March 6, 1934

To the Stockholders of
NORTH AMERICAN AVIATION, INC.

In accordance with your wishes, expressed at a stockholders’ meeting held April 26, 1933, the provisions of the contract with General Aviation Corporation were consummated as of February 28, 1933.

All of the stock of The Sperry Corporation (a corporation formed to acquire certain of the assets of North American Aviation, Inc., as set forth in the above mentioned contract) was acquired, and Voting Trust Certificates representing ownership therein, were distributed to stockholders of North American Aviation, Inc., of record April 27, 1933, on the basis of one share, Voting Trust Certificates of The Sperry Corporation, for each share of North American Aviation, Inc., then held. Following this distribution, the major portion of the assets of General Aviation Corporation was acquired by the delivery to General Aviation Corporation of 1,485,922 shares of your Company’s stock.

Full details of this contract were mailed to all stockholders on April 4, 1933.

There is presented herewith the annual report of your Company for the year ended December 31, 1933, together with a Consolidated Balance Sheet, Consolidated Surplus Accounts and Consolidated Income Account. Because of the change in ownership of two of the wholly-owned subsidiaries as at February 28, 1933 (pursuant to the aforementioned contract with General Aviation Corporation) the Consolidated Income Account is presented to show the consolidated operations of those Companies constituting North American Aviation, Inc., up to February 28, 1933, separately from those of the Companies constituting North American Aviation, Inc., after that date.

The consolidated loss of your Company, as certified by Haskins & Sells, Certified Public Accountants, was $1,104,451.41 for the year, of which $46,209.49 was incurred to February 28, 1933, and $1,058,241.92 since that date. Including the equity in the profits of a controlled subsidiary, the loss for the year is reduced to $965,908.63. Drastic readjustments in personnel and expenses have been made, and operations of the two airplane manufacturing companies have been consolidated. Savings in expenses effected by the foregoing will not be fully realized until 1934.

The air transport division reported a loss from operations during the year, due mostly to decreased mail revenues. It is gratifying to note that passenger travel and air express shipments are increasing rapidly, although not as yet in sufficient volume to offset the loss of air-mail revenue.

The airplane manufacturing division reported a loss from operations, due mostly to the large reserves provided to offset the development expenses incurred in the production of passenger transport and experimental military planes. Full provision has been made for all known and anticipated losses on current contracts.

The Company has maintained a very liquid position. Cash and Marketable Securities (Short Term) at December 31, 1933 amounted to $1,606,963.27, while liabilities aggregated $2,497,773.29 in total.

NORTH AMERICAN AVIATION, INC.

Ernest R. Breech,
Chairman of the Board
NORTH AMERICAN AVIATION, INC.

DIRECTORS

Ernest R. Breech, Chairman
George N. Armbysy
La Motte T. Cohu
J. Cheever Cowdin
Thomas B. Doe
Henry B. duPont
Lindsey Hopkins
Charles F. Kettering
Robert Iffman
Nicholas S. Ludington
Roland L. O'Brien
Richard W. Robbins
D. M. Sheaffer
John Thomas Smith
Edward R. Stettinius
E. E. Thompson
James C. Wilson

EXECUTIVE COMMITTEE

Ernest R. Breech, Chairman
George N. Armbysy
La Motte T. Cohu
J. Cheever Cowdin
Thomas B. Doe
Richard W. Robbins
D. M. Sheaffer
Edward R. Stettinius

OFFICERS

Ernest R. Breech .......................................................... President
Thomas B. Doe ......................................................... Vice President
E. V. Rickenbacker ..................................................... Vice President
Richard W. Robbins .................................................. Vice President
L. R. Beardslee ............................................................ Secretary
John C. Fulli ............................................................ Treasurer
Jos. J. Mehl ........................................................... Assistant Secretary & Assistant Treasurer

Transfer Office:
1775 Broadway,
New York, N. Y.

Registrar:
Bankers Trust Company,
New York, N. Y.
NORTH AMERICAN AVIATION, INC., (Incorporated in)

CONSOLIDATED

December

ASSETS

CURRENT ASSETS:

Cash .................................................. $ 263,450.04
Certificates of deposit ................................ 300,000.00
 Marketable securities (short term) ....................... 1,043,304.23
Trade notes and accounts receivable, less reserve ...... 282,983.46
Sundry accounts receivable, accrued interest, etc. ....... 51,530.41
Inventories—Contracts and work in progress, raw materials and supplies, at cost or less .......... 396,055.45

TOTAL CURRENT ASSETS ................................ $2,337,532.59

INVESTMENTS:

Securities of Aviation Companies, valued in accordance with contract with General Aviation Corporation, plus additions at cost. (Market prices at December 31, 1933 $1,043,304.23) ........... $3,054,763.00
Sundry bonds, stocks, etc. (includes $77,211 35 of United States Government securities deposited under contract) ........... 88,917.84

TOTAL INVESTMENTS ................................... 4,043,680.84

FUNDS IN CLOSED BANKS, LESS RESERVE ................. 16,407.26

FIXED ASSETS:

Land, buildings, machinery and equipment, at cost, less depreciation reserve of $428,680.20 ........................................... $ 940,705.53
Flying equipment, at cost, less depreciation reserve of $29,761.18 ........................................... 461,512.53

TOTAL FIXED ASSETS (NET) ................................ 1,402,218.06

DEFERRED CHARGES ...................................... 60,874.33
GOODWILL ............................................. 155,865.72

TOTAL ASSETS ........................................... $8,016,578.80

NORTH AMERICAN AVIATION, INC.,

Dear Sirs:

We have made an examination of the Consolidated Balance Sheet of North American Aviation Companies, related Summaries of Consolidated Capital Surplus, Earned Surplus, and Income and Deficit, and tested the accounting records of the companies and other supporting evidence, but have not inspected the physical examination of the assets of the companies. In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet, Deficit from Operations, and related Summaries fairly present, in accordance with accepted principles of accounting, the financial condition at December 31, 1933, and the results of their operations for the year ended December 31, 1933.

New York,
March 2, 1934
AND WHOLLY-OWNED SUBSIDIARIES

BALANCE SHEET

Dec., 1933

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

- Accounts payable: $172,972.91
- Accrued liabilities: 67,384.64
- Deposits on sales contracts: 9,415.74

Total Current Liabilities: $249,773.29

RESERVE FOR CONTINGENCIES: 416,877.89

CAPITAL AND SURPLUS:

- Capital Stock: Authorized, 6,000,000 shares of a par value of $1 a share; issued and outstanding, 3,435,033 shares: $3,435,033.00
- Capital Surplus: 3,759,466.57
- Earned Surplus: 155,428.05

Total Capital and Surplus: 7,349,927.62

(Stock value = $2.14 per share)

Notation: Equity in subsidiary not consolidated, majority of whose stock is owned by North American Aviation, Inc., has increased $138,482.78 since February 28, 1933. This increase in equity has not been taken up in this balance sheet.

Total Liabilities and Capital: $8,016,578.80

Yours truly,

HASKINS & SELLS.
NORTH AMERICAN AVIATION, INC.,
and wholly-owned subsidiaries

**SUMMARY OF CONSOLIDATED INCOME AND DEFICIT FROM OPERATIONS,**
**BY PERIODS, FOR THE YEAR ENDED DECEMBER 31, 1933**

<table>
<thead>
<tr>
<th>Year Ended Dec. 31, 1933</th>
<th>Ten Months Ended Dec. 31, 1933</th>
<th>Two Months Ended Feb. 28, 1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipments and operating revenues</td>
<td>$3,753,000.28</td>
<td>$2,933,753.90</td>
</tr>
<tr>
<td>Cost of shipments and operating expenses</td>
<td>3,834,251.58</td>
<td>3,109,871.70</td>
</tr>
<tr>
<td>Gross Income (Loss) From Operations</td>
<td>$81,251.30</td>
<td>$276,117.71</td>
</tr>
<tr>
<td>Selling, traffic and administrative expenses of transport and manufacturing subsidiaries</td>
<td>$579,194.31</td>
<td>$422,704.74</td>
</tr>
<tr>
<td>Research and experimental expenses</td>
<td>42,121.27</td>
<td>29,639.97</td>
</tr>
<tr>
<td>Total</td>
<td>$621,315.58</td>
<td>$451,344.71</td>
</tr>
<tr>
<td>Operating Income (Loss) Before Depreciation</td>
<td>$702,666.88</td>
<td>$727,462.42</td>
</tr>
<tr>
<td>Depreciation</td>
<td>442,139.35</td>
<td>366,737.88</td>
</tr>
<tr>
<td>Operating Loss After Depreciation</td>
<td>$1,144,706.23</td>
<td>$1,094,200.30</td>
</tr>
<tr>
<td>Other Deductions From Income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>$2,040.59</td>
<td>$1,867.96</td>
</tr>
<tr>
<td>Administrative and corporate expenses of parent company</td>
<td>138,023.20</td>
<td>113,180.96</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>29,752.13</td>
<td>7,823.36</td>
</tr>
<tr>
<td>Total Other Deductions From Income</td>
<td>$169,815.92</td>
<td>$122,872.28</td>
</tr>
<tr>
<td>Gross Loss</td>
<td>$1,314,522.15</td>
<td>$1,217,072.58</td>
</tr>
<tr>
<td>Other Income Credits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>$115,912.18</td>
<td>$108,599.08</td>
</tr>
<tr>
<td>Royalties</td>
<td>23,124.12</td>
<td>8,900.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>28,810.58</td>
<td>22,077.07</td>
</tr>
<tr>
<td>Total Other Income Credits</td>
<td>$167,846.88</td>
<td>$139,576.15</td>
</tr>
<tr>
<td>Net Loss For The Period</td>
<td>$1,146,675.27</td>
<td>$1,077,496.43</td>
</tr>
<tr>
<td>Surplus Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credits:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of proceeds of sales of securities over book values</td>
<td>$76,015.80</td>
<td>$33,707.25</td>
</tr>
<tr>
<td>Miscellaneous (net)</td>
<td>8,526.19</td>
<td>3,733.30</td>
</tr>
<tr>
<td>Total Credits</td>
<td>$84,541.99</td>
<td>$37,440.55</td>
</tr>
<tr>
<td>Charges:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment of Federal Income Taxes of prior years</td>
<td>$24,132.09</td>
<td></td>
</tr>
<tr>
<td>Write-off of engine inventory</td>
<td>18,186.04</td>
<td>18,186.04</td>
</tr>
<tr>
<td>Total Charges</td>
<td>$42,318.13</td>
<td>$36,372.04</td>
</tr>
<tr>
<td>Surplus Adjustments—net credit</td>
<td>$42,223.86</td>
<td>$19,254.51</td>
</tr>
<tr>
<td>Operating Deficit For The Period</td>
<td>$1,104,451.41</td>
<td>$1,058,241.92</td>
</tr>
<tr>
<td>Notation: Including the equity in undivided profit of subsidiary not consolidated, the net loss would be</td>
<td>$965,968.63</td>
<td></td>
</tr>
</tbody>
</table>
NORTH AMERICAN AVIATION, INC.,
and wholly-owned subsidiaries

Summary of Consolidated Capital Surplus
for the year ended December 31, 1933

BALANCE, January 1, 1933 ........................................ $ 2,466,415.11

DEDUCT—
  Miscellaneous adjustments applicable to former subsidiary ........ 23,680.69
  .......................................................... $ 2,442,734.42

ADJUSTMENTS AT FEBRUARY 28, 1933, PER CONTRACT
WITH GENERAL AVIATION CORPORATION:

Additions:
  Surplus arising from reduction of par value of 2,118,959 shares,
  from $5 to $1 per share .................................$ 8,473,836.00
  Surplus arising from increase in investments to values stipulated
  in contract ................................................. 561,707.36
  Value of assets acquired from General Aviation Corporation in
  excess of the par value of 1,485,922 shares of North American
  Aviation, Inc., stock given in exchange therefor 2,177,439.13
  ............................................................... $13,657,716.91

Deductions:
  Excess of cost of 47,667 shares of North American Aviation, Inc.,
  stock over the par value thereof at date of purchase ........ $ 47,667.00
  Write-off of goodwill of subsidiary 2,011,595.02
  Reduction of par value of 169,848 shares of treasury stock from
  $5 to $1 per share ........................................... 679,392.00
  Increase in reserve for contingencies 21,890.62
  Capital Surplus included in the book value of the 1,949,111 shares
  of stock of The Sperry Corporation received in exchange for
  certain assets of North American Aviation, Inc., and subse-
  quently distributed in the form of Voting Trust Certificates to
  the stockholders of North American Aviation, Inc., share for
  share ............................................................. 7,077,217.44

BALANCE, February 28, 1933 ........................................ $ 3,819,954.83

DEDUCT—
  Reorganization expenses written off .......................... 60,488.26

BALANCE, December 31, 1933 .................................... $ 3,759,466.57

Summary of Consolidated Earned Surplus
for the year ended December 31, 1933

BALANCE, January 1, 1933 ........................................ $ 2,896,450.92

DEDUCT—
  Earned Surplus included in the book value of the 1,949,111 shares
  of stock of The Sperry Corporation received in exchange for cer-
  tain assets of North American Aviation, Inc., and subsequently
  distributed in the form of Voting Trust Certificates to the stock-
  holders of North American Aviation, Inc., share for share ........ 1,636,571.46

DEDUCT—
  Operating deficit, year ended December 31, 1933 ............. 1,104,451.41

BALANCE, December 31, 1933 .................................... $ 155,428.05
North American Aviation, Inc.
(A DELAWARE CORPORATION)

ANNUAL REPORT
TO
STOCKHOLDERS
1934