

June 9, 1961.

PERSONAL & CONFIDENTIAL

Dear Sir Roy:

I have had another talk with Ted Emmert in which he said that he would be prepared to consider carefully a proposal that he become President and a Director of A. V. Roe Canada Limited. Ted made it quite clear that he is not looking for a job but has become interested in the challenge that this would present.

He is aware of Al Fairley's contract and agrees with my remarks that it is too high. He states that normally he disagrees with contracts however, under the circumstances where he would be leaving a very satisfactory position with a good future, that it would only be fair to have a contract for a five year period, particularly in view of that part of paragraph 18 of the By-laws which says - "All Officers in the absence of agreement to the contrary shall be subject to removal by resolution of the Board at any time with or without cause".

Ted also suggests that the By-laws of the Company as ratified by the Shareholders on August 31, 1956, would be amended to read:

16. "The Directors may at their meeting held immediately after the annual meeting of shareholders and from time to time as vacancies occur elect the Chairman of the Board, the President, and two others of their body as an executive committee and the following provisions shall apply thereto:

- (a) The Chairman of the Board, and in his absence the President, shall be Chairman of the Executive Committee. The person acting as Chairman shall have a casting vote in case of a tie. The Executive Committee shall

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appoint some person (who need not be one of its members) to be the Secretary thereof and in the event that no such appointment is made, or in the absence or inability to act of the person so appointed, the Secretary of the Company shall act as Secretary of the Executive Committee.

20.

Chairman of the Board.

The Chairman of the Board shall be the senior officer of the Company and in the absence or disability of the President shall be the chief executive officer of the Company and shall exercise general supervision and control over the management of the business and affairs of the Company. He shall, if present, preside at all meetings of the Directors and Shareholders of the Company. He shall sign all instruments which require his signature and shall perform all duties incident to his office and shall have such powers and duties as may from time to time be assigned to him by the Board.

21.

Vice-Chairman of the Board.

The Vice-Chairman of the Board shall be vested with all the powers and shall perform all the duties of the President in the absence or disability of the Chairman of the Board and the President. The Vice-Chairman shall also have such other powers and duties as may from time to time be assigned to him by the Board.

22.

President.

The President shall be the chief executive officer of the Company and shall exercise general supervision and control over and be responsible for the management of the business and affairs of the Company. In the absence of the Chairman of the Board the President shall, if present, preside at meetings of the Directors and Shareholders of the Company. He shall sign all instruments which require his signature and shall perform all duties incident to his office and shall have such other powers and duties as may from time to time be assigned to him by the Board.

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23. Vice-Presidents.

The Vice-President, or if more than one, the Vice-Presidents in order of seniority (as determined by the Board) shall be vested with such power and shall perform such duties as may from time to time be assigned to him or them by the Board."

This spells out the duties and responsibilities of the different officers of the Company a little more clearly than in the present By-laws but does not, in my opinion, really change what has in fact been the practice.

On the North American Continent, as you well know, incentive compensation plans are in general the way the larger companies operate and Ted, having been trained in Boeing Aircraft in the States, Canadair, Ford of Canada and Massey Ferguson, feels that this is a very satisfactory practice and would want to re-introduce the incentive plan here when profits warrant it. He feels that the normal practice would be to take the total working capital and figure 6% of this as the earnings the Company should make before taxes, before any incentive plan is considered. After this condition has been reached then 10% of that figure year and above the 6% reserve for Shareholders should be set aside annually in a reserve fund which fund in whole or in part would be available for distribution among the senior personnel of the companies and its subsidiaries in accordance with the provisions of the plan.

Ted feels the minimum salary should be \$100 thousand per year for the next five years and that he would be elected to the Board of Directors as Director and President; that a pension plan would be proposed under which at the age of 65 years he would be entitled to retire from the Company with an annual pension of not less than \$30,000, and he would have the right then to elect that in lieu of such pension he could require a joint and survivorship retirement pension to continue after his death for the benefit of his widow, she to receive one-half of the pension to which he would otherwise be entitled. In the event of such election the pension that he would otherwise receive would be reduced to the actuarial equivalent of the retirement pension suggested.

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He assumes that he would be required to join the Company pension plan presently in existence and make contributions to it and that whatever payments he would be entitled to receive under it would be deducted from the amount specified.

That holidays, expense and entertainment allowances, group insurance, hospital plans, and other welfare benefits presently available to the Company's executive would be made available to him.

That a stock option plan would be offered to him whereby he would be entitled to acquire, while an officer and for a period of three months thereafter and at the market price prevailing on the date the option is granted, 50,000 shares of the capital stock of the company.

The usual standard clauses in a contract about faithfully, honestly and diligently serving the Company; the clause covering the discovery or inventing products would all naturally be included in the general agreement together with a clause that the contract with the Company would only be terminated during the five year term if he was

- (a) guilty of gross misconduct or breach or non-observance of any stipulation in his written contract;
- (b) adjudicated bankrupt or made any composition or entered into any deed of arrangement with his creditors;
- (c) refused or neglected to comply with any lawful orders given him by the Board of Directors.

Following the five-year period the contract would be automatically renewed from year to year until he attained the age of 65 years. In the event that it was terminated for any reason other than the foregoing three reasons, or if he was not elected to the office of President or to any other office to which he agreed, then he would receive forthwith

- (a) the pension that he would otherwise be entitled to at the age of 65 years;

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(b) a sum not less than one and one-half times his salary and incentive bonus for the fiscal year immediately prior to the date of termination;

(c) the difference, if any, between the sum ascertained under (b) and moneys payable under his contract to the end of the five-year term.

Ted also suggests that the composition and make-up of the Board of Directors would be discussed with him and that no person resident of Canada to whom he may have objections would be retained or elected to the Board.

It is obvious that he has given a great deal of thought to this matter and if the conditions as outlined above are acceptable to you, I would then arrange for him to make a trip to London. He is not, of course, prepared to go over unless he felt that you would be agreeable to the suggested terms. He is very definite that he does not want to bargain and feels the above conditions are reasonable ones which would be fair to him and, in his opinion, to the Company. He felt that a frank statement at the beginning of any possible relationship between us would make for a happy relationship in the years ahead.

I am more than ever convinced that he is the man for the job and sincerely hope that we will be successful in obtaining his services.

Sincerely,

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

P.S. Ted's average income for the last five years was \$118 thousand.

W.A.C.