AVIATION GENERAL INC
Form 10-Q
August 13, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

XX QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-24795

AVIATION GENERAL, INCORPORATED
(Exact name of registrant as specified in its charter)

Delaware	73-1547645
(State of Incorporation)	(IRS Employer Identification No.)

7200 NW 63rd Street Hangar 8, Wiley Post Airport Bethany, Oklahoma	73008
(Address of principal executive offices)	(Zip Code)

(405) 440-2255
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes__X__ No_____

There were 6,279,330 Shares of Common Stock Outstanding as of July 31, 2001

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PART I. FINANCIAL INFORMATION
ITEM I. FINANCIAL STATEMENTS

AVIATION GENERAL, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2001
ASSETS	
Current Assets	
Cash and cash equivalents	$545,428
Accounts receivable	46,711
Current portion of note receivable	29,625
Inventories	8,705,980
Prepaid expenses and other assets	210,449
Total current assets	9,538,193
Property and equipment	
Office equipment and furniture	372,162
Vehicles and aircraft	95,115
Manufacturing equipment	385,179
Tooling	676,747
Leasehold improvements	315,051
	1,844,254
Less accumulated depreciation	(1,136,088)
	708,166
Other assets	
Notes receivable, less current maturities	85,665
Available-for-sale equity securities - related party	294,800
Note receivable from related party	1,529,889
	1,910,354
	$12,156,713

The accompanying notes are an integral part of these financial statements.

AVIATION GENERAL, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) June 30, 2001
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities	
Accounts payable	$1,690,113
Accrued expenses	516,725
Refundable deposits	132,873
Notes payable	4,309,310
Total current liabilities	6,649,021
DEFERRED TAX LIABILITY	-
Stockholders' Equity	
Preferred stock, $.01 par value, 5,000,000 shares authorized; no shares outstanding	-
Common stock, $.50 par value, 20,000,000 shares authorized; 7,051,519 shares issued At June 30, 2001 and December 31, 2000	3,525,759
Additional paid-in capital	36,889,799
Less: Treasury stock at cost, 772,189 shares at June 30, 2001 and December 31, 2000	(1,294,193)
Accumulated other comprehensive income (loss)	(135,941)
Accumulated deficit	(33,477,732)
Total stockholders' equity	5,507,692
	$12,156,713

The accompanying notes are an integral part of these financial statements.

AVIATION GENERAL, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30, 2001	2000
Net sales - aircraft	$2,729,783	$3
Net sales - service	489,225	
Total net sales	3,219,008	4
Cost of sales - aircraft	2,324,580	2
Cost of sales - service	370,645	
Total cost of sales	2,695,225	3
Gross margin	523,783	
Other operating expenses		
Product development and engineering costs	86,870	
Selling, general and administrative expenses	817,161	
Total other operating expenses	904,031	
Operating income (loss)	(380,248)	
Other income (expenses)		
Other income	56,254	
Interest expense	(125,315)	
Other expense	(6,099)	
Total other income	(75,160)	
Net income (loss)	($455,408)	
Net Income per share		
Weighted average common shares Outstanding, basic	6,279,330	
Net Income (loss) per share, basic	($0.07)	
Weighted average common shares Outstanding, diluted	6,279,330	
Net Income (loss) per share, diluted	($0.07)	

The accompanying notes are an integral part of these financial statements.

AVIATION GENERAL, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Six Months Ended June 30, 2001	2000
Net sales - aircraft	$4,863,995	$7
Net sales - service	994,773	
Total net sales	5,858,768	8
Cost of sales - aircraft	4,138,079	5
Cost of sales - service	805,231	
Total cost of sales	4,943,310	6
Gross margin	915,458	1
Other operating expenses		
Product development and engineering costs	182,177	
Selling, general and administrative expenses	1,635,520	1
Total other operating expenses	1,817,697	1
Operating income (loss)	(902,239)	
Other income (expenses)		
Other income	100,303	
Interest expense	(245,960)	
Other expense	(6,099)	
Total other income (expenses)	(151,756)	
Net income (loss)	($1,053,995)	
Net Income (loss) per share		
Weighted average common shares Outstanding, basic	6,279,330	
Net Income (loss) per share, basic	($0.17)	
Weighted average common shares		

Outstanding, diluted	6,279,330	
Net Income (loss) per share, diluted	($0.17)	

The accompanying notes are an integral part of these financial statements.

AVIATION GENERAL, INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended Ju 2001	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	($1,053,995)	
Adjustments to reconcile net income (loss) to net cash used by operating activities		
Depreciation and amortization	51,108	
Non-cash interest earnings	(68,149)	
Receipts on notes receivable - related party	-	
Changes in assets and liabilities		
(Increase) decrease in		
Accounts receivable	504,714	
Notes receivable	6,259	
Notes receivable - related party	-	
Inventories	(713,809)	
Prepaid expense and other assets	(56,959)	
Increase (decrease) in		
Accounts payable	463,699	
Accrued expenses	(44,673)	
Refundable deposits	17,059	
Net cash used by operating activities	(894,746)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities of related party	-	
Capital expenditures	(37,244)	
Payment on related party note receivable	-	
Net cash (used) provided by investing activities	(37,244)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	3,986,943	
Payments on borrowings	(2,644,541)	

Purchase of treasury stock	-	
Net cash provided by financing activities	1,342,402	
Net decrease in cash	410,412	
Cash and cash equivalents at beginning of period	135,016	
Cash and cash equivalents at end of period	$545,428	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest	$256,001	
Income taxes	-	

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of the Company, all adjustments necessary to present fairly the financial position of Aviation General, Incorporated as of June 30, 2001 and December 31, 2000, and the results of operations and cash flows for the three and six month periods ended June 30, 2001 and 2000 have been included and are of a normal, recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for the full year. It is suggested that these condensed financial statements be read in conjunction with the Company's 2000 Annual Report on Form 10-K.

2. Basic income (loss) per share of common stock has been computed by using the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share has been computed based on the assumption that all dilutive options are exercised.

	Six months ending	
	June 30, 2001	June 30, 20
Numerator		
Net income (loss)	($1,053,995)	$151,23

Denominator		
Weighted average shares outstanding, basic	6,279,330	6,413,56
Effect of dilutive securities Stock options	0	355,89
Denominator for income (loss) per share assuming dilution	6,279,330	6,769,46
Income (loss) per share, basic	($ 0.17)	$ 0.0
Income (loss) per share, assuming dilution	($ 0.17)	$ 0.0

	Three months ending June 30, 2001	June 30, 20
Numerator		
Net income (loss)	($455,408)	$113,04
Denominator		
Weighted average shares outstanding, basic	6,279,330	6,377,41
Effect of dilutive securities Stock options	0	524,01
Denominator for income (loss) per share, assuming dilution	6,279,330	6,901,42
Income (loss) per share, basic	($ 0.07)	$ 0.0
Income (loss) per share, assuming dilution	($ 0.07)	$ 0.0

3. Total comprehensive income (loss) for the periods presented is as follows:

	For the six months ending June 30 2001	2000
Net income (loss)	($1,053,995)	$151,232
Other comprehensive income (loss)	(135,941)	339,759
Comprehensive income (loss)	($1,189,936)	$490,991

For the three months ending June 30

	2001	2000
Net income (loss)	($455,408)	$113,04
Other comprehensive income (loss)	(107,200)	(251,38
Comprehensive income (loss)	($562,608)	($138,33

4. Inventories consist primarily of finished goods and parts for manufacturing and servicing aircraft. Inventory costs include all direct manufacturing costs and applied overhead. These inventories, other than used aircraft, are stated at the lower of cost or market, and cost is determined by the average-cost method. Used aircraft are valued on a specific-identification basis at the lower of cost or current estimated realizable wholesale price. Inventory components at the balance sheet dates were as follows:

	June 30, 2001	December 31, 2000
Raw materials	$2,099,620	$2,522,930
Work in process	2,177,947	1,710,363
New and pre-owned aircraft	4,371,057	3,663,866
Other	57,356	95,012
Total inventories	$8,705,980	$7,992,171

5. No income tax provision has been necessary due to the generation or utilization of net operating loss carryforwards and the related change in the valuation allowance for deferred income tax assets.

6. The Company is subject to regulation by the FAA. The Company is subject to inspections by the FAA and may be subjected to fines and other penalties (including orders to cease production) for noncompliance with FAA regulations. The Company has a Production Certificate from the FAA, which delegates to the Company the inspection of each aircraft. The sale of the Company's product internationally is subject to regulation by comparable agencies in foreign countries.

The Company faces the inherent business risk of exposure to product liability claims. In 1988, the Company agreed to indemnify a former manufacturer of the Commander single engine aircraft against claims asserted against the manufacturer with respect to aircraft built from 1972 to 1979. In 1994, Congress enacted the General Aviation Revitalization Act, which established an eighteen-year statute of repose for general aviation manufacturers. This legislation prohibits product liability suits against manufacturers when the aircraft involved in an accident is more than 18 years old. This action effectively eliminated all potential liability for the Company with respect to aircraft produced in the 1970s as of December 31, 1997. The Company's product liability insurance policy with coverage of $10 million per occurrence and $10 million annually in the aggregate with a deductible of $200,000 per occurrence and annually in the aggregate expired March 1, 1995. Subsequent to March 1, 1995, the Company is not insured for product liability claims. Management believes that the interest of shareholders is better served by vigorously defending claims through the services of highly qualified specialists and attorneys rather than retaining product liability insurance to settle exorbitant claims.

The Company is routinely involved in various legal matters arising in the normal course of business, including product liability claims. Management intends to vigorously defend against these claims and currently believes that legal matters will not result in any material adverse effect on the Company's financial position or results of operations. Accordingly, no provision for any liabilities that may result have been recorded in the financial statements. Due to the uncertainty of these matters, it is at least reasonably possible that management's view of the outcome will change in the near term.

7. The Company's business strategy is to capture a significant share of the existing domestic and international market for the single engine, high performance aircraft by offering a premium updated version of an established aircraft design. Commander aircraft have an airframe design decades newer than the competition and are certified to more stringent standards. In addition, Commander aircraft have a significantly better safety record and higher resale value than all other aircraft in their class. The Company believes the domestic and international market for its aircraft includes individuals and corporations that will purchase the Company's aircraft for business and personal travel, and governments, commercial and military organizations that will use the aircraft for training and other purposes.

The Company believes the market for its products will improve as a result of attrition of the existing fleet of aging single engine high performance aircraft, development of new international markets for general aviation aircraft, increased use of single engine aircraft as a corporate tool for small and medium-sized businesses, and demand for advanced single engine trainers.

Recognizing that the size of the pre-owned aircraft market is significantly larger than new aircraft sales, the Company has structured a separate aviation services division within the Company to purchase, refurbish and sell pre-owned piston aircraft at reasonable profit margins. The Aviation Services Division also acts as broker for pre-owned piston aircraft and serves as advisor to potential aircraft buyers and sellers.

The Company markets its aircraft through a factory direct sales and marketing organization comprised of regional sales personnel who are managed and supported from the Company's headquarters in Oklahoma. The marketing organization is augmented by a worldwide network of Commander Authorized Service Centers (ASCs). The Company's marketing program utilizes a highly focused domestic and international advertising and public relations program that includes product advertising in leading business and aviation publications, ongoing direct mail programs to owners and pilots, and internet marketing communications.

The Company has one of the most comprehensive worldwide service and support networks in its class. The Company grants domestic Commander ASCs the non-exclusive right to refer prospects for new Commander aircraft. Commander ASCs receive a referral fee for identifying purchasers, and provide a full complement of service and support services, including financing, insurance, service and support, hangar/storage, flight instruction, and professional pilot service. The Company selects ASCs from among experienced independent aviation sales and service organizations that it believes to have excellent facilities, service capabilities, reputation and financial strength. Through its ASCs, Commander Aircraft Company offers a turn-key aircraft ownership program designed to stimulate ownership of Commander aircraft by companies that have not previously owned or operated aircraft. This flexible program can be tailored to meet each customer's specific requirements.

PART I. FINANCIAL INFORMATION
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS FROM OPERATIONS

Revenues from the sale of aircraft for the second quarter of 2001 totaled $2,729,783 compared to $3,746,651 for the comparable period of 2000. For the second quarter of 2001, eight new and pre-owned aircraft were sold and one jet aircraft was brokered, compared with thirteen new and pre-owned aircraft sold and one twin turbine aircraft brokered in the same period for 2000.

For the six month period ended June 30, 2001, revenues were $4,863,995 compared to $7,222,401 for the six month period ending June 30, 2000. The revenues for the first six months of this year have been adversely impacted by the uncertainty of the economy, causing customer cancellation or postponement of new and pre-owned aircraft purchases. The Company has made and will continue to make adjustments in its cost and overhead structure.

Service revenues totaled $489,225 for the quarter ended June 30, 2001 compared to $509,436 for the comparable quarter in 2000. The decrease was due to a decrease in spare parts shipments and aircraft repair and refurbishment activity. Service revenues were $994,723 for the six month period ending June 30, 2001 compared to $976,261 for the six month period ending June 30, 2000. The slight increase was due to the larger volume of work in the first quarter of 2001.

Cost of aircraft sales for the three month period ended June 30, 2001 decreased to $2,324,580 compared to $2,886,393 for the three month period ended June 30, 2000. The decrease in cost was due to lower new and pre-owned aircraft sales during the period. Cost of aircraft sales for the six month period ended June 30, 2001 decreased to $4,138,079 compared to $5,666,356 for the six month period ended June 30, 2000. The decrease in cost was due to lower new and pre-owned aircraft sales during the period.

Cost of sales for service and parts for the quarter ended June 30, 2001 decreased to $370,645 compared to $420,139 for the quarter ended June 30, 2000. The decrease was due primarily to the decrease in revenues from service activity and parts shipments and steps taken by management to reduce overall costs. Cost of sales for service and parts for the six month period ended June 30, 2001 were $805,231 compared to $738,135 for the six month period ended June 30, 2000. The increase was due to the higher volume service and parts activity in the first quarter of 2001.

Product development and engineering costs decreased to $86,870 for the second quarter of 2001, from $97,179 for the comparable period in 2000. For the six month period ended June 30, 2001 product development and engineering costs were $182,177 compared to $193,486 for the six month period ended June 30, 2000.

Sales, general and administrative expense increased for the three-month period ended June 30, 2001, to $817,161 from $742,225 for the comparable period ended June 30, 2000. Sales, general and administrative expense for the six-month period ended June 30, 2001 were $1,635,520 compared to $1,476,090 for the six month period ended June 30, 2000. The increase is due to increased legal costs.

Interest expense increased to $125,315 for the second quarter of 2001 from $55,039 for the comparable period in 2000 due to higher borrowings at banks to finance aircraft manufactured or purchased for resale.

LIQUIDITY AND CAPITAL RESOURCES

Cash balances increased to $545,428 at June 30, 2001 from $135,016 at December 31, 2000. Accounts receivable decreased by $504,714 at June 30, 2001 due to a payment received in the first quarter for an aircraft in accounts receivable at December 31, 2000.

Notes receivable decreased to $115,290 at June 30, 2001 from $121,549 at December 31, 2000 due to regular quarterly payments from the debtor. Notes receivable from related parties remained unchanged from December 31, 2000 to June 30, 2001. Accrued interest due on the note receivable from the related party at June 30, 2000 was $68,149. The note is secured by Aviation General, Incorporated stock pledged, as well as a personal guarantee from the principal shareholder of the debtor. The note is classified as non-current due to the probability that payment in full will not occur within the next year.

The Company's investment in equity securities is classified as available for sale with unrealized gains or losses excluded from income and reported as other comprehensive income. Declines in the fair value of securities that are other than temporary result in write-downs are included in earnings. This investment is in the common stock of a related party.

Inventories increased to $8,705,980 at June 30, 2001 from $7,992,171 at December 31, 2000. Raw materials, parts and work in process increased approximately $44,274, while new and pre-owned aircraft inventory increased by $707,191.

During the first six months of 2001, expenditures for fixed assets totaled $37,243, which included replacement of fabrication tooling and an upgrade to the Company's business software.

Accounts payable increased to $1,690,113 at June 30, 2001 from $1,226,414 at December 31, 2000, as the anticipated increase in production of new aircraft in 2001 resulted in higher material and parts inventory purchased on open account. Accrued expenses decreased to $516,725 at June 30, 2001 from $561,398 at December 31, 2000.

Refundable deposits increased to $132,873 at June 30, 2001 from $115,814 at December 31, 2000. Borrowings from bank lines increased to $4,309,310 at June 30, 2001 from $3,035,000 at December 31, 2000.

COMPANY OVERVIEW

Aviation General, Incorporated is a publicly traded holding company with two wholly owned subsidaries, Commander Aircraft Company and Strategic Jet Services, Inc. Commander Aircraft Company (www.commanderair.com) manufactures, markets and provides support services for its line of single engine, high performance Commander aircraft, and consulting, brokerage and refurbishment services for all types of piston aircraft. Strategic Jet Services, Inc. (www.strategicjet.com) provides consulting, sales, brokerage, acquisition and refurbishment services for jet aircraft.

The Company formed Strategic Jet Services, Inc. (SJS), a wholly owned subsidiary, to provide brokerage, sale, consulting and refurbishment work for jet aircraft. This line of business generated first activity in 1999, contributed revenue in 2000 and during the first six months of 2001, and is expected to contribute additional revenue in 2001.

The Company continues to certify new state-of-the-art avionics systems that offer the customer the latest technology in navigational and communication equipment. The Company introduced a new de-icing option and received certification from the Federal Aviation Administration, allowing equipped aircraft to operate in known icing conditions similar to larger, more expensive aircraft. Sales of this equipment not only provide additional revenues and earnings, but also increase the value of the aircraft relative to its competition.

During 2000 the Company introduced the 115 series of high performance, single engine aircraft. The Commander 115 represents the culmination of a multitude of improvements to the Commander line, and features numerous airframe, engine and systems refinements, as well as significantly increased range capability and an upgraded standard avionics package which includes dual Garmin 430 global navigation, communication and moving map displays. The Commander 115 series is the latest of a thoroughbred line of aircraft that offer the ultimate combination of performance, comfort, safety, and utility, and has become recognized as the Mercedes of the single engine fleet.

In addition to the above actions by the Company to increase revenue, management has made efforts to reduce costs and cash requirements by optimizing its production schedule using just-in-time scheduling. Management has reduced the costs incurred to advertise new aircraft by focusing marketing efforts at a specific customer profile.

The Company continues to advertise in industry and trade publications at a significantly reduced level, while directly contacting potential customers whose demographic characteristics closely match the typical customer, especially in the areas of income, pilot experience, and types of businesses with demonstrated regional travel requirements. Further reducing selling expenses, the Company has organized its service center, paint, interior and avionics shops into a completion center to focus on the growing after-market refurbishment business.

The Company has expanded its operations to include SJS, enhanced the Commander brand with the introduction of the Commander 115, and more effectively targeted sales and marketing expenditures. With continued activity in the parts, service and pre-owned aircraft sales, the Company has lowered its break even sales to only 14 new aircraft per year. With the large investment complete, management believes it has made significant progress towards the building of a world class aviation company. Due to numerous factors beyond the control of the Company, there can be no assurances that these results will be achieved.

Forward Looking Statements

This Form 10-Q includes certain statements that may be deemed to be "forward-looking statements" within the meaning of Section 27A of the Securities Act. All statements, other than statements of historical fact, included in this Form 10-Q that addresses activities, events or developments that the Company expects, projects, believes, or anticipates will or may occur in the future, including matters having to do with expected and future aircraft sales and service revenues, the Company's ability to fund its operations and repay debt, business strategies, expansion and growth of operations and other such matters, are forward-looking statements. These statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments, and other factors it believes are appropriate in the circumstances. These statements are subject to a number of assumptions, risks and uncertainties, including general economic and business conditions, the business opportunities (or lack thereof) that may be presented to and pursued by the Company, the Company's performance on its current contracts and its success in obtaining new contracts, the Company's ability to attract and retain qualified employees, and other factors, many of which are beyond the Company's control. You are cautioned that these forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in such statements.

PART I. FINANCIAL INFORMATION
ITEM 3. QUANITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The registrant has no material market risk associated with interest rates, foreign currency exchange rates or commodity prices.

PART II. OTHER INFORMATION
ITEM 1. LEGAL PROCEEDINGS

Commander Aircraft Company is a defendant in a lawsuit resulting from a crash of one of its manufactured aircraft. Management does not believe the Company bears any responsibility and will vigorusly defend against this claim and currently believes that this action will not have a material impact on the Company's operations. The National Transportation and Safety Board accident investigation has found the probable cause of this crash was pilot error.

ITEM 5. OTHER DISCLOSURES

The Company has received a NASDAQ Staff Determination that the Company fails to comply with the minimum bid price requirements for continued listing on the NASDAQ SmallCap Market, Rule 4310 (c)(4). The Company's common shares will continue to trade on the NASDAQ Stock Market, pending the outcome of the appeal the Company has filed in accordance with NASDAQ procedures, although there can be no assurance NASDAQ will grant the Company's appeal for continued listing. Aviation General believes its stock is significantly undervalued, and is considering various alternatives, such as restructuring of the Company's capitalization, ownership structure and reactivation of the Company's Stock Repurchase Program, the effect of which would most probably result in regaining minimum bid compliance.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its annual meeting of shareholders on June 5, 2001.

At the meeting, shareholders elected the following individuals as members of the Board of Directors:

Wirt D. Walker, III
N. Gene Criss
Stephen R. Buren
John H. deHavilland
Robert B. Smith, Jr.

There were 4,389,603 votes for each of the directors and 71,423 votes were withheld.

The shareholders approved an Amendment of the 1993 Stock Option Plan. There were 1,791,360 votes for and 145,026 votes against and 1,000 votes withheld.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits - None.

(b) Reports on Form 8-K - None.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AVIATION GENERAL INCORPORATED

(Registrant)

By: /s/ Wirt D. Walker
Wirt D. Walker
Chairman of the Board of Directors
(Chief ExecutiveOfficer and
Authorized Signatory)

Date: August 14, 2001