

**IMPORTANT**

Your shares should be represented at the Special Meeting of Common Stockholders referred to in this letter. In order to avoid expense and delay, please send in your proxy promptly.



**AMERICAN AIRLINES, Inc.**

GENERAL OFFICES  
100 EAST 42ND STREET  
NEW YORK 17, N. Y.

November 6, 1944

*To the Common Stockholders of*  
AMERICAN AIRLINES, INC.

A special meeting of Common Stockholders has been called to be held on December 6, 1944, for the purpose of considering several recommendations of your Board of Directors with respect to a revision of the capital structure of the corporation, in the manner set forth in the enclosed Notice of Meeting and Proxy Statement, and briefly summarized herein.

**CHANGES IN CAPITALIZATION**

The proposed changes in the capital structure, all of which are recommended by the Board of Directors, are as follows:

(1) The outstanding 50,000 shares of Preferred Stock have been called for redemption as of January 15, 1944, at the redemption price of \$106 per share, plus accrued dividends. Pending retirement of the outstanding Preferred Stock through redemption or conversion and the elimination of this class of stock, the same will be redesignated as Prior Preferred Stock and the number of authorized shares reduced from 100,000 to 50,000 shares.

(2) The authorization of a new class of Preferred Stock, consisting of 200,000 shares of the par value of \$100 per share. These shares are issuable in series and the Board of Directors is authorized at the time of each issue, and depending upon market conditions then existing, to fix the designation of each series, and the dividend rate, redemption price, sinking fund provisions and conversion rights, if any, all as set forth in the Proxy Statement.

(3) The increase of the authorized Common Stock from 1,000,000 shares of \$10 par value to 2,400,000 shares of \$5 par value, and split-up of the outstanding shares on a two



for one basis, so that Common Stockholders will receive two shares of Common Stock of \$5 par value for each share of Common Stock of \$10 par value now outstanding.

(4) The authorization of a new class of 100,000 shares of Employees Stock of \$5 par value.

(5) Authorization for the sale of such Employees Stock in installments over a period not exceeding three years, all as set forth in the Proxy Statement.

#### PURPOSE OF PROPOSED CHANGES

The Common Stock of the corporation has for some time sold upon the New York Stock Exchange at prices in excess of the conversion price of the present Preferred Stock, which is \$70 per share. It seems, therefore, that market conditions point to the advisability of redeeming the outstanding Preferred Stock and the probability that any future financing which may be necessary can be arranged upon terms more attractive to the corporation. All of the present Preferred Shares now outstanding have, therefore, been called for redemption and will be eliminated not later than January 15, 1945, either through conversion into Common Stock or redemption for cash.

There are to be authorized 200,000 shares of new Preferred Stock of \$100 par value, 2,400,000 shares of Common Stock of \$5 par value and 100,000 shares of Employees Stock of \$5 par value. There were 574,848 shares of Common Stock of \$10 par value outstanding and 71,429 shares reserved for conversion of the 50,000 shares of Preferred Stock outstanding at the date of the Directors' meeting October 20, 1944. As it is proposed to split the Common Stock two for one it is necessary in the new capitalization to provide 1,149,696 shares to be issued in exchange for the present Common Stock and 142,858 shares to be reserved for conversion of the present Preferred Stock. The increase in the authorized Common Stock will also provide 100,000 shares to be reserved for conversion of the Employees Stock, and the balance will be available if, and when, it becomes desirable to finance through the sale of Common Stock or other securities convertible into Common Stock.

#### NEED FOR ADDITIONAL CAPITAL

Your Directors are convinced that the demand for air transportation will grow greatly in coming years and that, to handle the volume of business which will be available to the corporation, a large investment must be made in additional flying equipment and other property and equipment, such as hangars, buildings, machinery and shop equipment, and to supply additional working capital. In addition to increased service over present routes the corporation must be prepared to inaugurate service over possible new routes, including possible foreign routes, which may be hereafter acquired or participated in. Also, when the new, faster and larger airplanes and improved communications and flight equipment which have been developed during the War become available, it will be desirable to supplement much of the present equipment.

When or how rapidly these expenditures will become necessary will obviously depend to a large extent upon the restoration of peace and the reconversion of present military



production to commercial production. The corporation has, however, already entered into contracts for the purchase of 25 of the Douglas DC-4 and 30 of the new DC-6 airplanes which, with provision for additional engines and spare parts, involve expenditures of approximately \$30,000,000. It is expected that these planes will carry 44 and 52 passengers, respectively, and will fly at speeds between 230 and 300 miles per hour.

As capital investments are made, it is anticipated that a portion of the required funds can be provided from cash now on hand, future earnings and depreciation provision and a portion from bank loans or other borrowings. Your Management believes, however, and provident business judgment seems to indicate that the corporation should be in a position to expand its capital resources to take care of this greatly increased and growing business, so that additional capital could 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 needed. For these reasons the stockholders are asked to authorize additional shares of Preferred and Common Stock.

#### EMPLOYEES STOCK

Many leading corporations have adopted employee incentive plans of various types and your Directors believe that encouraging stock ownership among employees will attract and hold capable personnel and provide additional incentive in the momentous years that lie ahead. The proposed authorization of 100,000 shares of Employees Stock is intended to accomplish this purpose, as this stock can be sold to and held only by those who are officers or employees of the corporation or one of its subsidiaries.

As set forth more fully in the Proxy Statement, the Employees Stock will be subject to certain restrictions but after three years from date of issuance may be converted into Common Stock on a share for share basis, provided the holder continues in the employ of the corporation. No definite plan for the sale of Employees Stock has been formulated but it is intended that such shares may be offered from time to time to employees as determined by the Directors but in no event at prices less than the par value thereof or the book value of the Common Stock, whichever is higher. Such book value at August 31, 1944 of the existing stock was \$32.12 per share and will be reduced 50% if the two for one split-up takes place.

To permit the more effective use of the Employees Stock and to furnish a further incentive to continuing employment in the corporation, it is also proposed that a plan be approved in accordance with which officers and employees may complete their purchases of allotted shares of Employees Stock over a three year period, with privilege of acquiring ownership of one-third of the allotted shares in each yearly period, but only if the employment continues. No Employees Stock will be issued or delivered or dividends paid thereon until shares are fully paid for. The purchase price is subject to adjustment as book value increases.

Approval of this plan will, it is believed, not only assist in the retention of trained personnel so important to the successful operation of our present facilities, but also attract and hold in the service of the corporation the additional qualified personnel which will be needed



in the great period of expansion in air transportation which will inevitably come with the War's end.

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American Airlines during three years of war has operated with fewer airplanes in domestic service than before, but its total mileage, passengers transported and mail, express and freight carried have continued to increase. Many problems arising from the War have been successfully met. In addition to domestic routes operated for our own account, we have operated many services overseas for the armed forces which has broadened our operating experience. These advantages will be put to use when once again all of our resources and facilities can be devoted exclusively to the upbuilding and expansion of our normal operations. In preparation for this assured future we ask your approval of the proposals recommended by the Board of Directors.

BY ORDER OF THE BOARD OF DIRECTORS.

A. N. KEMP

*President*

PLEASE RETURN THE ENCLOSED  
PROXY PROMPTLY