

AMERICAN AIRLINES, Inc.

Notice of Annual Meeting

May 16, 1950

To the Common Stockholders of

AMERICAN AIRLINES, INC.:

Notice is hereby given that the annual meeting of the stockholders of American Airlines, Inc., a Delaware corporation, will be held at the statutory office of the corporation, Corporation Trust Company, 100 West 10th Street, Wilmington, Delaware, May 16, 1950, at 11:00 o'clock A.M., Daylight Saving Time, for the following purposes:

- (1) To receive the annual report of the corporation to its stockholders for the year ended December 31, 1949, a copy of which report accompanies this notice of meeting sent to all common stockholders of the corporation. Stockholders will not be asked to take any action with reference to the annual report.
- (2) To elect sixteen directors of the corporation to serve for the ensuing year, or until their successors are elected and qualified.
- (3) To consider and act upon a proposal to authorize the issuance of options upon an aggregate of 250,000 shares of authorized but unissued Common Stock of the corporation in view of the expiration on June 1, 1950 of options which were granted to Mr. C. R. Smith in 1945 and assigned by him in part to others, all as set forth in the accompanying Proxy Statement.
- (4) To elect independent auditors for the corporation for the year to end December 31, 1950.
- (5) To consider and act upon any other business which may properly come before the meeting, or any adjournment or adjournments thereof, including a resolution proposed by a stockholder as set forth in the accompanying Proxy Statement under the caption "Resolution Proposed by a Stockholder", if such resolution is presented at the meeting.

The close of business, March 29, 1950, has been fixed as the record date for determining the stockholders entitled to receive notice of and to vote at said annual meeting, and only holders of Common Stock of record on said date are so entitled to notice and to vote. The transfer books of the corporation will not be closed.

The management of the corporation knows of no other business to be acted upon at said meeting, but as to any other business properly coming before the meeting, each of the persons named in the enclosed proxy will vote in accordance with his best judgment.

You are urged to attend the meeting in person or by proxy. If you do not expect to attend and desire to have the stock registered in your name represented and voted, the management of the corporation requests that you date, fill in, execute and mail the enclosed proxy promptly in the enclosed envelope addressed to American Airlines, Inc., c/o Schroder Trust Co., 57 Broadway, New York 15, New York. No postage is required if mailed in the United States.

By Order of the Board of Directors,

C. W. JACOB, *Secretary.*

New York, N. Y.
March 29, 1950.

AMERICAN AIRLINES, Inc.

PROXY STATEMENT

Annual Meeting of Stockholders

May 16, 1950

To the Common Stockholders of

AMERICAN AIRLINES, INC.:

There is set forth below information concerning the proxy being forwarded to you herewith and the matters to be acted upon under the authority of said proxy at the annual meeting of the stockholders of the corporation, to be held at the statutory office of the corporation, Corporation Trust Company, 100 West 10th Street, Wilmington, Delaware, May 16, 1950.

METHOD AND EXPENSE OF PROXY SOLICITATION

Holders of Common Stock of the corporation who cannot be present in person and who wish their stock to be represented and voted at said meeting, are requested by the management to date, fill in, execute and return in the enclosed envelope, which requires no United States postage, the form of proxy forwarded herewith. Such proxy is revocable by you at any time prior to the voting of the share or shares represented thereby.

The enclosed proxy is solicited by and on behalf of the management of the corporation. The expenses of this solicitation are being paid by the corporation. It is contemplated that the original solicitation of proxies by mail may be supplemented by telephone, telegraph and personal solicitation by officers and regular employees of the corporation. The anticipated cost of such additional solicitation, if made, will not exceed \$1,000. Requests will also be made of brokerage houses and other nominees and fiduciaries to forward proxy material at the expense of the corporation to the beneficial owners of stock held of record by such persons.

OUTSTANDING STOCK AND VOTING RIGHTS

The corporation, as of March 29, 1950, had outstanding 6,452,835 shares of Common Stock, comprising the only voting securities entitled to vote at said meeting.

ELECTION OF DIRECTORS

Sixteen directors are to be elected at the forthcoming annual meeting, whose term of office shall be until the next succeeding annual stockholders' meeting to be held on the Tuesday preceding the third Wednesday in May, 1951, or until their successors are elected and qualified. It is the intention of the management that proxies, in the absence of contrary direction, will be voted in favor of the following nominees, all of whom are now directors of the corporation: Harold T. Ames, Harry E. Benedict, James Bruce, Edward H. Butler, Amon G. Carter, Charles S. Cheston, Thomas M. Conroy, Silliman Evans, John W. Farley, Charles T. Fisher, Jr., Thomas Stevens Hammond, A. N. Kemp, Robert W. Miller, Orval M. Mosier, Edgar Monsanto Queeny and C. R. Smith. On February 24, 1950 Mr. Bruce was elected a director of Avco Manufacturing Corporation which owns 257,690 shares of Common Stock of American Airlines, Inc. Before Mr. Bruce can assume the office of director of Avco, however, the approval of the Civil Aeronautics Board must be obtained. Such approval has been requested.

In the event of the inability of any of the foregoing to serve as such directors or in the event of contingencies not presently foreseen over which the management has no control, the proxies may be voted for the election of different persons to the Board of Directors. The management has no specific persons under consideration at this time for election to any such directorship in the event of any such inability or contingency.

The following table sets forth certain information as to each nominee for director:

Name	Occupation	First Became a Director	Securities Beneficially Owned Directly or Indirectly, as of March 1, 1950(a)		
			3% Sinking Fund Debentures	3½% Convertible Preferred Stock	Common Stock
Harold T. Ames	President, The La Porte Corporation (Manufacturer of juvenile vehicles)	1939	—	—	3,000(b)
Harry E. Benedict	Chairman of the Board, Palos Verdes Corporation (Real estate development)	1936	—	—	2,100
James Bruce	Director, Mutual Defense Assistance Program	1938	—	—	1,100
Edward H. Butler	Editor and Publisher, Buffalo Evening News	1941	—	—	1,250(c)
Amon G. Carter	President and Publisher, Fort Worth Star-Telegram	1938	—	—	66,800(d)
Charles S. Cheston.....	Director of various industrial and finan- cial corporations	1947	—	—	2,400(e)
Thomas M. Conroy.....	Executive Vice President, Central Trust Company of Cincinnati	1947	—	—	200(f)
Silliman Evans	Publisher, The Nashville Tennessean	1938	—	—	500
John W. Farley.....	Partner, Herrick, Smith, Donald, Farley & Ketchum, Attorneys	1941	—	—	200(g)
Charles T. Fisher, Jr.	President, National Bank of Detroit	1948	—	—	1,000(h)
Thomas S. Hammond.....	Chairman of the Board, Whiting Corpo- ration (Manufacturers of machinery)	1940	—	100	50(i)
A. N. Kemp.....	Chairman of the Board, Pacific Mutual Life Ins. Co.	1941	—	—	2,500
Robert W. Miller.....	President, Pacific Lighting Corporation	1948	—	—	100
Orval M. Mosier.....	Vice President, American Airlines, Inc.	1941	—	—	4,500
Edgar M. Queeny.....	Chairman of the Board, Monsanto Chemical Company	1940	—	800	15,000
C. R. Smith.....	President, American Airlines, Inc.	1934	—	—	4,000(j)

(a) The foregoing statement as to the beneficial ownership of the corporation's securities by the several nominees is, as to each, based upon information furnished by him. The corporation has no direct means of verifying the correctness thereof.

(b) In addition, 100 shares of Preferred Stock and 2,000 shares of Common Stock are owned by an associate of Mr. Ames.

(c) In addition, 1,870 shares of Common Stock are owned by associates of Mr. Butler.

(d) In addition, 30,000 shares of Common Stock, 1,000 shares of 3½% Convertible Preferred Stock and \$500,000 principal amount of 3% Sinking Fund Debentures are owned by the Amon G. Carter—Star Telegram Employees Fund of which Mr. Carter is President.

(e) In addition, 165 shares of Common Stock are owned by an associate of Mr. Cheston.

(f) In addition, 500 shares of Common Stock are owned by an associate of Mr. Conroy.

(g) Owned through a holding company.

(h) \$550,000 principal amount of 3% Sinking Fund Debentures are owned by an associate of Mr. Fisher.

(i) In addition, 600 shares of Common Stock are owned by an associate of Mr. Hammond.

(j) As of March 1, 1950 Mr. Smith retained options to purchase 164,500 shares of Common Stock at \$11.70 per share, options to purchase 85,500 shares having been assigned by him to others.

No director or nominee for the position of director, nor any associate thereof, had any interest in any transaction of the corporation or of its subsidiaries during the past year or has any interest in any proposed transaction of the corporation or of its subsidiaries except as follows: By a Credit Agreement dated September 15, 1949, certain commercial banks undertook to furnish credit of \$10,000,000 to American Overseas Airlines, Inc., a majority owned subsidiary of the corporation. At the same time, the old credit agreement dated June 20, 1947, as amended February 17, 1949 was terminated and the Subordination Agreement between the corporation, American Overseas Airlines, Inc., American Export Lines, Inc. and the same banks which had participated in the old credit agreement, was also terminated and the corporation was repaid \$1,500,000 it had advanced its subsidiary thereunder. Messrs. A. N. Kemp, Charles S. Cheston and Edgar M. Queeny are, respectively, directors of The Chase National Bank of the City of New York and the California Bank, Los Angeles, California; The Philadelphia National Bank and the Mercantile-Commerce Bank and Trust Company, St. Louis, Missouri, which participated in all of the aforementioned agreements. Messrs. Charles T. Fisher, Jr. and Thomas M. Conroy are, respectively, directors of the National Bank of Detroit and The Central Trust Company, Cincinnati, Ohio, which participated in the old credit agreement and Subordination Agreement. In January 1950, the Credit Agreement dated September 15, 1949, was amended to fix June 30, 1950 as the expiration date, to adjust the minimum working capital covenant and to make certain other minor changes. American Overseas Airlines, Inc. now has a total of \$8,000,000 outstanding under the aforementioned credit agreements. Of this amount, \$3,000,000 was drawn down in 1947, \$4,000,000 in 1949 and \$1,000,000 in 1950.

With the exception of certain directors' fees paid by American Overseas Airlines, Inc., the corporation's subsidiaries paid no salary, compensation or remuneration of any kind in the year ended December 31, 1949 to any person who served as an officer of the corporation, or to any director of the corporation, or to any person nominated for election as a director.

The directors and/or three highest paid officers of the corporation whose aggregate remuneration (exclusive of pension, retirement and similar payments) exceeded \$25,000 and the aggregate remuneration of all directors and officers as a group is set forth in the following table:

(1) Name of individual or identity of group	(2) Capacities in which remuneration was received	(3) Fees, salaries and commissions	(4) Individual net after estimated Federal Income Taxes	(5) Bonuses and shares in profits	(6) Pension, retirement and similar payments
C. R. Smith.....	President, Director	\$ 50,000	\$27,116	—	\$ 2,120
O. M. Mosier.....	Vice President, Director	27,686	17,935	—	1,222
L. G. Fritz.....	Vice President	27,500	17,851	—	1,222
All directors and officers as a group.....	As officers and directors	540,900	—	—	17,281

The estimated annual benefits at retirement for Messrs. Smith, Mosier and Fritz, and for all directors and officers as a group are, respectively, \$10,000; \$5,338; \$3,924 and \$111,440.

COMMON STOCK OPTIONS

The present options on 250,000 shares of the Common Stock of the corporation at \$11.70 per share expire on June 1, 1950. These options were granted initially in 1945 to Mr. Smith who assigned his rights to 85,500 such shares to other persons performing services for the corporation or American Overseas Airlines, Inc. Up to this point, none of the options have been exercised and except for 19,000 shares, all are still held by persons who are connected with the corporation or its subsidiary, American Overseas Airlines, Inc.

The Board of Directors believes it advisable that it be authorized to grant new options upon 250,000 shares of authorized but unissued Common Stock exercisable at a price to be determined in the discretion of the Board of Directors but not less than \$11.70 per share. The price so determined may be above or below the market price of the Common Stock on the date the options are granted but shall not be less than \$11.70 per share. Such authorization is to be effective June 1, 1950, the expiration date of the old options. While it is expected that the new options will be allocated shortly after June 1, 1950, options for some shares may be reserved for later allocation. Although it is not considered necessary that the granting of these new options be authorized by action of the stockholders, the Board of Directors considers it appropriate and better corporate practice to obtain stockholder authorization. These new options will not be granted unless authorized by the vote of a majority of the shares represented in person or by proxy and entitled to vote at the annual meeting.

The experience of your Board of Directors since 1945 has served to confirm its opinion that the issuance of stock options to persons engaged in performing executive or similar services for the corporation furnishes added incentives and inducements to key personnel that greatly benefit the corporation.

Your Board of Directors has recommended that the new options by their terms be exercisable in whole or in part by the holders thereof at any time up to and including June 1, 1955 but only if the initial holder is still performing services for the corporation (or by the legal representative of the estate of an initial holder who is still connected with the corporation at the time of his death) unless the corporation has consented to the assignment of such option, in whole or in part, to another party. The new options may include such further detailed terms and conditions, not inconsistent with the provisions described herein, as may be determined by the Board of Directors or the Committee referred to below.

The closing price of the Common Stock of the corporation on the New York Stock Exchange on March 1, 1950 was \$11.75, and during 1949 the closing price on the New York Stock Exchange ranged between a high of \$10.38 on August 8th and a low of \$6.75 on January 3rd. If the ultimate price determined by the Board of Directors for the new options is less than \$21.00 per share (and, as above stated, the lowest option price that can be set is \$11.70 per share), some dilution will take place in the price at which Common Stock is to be valued upon conversion of outstanding 3½% Cumulative Convertible Preferred Stock of the corporation. The maximum dilution in conversion price would occur if the new option price is \$11.70 per share and on that basis would amount to a decrease in conversion price of Common Stock from \$21.00 to \$20.82 per share.

Allocation of the options will be undertaken by a Committee of Directors who will not participate in the options and will be limited to approximately twenty-five persons who will receive the options directly from the corporation and who may include some or all of those persons now holding the present options. Eligibility is restricted to employees of the corporation and its subsidiaries and other persons performing services for the corporation, directly or indirectly. Directors who are not officers will be ineligible to participate. The authority of the Committee, which has not yet been appointed, will be limited to determining the persons who will receive options and the number of shares for which individual options are to be issued. Accordingly, the identity of such persons and the size of their options cannot be determined unless and until the Committee is appointed after favorable action at the stockholders' meeting.

In net effect, the proposal of your Board of Directors is this. Presently outstanding options upon 250,000 shares of Common Stock at an option price of \$11.70 per share that were granted to Mr. C. R. Smith and assigned in part by him to others expire on June 1, 1950. Such options will not be renewed. New options on 250,000 shares are proposed to be issued after June 1, 1950 to expire on June 1, 1955. Participation in these options will not be confined to a single person but only approximately twenty-five

persons, selected by a Committee of the Board of Directors, will be permitted to participate. The price of the shares optioned will be not less than \$11.70 per share, the price now set in the existing outstanding options that expire June 1, 1950. Options can only be exercised if the initial holder is at the time still performing services for the corporation (or by the legal representative of his estate if the holder died while connected with the corporation) unless the corporation has consented to the assignment or sale, in whole or in part, by an initial holder to another party.

ELECTION OF AUDITORS

The independent auditors nominated by the management of the corporation to serve for the ensuing year to end December 31, 1950, are Messrs. Arthur Young & Company, who have made the annual audits for the corporation continuously since its organization in 1934. It is the intention of the management that proxies, in the absence of contrary direction, will be voted in favor of the election of Messrs. Arthur Young & Company as independent auditors for the corporation for the year to end December 31, 1950.

RESOLUTION PROPOSED BY A STOCKHOLDER

A stockholder has advised that he intends to propose a resolution at the annual meeting of stockholders. As required by Rule X-14A-8 of the Securities and Exchange Commission, the stockholder's proposal is set forth below and is identified in the enclosed proxy as a Resolution Proposed by a Stockholder. Said proxy contains means by which stockholders may specify their approval or disapproval of such Resolution.

Resolution as proposed by a stockholder:

"Resolved that the stockholders of American Airlines, assembled at their Annual Meeting in person and by proxy request that their management shall give consideration to the instituting of a program of regional meetings, the number and timing of which shall be left to the management as circumstances permit."

OTHER BUSINESS

The management knows of no business to be acted upon at said meeting, or any adjournment or adjournments thereof, other than that referred to herein and, subject only to revocation, the shares represented by the management proxies will be voted as therein specified. No action will be taken with respect to the annual report. If other business shall properly come before said meeting, or any adjournment or adjournments thereof, it is intended that holders of the proxies will vote thereon in their discretion.

By Order of the Board of Directors,

New York, N. Y.
March 29, 1950.

C. W. JACOB, *Secretary*