Dear C. R:

Your letter outlining preliminary financial plans covering the requirement of 100 million dollars in new money for American received. I would not be so presumptuous as to pose as an expert in financial matters of this magniture, yet, the more I study and analyze the situation from its various angles, the more committed I become to your original plan, which you submitted to the last meeting of the board, February 20. This plan called for the issuance of 30 million dollars in 3 percent cumulative convertible preferred stock, four shares of common for one of preferred; 50 million in two and three fourths percent debentures and a 10-year bank loan of 20 million dollars, at 2% or less. In the matter of splitting the stock, I favor a split of five for one.

As I understand, Aviation Corporation owns about 262,000 of the approximately 1,290,567 shares at present outstanding, to which would be added the approximately 97,000 shares involved in payment for the Mid-Continent deal. Aviation Corporation, no doubt, will have to dispose of its holdings. This would mean a substantial amount of common stock to be absorbed on the market sometime within the next three or four months. Accordingly, I feel it extremely important that the company refrain from issuing additional common stock at this time.

The proceeds from the issuance of 30 million dollars in preferred stock, plus the 25 millions in cash indicated in your letter, would give a backlog of 55 million dollars, which should be sufficient to back up the additional 70 millions (50 millions in debentures and 20 millions in ten-year bank loan).

Some of the directors brought out at the last meeting that as a matter of safety we should issue more common stock and less preferred, debentures and bank loans. They used in their arguments the financial structures of a number of large corporations: U. S. Steel, General Electric and others. I am not prepared to take issue with them on this point, yet I do not feel that the situations of American and the companies mentioned are parallel. This industry is still in its infancy;

Conversion of the 30 M preferred

it compressed 30 years of normal growth and development into the five years of the war period. It is strictly a cash business, subject to heavey depreciation; it should not be compared to old, long established industries, subject to less rapid growth and expansion.

I think American, after the split up, within the next two or three years will sell for from $25 to $35 a share. If you split the stock five for one and sell the new shares at $15, ~~the~~ 4,000,000 shares of common would bring $60,000,000.00. This would ~~bring~~ raise our capital structure to about 11,000,000 shares. Under your original plan, after the split of five for one, the Mid-Continent deal, your option and the issuance of 30 millions in cumulative convertible preferred, the outstanding common stock would be only 8,390,000 shares (including 1200,000 shares to take care. Hence, the corporation would lose $21 per share, if and when the split up stock should sell at $35. This would mean a tidy saving of approximately $80,000,000.00 to the corporation and present stockholders.

This may sound fantastic to some of our ultra-conservative directors but it is no more impossible than what has happened since December 1944 when the management recommended to the directors that 150,000 shares of the old stock be sold at $54 to $55 per share. This would have provided $8,000,000.00 to $8,150,000.00 new capital. After a long and thorough discussion, the plan was abandoned. The same stock (after a split of two for one) is selling at $75.00 to $80.00 a share and is worth about $15,000,000.00 or $16,000,000.00 more than what the management insisted on selling it for at that time.

The new setup as recommended - 30 millions preferred, 50 millions debentures and 20 million 10-year bank loan - has a good chance ot saving the stockholders 75 or 80 million dollars in the long run.

I have great faith in the possibilities of American within the next few years. I have every confidence in the ability of the management to do the job.

The public is becoming more air-minded every day. Just stop and think! America had 10 million men under arms. Hundreds of thousands of them were educated to fly; the remainder are prospective customers. New, larger and faster planes are coming along. If we keep our feet on the ground and do not permit the company to get so large that we lose contact, with each other, nothing can stop American from expanding five to ten times during the next five or ten years. I feel this is a conservative statement. Why get cold feet? Incidentally, the interest on the debentures and the bank loan would be chargeable to expense. This would amount to about $1,750,000 annually. Depreciation would be a big factor in providing the sinking find for retirement of the debentures and the bank loan.

While you asked the directors to consider this matter in confidence, I did take the liberty of discussing it, in confidence, with my bankers, solely to determine how it would affect my interests as a stockholder. After a thorough analysis of your original plan, they unhesitatingly pronounced it sound and regarded it as a protection for the stockholders in the long run. Incidentally, the bankers referred to are rather substantial folks and do not live in Fort Worth.

Therefore, with all due respect to other members of the board who may think differently, I unhesitatingly recommend your original plan. In so doing, I am bearing in mind the fact that I have a substantial investment in the stock. Naturally, I would not expect my opinion to influence others, but if I owned one half of the common stock I still would have no hesitancy in supporting your plan. No doubt the other directors will have had sufficient time to formulate their ideas and I hope that we have a full attendance at the next board meeting March 20. It no doubt will be the most important meeting we ever have had.

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Mr. Carter; This is an excellent letter. All I saw to do it was to tighten up a few sentences, eliminate a few words. I started to do it by reading copy on it; then decided it would look rather messy and be difficult to follow, so I rewrote it, doing no more than indicated. JMN

Dear C. R. Your letter outlining preliminary financial plans covering the requirement of 100 million dollars in new money for American received. I would not be so presemptuous as to pose as an expert in financial matters of this magnitude, yet, the more I study and analyze the situation from its various angles, the more committed I become to your original plan, which you submitted to the last meeting of the board, Feb. 20. This plan called for the issuance of 30 million dollars in 3 percent cumulative preferred stock, convertible, four shares of common for one of preferred; 50 million in two and three fourths percent debentures and a 10-year bank loan of 20 million dollars, at ~~two~~ 2% or less ~~percent~~. In the matter of splitting the stock, I favor a split of five for one.

As I understand, Aviation Corporation owns about 262,000 of the approximately 1,290,567 shares at present oustanding, to which would be added the approximately 97,000 shares involved in payment for the Mid-Continent deal. Aviation Corporation, no doubt, will have to dispose of its holdings. This would mean a substantial amount of common stock to be absorbed on the market sometime within the next three or four months. Accordingly, I feel it extremely important that the company refrain from issuing additional common stock at this time.

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Some of the directors brought out at the last meeting

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that as a matter of safety we should issue more common stock and less preferred, debentures and bank loans. They used in their arguments the financial structures of a number of large corporations, U. S. Steel, General Electric and others. I am not prepared to take issue with them on this point, yet I do not feel that the ~~xxxxx~~ situations of American and the companies mentioned are parallel. This industry is still its infancy; ~~it xpxxxxxx30xyxxxxxxfxxxxxxxgxxxth~~ compressed 30 years of normal growth and development into the five years of the war period. It is strictly a cash business, subject to heavy depreciation; it should not be compared to old, long established industries, subject to less rapid growth and expansion.

I think American, after the split up, within the next three years will sell for from $25 to $35 a share. If you split the stock five for one and sell the new shares at $15, the 4,000,000 shares would bring $60,000,000. This would bring our capital structure to about 11,000,000 shares. Under your original plan, after the split of five ~~xxxxx~~ for one, the Mid-Continent deal, your option and the issuance of 30 millions in cumulative Convertible preferred, the outstanding common stock would be only 8,390,000 shares. Hence, the ~~corporation~~ Corporation would lose $21 per share, if and when the split up stock should sell at $35. This would mean a tidy saving of ~~$84~~,000,000 80 to the corporation and present stockholders.

This may sound fantastic to some of our ultra-conservative directors but it is no more impossible than what has happened since December 1944 when the management recommended to the

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directors that 150,000 shares of the old stock be sold at $54 to $55 per share. This would have provided $8,000,000 to $8,150,000 new capital. After a long and thorough discussion, the plan was abandoned. The same stock (after a split of two for one) is selling at 15 to $80 a share and is worth about 15 or $16,000,000, more than what the management insisted on selling it for at that time.

The new setup as recommended– 30 millions preferred, 50 millions debentures and 20 million 10-year bank loan– has a good chance of saving the stockholders 75 or 80 million dollars. See the long Run

I have great faith in the ~~future~~ possibilities of American within the next few years. I have every confidence in the ability of the management to do the job. every

The public is becoming more air-minded every day. Just stop and think, America had 10 million men under arms. Hundreds of thousands of them were educated to fly; the remainder are prospective customers. New, larger and faster planes are coming along. ~~xxxxxx~~ If we keep our feet on the ground and do not permit the company to get so large that we lose contact, with each other, nothing can stop American from expanding five to ten times during the next five or ten years. I feel this is a conservative statement. Why get cold feet? Incidentally, the interest on the debentures and the bank loan ~~xxxxxx~~ would be chargeable to expense. This would amount to about $1,750,000 annually. Depreciation would be a big factor in providing the sinking fund for retirement of the debentures and the bank loan.

Dear C. R:

Your letter outlining preliminary financial plans covering the requirement of 100 million dollars new money for American received. ~~Even though~~ While, I would not be so presumptuous ~~enough to, in any way, attempt to qualify myself~~ as to pose as ~~as a financial~~ an expert on financial matters of this kind, at the same time the more I study the situation and analyze it from its various angles the more I am definitely committed to your original plan ~~which you~~ presented to the Board at the last meeting, February 20, namely; thirty million dollars 3% accumulative preferred stock convertible 4 shares of common for 1 share of preferred; 50 million dollars 2 3/4% debentures and 20 million dollars 10 year bank loan, 2% or less.

On the matter of splitting up the stock, I favor the plan of splitting the stock 5 for 1.

As I understand, the Aviation Corporation owns about 262,000 shares of the present outstanding stock amounting to approximately 1,290,567 shares to which will be added approximately 97,000 shares in payment for the Mid-Continent deal. The Aviation Corporation will no doubt have to dispose of their ~~stock~~ Holdings. This will be a substantial amount of common stock to be absorbed on the market sometime within the next three or four months. Therefore, I feel it extremely important that the company refrain from issuing additional common stock at this time. The proceeds from the 30 million preferred together with the approximately 25 million in cash indicated in your letter gives a back log of 55 million dollars which should be sufficient to back up the additional 70 million dollars (50 million debentures and 20 million ten year bank loans.)

At the last meeting, it was brought out by some of the Directors that as a matter of safety we should issue more common stock and less preferred debentures and bank loans using as an argument the financial structures of a number of large corporations - U. S. Steel, General Electric, etc. While, I am not prepared to take issue on this particular phase of the matter, I do not feel that American Airlines should be considered in parallel with these companies. This industry is in its infancy, having mythically speaking, accumulated a span of 30 years of normal growth and development in the five year war period. It is strictly a cash business subject to heavy depreciation and should not be compared to old line industries subject to less growth and rapid development.

I think American, after the split up, will sell for $25.00 to $35.00 a share within the next two or three years. If you split the stock 5 for 1 and sell the new shares for $15.00, four million shares would bring $60,000,000.00. This would bring our capital structure up to about 11,000,000 shares. While on your original plan after the split up of 5 for 1, including the Mid-Continent deal, your option and after the conversion of the 30 million accumulative preferred, the outstanding common would only be 8,390,000 shares. If you sell the four million new shares at the equivalent of 70 for the present stock, the price would be $14.00 a shares against the possibility that the price of the old stock in time, after the split up, may sell for $35.00 a share. Hence the corporation would be losing $21.00 a share, if and when the split up stock should sell at $35.00. This would be a tidy little sum of about $84,000,000.00 saved to the corporation and the present stockholders. This may sound fantastic to some of our ultra conservative directors. Still it is no more impossible than what has happened since December, 1944 at which time the management proposed and recommended to the Directors to sell 150,000 shares of the old stock at a price of $54.00 to $55.00 a share. This would have provided about $8,000,000.00 to $8,150,000.00 new capital. After a long thorough discussion the plan was abandoned. The same stock now at $80.00 a share (after a splut up of 2 for 1) is worth about $16,000,000.00 more than the management insisted on selling it for at that time. The new set up as recommended has a good chance to save the stockholders 75 or 80 million dollars on the plan of 30 million preferred, 50 million debentures and 20 million 10 year bank loans. I have great faith in the future possibility of American in the next few years and I have ever confidence in the present management being able to do the job.

The public is becoming more air-minded each day. Just stop and think! America has had almost 10 million men in arms. Hundreds of thousands of them have been educated to fly and the balance of them are prospective customers. New, faster and larger planes are coming along and if we keep our feet on the ground and do not permit the company to get so large that we lose contact with ourselves nothing can stop American from expanding from 5 to 10 times in the next 5 ~~yxxxx~~ or 10 years. Personally, I feel this is a conservative statement, so why get cold feet? Incidentally, the interest on the 50 million debentures as well as the 20 million bank loans are chargeable to expense. This amounts to about $1,750,000.00 annually. Depreciation is a big factor in providing the sinking fund for the debentures and bank loans.

While you asked the Directors to consider this matter in confidence, I did take the liberty of discussing it with my bankers in a confidential manner purely as to how it would affect my interests as a stockholder. After a thorough analization of your original plan they unhesitantly stated that they considered it thoroughly sound and felt that it should be a protection to the common stockholders in the long run. Therefore, with all due respect to other members of the Board who may think differently, I unhesitantly recommend your original plan and I am doing so, bearing in mind the fact that I have a substantial investment in the stock. Naturally, I would not presume to expect my opinion to influence others, at the same time I feel that if I owned one-half of the common stock I would have no hesitancy in supporting your plan. No doubt the Directors will have had sufficient time to formulate their own ideas and I hope that we will have a full attendance for thenext Board meeting March 20. It will not doubt be the most important meeting we have ever held.