

American Airlines, Inc.
Agenda for Directors' Meeting
November 15, 1944

- 3/230
1/3000
- ✓ 1. Reading of the minutes of the Directors' meeting of October 20, 1944 (see pages 1 to 4).
 - ✓ 2. Presentation of financial statements of the corporation as of September 30, 1944.
 - ✓ 3. Capital expenditures:
 - ✓ (a) Request for approval of authorizations authorized by the management since the last meeting.
 - ✓ (b) Request for authority to expend \$40,000 for capital improvements to Los Angeles traffic office.
 - ✓ (c) Request for authority to purchase replacement aircraft for route check and pilot training.
 - ✓ 4. Request for approval of depreciation policy with respect to airplanes acquired from the U. S. Government.
 - ✓ 5. Report on passenger, mail, freight and express traffic - October 1944 (see page 5).
 - ✓ 6. Report on status of war contracts (see page 6). +
 - ✓ (a) Fees on Government contracts.
 - ✓ 7. Consideration of Common Stock dividend. — *refer to minutes 6-15*
 - ✓ 8. Resolution authorizing listing of new \$5 Common Stock.
 - ✓ 9. Resolutions appointing Registrar and Stock Transfer Agent.
 10. ~~XXXXXXXXXX~~
 - ✓ 11. Employees' Retirement Plan:
 - ✓ (a) Proposed amendment of Plan.
 - ✓ (b) Purchase of past service and supplemental annuity credits.
 - ✓ 12. Request for approval of the sale of hangar at Pontiac, Michigan.
 - ✓ 13. Report on recent proceedings before the Civil Aeronautics Board (see pages 7 and 8).
 - ✓ 14. Consideration of Directors' expenses.
 - ✓ 15. Consideration of the continuation of insurance on the life of Major General C. R. Smith. *472,500*
 - ✓ 16. In memoriam - O. T. Ridley.
 17. Executive session.

Summary of the Minutes of the Special Meeting
of the Board of Directors of American Airlines, Inc.
Held October 20th, 1944

There were present at the meeting: Directors Ames, Benedict, Butler, Damon, Evans, Hovey, Carter, Kemp, McLucas and Rheinstrom.

1. The minutes of the previous meeting, held August 16, 1944, were approved.
2. The Treasurer presented financial statements prepared as of August 31, 1944.
3. The action of the Executive Committee in having approved on October 6, 1944 capital expenditures totaling \$4,557,727.67 for the purchase, conversion and equipping of DC-3 type aircraft, to bring the DC-3 fleet up to a total of 100, was ratified and approved.

The Directors approved capital expenditures of American Airlines, Inc. amounting to \$175,467.34, and of American Airlines de Mexico, S. A. amounting to \$7,392.35.

4. Mr. Littlewood reported that, as authorized by the directors at the meeting held August 16, 1944, commitments had been made for 25 Douglas DC-4 aircraft and 30 Douglas DC-6 aircraft at not to exceed \$385,000 and \$545,000, respectively, per airplane.

The Directors approved action of the management in having executed contracts for the purchase of such aircraft and the escrow agreements providing for deposit of funds to apply on the purchase price.

5. The Directors authorized Mr. Damon to act as a Technical Advisor to the United States Government at the International Aviation Conference to be held in Chicago commencing November 1, 1944.
6. The Chairman reviewed the status of proceedings before the Civil Aeronautics Board, including the hearings relating to the permanency of the temporary route to Mexico and that involving North Atlantic air routes, at which the North Atlantic application of this corporation and the permanency of certificates for American Export Airlines, Inc. were considered.
7. The Directors authorized the management, in their discretion to lease or purchase for not to exceed \$175,000 a two-story fireproof building adjacent to LaGuardia Field, New York. The Directors also authorized the expenditure of up to \$40,000 for alterations to such building.

8. The management was authorized to purchase \$5,000,000 of 7/8ths per cent U. S. Treasury Certificates of Indebtedness due December 1, 1945, and to sell \$1,810,000 of such certificates which are due February 1, 1945.

The Directors authorized the purchase of 1-3/4ths per cent Canadian Government bonds due November 1, 1948, in the principal amount of \$50,000.

9. The Treasurer presented the usual confidential report showing charges applicable to war contracts up to August 31, 1944.
10. The Directors adopted memorial resolutions to be tendered to families of flight crews involved in fatal accidents which occurred on August 23, 1943 at Tezpur, India; on November 18, 1943 near Yu Nan Yee, China; and on August 27, 1944 at Prestwick, Scotland. A similar resolution was adopted with respect to the accident near Crab Orchard, Tennessee, on August 27, 1944, involving a flight crew engaged in a Stinson Reliant route survey flight.
11. The Chairman reported the employment of Mr. Edward Seay effective October 9, 1944, whose duties are to include matters relating to the discharge and return of members of the Armed Forces.
12. The Directors authorized a contribution of \$250,000 to the 1944 National War Fund, and of \$10,000 to the Harvard Business School to aid in the financing of studies relating to air transportation problems.
13. The Directors authorized purchase for \$7,060 of 706 shares of the capital stock of Aeronautical Radio, Inc., making a total of 1,706 shares of such stock to be held by this corporation.
14. Mr. Culbert reported the terms and conditions of a lease which had been negotiated with the Kenton County (Kentucky) Airport Board for use of the Kenton County Airport to serve the City of Cincinnati. Such lease is contingent upon a transfer of operations from the present Cincinnati Airport to Kenton County.

The Directors authorized the management to negotiate a lease for traffic office space in the Pacific Mutual Building, Los Angeles, California, for a term of five years commencing January 1, 1945, at a rental of \$19,800 per year.

15. The Directors authorized W. F. Calliott and G. J. Grams, employees in the Treasury Department, to countersign checks of the corporation when drawn on the nine existing operating bank accounts and rescinded similar authority theretofore given to F. C. Whitney and W. F. Sear.

The meeting adjourned for luncheon and reconvened with all Directors present except Messrs. Benedict and Butler.

16. The Chairman submitted to the meeting minutes of a special meeting of the Executive Committee held on October 6, 1944, containing recommendations to the Directors for rearranging the corporation's capital structure. After full discussion, the Directors agreed that rearrangement of the capital structure on the following basis was desirable:

	<u>Present</u>		
	<u>Par Value</u>	<u>Authorized</u>	<u>Outstanding</u>
Preferred stock	No par	100,000	50,000
Common stock	\$10	1,000,000	574,848
Reserved for conversion of Preferred		71,429	
		<u>Proposed</u>	
Preferred stock	\$100	200,000	none
Common stock	5	2,400,000	1,149,696
Reserved for conversion of Preferred		142,858	
Employees stock	5	100,000	none

The following action was then taken:

(1) The outstanding shares of \$4.25 cumulative convertible Preferred Stock were called for redemption on January 15, 1945, at the redemption price of \$106 per share plus accrued dividends amounting to \$1.0625 per share.

(2) The close of business December 11, 1944, was fixed as the record date for determining Preferred stockholders entitled to receive notice of the intention of the corporation to redeem the outstanding Preferred Stock. The Secretary was directed to mail such notices to Preferred stockholders at least thirty days prior to January 15, 1945.

(3) Schroder Trust Company was designated the redemption agent to redeem such Preferred Stock and the Treasurer was authorized to supply funds to the redemption agent for such redemption.

(4) The Directors recommended to the stockholders that Article Fourth of the Certificate of Incorporation be amended in order to:

(a) Pending the redemption of the outstanding Preferred stock, decrease the present authorized Preferred from 100,000 to 50,000 shares and change the name and designation of such stock to "Prior Preferred Stock".

(b) Create 200,000 shares of new Preferred Stock of the par value of \$100 per share.

(c) Increase the authorized Common Stock from 1,000,000 shares \$10 par value to 2,400,000 shares \$5 par value and to provide for a stock split-up on the basis of two shares for one.

(d) Create 100,000 shares of Employees Stock of the par value of \$5 per share to be issuable only to officers and other employees of the corporation and its subsidiaries and to be convertible three years after issuance into Common Stock on a share-for-share basis.

(5) The Directors recommended that the stockholders authorize the creating of three-year options upon all or any shares of the Employees Stock to be allotted by a committee of the Board of Directors, subject to the approval of the Directors.

17. The Directors called a special meeting of the Common Stockholders to be held in Wilmington, Delaware, on December 6, 1944. Messrs. Kemp, Rheinstrom and Benedict were constituted a Proxy Committee on behalf of the management.

Notice of the meeting, accompanying proxy and proxy statement were approved and ordered mailed to the Common Stockholders. Messrs. R. L. Spurgeon and Henry Bauer were named Judges of Election.

The hour of 3 o'clock P. M., Eastern War Time, November 6, 1944, was fixed as the record date for determining the Common Stockholders entitled to receive notice of and vote at the special Stockholder's meeting.

AMERICAN AIRLINES, INC.
 Passenger, Mail, Express and Airfreight Traffic Statistics

	October 1944	October 1943	% Increase or Decrease	10 Months 1944	10 Months 1943	% Increase or Decrease
<u>Passengers</u>						
Rev. Miles Flown with Psgrs.	3,323,090	2,215,512	50.0	26,384,858	21,654,357	21.8
Rev. Miles Flown Total	3,536,155	2,270,132	55.8	27,936,984	21,931,138	27.4
Revenue Passengers Carried	95,720	66,264	44.5	762,315	665,248	14.6
Revenue Passenger Miles	60,108,964	38,293,830	57.0	466,669,181	365,603,137	27.6
Seat Miles Flown	65,839,138	42,081,823	56.5	516,170,170	414,593,512	24.5
Average Haul Per Passenger	628	578	-	612	550	-
% Priority Passengers Boarding	36.0%	43.6%	-	27.1%	37.1%	-

Revenue Passengers Carried
 November 1-6, 1944 - 17,097
 November 1-6, 1943 - 13,079

<u>Mail</u>						
Tons Carried	1,576	1,226	28.5	13,793	10,646	29.6
Ton-Miles Flown	1,044,014	770,933	35.4	8,863,555	6,581,446	34.7

<u>Express</u>						
Tons Carried	1,174	911	28.9	9,240	8,583	7.7
Ton-Miles Flown	550,581	407,888	35.0	4,260,441	4,014,236	6.1

<u>Airfreight</u>						
Tons Carried	32	-	-	32	-	-
Ton-Miles Flown	30,985	-	-	30,985	-	-

CONFIDENTIAL

AMERICAN AIRLINES, INC.

Statement of Charges Applicable to War Contracts for the period ended
December 31, 1943, for nine months ended September 30, 1944 and the
Total Charges to September 30, 1944

<u>Description of Contract</u>	<u>Charges to Dec. 31, 1943</u>	<u>Charges For Nine Months Ended Sept. 30, 1944</u>	<u>Total Charges To Sept. 30, 1944</u>
Cargo Contract	\$14,447,091.83	\$7,130,336.96	\$21,577,428.79
Modification of B-24 Airplanes	483,125.28	(197.59)	482,927.69
Fort Worth Naval Training School	1,354,146.02	606,309.51	1,960,455.53
Install Experimental Equipment on Air- planes Loaned to General Electric Company by Army and Conduct Certain Tests of Such Installations.	445,715.56	69,997.84	515,713.40
Navy Ferry Advisory and Communication Service.	395.40	68,124.47	68,519.87
Operation of Sikorsky S-43 and Douglas Dolphin Aircraft	37,659.58	11,957.74	49,617.32
Other Completed	64,604.62	236.45	64,841.07
	<u>\$16,832,738.29</u>	<u>\$7,886,765.38</u>	<u>\$24,719,503.67</u>

NOTE:

Of the above charges applicable to War Contracts, the Corporation has been reimbursed to November 13, 1944 in the amount of: \$20,753,190.65.

In addition we have on hand as of November 13, 1944, \$1,221,156.65 representing advance payments under the Cargo Contract to be applied on unreimbursed charges.

Extracts from Report of Thomas L. Wrenn and F. D. Moran, Examiners
Dockets No. 1345 and 1346
Re American Airlines, Inc. Control of American Export Airlines, Inc.

". . . the testimony of American's officials clearly shows that American's decision to enter into the agreement and obligate itself to an investment of \$3,000,000 in Amex was based upon the assumption that the Board would issue Amex a permanent certificate over the North Atlantic trade route when circumstances permitted and that American by acquiring control of Amex would assure itself a route across the North Atlantic to the densely settled centers of population in North Europe.... That American believes that Amex will be permanently certificated and that it is acquiring a permanent route is further demonstrated by its argument in brief that the sum of '\$3,000,000 is clearly reasonable for the control of the second transatlantic air carrier which is destined to be permanently certificated to one or more of the large European centers of population', and again by its statement that 'Export as the second United States flag air carrier to be certificated over it (North Atlantic trade route) must ultimately receive from the Board a permanent certificate of convenience and necessity from New York in the United States to a point or points of greatest traffic potential in the North European continent, such as London or Paris.'

"If these assumptions be true, then the privileges which will accrue to American from the acquisition of control of an air carrier over the North Atlantic trade route justify from the standpoint of American the investment of \$3,000,000 by it. Despite certain imponderables, such as whether only Pan American and Amex are to fly the Atlantic, or whether they are to be subjected to competition by additional air carriers, United States or foreign, the investment of \$3,000,000 for control, management, operation, and possibly integration of systems, is reasonable when viewed in the light of such facts. Furthermore the investment by American of \$3,000,000 for such control will in no way impair its ability to conduct its present operations. On the other hand, rejecting the assumption of the applicants and considering the investment of \$3,000,000 in the light of only a temporary certificate, divorced from the question of renewal and the present assets, tangible and intangible, the conclusion is inescapable that such an investment would not be consistent with the public interest."

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"Whether Amex has acquired substantial rights which may be regarded as equivalent to permanent rights the fact remains that the Board left that question to be determined in a future proceeding. The Board can make findings and come to conclusion only after the

hearings which the Act proscribes, and, in the case of international air transportation, its conclusions are without effect unless approved by the President. Even if the further hearing on the certificate of Amex were a mere formality, it is a formality which the law requires and for the proper performance of which the Board and the President must keep free to take action in light of the facts developed at such hearing and of conditions existing at that time. The Board has now before it a proceeding in which by request of Amex the questions as to the future of the certificate of Amex are to be determined. The Board will lose its freedom of action in that proceeding if it approves this acquisition of control at this time. A decision that American may invest \$3,000,000 for control of Amex will compel a decision in a later case that the certificate of Amex shall be made permanent. The Board should not take any action at this time that will interfere with its freedom of action in dealing with the future of Amex's certificate and therefore should hold action on the proposed transaction in abeyance pending decision on the permanency of the certificate of Amex."

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"RECOMMENDATION"

"On the basis of the foregoing considerations, together with all the facts of record, it is recommended that the Board find

1. That the proposed transaction represents a compliance with the Board's order that Export Steamship company divest itself of control of American Export Airlines;
2. That the investment by American Airlines of \$3,000,000 for control of American Export Airlines on the basis of the temporary certificate held will be inconsistent with the public interest and that further consideration of the proceeding should be deferred pending decision by the Board upon the question of granting American Export a permanent certificate, Docket No. 238, in connection with the North Atlantic route case;
3. That approval of paragraph 8 of the agreement between American Airlines, American Export Airlines and Export Steamship is required under section 412 of the Act."