolidated Balance Sheet at November 30, 1944, Statement of Consolidated Income and Earned Surplus for the year ended on said date, notes to financial statements and certificate of the Corporation's independent auditors, Arthur Young & Company. No further financial information is given for the reason that it is not believed the same would be material in the exercise of prudent judgment in considering the proposal for the granting of options. The Capital Stock of the Corporation closed on the New York Stock Exchange on December 28, 1944 at \$5.50 per share. On such basis and taking into consideration the additional cost to the optionees of 25¢ per share, the aggregate sales price of the 375,000 shares proposed to be optioned would return to the Corporation the sum of \$2,156,250 which is less than 6 percent of the total consolidated gross assets of the Corporation as shown by its Annual Report. Financial statements of the Corporation for the three years ended November 30, 1943 are on file at the office of the

Securities and Exchange Commission, Philadelphia, Pa., and at the office of the New York Stock Exchange.

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

No director, officer or associate has any interest, direct or indirect, in any matter to be acted upon at the meeting, except that upon approval of the Stock Purchase and Option Plan by stockholders Mr. Irving B. Babcock, President and a director of the Corporation, will receive an option to purchase 75,000 shares of Capital Stock of the Corporation upon terms and conditions set forth in the paragraph herein entitled "Stock Purchase and Option Plan" and except that persons who are now officers and supervisory executives of the Corporation will, if the Stock Purchase and Option Plan is approved by the stockholders, be eligible to receive options to purchase stock of the Corporation pursuant to the aforesaid Plan.

### ELECTION OF AUDITORS

It is intended that, unless otherwise specifically instructed in the proxies, the persons acting thereunder will vote in favor of the election of Arthur Young & Company as independent auditors for the Corporation for the fiscal year to end November 30, 1945.

### 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 Aviation 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 \$10,000. These individuals will solicit proxies by personal interview, mail, telephone and telegraph, and may request brokerage houses and other custodians, nominees and fiduciaries, to forward soliciting material to the beneficial owners of the stock held of record by such persons.

### REVOCATION OF PROXY

The proxy delivered pursuant to this solicitation is revocable at any time prior to the effective exercise thereof.

### CONCLUSION

The only items of business which the management intends to present or is informed that others intend to present to this Annual 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 Aviation Corporation, the Board of Directors has fixed the close of business February 23, 1945 as the record date for determining stockholders entitled to notice of and to vote at the aforesaid Annual Meeting of the 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 Aviation Corporation will not be closed.

By Order of the Board of Directors.

THE AVIATION CORPORATION

R. S. PRUITT  
*Secretary*

Dated at New York, N. Y.  
February 26, 1945.