

PROXY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, a stockholder of AMERICAN AIRLINES, INC., a Delaware corporation, does hereby constitute and appoint A. N. KEMP, C. A. RHEINSTROM and HARRY E. BENEDICT, or any one or more of them, with full power to each of them to substitute another for himself, the agents, attorneys, and proxies of the undersigned, for and in the name, place and stead of the undersigned, to attend the special meeting of the stockholders of AMERICAN AIRLINES, INC. to be held at the statutory office of the corporation, Corporation Guarantee and Trust Company, 927 Market Street, Wilmington, Delaware, December 6, 1944, at 11 o'clock A.M., Eastern War Time, or any adjournment or adjournments thereof, hereby authorizing said proxies, and each of them, to vote all of the stock of the said corporation which the undersigned would be entitled to vote if personally present at said meeting, or any adjournment or adjournments thereof:

1. For)
 Against) the adoption of resolutions to amend the Certificate of Incorporation of the corporation, as amended, by decreasing the present authorized Preferred Stock of no par value from 100,000 shares to 50,000 shares, and by changing the name and designation of said Preferred Stock to Prior Preferred Stock.

2. — For)
 — Against) the adoption of resolutions to amend
the Certificate of Incorporation of the corporation,
as amended, increasing the authorized Capital Stock
of the corporation by creating 200,000 shares of Pre-
ferred Stock of the par value of \$100 per share, issua-
ble in series, to fix certain of the powers, preferences
and rights of such Preferred Stock and limitations and
restrictions thereof, to authorize the Board of Direct-
ors to fix the remainder thereof in the case of shares
of each particular series.

3. — For)
 — Against) the adoption of resolutions to amend
the Certificate of Incorporation of the corporation,
as amended, by increasing the authorized Common Stock
of the corporation from 1,000,000 shares of the par
value of \$10 per share to 2,400,000 shares of the par
value of \$5 each, and to provide for a two for one
split-up of the present Common Stock, so that each
stockholder will receive two shares of Common Stock
of \$5 par value for each of the Common Shares of \$10
par value held by him.

4. — For)
 — Against) the adoption of resolutions to amend
the Certificate of Incorporation of the corporation,
as amended, increasing the Capital Stock of the corpora-

tion by creating 100,000 shares of Personnel Stock of the par value of \$5 per share, to be issuable only to executives and supervisory personnel of the corporation and any of its subsidiaries, and to be convertible three years after issuance into Common Stock on a share for share basis.

5. ___ For)
 ___ Against) the adoption of resolutions authorizing the granting of options upon all or any shares of the Personnel Stock of the corporation upon the terms and conditions set forth in the accompanying Proxy Statement.

6. To take action upon such other matters as may properly come before the meeting or any adjournment or adjournments thereof;

hereby ratifying and confirming all that said agents and proxies, and each of them, or their substitute or substitutes, may do in or about the premises by virtue hereof. Unless directed to the contrary herein, the attorneys and proxies appointed herein, or their substitutes, are hereby authorized, and empowered by the undersigned to vote in favor of the adoption of the proposed amendments to the Certificate of Incorporation, set forth above, in favor of the resolutions authorizing the granting of options upon all or any of the shares of Personnel Stock of the corporation, and as said proxies or any of them may deem advisable upon any other matters or proposals which may properly come be-

fore the meeting or any adjournment or adjournments thereof.

The undersigned hereby revokes any proxy or proxies heretofore given to vote said shares.

Dated this ____ day of November, 1944.

(SEAL)

AMERICAN AIRLINES, INC.

PROXY STATEMENT

SPECIAL MEETING OF STOCKHOLDERS

The accompanying Proxy is solicited by the management of American Airlines, Inc., a Delaware corporation, for use at a special meeting of the holders of the Common Stock of the corporation, to be held at the statutory office of the corporation, 927 Market Street, Wilmington, Delaware, on December 6, 1944, at 11:00 o'clock A.M. Eastern War Time, or at any adjournment or adjournments thereof. Such Proxy is revocable by the person executing it at any time before it is exercised.

This meeting is called and held to pass upon five separate propositions, all of which are recommended by the Board of Directors of the corporation:

1. The amending of the Certificate of Incorporation by decreasing the present authorized Preferred Stock of no par value from 100,000 shares to 50,000 shares, and by changing the name and designation of said Preferred Stock to Prior Preferred Stock.
2. The amending of the Certificate of Incorporation so as to increase the authorized capital stock of the corporation by creating 200,000 shares of Preferred Stock of the par value of \$100 per share, issuable in series, to fix certain of the powers, preferences and rights of such Preferred Stock and limitations and restrictions thereof, to authorize the Board of Directors to fix the remainder thereof in the case of shares of each particular series.
3. The amending of the Certificate of Incorporation so as to increase the authorized Common Stock of the corporation from 1,000,000 shares of the par value of \$10 per share to 2,400,000 shares of the par value of \$5 each, and to provide for a two for one split-up of the present Common Stock, so that each stockholder will receive two shares of Common Stock of \$5 par value for each of the Common Shares of \$10 par value held by him.
4. The amending of the Certificate of Incorporation so as to increase the capital stock of the cor-

poration by creating 100,000 shares of Personnel Stock of the par value of \$5 per share, to be issuable only to executives and supervisory personnel of the corporation and any of its subsidiaries, and to be convertible three years after issuance into Common Stock on a share for share basis.

5. To authorize the granting of options upon all or any shares of the Personnel Stock of the corporation upon the terms and conditions hereinafter set forth in this Proxy Statement.

While the Board of Directors has recommended to the stockholders the approval of all of the matters specified above, each of the amendments to the Certificate of Incorporation and the plan of creating options upon all or any part of the Personnel Stock of the corporation will be voted upon as separate and independent proposals, and the adoption of any one or more thereof will not be dependent upon favorable action upon any of the others, except no proposal to consider the creating of options upon Personnel Stock will be considered at the meeting unless the required majority of the holders of the Common Stock have first approved the proposed amendment to the Certificate of Incorporation creating such Personnel Stock.

The full text of the Certificate of Amendment to the Certificate of Incorporation, in substantially the form to be filed if all of the amendments specified above are approved by the stockholders, is set forth as Exhibit "A" to this Proxy Statement. Appropriate changes or omissions will be made therein if less than all such amendments are adopted by the stockholders.

Decrease of Authorized Shares of Present Preferred Stock and Redesignation of Same as Prior Preferred Stock.

The presently authorized Preferred Stock of the corporation consists of 100,000 shares without par value, of which 50,000 shares were issued in 1940 and the remaining 50,000 shares remain unissued. The outstanding Preferred Stock has been called for redemption January 15, 1945, at the redemption price of \$106 per share, plus accrued dividends thereon, and unless such outstanding Preferred shares are converted into Common Stock prior to said redemption date the same will be redeemed and retired January 15, 1945. It is proposed now

by this Amendment to change the name and designation of the outstanding Preferred Stock to Prior Preferred Stock; to reduce the authorized number of shares from 100,000 to 50,000 shares, but in no way to impair or disturb the preferences and rights which the holders of such Preferred Stock now have, inasmuch as said Prior Preferred Stock will no longer be outstanding after January 15, 1945.

New Preferred Stock.

The second proposed Amendment will increase the authorized stock of the corporation by creating a new issue of 200,000 shares of Preferred Stock of the par value of \$100 per share, which will for the time being, if issued prior to January 15, 1945, have rights secondary to the Prior Preferred Stock, but which will become the senior security of the corporation on January 15, 1945, when all of the Prior Preferred Stock has been redeemed or converted into Common Stock, and no Prior Preferred Stock will be longer outstanding or authorized.

Under the proposed amendment, the Board of Directors will be authorized within the limitations therein set forth to issue the Preferred Stock from time to time in one or more series, and in the resolution providing for the issue of each such series to fix (1) the designation of such series; (2) the dividend rate of such series, which shall not be in excess of \$7 per share per annum and the quarterly dates upon which dividends at the rates so fixed shall be payable on shares of such series; (3) the redemption price or prices; (4) the terms and amounts of any sinking fund providing for the redemption of the shares of any series; (5) the right, if any, to convert any such shares into Common Stock of the corporation, and if made so convertible, the conversion price or rates of exchange.

The initial series of Preferred Stock has not been created, and as a matter of practical necessity, such provisions as well as the price at which such stock will be offered, which in any event will be not less than the par value thereof, the dividend rate and the provisions, if any, for a sinking fund, cannot be determined at the present time, since their determination will depend upon market conditions shortly before the issuance of any series of such Preferred Stock. It is expected, however, that such offering price will be not less than \$100 per share, and that such Preferred Stock may be convertible into Common Stock at a conversion price for the Com-

mon Stock in excess of the market price of such stock at the date such conversion price is set by the Board of Directors.

Increase of Common Stock.

The presently authorized Common Stock of the corporation is 1,000,000 shares of the par value of \$10 per share, of which 574,848 shares were outstanding as of November 1, 1944, and 71,429 shares were reserved to be issued upon conversion of the outstanding 50,000 shares of Preferred Stock. The third proposed Amendment increases the authorized Common Stock to 2,400,000 shares and decreases the par value of said shares from \$10 to \$5 per share. This proposed Amendment if approved by the stockholders will therefore effect a recapitalization of the corporation so as to double the number of shares of outstanding Common Stock with the result that there will be outstanding two new shares of Common Stock for each presently outstanding share of Common Stock. As the result of this split-up, the 574,848 shares of Common Stock of \$10 par value now outstanding will be changed into 1,149,696 shares of Common Stock of \$5 par value per share. The conversion rights of the holders of the outstanding 50,000 shares of Preferred Stock likewise must be proportionately adjusted in view of the reduction in par value and split-up of the outstanding Common Stock, so that the number of new shares of \$5 par value stock to be reserved for conversion of the outstanding Preferred Stock will be increased to 142,858 shares.

The purpose of the two for one split-up is to improve and broaden the market of the company's stock.

Sale of Preferred and Common Stock and Use of Proceeds.

No definite plans have as yet been formulated by the management for the sale of any of the new Preferred Stock or increased Common Stock of the corporation, but it is known that the capital requirements of the corporation over the next few years involve heavy expenditures for the purchase of additional flying equipment and other fixed assets, and to supply the additional working capital required to care for the anticipated expansion in the corporation's business. When or how rapidly this additional working capital will be required and can be providently utilized is not now known and specifically depends to a large extent upon the restoration of Peace and the reconversion of present military aircraft factories to commercial aircraft factory production, although some additional flying and other equipment consisting for the most part of airplanes turned back by the armed forces will become available for commercial operations before the termination of the war. In addition to new and larger airplanes, it is known that there

will be capital expenditures for spare parts and spare engines, radios and other communications equipment, hangars, repair machinery and shop equipment and the expansion of present routes and inauguration of service on new routes, including possible foreign routes, which may be hereafter acquired or participated in by the corporation. Contracts have already been entered into for the purchase of new Douglas DC-4 and DC-6 equipment from Douglas Aircraft Corporation, involving expenditures of approximately \$30,000,000.

While it is anticipated that a portion of the funds required for capital expenditures over this period can be provided from cash now on hand, future earnings and depreciation reserves and a portion from bank loans or the sale of equipment trust certificates, your management believes and prudent business judgment seems to indicate that the capital resources of the corporation should likewise be expanded to take care of this greatly increased and growing business, and that additional capital should be obtained through the sale of Preferred Stock or Common Stock or both, and that the corporation should have the means through authorized but unissued Preferred and Common Stock to acquire such additional capital promptly as same is needed. For these reasons the stockholders are asked to authorize additional shares of Preferred and Common Stock, although no immediate plans for the issuance of the same have been formulated.

Description of New Preferred Stock.

The following description summarizes certain of the provisions of the new Preferred Stock, which are fully and completely stated in Exhibit "A" of this Proxy Statement. As previously mentioned, the Board of Directors will have the right to fix by resolution in the case of each series of Preferred Stock the designation of such series, dividend rate, not in excess of \$7 per share per annum, redemption price or prices, terms and amount of any sinking fund and conversion privileges if such shares of Preferred Stock are made convertible into Common Stock, all of which provisions obviously will depend on general market conditions shortly before the time the initial series of Preferred Stock is offered for sale.

(Dividend Rights)

The Board of Directors in each resolution authoriz-

ing a series of Preferred Stock is authorized to fix the rate per annum not in excess of \$7 per share at which the holders of shares of such series shall be entitled to receive dividends. The rate per annum at which holders of shares of the initial series of Preferred Stock shall be entitled to receive dividends has not yet been fixed, but depending upon the existing market conditions, will be fixed by the Board of Directors shortly before the issuance of the shares of Preferred Stock of this series. There are no limitations in any indentures or other agreements to which the corporation is a party restricting the payment of dividends on the Preferred Stock.

(Voting Rights)

It is provided in the Certificate of Amendment that as long as any shares of the Preferred Stock of any series shall be outstanding, the corporation shall not without the consent of the holders of at least two-thirds of the total number of shares of all stock of any series outstanding create or authorize any class of stock ranking prior to or (other than a series of the Preferred Stock) on a parity with the Preferred Stock, or amend, change or repeal any of the express terms of the Preferred Stock in a manner prejudicial to the holders thereof. With the foregoing exceptions, and except as otherwise required by the Statutes of the State of Delaware, the exclusive voting power of the corporation is vested in the holders of the Common Stock and Personnel Stock, and the holders of the Preferred Stock have no voting power as long as there is no default in respect of the declaration and payment of full regular quarterly dividends on the Preferred Stock of any series. In the case of any such default and the continuance of the same for four quarterly dividend periods, then and in every such case the number of directors of the corporation shall be increased by two more than the number constituting the Board prior to such default, and the holders of the Preferred Stock of all series, until such default is cured by the payment of dividends, shall have the right at all meetings of the stockholders of the corporation to elect two additional directors to represent the Preferred Stockholders as a class. In the event the number of directors to be elected by Common Stockholders is increased beyond the fifteen directors provided for in the present By-Laws of the corporation, the Preferred Stockholders when entitled to elect directors by reason of

such default in the payment of dividends are in such case entitled to elect additional directors equivalent to one-fifth of the total number of directors to be elected by the holders of all classes of stock outstanding.

(Redemption and Retirement Provisions)

Upon at least thirty days previous notice to the holders of record of the Preferred Stock to be redeemed, the corporation by action of its Board of Directors may redeem the whole of the Preferred Stock or any series thereof, or any part of any series thereof on any quarterly dividend date at the redemption price as determined by the Board of Directors in the resolutions providing for the issue of the particular series, plus any dividends accruing thereon to the redemption date. If less than all of the outstanding shares of Preferred Stock of any series are to be called for redemption, the shares to be redeemed may in the discretion of the Board be selected by lot or in such other manner as may be prescribed by the Board of Directors.

With respect to each series of the Preferred Stock the Board of Directors in the resolution establishing such series is authorized to fix the obligation, if any, of the corporation to retire shares of such series and to specify the terms and amount of any sinking fund to be provided for the purchase and redemption of shares of the Preferred Stock of such series.

(Liquidation Rights)

In the event of any liquidation or dissolution or winding up of the corporation, whether voluntary or involuntary, or in the event of a sale of all or substantially all of the assets of the corporation, or upon any distribution of its capital assets as a liquidating or partial liquidating dividend, the holders of the Preferred Stock of each series are entitled to receive \$100 for each share, plus an amount equal to the dividends unpaid and accumulated thereon, and no more, before the assets of the corporation shall be distributed among or paid over to the holders of the Common Stock and Personnel Stock.

(Pre-emptive and Subscription Rights)

No holder of the Preferred Stock, Common Stock or Personnel Stock of the corporation shall have any pre-emptive

right to subscribe to stock of any class, or any bonds, notes, debentures or other obligations or securities convertible into stock whether now or hereafter authorized.

(Conversion Rights)

The Board of Directors in each resolution establishing a series of the Preferred Stock is authorized to determine whether or not the shares of such series shall be convertible into and exchangeable for shares of the Common Stock of the corporation, and if made so convertible or exchangeable, the conversion price or prices or the rates of exchange and the adjustments, if any, and all other terms and conditions upon which such conversion or exchange may be made. As previously stated, the terms and conditions under which the initial series of Preferred Stock will be offered for sale are not now known and will depend upon market conditions prevailing at or near the date of such offering. It is contemplated, however, that if conversion rights are given in connection with any series of the Preferred Stock, the conversion price or ratio will be above the market price of the outstanding Common Stock of the corporation at the date when such series of Preferred Stock is issued.

Authorization of Personnel Stock

The proposed amendment to Article Fourth of the Certificate of Incorporation also authorizes 100,000 shares of a new class of stock having a par value of \$5 per share to be known as Personnel Stock. The purpose of the Personnel Stock is to encourage officers and other supervisory employees to become stockholders of the corporation and to furnish incentive to their continued service to the corporation. The authorization of the Personnel Stock, the sale of which is limited to officers and supervisory personnel of the corporation and any of its subsidiaries will make it possible for the executives and supervisory personnel to whom allotments are made to purchase a class of stock of the corporation which will be subject to certain restrictions, but will have the same voting and dividend rights as the Common Stock and will be convertible into Common Stock on a share for share basis at the end of a three year period from the date of the issuance of the same, provided the holder continues in the employ of the corporation, or immediately after any holder's decease, provided such holder's death occurs while he remains in the employ of the corporation or one of its subsidiaries. The Personnel Stock is to be sold from time to time at a price to be fixed by the Board of Directors, but in no event less than the par value thereof or the book value of the Common Stock of the

corporation, whichever price may be the higher. For the purpose of determining book value in connection with any sale of Personnel Stock or repurchase of the same by the corporation upon any of the conditions hereinafter set forth, the computation of book value shall be made from the then latest available consolidated balance sheet certified by the Treasurer of the corporation, or at the election of the Board of Directors by its independent auditors and in accordance with the formula set forth in Subdivision 2 of Article Fourth of the Certificate of Incorporation, as amended (Exhibit "A" hereto), after the Board of Directors in its discretion has made reasonable allowance for estimated profits or losses, or other happenings affecting value subsequent to the date of such balance sheet. The book value of the Common Stock of the corporation at August 31, 1944, was \$32.12 per share and was below the price at which the Common Stock of the corporation was selling on that date. The closing price on the New York Stock Exchange of such stock on August 31, 1944, was \$77.50 per share, and on November , 1944 was \$ per share. The proposed two for one split-up of the outstanding Common Stock will obviously decrease the book value 50% and will presumably have a corresponding effect upon the market price of the outstanding shares.

No definite plan for the sale of Personnel Stock to officers and supervisory employees has been formulated by the Board of Directors, but it is intended that such shares will be offered from time to time over an indefinite period to officers and supervisory employees of the corporation and any of its subsidiaries, which categories at the present time include approximately persons. The number of shares of Personnel Stock to be offered to particular persons will not be measured by the amount of their compensation, but the persons to whom Personnel Stock will be sold, offered for sale or optioned for sale will be determined from time to time by a Committee of the Board of Directors, which Committee will not include any officer of the corporation or any person to whom such shares of Personnel Stock have been or are being offered. This Committee has not been appointed and will not be appointed until after the approval of the proposed Amendment by the stockholders of the corporation, so it is not possible at this time to disclose the names of the members of the Committee. The directors eligible to appointment on said Committee are, however, the directors who are not officers of the corporation as disclosed in the table on page hereof.

Each officer of the corporation, including directors who are officers (but excluding directors who are not officers),

represents an eligible person to whom shares of Personnel Stock may be offered by the corporation. A list containing the name and office of each officer and director appears on Page of this Proxy Statement, and those who are not eligible to become purchasers of Personnel Stock are indicated in such list with an asterisk before their names. Such list also states the aggregate amount of remuneration paid by the corporation and its subsidiaries, directly or indirectly, to each of the officers and directors in all capacities during the last fiscal year of the corporation. None of such eligible directors or officers, or any of their associates, had any substantial interest, direct or indirect in any property acquired within two years, or proposed to be acquired by the corporation or any of its subsidiaries.

(Description of Personnel Stock)

The following description summarizes certain of the provisions of the Personnel Stock which are fully and completely stated in Exhibit "A" of the Proxy Statement.

Dividend Rights, Voting Rights and Liquidation Rights.

Each share of the Personnel Stock is entitled to the same dividend rights, the same voting rights and the same rights upon liquidation, dissolution or winding up of the Corporation as appertain to a share of Common Stock.

Pre-emptive and Subscription Rights

No holder of Personnel Stock shall have any pre-emptive right to subscribe to stock, obligations, warrants, rights to subscribe to stock or other securities of the corporation of any class, whether now or hereafter authorized.

Conversion Rights

Each share of the Personnel Stock shall be convertible at the option of the holder thereof, at any time after three full years from the original issuance of the same to the holder or his predecessor in interest, into full paid and non-assessable shares of Common Stock of the corporation, at the rate of one share of Common Stock for each such share of Personnel Stock. The conversion price shall be subject to adjustment, from time to time, in the events and in the manner stated in the proposed amendment, and in the event of the death of a holder while in the employ of the corporation or any of its subsidiaries, such deceased holder's Personnel Stock shall in such case be immediately convertible as hereinafter more fully explained.

Liability to Assessment

All shares of Personnel Stock will be issued as full paid and non-assessable shares.

Restriction on Sale by Holder

With the exception of transfers in the case of a deceased holder of shares of Personnel Stock to his executors, administrators or testamentary legatees shares of Personnel Stock shall not be sold, assigned, bequeathed, or otherwise transferred by any holder or owner thereof, or by the executor, administrator, trustee or other representative of any such holder or owner, or by any receiver, trustee in bankruptcy or any representative of the creditors of any such holder or owner, or by the grantee or assignee of any shares of Personnel Stock sold on execution, or otherwise, unless the same first shall have been offered for sale to the corporation. The executors, administrators or testamentary legatees of any holder of Personnel Stock who dies while in the employment of the corporation or one of its subsidiaries may, however, at any time within six months following such decease convert such deceased holder's Personnel Stock into Common Stock of the corporation and thereafter hold or dispose of such Common Stock free of all of the restrictions herein set forth with reference to the disposal or transfer of Personnel Stock, but any Personnel Stock of any such deceased holder not so converted within such six months period following the holder's death shall thereafter be subject to repurchase by the corporation upon the same terms and conditions as in the case of Personnel Stock owned by a holder who ceases to be an employee of the corporation or one of its subsidiaries. Whenever any holder or owner of Personnel Stock, or any executor, administrator, trustee, representative of a holder or owner, receiver, trustee in bankruptcy, representative of creditors, grantee or assignee shall desire to sell or dispose of shares of Personnel Stock of the corporation, he shall notify the corporation of such desire and shall offer to sell such shares of Personnel Stock to the corporation at the book value thereof. Such offer and notice shall be in writing addressed to the corporation at its principal office in New York, New York. The Board of Directors shall at their next meeting determine the book value of the Personnel Stock and the corporation shall within sixty (60) days after its receipt of such offer and notice, advise the offerer of the book value of Personnel Stock and of the corporation's acceptance or rejection of the offer. An offerer upon being advised of the book value of shares of Personnel Stock and of the rejection of the offer to sell shares thereof at book value may offer to sell shares of Personnel Stock to the corpora-

tion for less than the book value thereof.

If, within sixty (60) days after the delivery to the corporation of any offer to sell shares of Personnel Stock, the corporation shall not accept the same, the offerer shall be at liberty, within sixty (60) days after the expiration of such first mentioned sixty (60) days, to sell, assign or otherwise transfer the shares of Personnel Stock comprised in such offer; provided that the certificates for such shares shall be presented for transfer within such sixty (60) days and further provided that if sold such shares shall not be sold at a price less than the lowest price at which the corporation had declined to purchase such shares. If however, such shares of Personnel Stock shall not be so sold, assigned or otherwise transferred and the certificates therefor presented for transfer within such sixty (60) days together in the case of a sale, with evidence satisfactory to the corporation of the price at which such shares of Personnel Stock were sold, such shares of Personnel Stock again must be offered to the corporation, as hereinbefore provided, before the same or any part thereof can thereafter be sold, assigned or otherwise transferred.

Options of Corporation to Reacquire

The corporation shall not be required to transfer any shares of Personnel Stock on its books which shall have been sold, assigned or transferred in violation of the foregoing provisions, and from and after any sale, assignment or transfer of any shares of Personnel Stock made in violation of the foregoing provisions, the corporation shall have the right and option to purchase all or any part of such shares of Personnel Stock at a price equal to the book value thereof as determined by the Board of Directors; which right and option may be exercised at any time within sixty (60) days after the corporation shall have acquired knowledge of such violation.

In case any person holding shares of Personnel Stock shall cease to be an employee of the corporation, the corporation shall have the right and option to purchase all or any part of the shares of Personnel Stock held by such person, at a price equal to the greater of the book value thereof as determined by the Board of Directors or the price paid to the corporation by such person for such shares of Personnel Stock. Such right and option shall terminate sixty (60) days after such person shall have ceased to be an employee of the corporation.

At any time during the first three (3) years after

each share of Personnel Stock becomes convertible, the corporation may cause notice to be given to the holder of record thereof to convert such share into Common Stock, and if not so converted within sixty (60) days after the date of such notice, the corporation shall, for an additional period of sixty (60) days, have the right and option to purchase such share of Personnel Stock at a price equal to the book value thereof as determined by the Board of Directors.

Restrictions on Sales by Corporation

Personnel Stock, whether originally issued or whether reacquired and sold from the treasury of the corporation, may be issued or sold only to persons who at the time of such issuance or sale are officers or supervisory employees of the corporation or one of its subsidiaries and may be issued or sold only at a price per share equal to, or in excess of, the book value thereof determined, at the time of any particular offering thereof, by the Board of Directors; provided that no shares of Personnel Stock shall be originally issued at a price less than the par value thereof.

Creating of Options Upon Personnel Stock

The Board of Directors has also recommended to the stockholders that they approve a proposal to authorize the creating of options upon any or all of the shares of Personnel Stock to be authorized by the proposed Amendment to the Certificate of Incorporation. While no definite allotments of any options of Personnel Stock have as yet been considered or made, it is contemplated that instead of selling such shares outright to the officers and supervisory personnel to whom such allotments may be made, it might be preferable to option certain shares of Personnel Stock to be taken up in installments over a period of not exceeding three years, with the provision that options may be exercised by the holders only while they continue to be employed by the corporation or one of its subsidiaries, and at a price not less than the book value of the shares at the date of the exercise of such option. In case options are granted exercisable over a three year period, it is intended that any option holder dying or leaving the employment of the corporation, shall forfeit the unearned portion of the option. For example, if an option holder leaves the employment of the corporation or dies in the first year after receiving the option, his right to purchase two-thirds of the optioned stock is forfeited; or if in the second year after receiving the option, one-third is forfeited and becomes null and void. Such a plan would furnish a continued incentive for faithful service to the corporation, and at the same time would afford the recipients of options

the opportunity of paying for the optioned stock in convenient installments over a period of years, and while employed by the corporation, rather than requiring immediate payment of the entire purchase price which might be difficult in the case of a stock which because of the restrictions heretofore mentioned cannot be sold and might have only nominal collateral value. No Personnel Stock will in any case be actually issued until fully paid for and no dividends would be paid on Personnel Stock until the actual issuance of the full-paid shares. If the book value of the outstanding shares increases, the option price will likewise increase, which should furnish every incentive to option holders to exercise and pay for their optioned stock at the earliest possible date.

The stockholders at the special meeting or any adjournment thereof, will be asked to approve the setting up of the stock option plan for eligible officers and supervisory employees, in accordance with which they may purchase their respective allotments of Personnel Stock upon substantially the terms and conditions as above set forth. As previously mentioned, all allotments of Personnel Stock are to be made by a Committee of Directors consisting of members of the Board who are not officers or employees of the corporation or any of its subsidiaries and who are not eligible to purchase Personnel Stock or to participate in any allotment or options thereon.

Effective Date of Amendments

The proposed amendments to the Certificate of Incorporation, if duly adopted by the vote of a majority of the stockholders entitled to vote in respect thereof, will become effective when the Certificate of Amendment has been duly filed in the office of the Secretary of State and a copy thereof, certified by said Secretary of State, has been recorded in the office of the Recorder of the County in which the original Certificate of Incorporation is recorded. The corporation expects to proceed with such filing of the Certificate of Amendment as soon as practicable after adoption of the proposed amendments by the stockholders.

Interest of Management and Associates

The corporation has no outstanding securities other than shares of Common Stock and shares of Preferred Stock,

which by the proposed Amendment to the Certificate of Incorporation are to be reclassified and designated Prior Preferred Stock. As previously mentioned, all of the shares of such newly designated Prior Preferred Stock have been called for redemption as of January 15, 1945, and will be redeemed as of said date unless sooner converted into Common Stock of the corporation. Based upon information received from its Transfer Agent and from its respective directors and officers, the corporation believes that as of October 12, 1944, its present directors and officers and their associates respectively owned beneficially shares of the Common Stock and of the old Preferred Stock of the corporation which is hereafter to be designated as Prior Preferred Stock, as set forth in the following table. Each associate of the respective person named is a member of such person's family, having the same home as such person. No associate is included below unless such associate owns shares of the Common or Preferred Stock of the corporation on October 12, 1944.

AMERICAN AIRLINES, INC.

<u>Name</u>	<u>Officer, Director, Associate</u>	<u>Common Stock Owned</u>	<u>Preferred Stock Beneficially</u>	<u>Remuneration ** Fiscal Year Ended December 31, 1943</u>
*Harold T. Ames One associate of Mr. Ames	Director	227	50	\$ 400.00
*Harry E. Benedict A. R. Bone, Jr.	Director Regional Vice President-Los Angeles	201 100	-	400.00 6,756.49
*James Bruce W. Nelson Bump One associate of Mr. Bump	Director Regional Vice President- Boston	110 -	- 3	320.00 6,409.26
*Edward H. Butler One associate of Mr. Butler	Director	25	8	240.00
*Amon G. Carter One associate of Mr. Carter Amos Culbert	Director Vice Presi- dent	3,200 3,200 -	- -	200.00 19,012.55
Ralph S. Damon Five associates of Mr. Damon	Director, Vice Presi- dent, Gen- eral Man- ager	550 700	- 60	14,000.00
Terrell C. Drinkwater	Vice Presi- dent	-	-	(elected 9-1-44)
*Silliman Evans	Director	110	-	360.00
*John W. Farley	Director	-	-	160.00
*Thomas S. Hammond	Director	55	-	80.00
*Chandler Hovey C. W. Jacob A. N. Kemp	Director Secretary Director, Chairman of the Board, President	100 -	-	400.00 11,330.54
L. W. King	Regional Vice President- Chicago	500	-	46,509.51
Paul G. Larie	Comptroller, Asst. Treas- urer	-	-	7,529.29 10,016.41

<u>Name</u>	<u>Officer, Director, Associate</u>	<u>Common Stock Owned Beneficially</u>	<u>Preferred Stock,</u>	<u>Remuneration ** Fiscal Year Ended December 31, 1943</u>
William Littlewood	Vice President	500	-	\$31,349.80
One associate of Mr. Littlewood		402	-	
V. J. Long	Asst. Secretary, Asst. Treasurer	-	-	7,611.59
*Walter S. McLucas	Director	110	-	280.00
M. D. Miller	Regional Vice President Ft. Worth	-	-	11,678.60
Orval M. Mosier	Director, Vice President	650	-	27,435.70
*Edgar M. Queeny	Director	200	-	160.00
One associate of Mr. Queeny		200	-	
C. A. Rheinstrom	Director, Vice President	250	-	25,375.41
H. K. Rulison	Treasurer	400	-	16,980.10
Hugh L. Smith	Vice President	-	-	25,375.41
W. H. Miller	Asst. Vice President, Operations			11,710.26
W. G. Lipscomb	Asst. Vice President, Traffic	-	-	10,945.03

* Indicates directors who are not eligible to purchase Personnel Stock, but who are eligible to serve upon the Committee which will make allotments of Personnel Stock and/or options thereon to officers and supervisory personnel of the corporation.

** Includes payments for retirement annuities and under group insurance plan.

Except as above shown, the corporation is not advised of any substantial interest, direct or indirect, of any director or officer of the corporation or any associate of any such person in the matters to be acted upon pursuant to the enclosed Proxy, except to the extent that certain thereof may become purchasers of shares of Personnel Stock.

Method and Expense of Proxy Solicitation.

The cost of the solicitation of proxies will be borne by the corporation. It is contemplated that the original solicitation of proxies by mail will be supplemented by telephone, telegraph and personal solicitation by approximately five officers and employees of the corporation. In addition, and because approximately 25% of the outstanding capital stock of the corporation is registered of record in the name of Jesse H. Jones, Trustee for The Aviation Corporation, and in accordance with agreement filed with the Civil Aeronautics Board may not be voted at all, and because the balance of the shares of stock is widely distributed among 16,000 Common Stockholders and the individual holdings are for the most part small, the corporation has engaged Georgeson & Co. and approximately sixty assistants to aid in the solicitation of proxies. The arrangements are that the corporation will pay a fee of \$5,000 for services of Georgeson & Co. in connection with the solicitation of proxies, plus out-of-pocket expenses (including compensation and expenses of assistants) estimated at approximately \$10,000. Supplementary solicitation will be by personal interview, mail, telephone and telegraph, and request will also be made of brokerage houses and other custodians, nominees and fiduciaries to forward, at the expense of the corporation, the soliciting material to the beneficial owners of stock held of record by such persons.

Financial Statements of the Corporation.

The following consolidated financial statements of the corporation, together with Auditors' opinion, are appended to this Proxy Statement:

Consolidated balance sheet at December 31, 1943; consolidated profit and loss and surplus statements for the years ended December 31, 1941, 1942 and 1943; supplementary profit and loss information for the years ended December 31, 1941, 1942 and 1943; similar financial statements unconsolidated for the parent corporation and omitted for the purpose of simplifying the Proxy Statement, as the difference between the consolidated financial statements submitted herewith and the unconsolidated financial statements of the parent company only are considered to be not material for the exercise of prudent judgment as to the proposals set forth in the Proxy Statement. There have been no material changes other than changes arising in the normal course of business in the company's financial position between December 31, 1943 and the date hereof.

Financial statements of the corporation are on file with the Securities and Exchange Commission, Philadelphia, Pennsylvania and the New York Stock Exchange.

Other Matters.

The management knows of no other matters which are to be brought before the meeting. However, if any other such matters properly come before the meeting, it is the intention of the proxy holders to vote the proxies in accordance with their judgment upon such matters.

By order of the Board of Directors.

C. W. JACOB,

Secretary.

November 6, 1944.