

June 22, 1961.

PRIVATE & CONFIDENTIAL

Dear Sir Roy:

I am enclosing the proposed agreement between Ted Emmert and A. V. Roe Canada Limited, also a letter covering the changes in the By-laws. If these papers are in order I would appreciate your signing them and returning them to me so that I can have them completed here.

Both Colonel Phillips and Mr. Thornbrough will be back in Toronto by the end of June and if we are successful in our negotiations with Ted Emmert, he would want to advise both of these gentlemen early in July - giving them a month's notice. This means that he would be in a position to come with A. V. Roe as of August 1st.

In the event of the above taking place, I imagine Ted would be available to go over to London in mid-July, at your convenience, and spend considerable time with you, also familiarizing himself with the Hawker Siddeley set-up.

I would appreciate your telephoning me when you have dealt with these papers so that I could anticipate the time of their arrival here and could arrange further meetings necessary to clean this up in the shortest possible time.

I feel that this action will be the necessary stimulant to get us going ahead on a good sound foundation.

With kind personal regards.

Sincerely,

Sir Roy H. Dobson, C.B.E.,
Managing Director,
Hawker Siddeley Group Limited,
18 St. James's Square,
London S.W.1., England.

HAWKER SIDDELEY GROUP LIMITED

18, St James's Square, London, S W 1

(Registered Office: Richmond Road, Kingston upon Thames)



Telephone
WHITEHALL 200400 and 802115
Inland Telegrams
Hawaidair, Piccy London
Overseas Telegrams
Hawaidair, London
Code Bentley's Second

30th June 1961.

Air Marshal W.A. Curtis, CB. CBE, DSC, LLD, ED.,
Vice-Chairman of the Board,
A.V. Roe Canada Limited,
170, University Avenue,
TORONTO, Canada.

PRIVATE & CONFIDENTIAL

Thank you for your letter, dated 22nd June, enclosing proposed Agreement between Ted Emmert and A.V. Roe Canada Limited.

This has taken me by surprise and I do not know who wrote it, but I venture to say that it has not been very well considered.

To have a true interpretation of the whole matter I suppose we ought to have had a Canadian lawyer on the job, but I called in Gordon Simmons, our own lawyer here, to give me advice and substantially the following comments are based on his opinion:

Clause 1: No comment.

Clause 2: I think here the salary should be stated as \$100,000 per annum, paid in monthly instalments, or in any other agreed manner and be subject to alterations at any time agreed with the Chairman of the Company. Travelling expenses, of course, would be dealt with in the ordinary way.

Clause 3: I think this Clause needs considerable clarification because as it stands Mr. Emmert would be entitled to receive at 65 the full pension of \$30,000 per annum even though he was no longer in the service of the Company. I do not think that was intended.

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Clause 3 - continued: It should also be made clear that the option for a joint pension is exercisable by Mr. Emmert.

Clause 4: Here it would be better if it was made clear that the Group Insurance Benefits did not include normal Pension Benefits.

Clause 5: This Clause is rather ambiguous and there does not seem to be any point in stating that if Mr. Emmert left our employ or if his services were dispensed with for any reason whatsoever at the end of five years or at any other time, he would still have ninety days in which to exercise his option to take up the shares.

I would rather see the option end with the contract as there does not seem to be any point in giving the extra ninety days, and I think you will agree.

I think for his own protection it should state that the shares should be given to him by the Company under the terms suggested. Again, if the shares were split or the capital watered by means of a bonus issue or anything of that kind it might well be that the option would be made valueless, and we would want to avoid that for his sake.

Clauses 6, 7 and 8: No comment.

Clause 9: This Clause appears to me to be out of place as in my view it is not appropriate to make the executive scheme a contractual part of the Agreement because it not only concerns the President, but all the other executives of the Company. I should have thought that it should be excluded from the Agreement and contained in some other document which would more clearly define the terms of the scheme. To leave this Clause in the Agreement might embarrass the draughtsman of the scheme when he comes to work out the details.

The terms of the Incentive Compensation Plan will really need to be clarified as it would appear to mean before charging minority interests. In which case, the question should be asked as to whether the minority interests' share of the capital and surplus be brought in?

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There is also the question of Deferred Tax Credits and Provisions - if they were all included in the capital the basic profit level would be raised by some \$4 million to something over \$12 million before there was any bonus. 6% on the present capital stock and surplus at present amounts to just over \$8 million and they would be entitled to 10% on all profits (before tax) over that.

I think you will agree that although some of these words look fairly simple they have implications which could be very embarrassing to all concerned.

Clause 10: Again, this seems to be an inappropriate place to provide for alteration of the Company's Bye-laws and the proposed alterations would naturally have to be carefully considered by our lawyers and in this case they should be Canadian lawyers to ensure that they are not inconsistent with the other Bye-laws of the Company and are not inconsistent with themselves.

As an instance, No. 20 seems to us to be ambiguous and difficult to understand and might involve the Chairman of the Company having to exercise the duties of the President in the absence of the President and to the exclusion of the Vice-Presidents.

Bye-law No. 20 also seems to conflict with Bye-law No. 22, but these are points which should be thrashed out with our Canadian lawyers.

Clause No. 11 - No comment.

Clause No. 12: This does not state by whom the notice is to be given and if we assume that it can be given by either party, then Mr. Emmert would be in the position of giving notice to terminate the Agreement at the end of five years and be entitled to all the pension named under Clause 13, and I am sure that is not intended.

Clause No. 13: If the Contract should be terminated in July 1966, that is at the end of the initial period, it would appear that Mr. Emmert would be entitled to his full pension not only from the age of 65 but from the date of termination. Again, I feel sure this is not intended.

continued -

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Clause 13 - continued.

I think the wording of the first paragraph of this Clause needs amendment and finally, under sub-paragraph (c) Mr. Emmert could be said to be entitled to the difference between the sum ascertained under sub-paragraph (b) and the whole amount of remuneration possible to him from the beginning of his service to the end of its term and it is not clear when this would be.

The payments to be made under this paragraph are to be paid in three equal annual instalments, the first on the termination of the Contract. If the fiscal year ends only a short time before the termination, it would not be possible to determine the amount to be paid until the Accounts of the Company have been audited and in this event it would not be possible to pay the first instalment on the day of termination and there should, therefore, be some provision for a payment on account or a postponement of the initial payment until a day related to the day on which the Accounts are ready.

This may seem pernicky, but I think it will illustrate how tricky these things can be.

There does not appear to be any restriction on taking up competitive employment and in regard to your covering letter it is not clear who is going to sign the Agreement - Racair Ltd., which holds 48% of the shares or Hawker Siddeley, which owns about 11%.

I am not entirely happy about paragraph (b) because it does not state who is to decide whether any objections are reasonable and valid. This should somehow be within the Company's purview but it is not made clear.

I am sorry about all this "diddle daddle" but one of the things I have learned to be very careful about from past experience, as you well know, is Agreements. I am sure Ted Emmert would be the first to agree with my comments.

Perhaps you will telephone me as soon as you have read this letter.

P.S. Regarding the incentive plan. There should be some clause saying that in case of war or threat causing rapid industrial expansion special steps should be taken, otherwise it would get out of hand.

R.H.E.