Notice of Annual Meeting & Proxy Statement

American Airlines
633 Third Avenue • New York, N.Y. 10017

April 6, 1972

To Our Stockholders,

You are cordially invited to attend the Annual Meeting of Stockholders of American Airlines, Inc., which will be held at the American Airlines Flight Service College, Greater Southwest International Airport, Fort Worth, Texas, on Wednesday, May 17, 1972, at 10:00 A.M., Central Daylight Time. Official Notice of the Meeting, Proxy Statement and form of Proxy are enclosed with this letter.

If you plan to attend the meeting and would like assistance with air travel or hotel arrangements, please call your local American Airlines reservations office.

If you cannot be present, please execute and return the Proxy in the enclosed envelope so that your shares may be represented.

Sincerely,

GEORGE A. SPATER
President
Official Notice of Annual Meeting of Stockholders

The annual meeting of stockholders of AMERICAN AIRLINES, INC. will be held at the American Airlines Flight Service College, Greater Southwest International Airport, Fort Worth, Texas, on Wednesday, May 17, 1972, at 10:00 o'clock A.M., Central Daylight Time, for the purpose of considering and acting upon the following:

(1) The election of directors.

(2) A proposal to authorize the Board of Directors to adopt incentive compensation plans for officers and key employees of the Corporation.

(3) The selection of Arthur Young & Company as independent auditors for the year 1972.

(4) Stockholder proposals relating to stock options and preemptive rights.

(5) Such other matters as may properly come before the meeting or any adjournments thereof.

The Annual Report of the Corporation for the year 1971, copies of which have been sent to its stockholders, will be placed before the meeting. Stockholders will not be asked to take any action in respect of the Annual Report.

Only stockholders of record at the close of business on March 31, 1972, will be entitled to vote at the meeting. The transfer books of the Corporation will not be closed.

By Order of the Board of Directors,

H. WAYNE WILE, Secretary

New York, New York
April 6, 1972

If you do not expect to attend the meeting in person, please execute and return the enclosed proxy in the accompanying envelope so that your stock will be voted. The envelope requires no postage if mailed in the United States.
This statement is furnished in connection with a solicitation of proxies by the management of American Airlines, Inc. for use at the annual meeting of stockholders to be held on May 17, 1972.

If the enclosed form of proxy is signed and returned, it will be voted as specified in the proxy, but a stockholder who executes a proxy may revoke it at any time before it is voted.

The Corporation will bear the cost of this solicitation. In addition to the use of the mails, proxies may be solicited by officers, directors and regular employees of the Corporation personally, by telephone or telegraph. The Corporation will also request brokers or nominees who hold Common Stock in their names to forward proxy material at the Corporation’s expense to the beneficial owners of such stock, and has retained G. R. Squires & Company, Inc. to aid in the solicitation at an estimated fee of $3,500 plus reimbursement of normal expenses.

OUTSTANDING STOCK AND VOTING RIGHTS

Only the holders of Common Stock of record at the close of business on March 31, 1972 will be entitled to vote at the meeting. On that date the Corporation had outstanding 28,376,158 shares of Common Stock. Stockholders shall be entitled to one vote in person or by proxy for each share of stock so held.

PROPOSAL I — ELECTION OF DIRECTORS

It is proposed that 19 directors be elected at the meeting, to serve until the next annual election and until their successors are duly elected and qualified. Directors shall be elected by a plurality of the votes cast.

The persons named in the proxy have advised they intend to vote for the election of the nominees listed below, all of whom currently serve as directors of the Corporation. Mr. E. R. Quesada, having reached mandatory retirement age, is not a nominee for re-election. If any nominee should not be available for election as a result of unforeseen circumstances, it is the intention of the persons named in the proxy to vote for the election of such substitute nominee, if any, as the Board of Directors may propose.
Nominees for Election as Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation or Employment</th>
<th>First Became a Director</th>
<th>Shares of Common Stock of the Corporation Owned Beneficially as of March 15, 1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>James W. Aston</td>
<td>Chairman of the Board, Republic National Bank of Dallas</td>
<td>1953</td>
<td>1,000</td>
</tr>
<tr>
<td>Gaston Azcarraga T.</td>
<td>Chairman of the Board, Fabricas Automex, S.A., Mexican automobile manufacturer</td>
<td>1966</td>
<td>400*</td>
</tr>
<tr>
<td>Ralph M. Besse</td>
<td>Partner, Squire, Sanders &amp; Dempsey, lawyers</td>
<td>1965</td>
<td>400</td>
</tr>
<tr>
<td>Carter L. Burgess</td>
<td>Chairman, Sky Chefs, Inc.</td>
<td>1959</td>
<td>200</td>
</tr>
<tr>
<td>Francis H. Burr</td>
<td>Partner, Ropes &amp; Gray, lawyers</td>
<td>1958</td>
<td>1,200</td>
</tr>
<tr>
<td>Walter W. Candy, Jr.</td>
<td>Investments</td>
<td>1956</td>
<td>400</td>
</tr>
<tr>
<td>Thomas S. Carroll</td>
<td>President, Lever Brothers Company</td>
<td>1972</td>
<td>100</td>
</tr>
<tr>
<td>Amon G. Carter, Jr.</td>
<td>President, Fort-Worth Star-Telegram</td>
<td>1957</td>
<td>12,000</td>
</tr>
<tr>
<td>Charles T. Fisher III</td>
<td>President, National Bank of Detroit</td>
<td>1968</td>
<td>100</td>
</tr>
<tr>
<td>Manly Fleischmann</td>
<td>Partner, Jaeckle, Fleischmann &amp; Mugel, lawyers</td>
<td>1956</td>
<td>1,000</td>
</tr>
<tr>
<td>Benjamin P. Griffith</td>
<td>President, Griffith Company, construction and real estate</td>
<td>1965</td>
<td>1,043</td>
</tr>
<tr>
<td>John D. Leitch</td>
<td>President, Upper Lakes Shipping Ltd.</td>
<td>1969</td>
<td>1,000</td>
</tr>
<tr>
<td>Donald J. Lloyd-Jones</td>
<td>Executive Vice President—Finance, American Airlines, Inc.</td>
<td>1971</td>
<td>286*</td>
</tr>
<tr>
<td>F. J. Mullins</td>
<td>Vice Chairman of the Board, American Airlines, Inc.</td>
<td>1971</td>
<td>1,600</td>
</tr>
<tr>
<td>Courtland D. Perkins</td>
<td>Chairman, Department of Aerospace and Mechanical Sciences, Princeton University</td>
<td>1967</td>
<td>800</td>
</tr>
<tr>
<td>Marion Sadler</td>
<td>Vice Chairman of the Board, American Airlines, Inc.</td>
<td>1964</td>
<td>100</td>
</tr>
<tr>
<td>George A. Spater</td>
<td>Chairman of the Board and President, American Airlines, Inc.</td>
<td>1960</td>
<td>6,700*</td>
</tr>
<tr>
<td>George A. Warde</td>
<td>Executive Vice President and General Manager, American Airlines, Inc.</td>
<td>1971</td>
<td>3,000</td>
</tr>
<tr>
<td>Eugene F. Williams, Jr.</td>
<td>President, St. Louis Union Trust Company</td>
<td>1967</td>
<td>800</td>
</tr>
</tbody>
</table>

* On March 15, 1972, Mr. Azcarraga owned $4,000, and Mr. Lloyd-Jones owned $200, principal amount of the Corporation’s 4¼% Subordinated Convertible Debentures. None of the directors beneficially owns any other class of equity securities of the Corporation or its subsidiaries. Mr. Spater’s wife owns $5,000 principal amount of 4¾% Debentures.

Mr. Carroll was elected a director of the Corporation on January 19, 1972. Prior to his becoming President of Lever Brothers Company in 1967, Mr. Carroll was Executive Vice President of that company. Messrs. Lloyd-Jones, Mullins and Warde were elected directors on June 16, 1971. In the course of their employment by the Corporation during the past five years, Mr. Lloyd-Jones has held the positions of Vice President—Corporate Planning, Senior Vice President—Finance, and Executive Vice President—Finance, Mr. Mullins has held the positions of Senior Vice President—Marketing and Vice Chairman, and Mr. Warde has held the positions of Vice President—Maintenance & Engineering, Senior Vice President—Operations, and Executive Vice President and General Manager.
If the proposed merger with Western Air Lines, Inc. is consummated during 1972, the Board of Directors of Western will be entitled to designate three persons (not yet selected) from among its own members to serve on the Board of Directors of the Corporation following the effective date of the merger.

Remuneration of Directors and Officers

The following table sets forth the remuneration paid by the Corporation for 1971 to each person serving as a director of the Corporation whose aggregate remuneration for 1971 exceeded $30,000, to the three highest paid officers, and to all officers and directors as a group. No officer or director receives remuneration of any kind from the Corporation’s subsidiaries, except Mr. Burgess, who was elected Chairman of Sky Chefs, Inc., effective March 27, 1972.

<table>
<thead>
<tr>
<th>Capacities in which remuneration was received</th>
<th>Aggregate remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>George A. Spater ...... Chairman and President</td>
<td>$122,500</td>
</tr>
<tr>
<td>Donald J. Lloyd-Jones .... Executive Vice President—Finance</td>
<td>73,750</td>
</tr>
<tr>
<td>F. J. Mullins .......... Vice Chairman</td>
<td>73,750</td>
</tr>
<tr>
<td>Marion Sadler .......... Vice Chairman</td>
<td>73,750</td>
</tr>
<tr>
<td>George A. Warde ........ Executive Vice President and General Manager</td>
<td>73,750</td>
</tr>
<tr>
<td>All officers and directors as a group(1) ...............</td>
<td>2,694,398</td>
</tr>
</tbody>
</table>

(1) As of December 31, 1971, there were 75 officers and directors.

Certain Transactions

In 1967, Sky Chefs, Inc., a wholly-owned subsidiary of the Corporation, entered into a 20-year net lease of space for a cafeteria, dining room, and cocktail lounge in L’Enfant Plaza, an office and commercial complex in Washington, D. C. Mr. Quesada, who will retire as a director of the Corporation effective May 17, 1972, is Chairman of the Board and President of the L’Enfant Plaza Corporations, which own the complex. Rentals payable by Sky Chefs under the lease are equal to 5% of gross food sales and 10% of gross liquor sales subject to an annual minimum of approximately $180,000, which is related to the construction cost of the leased facilities. Operation of the leased facilities by Sky Chefs has not proved profitable because of the failure of night-time business to develop as projected and competition from government cafeterias in the area that are open to the public. Sky Chefs has engaged in discussions concerning the feasibility of assigning the lease and selling its related investment (consisting primarily of leasehold improvements, furniture, fixtures and equipment) or subleasing the facilities. In this connection, Sky Chefs established a reserve by a $1,000,000 charge (before tax) to earnings in 1970 in anticipation that it would not recover its investment in the project, which at December 31, 1971 amounted to approximately $1,700,000, net of amortization.

The Corporation, Sky Chefs and a group of Mexican investors in which a corporate associate of Mr. Azcarraga, a director of the Corporation, has a 48% interest, entered into
agreements in 1969 for the purchase and operation of the El Presidente Hotel in Acapulco, Mexico. Pursuant to such agreements the hotel was purchased for $13,000,000 by a Mexican corporation and is being operated under a 25-year net lease by Sky Chefs through its Mexican subsidiary, which purchased the furniture, fixtures and equipment from the corporation that owns the hotel. Rentals payable by the Sky Chefs subsidiary under the lease are equal to 25% of gross room sales, 10% of gross liquor sales and 5% of gross food sales, subject to an annual minimum sufficient to amortize the loan from the insurance company referred to below. The Mexican group contributed $1,500,000 to the corporation that purchased the hotel, as an equity contribution, of which $625,000 was paid in cash and the balance in notes bearing interest at 9 3/4% annually and payable only out of dividends or other distributions on the stock held by the Mexican group. The balance of the hotel purchase price together with the cost of certain improvements was financed by a $12,500,000 loan from an insurance company at 9 1/2% interest, repayable over 25 years and secured by the Corporation’s guaranty of the lease under which Sky Chefs’ subsidiary operates the hotel. In connection with this transaction, Sky Chefs’ subsidiary received 20% of the equity in the corporation that purchased the hotel. The balance of the equity is owned by the Mexican investors.

The Corporation, Sky Chefs and a group of Mexican investors in which Mr. Azcarraga has a 34% interest, entered into agreements in 1968 for the construction of a 500 room hotel in Acapulco, to be leased and operated by Sky Chefs through a Mexican subsidiary pursuant to such agreements. The hotel (the Condesa del Mar) was built by a Mexican corporation at an estimated cost of $15,000,000 (including land). Construction of the hotel was financed by a 7% 25-year loan from an insurance company, secured by the Corporation’s guaranty of the lease under which Sky Chefs’ Mexican subsidiary operates the hotel. The terms of the lease are substantially the same as the lease of El Presidente, referred to above. The purchase by the Mexican investors (including Mr. Azcarraga) of the stock of the corporation that owns the hotel was financed during the period of construction out of the proceeds of the insurance company loan. The amount of the temporary loan to Mr. Azcarraga (which has been repaid) was $780,792, on which interest of 7 1/4% was paid. In connection with this transaction, Sky Chefs’ Mexican subsidiary received 20% of the equity in the corporation that owns the hotel. The balance of the equity, except for shares representing approximately 4% of the total equity (which were purchased by Sky Chefs from three of the Mexican investors), is owned by Mexican investors.

Sky Chefs has also entered into an arrangement with a group of Mexican investors, including Mr. Azcarraga, relating to the management of a hotel in Mexico City. The hotel (the Fiesta Palace) which was constructed by the investors at a cost of approximately $16,000,000 (including land), is managed by a Mexican corporation owned 60% by the Mexican investors and 40% by Sky Chefs. The management corporation has entered into a five-year agreement
with the owner to manage the hotel for an annual fee of approximately 2% of gross revenues plus up to 10% of gross operating profits from the hotel, but not to exceed $300,000 a year on a cumulative basis, plus reimbursement of expenses. Sky Chefs has entered into a five-year agreement to provide technical assistance to the management corporation for a fee equal to approximately 95% of the fee received by the management corporation from the owner. Mr. Azcarraga’s interest in the hotel is 24%, and his interest in the Mexican management corporation is 12%. The arrangement contemplates that Sky Chefs and the Mexican investors may engage in other projects in Mexico, subject to agreement on the terms of each project.

The Corporation believes that the terms of all transactions described above are as favorable to the Corporation and Sky Chefs as could be obtained from responsible non-affiliated parties.

In 1971, the Corporation entered into a new revolving credit agreement with a group of 58 banks which provides for borrowings of up to $300,000,000. Among these banks are Republic National Bank of Dallas (of which Mr. Aston is Chairman of the Board of Directors) which participates to the extent of $15 million, Continental Illinois National Bank and Trust Company of Chicago (of which Mr. Graham, a director of the Corporation until May 18, 1971, is Chairman of the Board of Directors) to the extent of $9 million, and National Bank of Detroit (of which Mr. Fisher is President) to the extent of $7 million. In 1971, these banks were paid commitment fees of $87,402 and interest of $272,300 under the agreement. Commitment fees of $11,942 and interest of $65,924 were paid to the same banks in 1971 under an earlier revolving credit agreement that was terminated by the new agreement.

The Corporation has committed to invest $100,000 in the National Corporation for Housing Partnerships, and at March 15, 1972 had invested a total of $31,250. Mr. Burgess was Chairman and Chief Executive Officer of the National Corporation for Housing Partnerships prior to joining Sky Chefs, Inc. as Chairman.

Deferred Compensation

The Corporation has deferred compensation agreements with certain of its officers including Mr. Spater, Mr. Lloyd-Jones, Mr. Mullins, Mr. Sadler and Mr. Warde. The agreement with each of the named officers provides that, subject to its terms and conditions, he will be entitled to payment of deferred compensation after termination of service as an officer and employee, at a rate that is subject to proportionate increase based on average salary during his last three years of full-time employment. Such compensation is payable over a period equal to the number of months the officer continues to serve the Corporation after a date specified in the agreement, except that, if an officer has accrued the right to receive payments over a period of more than 10 years, he may elect to limit such period to not less than 10 years and receive a proportionately higher monthly payment. Payments over a period of
ten years are provided for in the event of death or disability. Estimated annual deferred compensation payable under these agreements, based on present salaries, will be $37,500 for Mr. Spater, $8,500 for Mr. Lloyd-Jones, $12,750 for Mr. Mullins, $21,250 for Mr. Sadler, $12,750 for Mr. Warde, and from $4,000 to $12,750 for each of the other officers. The following periods of payment have been accrued by the named officers as of March 31, 1972: Mr. Spater—12.8 years; Mr. Lloyd-Jones—1.1 years; Mr. Mullins—7.3 years; Mr. Sadler—10 years; Mr. Warde—3.4 years. In addition, under a plan adopted by the Corporation, each director who is not an officer of the Corporation may defer the payment (with interest) of his director’s fees, $6,000 per year, plus $200 for each committee meeting, to a later date selected by the director. At December 31, 1971, the Corporation had accrued an aggregate of $1,082,071 for payment under all such compensation agreements.

Pension Program

The Corporation’s pension program for non-pilot personnel consists of two plans: The Retirement Benefit Plan and The Supplemental Variable Annuity Plan. Both plans are qualified under the Internal Revenue Code.

The Retirement Benefit Plan provides for payment of fixed benefits to participating employees upon retirement. Of all employees eligible, approximately 92% were participating as of December 31, 1971. Each participating employee contributes a percentage of his salary, and the Corporation contributes such additional amounts as may be necessary, on an actuarially sound basis, to produce the required benefits. The Supplemental Variable Annuity Plan permits employees who participate in the Retirement Benefit Plan to supplement their retirement benefits through additional contributions. Effective January 1, 1972, the Corporation’s contribution to the Supplemental Variable Annuity Plan was increased from 1% to 2% of the participating employee’s salary. The employee must contribute at least 1% of his salary, but may elect to contribute up to a total of 11%.

Estimated annual retirement benefits payable to present officers of the Corporation under these plans, based upon salaries as of December 31, 1971, and upon normal retirement at age 65, are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Retirement Benefit Plan</th>
<th>Supplemental Variable Annuity Plan*</th>
</tr>
</thead>
<tbody>
<tr>
<td>George A. Spater</td>
<td>$31,238</td>
<td>$2,476</td>
</tr>
<tr>
<td>Donald J. Lloyd-Jones</td>
<td>$49,405</td>
<td>$8,373</td>
</tr>
<tr>
<td>F. J. Mullins</td>
<td>$47,424</td>
<td>$4,023</td>
</tr>
<tr>
<td>Marion Sadler</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>George A. Warde</td>
<td>$33,260</td>
<td>$4,927</td>
</tr>
<tr>
<td>All officers and directors as a group</td>
<td>$1,377,072</td>
<td>$197,851</td>
</tr>
</tbody>
</table>

* These estimated benefits are based upon required contributions under the Plan and will vary with the market value of securities in the trust fund.
Stock Options

The following tabulation shows for the five officers referred to above and for all officers and directors as a group (i) the amount of options granted since January 1, 1967, (ii) the amount of shares acquired since that date through the exercise of options granted since that date or prior thereto, (iii) the amount of shares sold during such period of the same class as those so acquired, and (iv) the amount of shares subject to all unexercised options held as of January 31, 1972:

<table>
<thead>
<tr>
<th>COMMON STOCK*</th>
<th>Spater</th>
<th>Lloyd-Jones</th>
<th>Mullins</th>
<th>Sadler</th>
<th>Warde</th>
<th>All Officers &amp; Directors as a Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granted 1/1/67-1/31/72:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Shares</td>
<td>20,500</td>
<td>9,400</td>
<td>14,900</td>
<td>14,900</td>
<td>14,900</td>
<td>307,300</td>
</tr>
<tr>
<td>Average per share option price</td>
<td>$33.09</td>
<td>$29.36</td>
<td>$32.52</td>
<td>$32.89</td>
<td>$33.02</td>
<td>$30.92</td>
</tr>
<tr>
<td>Exercised 1/1/67-1/31/72:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Shares</td>
<td>4,800</td>
<td>—</td>
<td>1,600</td>
<td>3,600</td>
<td>3,000</td>
<td>47,660</td>
</tr>
<tr>
<td>Aggregate option price of options exercised</td>
<td>$88,600</td>
<td>—</td>
<td>$31,525</td>
<td>$66,450</td>
<td>$70,313</td>
<td>$1,090,052</td>
</tr>
<tr>
<td>Aggregate market value of shares on date options exercised</td>
<td>$183,600</td>
<td>—</td>
<td>$43,650</td>
<td>$113,610</td>
<td>$112,875</td>
<td>$1,624,050</td>
</tr>
<tr>
<td>Sales 1/1/67-1/31/72:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Shares**</td>
<td>2,000</td>
<td>—</td>
<td>2,000</td>
<td>3,300</td>
<td>—</td>
<td>53,588</td>
</tr>
<tr>
<td>Unexercised at 1/31/72:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Shares</td>
<td>20,500</td>
<td>9,400</td>
<td>14,900</td>
<td>7,400</td>
<td>14,900</td>
<td>290,220</td>
</tr>
<tr>
<td>Average per share option price</td>
<td>$33.09</td>
<td>$29.36</td>
<td>$32.52</td>
<td>$33.79</td>
<td>$33.02</td>
<td>$30.98</td>
</tr>
</tbody>
</table>

*All common share figures, where applicable, have been adjusted in accordance with the terms of the options to reflect the 2 for 1 stock split in June 1967. No share dividends were issued during this period.

In addition, during the period January 1, 1967 to January 31, 1972, key employees of the Corporation (including assistant officers) were granted options for 378,150 shares at an average option price per share of $32.75.

**Sales by officers and directors who exercised options during the period 1/1/67-1/31/72 as shown on Form 4 filed with the Securities and Exchange Commission.
Stock Appreciation Plan

On February 17, 1971, the Corporation’s Board of Directors adopted a Stock Appreciation Plan pursuant to which officers and assistant officers of the Corporation were awarded share-units with respect to a total of 47,800 shares of the Corporation’s Common Stock. The Plan provided that the officers would be entitled to receive cash on February 17, 1972 to the extent of the appreciation, if any, from February 17, 1971 in the value of the number of shares to which their share-units relate. On December 31, 1971, four of the officers holding 3,000 share-units elected to postpone such payment until February 17, 1975, in which case amounts based on appreciation, if any, to that date would be received. The officers electing postponement will forfeit their rights if they voluntarily leave the Corporation to seek other employment but, if their employment ceases for other reasons, they will receive payment to the date their employment ceases. If such officer dies while holding share-units, amounts due will be paid to his estate. All payments under this plan are taxable to officers at ordinary income tax rates and deductible by the Corporation for tax purposes.

The closing price of the Corporation’s Common Stock on the New York Stock Exchange on February 17, 1972 was $45.875 per share, reflecting an appreciation of $18.625 per share over the market value of $27.25 per share on February 17, 1971. Accordingly, payments of $93,125 to Mr. Spater, $37,250 each to Messrs. Lloyd-Jones, Mullins, Sadler, and Warde, and from $1,863 to $37,250 for each of the other officers, were made pursuant to the Plan. The total payments amounted to $834,400, and will be ordinary income to the officers for the year 1972.

As of January 1, 1971, the salaries of the Corporation’s officers were reduced on a graduated scale, with reductions for senior officers averaging approximately 15%. These reductions remained in effect until March 1, 1972.

PROPOSAL II—AUTHORIZATION FOR THE BOARD OF DIRECTORS TO ADOPT INCENTIVE COMPENSATION PLANS FOR OFFICERS AND KEY EMPLOYEES

The Board of Directors of the Corporation believes that the most effective executive compensation program involves a careful blending of base salary, stock options and incentive compensation.

The base salaries of the Corporation’s officers are fixed by the Board of Directors, and those of non-officer executive personnel by the senior officers. Generally, base salaries in the Corporation approximate those in other airlines but most of the major airlines have incentive compensation plans under which substantial payments have been made in the past. The level of executive compensation in the Corporation is less than in companies of comparable size in industry generally.
The Corporation has maintained stock option plans for officers and key employees for many years. Stock option plans were approved by the Corporation’s stockholders in 1964, 1967 and 1969. As of March 1, 1972, 90,160 shares were still available for the grant of options under the 1967 and 1969 plans, and no additional stock option plans will be submitted for stockholder approval before the 1973 annual meeting.

The Corporation has not had regular incentive compensation programs in recent years. An exception was made in 1971 when a Stock Appreciation Plan was implemented following a reduction in the officers’ base salaries (see above). The Board of Directors believe that the implementation of regular incentive compensation plans can reduce upward pressure on base salaries and encourage stronger management performance by relating the overall level of executive compensation to the Corporation’s profitability, stock price or other similar measure.

It is therefore proposed that the stockholders authorize the Corporation’s Board of Directors, in their discretion, to develop and implement regular incentive compensation plans for officers and key employees of the Corporation subject to the limitation that no participant in such a plan will receive an award thereunder in excess of 25% of his base salary in any year.

In the event such proposal is approved by the stockholders, and subject to compliance with regulations issued under the Economic Stabilization Act, the Board of Directors intends to implement the following incentive compensation plan for 1972:

1. No incentive compensation will be paid in respect of 1972 unless the Corporation earns $.80 per average share outstanding (after federal taxes and before provision for payments under the plan) on its Common Stock. This was the amount of the Corporation’s regular annual dividend until July 1971 when dividends were discontinued because of unsatisfactory earnings. On the basis of the approximately 28,300,000 shares outstanding as of March 1, 1972, after-tax earnings of approximately $22,600,000 would be required to meet the $.80 per share test.*

2. Officers and assistant officers of the Corporation who have served in such capacities for at least six months during 1972, and who are recommended at year end for awards by their immediate superiors, will be eligible to receive incentive compensation. Awards, if any, will be made after 1972 financial statements are available, on or about March 1, 1973.

* This does not mean that if the Corporation earns $.80 per share on its Common Stock, it intends to resume the payment of regular dividends on its Common Stock. Any decision to resume dividends will be made on the basis of all the relevant circumstances then existing.
3. In the event the Corporation earns more than $.80 per share on its Common Stock in 1972, incentive compensation awards will be made to eligible recipients in accordance with the following table:

<table>
<thead>
<tr>
<th>Adjusted Corporate Net Earnings</th>
<th>Incentive Compensation as a Per Cent of Base Salary at December 31, 1972</th>
</tr>
</thead>
<tbody>
<tr>
<td>above $.80 per share</td>
<td>5%</td>
</tr>
<tr>
<td>above $25,000,000</td>
<td>7%</td>
</tr>
<tr>
<td>above $30,000,000</td>
<td>9%</td>
</tr>
<tr>
<td>above $35,000,000</td>
<td>12%</td>
</tr>
<tr>
<td>above $40,000,000</td>
<td>16%</td>
</tr>
<tr>
<td>above $50,000,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

4. In determining whether the Corporation has earned $.80 per share for purposes of paragraph 1 above, and in determining the Adjusted Corporate Net Earnings of the Corporation for purposes of computing the amount of any incentive compensation awards to be made pursuant to paragraph 3 above, the net earnings of Sky Chefs, Inc. and the net increased revenues attributable to any rate or fare increase that becomes effective in 1972 will be excluded. In the event the proposed merger with Western Air Lines, Inc. is consummated during 1972, Western's 1972 net earnings and the approximately 7,000,000 shares to be issued to Western's shareholders will be included in the determinations and the officers of Western, on becoming officers of American, will be eligible to receive incentive compensation on the terms outlined above. (In such event, combined after-tax earnings of approximately $28,200,000 would be required to meet the $.80 per share test referred to in paragraph 1.) The net earnings of any new subsidiary that may be acquired in 1972 will be excluded, as will the number of shares, if any, issued to acquire such a subsidiary. Shares issued to acquire properties for existing subsidiaries will be similarly excluded.

If the above plan had been in effect during 1971, no awards would have been made thereunder. As of March 1, 1972, there were 90 officers and assistant officers of the corporation who would be eligible to participate in the plan.

A majority of the votes cast is necessary for approval of this proposal.

**PROPOSAL III – SELECTION OF AUDITORS**

The independent auditors proposed to be selected by the management of the Corporation to serve for the year to end December 31, 1972, are Messrs. Arthur Young & Company, who have made the annual audits for the Corporation continuously since its organization in 1934. A majority of the votes cast is necessary for approval of the management's selection of auditors.
PROPOSAL IV – STOCKHOLDER RESOLUTIONS

Mr. John J. Gilbert and Mr. Lewis D. Gilbert, 1165 Park Avenue, New York, N.Y. 10028 who together own 364 shares of Common Stock of the Corporation and who state they represent an additional family interest of 132 shares, and Dr. Joseph Viverito, 115 Fifth Street, Garden City, New York 11530, who owns 100 shares of Common Stock of the Corporation, have given notice that they will propose two resolutions from the floor. The proposed resolutions and statements in support thereof are set forth below. A majority of the votes cast is necessary for approval of each proposal.

FIRST STOCKHOLDER RESOLUTION

"RESOLVED: That the stockholders of American Airlines, Incorporated, assembled in annual meeting in person and by proxy, hereby request that any new stock option plans be made subject to the following provisions:

(a) That shares to be optioned will be optioned in yearly installments as nearly equal as possible, and that the right to purchase shares in each installment will not be cumulative and will expire to the extent not exercised during the applicable installment period;

(b) That the aggregate purchase price of the shares covered by an option may not exceed 150% of an individual’s annual cash compensation;

(c) No options will be granted in any year to executives who are within 18 months of their automatic retirement date on March 31 of such year;

(d) It shall be a negative factor in granting new options if an optionee has sold optioned stock to pay off a loan, enabling the optionee to pick up new options;

(e) That the option price be not less than the per-share book value.

"REASONS: Last year 5,494 owners of 680,509 shares voted in favor of our similar resolution. With the present price of shares of American Airlines, Incorporated at a very low price, it is extremely important that we have as little dilution as possible. Options dilute shareholder equity, nor do they guarantee success, as Penn Central has proven. If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it."

The management opposes this proposal.

At the annual meetings in 1964, 1967 and 1969, an overwhelming percentage of the Corporation’s issued and outstanding shares were voted in favor of Qualified Stock Option Plans. The Plans met the restrictions and requirements contained in the Internal Revenue Code of 1954, as amended.

It should be noted that the outstanding options granted by the Corporation to the officers are exercisable in equal yearly installments, that none has been granted to executives
within 18 months of their normal retirement date, and that in every case the option price exceeds the book value per share.

In any case, in the opinion of management, it would be a mistake to impose these or other arbitrary restrictions which could hinder the Corporation's efforts to recruit and retain the best available executive talent. In the opinion of management, several of the restrictions are so vague and indefinite that the Corporation would be unable to administer them intelligently. Furthermore, the terms and conditions of future stock option plans are best determined by the circumstances existing at the time of adoption, not by an inflexible predetermined standard.

For these reasons, the management recommends a vote against this proposal.

SECOND STOCKHOLDER RESOLUTION

"Resolved: That the stockholders of American Airlines, Incorporated, assembled in annual meeting in person and by proxy, hereby request that the Board of Directors take the steps necessary to restore limited preemptive rights to the shareholders.

"Reasons: Last year the company offered 3.3 million shares without first offering them to the shareholders. Charles J. Elia, Business Editor of the New York Daily News and nationally known columnist, recently wrote: 'By being able to use rights to buy additional shares without standard brokerage fees, investors can maintain their proportionate ownership ... it would seem to me that such rights ... shouldn't be given up lightly by any shareholder who has his own equity interests at heart.' If you agree, please mark your proxy for this resolution; otherwise it is automatically cast against it."

The management opposes this proposal.

In the opinion of management, a requirement that all new securities be offered to stockholders regardless of the delay or added expense involved would be harmful to the best interests of the Corporation and its stockholders. It would commit the Corporation to a fixed policy on future financings, and thus would prevent the Board of Directors from securing needed funds on the terms deemed best at the time by eliminating available alternative methods of financing.

For these reasons, the management recommends a vote against this proposal.

OTHER BUSINESS

The management knows of no other matters to be acted upon at the meeting, but if any such matters properly come before the meeting, it is intended that the persons voting the proxies will vote them in accordance with their best judgments.

By Order of the Board of Directors,

H. WAYNE WILE, Secretary

New York, N. Y. April 6, 1972
Sunday, May 21
Transfer to airport for flight home.

PRICES
PER PERSON PRICES: $79.00 in twin, $72.00 in triple, $98.00 single.

WEEKEND IN ACAPULCO-
Tour ASA-3

Thursday, May 18
Arrive Acapulco; following Immigrations and Customs check, escorted transfer to Condesa del Mar, a Flagship Hotel.

EVENING: 8-9 p.m., sip complimentary cocktails with fellow stockholders, hear interesting "Tips on Mexico" talk. Dinner on your own.

Friday, May 19
MORNING: Yacht "Fiesta" cruise through Acapulco Bay, complimentary beverages on board; stop for lunch and a swim at Palao Beach Club; glide past mountain cliffs dotted with the homes of international celebrities en route back to the dock and your hotel.

AFTERNOON AND EVENING: Free.

Saturday, May 20
MORNING: Tours of two fabulous Flagship Hotels, El Presidente and new Condesa del Mar.

AFTERNOON: Free.

EVENING: Dinner at the "roof of the sea," Techo del Mar, your hotel's breathtaking supper club.

Sunday, May 21
Transfer to airport for flight home.

PRICES
PER PERSON PRICES: $69.00 in twin, $62.00 in triple, $93.00 single.

FEATURES
PRICES ON STOCKHOLDERS HOLIDAYS IN MEXICO INCLUDE: Airport transfers; meals as described; motorcoach sightseeing with English-speaking guides; luxurious accommodations at the Fiesta Palace Hotel, Mexico City, and/or the Condesa del Mar, Acapulco, for nights indicated; complimentary cocktails and entertainments as shown.

PRICES DO NOT INCLUDE: Meals other than those specified; gratuities; optional tours; items of a personal nature.

AIR FARES ARE SEPARATE AND ADDITIONAL ON ALL TOURS.

RESERVATIONS
To book the tour(s) of your choice offered herein just phone your local American Airlines Reservations Office, identify yourself as an American Airlines stockholder and tell the reservations sales agent which Stockholders Tour(s) you would like to book. Also ask to have reservations made on American Airlines between your home city and tour destinations in connection with your dates of travel.

All arrangements will be handled for you.

IMPORTANT
There are a limited number of accommodations available so be sure to make your reservations early to avoid disappointment.

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### SAMPLE ONE WAY COACH AIR FARES

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO: MEXICO CITY</th>
<th>TO: ACAPULCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>$148.00</td>
<td>$166.50</td>
</tr>
<tr>
<td>Buffalo</td>
<td>$134.00</td>
<td>$152.50</td>
</tr>
<tr>
<td>Chicago</td>
<td>$114.00</td>
<td>$132.50</td>
</tr>
<tr>
<td>Cleveland</td>
<td>$127.00</td>
<td>$145.50</td>
</tr>
<tr>
<td>Dallas</td>
<td>$71.00</td>
<td>$89.50</td>
</tr>
<tr>
<td>Detroit</td>
<td>$122.00</td>
<td>$140.50</td>
</tr>
<tr>
<td>New York</td>
<td>$138.00</td>
<td>$156.50</td>
</tr>
<tr>
<td>St. Louis</td>
<td>$101.00</td>
<td>$119.50</td>
</tr>
</tbody>
</table>

All fares quoted without tax.

Fares effective April 16, 1972 subject to government approval.

RESPONSIBILITY: Tours to Mexico shown herein are operated for American Airlines by Garza Travel. Garza Travel Service, S.A., gives notice that they and their associated organizations called the "Company" assume no responsibility for loss, damage or injury to person or property suffered by reason of civil commotion, riot, strikes, acts of any government, force majeure or of the acts or omissions of any other persons, including but not limited to the owners and contractors who furnish accommodations and services of any nature or transportation of any kind. All receipts, coupons, tickets and orders for accommodations, services or transportation and all itineraries arranged are subject to the terms and conditions which are imposed by the owners and contractors who furnish them. By accepting from the Company the receipt, coupon, ticket or order, the holder thereof agrees to be bound by the above recited terms and conditions, or event, during the time passengers are not on board their planes or conveyances. The passage contract in use by American Airlines shall, when issued, constitute the sole contract between American Airlines, Inc., and the purchasers of these tours and/or passenger.

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Printed in U.S.A.
American Airlines hopes you will be able to join us for the Stockholders Meeting, May 17, 1972, in Dallas. This year we are offering stockholders and their families a LAGNIAPPE—that's Texan for "something given . . . by way of compliment or good measure" special Stockholders Holidays.

The Stockholders Holidays described herein will enable you to make all arrangements for your stay in Dallas with a single word to American, and to add, if you wish, one of three holidays in Mexico that include accommodations at Flagship Hotels, English-speaking escort services and a variety of exciting features.

Prices for each Holiday are shown after the itinerary. Should you select any of the jaunts to Mexico, please add the appropriate price to the cost of your arrangements at the Inn of the Six Flags in Dallas to determine total per-person cost of your trip. Sample round trip coach fares for flights to and from Mexico are shown on the back of this brochure. All air fares are additional.

We look forward to welcoming you to the Stockholders Meeting in Dallas, and to showing you the Flagship Hotels and other vacation enticements of Mexico.

Stockholders Holiday in Dallas - Tour ASD-2

ITINERARY

Tuesday, May 16
ARRIVE DALLAS LOVE FIELD: transfer to Inn of the Six Flags.

Wednesday, May 17
MORNING: Stockholders Meeting.

AFTERNOON: Tour of facilities at American's Flight Academy and Flight Service College at Greater Southwest International Airport (Dallas-Fort Worth); return to Inn of the Six Flags.

Thursday, May 18
Transfer to airport for flight home; or continue to Mexico on your choice of three tours.

PRICES AND FEATURES

PER PERSON PRICES: $24.00 in twin, $40.00 single.

PRICE INCLUDES: Accommodations for 3 days, 2 nights at Inn of the Six Flags, tour of training facilities and transportation between facilities and Inn.

PRICE DOES NOT INCLUDE: Meals, airport transfers, tips or items of a personal nature.

Stockholders Holidays in Mexico

WEEK IN MEXICO CITY AND ACAPULCO - Tour ASM-6

Thursday, May 18
ARRIVE IN MEXICO CITY: complete Immigrations and Customs formalities (Mexican Tourist Card, issued free by American Airlines, is the only requirement); transfer with escort to the stunning, centrally located Fiesta Palace, a Flagship Hotel.

EVENING: 8-9 p.m., meet fellow stockholders at Welcome Cocktail Party and hear informal, informative talk, "Tips on Mexico." Dinner on your own.

Friday, May 19
MORNING AND AFTERNOON: Comprehensive tour of Mexico City and environs, including historic sights; beautiful Chapultepec Park and its Castle, now a museum; garden-like residential areas and campus of University of Mexico; luncheon at San Angel Inn, hacienda-restaurant in suburban San Angel.

EVENING: 9 p.m., dine to music of Villa Fontana's famed magic violins in your hotel's El Convento Restaurant.

Saturday, May 20
MORNING AND AFTERNOON: Extensive tour beyond the city to Shrine of Our Lady of Guadalupe and the Pyramids of Teotihuacan—the former a tribute to Mexico's holy patroness, the latter a pre-Aztec archeological zone; luncheon at unique Cortijo La Morena Restaurant, where you will learn of the bullfighter's art and have a chance to try it; visit to Chincocua, weaving and crafts center.

EVENING: Free.

Sunday, May 21
MORNING AND AFTERNOON: Drive to Acapulco through Cuernavaca, resort playground of the wealthy and site of the 1530 Palace of Cortez; stop for lunch and shop for silver, along the narrow cobbled streets of Colonial Taxco; arrive at Condesa del Mar, a Flagship Hotel on Acapulco Bay.

EVENING: Cocktail party hosted by Flagship Hotel management. Dinner on your own.

Monday, May 22
MORNING: Cruise on the yacht "Fiesta" through Acapulco Bay, with complimentary drinks on board; stop for lunch and a swim at Palao Beach Club; sail back over sun-splashed waters and return to hotel.

AFTERNOON AND EVENING: Free.

Tuesday, May 23
MORNING: Tours through El Presidente and Condesa del Mar, glamorous seaside Flagship Hotels.

AFTERNOON: Free.

EVENING: Dinner and dancing at Techo del Mar, your hotel's rooftop supper club.

Wednesday, May 24
Transfer to airport for flight home.

PRICES

PER PERSON PRICES: $164.00 in twin, $157.00 in triple, $207.00 single.

WEEKEND IN MEXICO CITY - Tour ASM-3

Thursday, May 18
ARRIVE MEXICO CITY; after Immigrations and Customs formalities, transfer with escort to Fiesta Palace, a Flagship Hotel.

EVENING: 8-9 p.m., meet fellow stockholders at Welcome Cocktail Party and enjoy informative "Tips on Mexico" talk. Dinner on your own.

Friday, May 19
MORNING AND AFTERNOON: Escorted tour of ancient and modern Mexico City, including historic sites and residential areas, Chapultepec Park and University of Mexico campus; leisurely luncheon at charming, Colonial San Angel Inn.

EVENING: Dinner and show at your hotel's El Convento Restaurant, background music provided by the magic violins of Villa Fontana.

Saturday, May 20
MORNING AND AFTERNOON: Sightseeing drive, with escort, to Mexico's best-known place of worship, the Shrine of Our Lady of Guadalupe, and further to the pre-Aztec Pyramids of Teotihuacan; lunch at the "bullfighting restaurant," Cortijo La Morena in Taxcoco; pause at Chincocua, where fabrics and crafts are handmade.

EVENING: Free.