



AMERICAN AIRLINES

100 PARK AVENUE • NEW YORK 17, N. Y.

REPORT OF THE ANNUAL MEETING OF STOCKHOLDERS

TO THE STOCKHOLDERS OF AMERICAN AIRLINES, INC.:

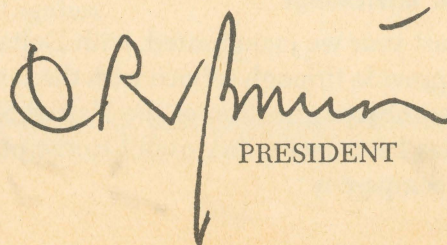
The annual meeting of stockholders of American Airlines, Inc. was held at the corporate offices in Wilmington, Delaware, on May 16, 1950. On behalf of the directors and officers of the company, I want to thank those who attended in person and those of you who sent in your proxies. Stockholders present in person or by proxy represented 4,073,024 shares, approximately 63 percent of the total outstanding.

Formal action taken at the meeting was as follows:

1. All of the sixteen directors of the company were re-elected to serve for another year.
2. Messrs. Arthur Young & Company were re-appointed as independent auditors of the corporation's accounts.
3. Authority was given for the issuance of options on up to 250,000 shares of authorized unissued common stock as outlined in the proxy statement and notice of the meeting.
4. The management is to consider the feasibility of holding in the future one or more regional meetings of stockholders at locations other than the statutory office in Delaware.

The report which comes with this letter will tell you in more detail the discussions at the Annual Meeting. Come to the meeting next year if your time will permit; we would be glad to see you there. In the meantime if there are questions which this report does not answer please write to us, asking for the information you require.

June 10, 1950



PRESIDENT

SUMMARY OF GENERAL STATEMENT BY PRESIDENT C. R. SMITH AT THE MEETING

Earnings — 1950

We had a loss of \$1,431,285 for the first quarter; this after tax carry back credit of \$520,000. We had to bear the ill effects of an eleven day strike of the maintenance employees during the month of March. The cost of this was about \$1,000,000, with consequent increase in the loss for the quarter. During the strike we operated about 40% of the service and resumed full service soon after the strike was over. The dispute was settled on terms not greatly different than those offered before the strike. We had a good month in April, profit of \$1,450,000 before taxes and \$930,000 after taxes. It is reasonable to anticipate that we will be in the black for the first six months of the year.

Traffic Volume

Business at present is quite good. The airline business has been increasing this year, as compared with last, quite in contrast with the figures shown by the surface carriers. Not only has traffic been good but we have been successful in keeping the costs down. Our costs are the lowest in the air transport industry, per ton mile. We made that record in 1948, bettered it a bit in 1949 and we should be able to hold our own or do better in 1950.

Air Coach Service

On the ninth of April we inaugurated the "Blue Ribbon" air coach service; New York—Chicago—Los Angeles. This is the first service, air coach, with modern aircraft and with coast-to-coast fare of \$110. This compares with \$157 for regular fare service. We are doing a good business and the service is profitable.

New Airplanes

We will have new airplanes for service in the Spring of 1951. Early this year we gave Douglas Aircraft an order for eleven DC-6B aircraft. This is a modernized version of the dependable DC-6 we presently operate; a little longer, a bit faster and with increase in payload of 4500 pounds. The airplanes cost about \$1,000,000, with spares, and the total order is about \$13,000,000. We have set aside funds (in bonds) for the amount of the commitment and funds will be available from that source when the airplanes are delivered. We will not need to do additional financing for that purpose. Next year, as usual, American will be equipped with the most modern of aircraft for its service.

Development of New Aircraft

We will continue to work for the development of more modern aircraft. Both the jet and the turbo-propeller types show promise, although both of them are several years off. We have supported in Congress a bill for development and testing of prototypes, involving government funds to the extent of \$12,500,000, over a period of years. This legislation has been supported by the several departments of the government and should pass at this session.

American-Delta Interchange

During last year we inaugurated, with Delta Air Lines, an interchange of equipment, at Dallas, which would provide through service with the same airplane, from cities in California and the southwest to the southeastern section of the United States, including Atlanta, Miami and New Orleans. The service has been successful, useful to the public, well patronized and beneficial to both of the participating companies.

Airmail Compensation and Subsidy Payments

We have advocated to the Congress that the subsidy payments included in air mail payments should be separated, so that the amount of subsidy and the nature of the expenditure will be known and clearly identified. Legislation looking to that has had the support of most of the departments of the government. The legislation will probably pass for it is sensible; whether or not it will pass at this session of the Congress now seems uncertain. Our own company has the lowest air mail rate in the industry. Other rates in the industry are many times that paid to American. We have no objection to subsidy, if that be the government policy, but it is sensible that the government should know the amount of the subsidy it is paying and to whom it is being paid.

REPRESENTATION AT MEETING

Directors, Officers and other representatives of the company present included:

C. R. Smith, President and presiding officer
Director Harry E. Benedict, New York Director Charles T. Fisher, Jr., Detroit
Malcolm A. MacIntyre of Debevoise, Plimpton and McLean, New York, General Counsel
Harry Grumpelt, partner, Arthur Young & Company, independent auditors
William J. Hogan, Vice President and Treasurer C. W. Jacob, Vice President and Secretary

Stockholders present in person or by proxy represented 4,073,024 shares, approximately 63 percent of the 6,452,835 outstanding shares.

RESULTS OF FORMAL BUSINESS

Election of Directors

Messrs. Harold T. Ames	Chicago, Illinois	John W. Farley	Boston, Massachusetts
Harry E. Benedict	New York, New York	Charles T. Fisher, Jr.	Detroit, Michigan
James Bruce	New York, New York	Thomas S. Hammond	Chicago, Illinois
Edward H. Butler	Buffalo, New York	A. N. Kemp	Los Angeles, California
Amon G. Carter	Fort Worth, Texas	Robert W. Miller	San Francisco, California
Charles S. Cheston	Philadelphia, Pa.	Orval M. Mosier	New York, New York
Thomas M. Conroy	Cincinnati, Ohio	Edgar M. Queeny	St. Louis, Missouri
Silliman Evans	Nashville, Tennessee	C. R. Smith	New York, New York

were reelected as directors of the corporation.

Common Stock Options

The Board of Directors was given authority to authorize the issuance of options upon up to 250,000 shares of authorized unissued common stock as outlined in the proxy statement, in view of the expiration on June 1, 1950 of options which were granted to Mr. C. R. Smith in 1945. The resolution was approved by a vote of 3,904,305 shares for and 131,477 shares against.

Election of Auditors

Messrs. Arthur Young & Company were re-elected as independent auditors for the year to end December 31, 1950, by a vote of 4,048,012 for and 16,989 against.

Regional Meetings of Stockholders

A resolution offered by Mr. John J. Gilbert, a stockholder, proposing that the management give consideration to instituting a program of regional meetings of stockholders was approved by vote of 3,455,781 for and 231,846 against.

SUMMARY OF DISCUSSION

Free Travel by Employees

Mr. Smith said that he had received some letters indicating that not all stockholders understand the company's policy with respect to giving employees free transportation. To clear up any misunderstanding he stated that all transportation to employees except when traveling on official business is on a "space available" basis. There is no possibility of losing revenue traffic by affording space available transportation to employees.

In addition to providing them with the opportunity of traveling on their vacation, it is highly beneficial to the company because they learn something about the airline they are operating and whose services they are selling to the public.

It is not entirely without cost because it costs money to provide tickets for them and there are some small service expenses, but generally, he said, he felt that if the stockholders better understand what we are doing and why we are doing it, they will favor it.

Options on 250,000 Shares of Common Stock

Mr. Smith stated that the allocation of the options will be handled entirely by a Committee of Directors who cannot share in the options. If the Committee is of the opinion that all of the options should not be granted now, there is no obligation to do so.

Some of the stockholders who have written to us seem to fear that some of the old options (good until June 1, 1950) would be exercised and that those might be duplicated by issuance of options under the new authorization.

Mr. Smith said that this was not the intention and that if any employee should exercise any of his options under the old authorization, he would recommend to the Committee that the options issuable under this new authorization be reduced by that amount. Although he would not control it, he said that he believed that would be the position of the Committee.

(NOTE: None of the options issued prior to June 1, 1950, and exercisable until that date, were exercised, and all expired on that date. There can, therefore, be no duplication between the two authorizations.)

Mr. John J. Gilbert, a stockholder, commented that there had been a big improvement in this option plan, that it is not just a one-person plan.

Auditors

Mr. Gilbert inquired of Mr. Grumpelt, representing Arthur Young & Company, auditors, whether the man-

agement had placed any restrictions in regard to the auditing of American Airlines or American Overseas Airlines. Mr. Grumpelt stated that no such restriction had been imposed by the management of American and that he had asked Arthur Andersen & Company, auditors for American Overseas, the same question and had been informed that no restrictions had been placed on their auditing.

Air Coach Service

Mr. S. H. Clement, representing National Aviation Corporation, a stockholder of the corporation, asked if the Air Coach Service had caused any decrease in the first class travel. The Chairman replied that there had been no noticeable dilution of regular business but that while the amount of coach travel has been increasing, the volume of first class travel has not fallen off.

Retirement of 3% Sinking Fund Debentures

Mr. Marvin Wallen, a stockholder, inquired about the purchase of the company's own Debentures asking if such purchases had an adverse effect on the surplus account of the company and consequent effect on the ability of the company to pay later a dividend on the common stock.

Mr. Smith stated that the purchase of Debentures for Sinking Fund purposes did not have an adverse effect on the surplus account. The effect on the surplus account was to increase it slightly since the Debentures had been purchased under par value. He further explained that no action taken with respect to the purchase of Debentures had influenced, one way or another, the ability to pay dividends; that dividends could be paid when earnings were sufficient to achieve the Surplus figure specified in the Debenture and Preferred Stock indentures.

Mr. Smith said that future purchases of Debentures would be dependent on the cash position of the company and the judgment of the officers and directors about the merit of making further purchases.

Ground Transportation

Mr. John J. Gilbert called attention to the adverse effect on air transportation by the insistence of the New York Port Authority on charging 25 cents for each cab trip from LaGuardia and Idlewild Airports. It was his view that the charge was discriminatory because it was not assessed at other airports in the country, was unwarranted and resulted in resentment on the part of both the cab user and operator, particularly on short trips, when the cab fare barely covers the 25¢ charge.