Acquisition of control of American Export Airlines, Inc., by American Airlines, Inc., approved, with the exception of Paragraph Eighth of the agreement which is disapproved.

Plan of divestiture of control of American Export Airlines, Inc., by American Export Lines, Inc., found to comply with the Board's divestment order and approved, with the exception of Paragraph Eighth of the agreement which is disapproved.

Appearances:
Leslie Craven and Edward Bierma for American Export Lines, Inc.
Hamilton O. Hale, Robert L. Griffith, and Lawrence A. Crosby for American Airlines, Inc.
Henry J. Friendly, Elihu Schott, and Robert D. King for Pan American Airways, Inc.
Paul M. Goduhn and John T. Lorch for United Airlines, Inc.
Roger Sidleil for United States Lines Company.
Louis W. Goodkind and James L. Highsaw, Public Counsel.

OPINION

BY THE BOARD:

This is a consolidated proceeding wherein approval is sought of an agreement between American Export Lines, Inc. (hereinafter referred to as Steamship Company), and American Airlines, Inc. (hereinafter referred to as American), whereby Steamship Company divests itself of control of

1/ This proceeding includes Docket No. 1344, application of American Export Lines, Inc., for approval of plan of divestiture.
American Export Airlines, Inc. (hereinafter referred to as Export), pursuant to an order of the Board, and American acquires control of Export.

On March 22, 1944, Steamship Company and American filed separate applications, Dockets Nos. 1345 and 1346, respectively, for approval, pursuant to sections 408 and 412 of the Civil Aeronautics Act of 1938, as amended, of a plan for the divestiture of control of Export by Steamship Company; of the acquisition of control of Export by American, and of an agreement between Steamship Company, Export and American relating to the proposed transaction. The two applications were consolidated for hearing and decision and after notice to the public and all interested parties, in accordance with the provisions of the Act, a public hearing was held before Examiners Thomas L. Wrenn and Ferdinand D. Moran. Briefs were filed and the examiners' report served recommending (1) that the Board find that the proposed plan for divestiture by Steamship Company complies with the Board's order to divest itself of control of Export; and (2) that the Board find that an investment by American of $3,000,000 in Export operating under the temporary certificates then held is inconsistent with the public interest and that further consideration of the proceeding should be deferred pending decision by the Board on the application of Export for a permanent certificate, Docket No. 238, in the North Atlantic Route case. Exceptions to the examiners' report and briefs in support thereof have been filed and oral argument heard by the Board. Pan American Airways, Inc., United Air Lines, Inc., Air Line Pilots Association, International, United States Lines Company and Transcontinental & Western Air, Inc., were granted leave to intervene. TWA did not appear at the hearing and withdrew its intervention.

The interveners Pan American and United opposed the proposed acquisition upon the grounds that the traffic across the North Atlantic does not justify more than one United States air carrier and that even assuming such service to be justified domestic carriers should not be permitted to engage in international air traffic because of its adverse competitive effect upon other carriers. Similar contentions are considered in detail and dismissed in our opinion in the North Atlantic Route case issued concurrently herewith and need not be considered here.

2/ American Export Lines, Control—Amer. Export Air., 3 C.A.B. 619 (1942). By order dated January 25, 1943, the Board affirmed its order entered on July 30, 1942, 4 C.A.B. 104 (1943), denying Steamship Company's application for approval of its control of Export and ordered Steamship Company "to divest itself of control" of Export. By further order entered on September 14, 1943, the time for submission of a plan of divestment was extended to October 25, 1944.

2/ North Atlantic Route Case, Docket No. 855 et al.
As both American and Export are air carriers, the proposed acquisition of control is governed by the provisions of section 408(a) of the Act, which provides that:

"It shall be unlawful, unless approved by order of the Authority/Board/ as provided in this section -

"(5) For any air carrier *** to acquire control of any air carrier in any manner whatsoever; ***"

and section 408(b), which provides that:

"*** Unless, after such hearing, the Authority/Board/ finds that the *** acquisition of control will not be consistent with the public interest or that the conditions of this section will not be fulfilled, it shall by order approve such *** acquisition of control, upon such terms and conditions as it may prescribe: Provided, That the Authority/Board/ shall not approve any *** acquisition of control which would result in creating a monopoly or monopolies and thereby restrain competition or jeopardize another air carrier not a party to the *** acquisition of control."

Approval is also sought under section 412 of the Act. This section provides that certain contracts between air carriers or between an air carrier and some other carrier shall be filed with the Board to be disapproved if found "to be adverse to the public interest, or in violation of this Act," and to be approved if not found to be adverse to the public interest, or in violation of the Act. Therefore, insofar as section 412 applies to the agreement for the proposed acquisition, the issue presented is substantially the same as that presented under section 408, viz., whether the proposed transaction is, or is not, consistent with the public interest.

Steamship Company, a New York corporation, is a surface carrier engaged in foreign ocean transportation. Prior to the outbreak of the war in Europe its vessels, primarily cargo-carrying, plied between United States Atlantic ports and various points in the Mediterranean and Black Sea areas. Late in 1939, its service was extended to India.

Export, a Delaware corporation, was organized by Steamship Company in 1937 to engage in foreign air transportation, with authority to issue 1,000 shares of capital stock without par value. Steamship Company owned the outstanding stock of Export in its entirety until June 30, 1939, when it distributed 30 percent of this stock to its stockholders as a dividend. By amendment to its certificate of incorporation Export is presently
authorized to issue 1,000,000 shares of capital stock of a par value of $3.00 per share. As of March 20, 1944, there were issued and outstanding 80,526 shares of capital stock of Export and capital stock warrants entitling the holders to purchase an aggregate total of 32,805-5/9 shares of capital stock, making a total of 113,331-5/9 shares issued or reserved. Of the 80,526 shares outstanding Steamship Company owned 56,000 shares, or 69.2 percent, while the next largest block of stock, 3,867 shares, or 4.7 percent, was held by W. H. Coverdale, president of both Steamship Company and Export at that time.

On July 12, 1940, the Board awarded Export a temporary certificate to engage in foreign air transportation of persons, property and mail between New York, N.Y., and Lisbon, Portugal.\footnote{American Export Air., Trans-Atlantic Service, 2 C.A.B. 16 (1940).} Subsequently, Export was awarded a temporary certificate to engage in foreign air transportation of persons, property, and mail between New York and Foynes, Eire, so long as the national defense require.\footnote{American Export Air., Temporary New York-Foynes Ser., 3 C.A.B. 294 (1941).} The New York-Lisbon certificate grew out of an application filed by Export for a permanent certificate between New York and Marseille, France, and between New York and Southampton, England, via Foynes (Docket No. 238). Shortly after the hearing began in October 1939, the Neutrality Act of 1939 was passed which, with presidential proclamations issued thereunder, prevented the operations for which permanent authorization had been sought. Thereafter Export amended its application to request temporary authority to operate to other European terminal points, with the result that Export was granted a temporary certificate between New York and Lisbon. The Board stated that the "application insofar as it relates to service to France, England and Ireland, will therefore be dismissed without prejudice to applicant's right to have the application for such service reconsidered upon the present or a reopened record when the present legal barriers to operation to those countries are removed." In the same proceeding we concluded that section 408 of the Act was not applicable to the relationship between Steamship Company and Export and dismissed the application for approval of control.

Pan American appealed the Board's order and the Circuit Court of Appeals affirmed that part of the order relating to the granting of the certificate but reversed the ruling that section 408 was not applicable and remanded the case for further proceeding.\footnote{Pan American Airways Co. v. Civil Aeronautics Board, 121 F(2d)810 (1941).} After further hearing the Board refused
to approve the control of Export by Steamship Company and ordered Steamship Company to file a plan of divestment of control of Export within 6 months. Subsequently the time for presentation of a plan of divestment was extended to October 25, 1944. It is in pursuance of that order that the present plan of divestiture by which American would acquire control of Export has been filed.

Pursuant to the Board's action in Docket No. 238, in which the temporary New York-Lisbon certificate was issued, Export subsequently filed an amendment requesting alteration, modification, or amendment of the certificate granted in Docket No. 238. This request was consolidated into the North Atlantic Route Case, together with an application of Export proposing service between the United States and points in India and Malay States via points in Europe and along the Mediterranean Sea, Docket No. 1172. The record in the instant proceeding was incorporated by reference in the North Atlantic Route Case. The Board's opinion in that case in which Export is authorized to engage in transatlantic service as a subsidiary of American is issued concurrently with this opinion.

At the time of the hearing in the present proceeding Export was flying a number of aircraft in transatlantic operations under contract with the Navy. As of May 31, 1944, the company's payroll showed 1,680 employees, including 30 flight crews and 579 shop and ground personnel. A wholly-owned subsidiary of Export, American Export Airlines, Ltd., incorporated under the laws of Great Britain in 1942, functions as a traffic office for Export in the British Isles.

Throughout the seven years of its existence Export has drawn upon the financial resources of its parent company, and as of May 31, 1944, Export was indebted to the latter in the amount of $1,553,285.81. Except for current obligations Export has no other indebtedness. All expenses incurred by Export during its developmental period prior to 1942 have been capitalized as "Unamortized Experimental and Development Costs." At the close of the year 1943, this account totaled $1,572,998.14.2

American is a Delaware corporation and one of the four domestic transcontinental air carriers. In addition to its domestic service American conducts operations to Toronto, Canada, over route No. 56, and under a


8/ North Atlantic Route Case, supra.

2/ This balance has been reduced slightly, principally by the charging to surplus of $57,328.57 of expenses incurred in connection with the efforts of Export to acquire control of TACA, S.A., approval of which was denied by the Board pursuant to section 408 of the Act. Acquisition of TACA, S.A., by American Export Air., 3 C.C.B. 216 (1941).
temporary certificate to Monterrey and Mexico City, Mexico. Pursuant to a contract with the Air Transport Command of the Army Air Forces American has conducted operations over the North and South Atlantic, the Indo-China "Hump" and other foreign regions since the outbreak of the war. Contract operations have been conducted also for the Navy. The magnitude of American's international air transport services is evident from the fact that it operated 366 one-way transatlantic flights during the month of May 1944.

Its latest balance sheet prior to the hearing showed total assets valued at approximately $33,500,000, of which $19,191,464.45 were in cash and short-term securities, as against total liabilities, exclusive of capital and surplus accounts but including operating reserves, of $12,734,395.20. For the year ended December 31, 1943, American received total operating revenues of approximately $31,500,000, earning a gross income of approximately $3,500,000. Since 1937, American has shown an annual net profit which for the year ended December 31, 1943, was $3,192,968.71.

On March 20, 1944, American, Steamship Company, and Export entered into a written agreement conditioned upon the approval of the Board, under which Export agrees to issue and sell to American, and American agrees to purchase from Export, 120,000 shares of its authorized, but unissued, capital stock at a price of $25 per share, or an aggregate price of $3,000,000. As a result of this transaction American would hold not less than 51.4 percent of a total of not more than 233,331-5/9 shares of the capital stock of Export to be issued and outstanding upon performance of the agreement. Although American's holdings will be 120,000 shares, or 51.4 percent of the 233,331-5/9 shares to be issued and outstanding upon performance of the agreement, the proportional interest finally to be held by Steamship Company and other stockholders may be affected by the fact that at the time of the agreement there were outstanding a number of shares of cumulative preferred stock of Steamship Company which were accompanied by non-detachable purchase warrants of Export stock. This came about as the result of an agreement dated March 1, 1940, whereby Steamship Company loaned Export the proceeds from the sale of 10,000 shares of Steamship Company preferred stock, to each share of which was attached a warrant for the purchase of 5-5/9 shares of Export stock. As of the date of the acquisition agreement 5,950 shares of the preferred stock of Steamship Company were outstanding. Exercise of all the purchase warrants under the warranty agreement would result in the issuance of an additional 32,805-5/9 shares of capital stock of Export.

Under the provisions of Paragraph Sixth upon approval of the agreement here under consideration Steamship Company is to call these 5,950 shares of preferred stock for redemption in order to precipitate exercise of the
warrants. If the holders of the cumulative preferred stock of Steamship Company were to exercise the purchase warrants, Steamship Company would retain its present holdings of 56,000 shares, American would hold 120,000 shares, and the remaining 57,331-5/9 shares would be held publicly. On the other hand, should the stockholders in their entirety elect to redeem the shares of preferred stock of Steamship Company, the holdings of Steamship Company would be increased to 88,805-5/9 shares or 38 percent, with American holding 120,000 shares, or 51.4 percent, and the general public holding the remaining shares. However, at the time of the hearing the call price of the preferred stock of Steamship Company was $106 per share, whereas, at the market price prevailing in June 1944, the 5-5/9 shares of Export stock obtainable through exercise of each purchase warrant had a value of approximately $166. By reason of this, the vice president of Steamship Company was of the opinion that it was improbable that the holders of its preferred stock would present that stock for redemption at an amount lower than the aggregate value of 5-5/9 shares of Export stock which could be acquired by each purchase warrant. For such of the preferred stock as is presented for redemption, the shares called for by the warrants are to be issued to Steamship Company, and for each preferred share redeemed, $100 will be cancelled by it of the outstanding indebtedness of Export. If the warrants are exercised, Export will turn the preferred shares received, with the warrants, over to Steamship Company in part settlement of the indebtedness, receiving credit at the same rate of $100 per share.10/

Between the date of the agreement and the closing date for payment and delivery of the stock, Export, without prior notice to and approval of American, will not make major commitments for contracts, leases, or other agreements, or modify existing contracts, leases, or agreements; pay dividends in cash, stock, or otherwise make major purchases or sales of assets; or make any major change or commitment in the conduct of its business; or issue or acquire or sell stock or options to purchase stock of Export.

Steamship Company guarantees American that the net current assets of Export as of December 31, 1943, were not less than $548,000 and that it will reimburse Export for any deficiencies below that amount by reason of claims or adjustments resulting from transactions of Export occurring prior to December 31, 1944. The monetary consideration for the 120,000 shares of Export stock is to be paid by American directly into the treasury of Export, principally for two purposes: first, to pay the balance of approximately $1,000,000 of Export's indebtedness to Steamship Company.

10/ Although under the provisions of Paragraph Sixth Steamship Company is entitled to acquire certain additional stock of Export in the event that the outstanding purchase warrants are not exercised, the record shows that the stock, if any, so acquired by Steamship Company could not be substantial in amount; and regardless of its amount it would not diminish the stock held by American or its percentage of the total outstanding.
remaining after exercise of the stock purchase warrants and retirement of the preferred stock; and second, to provide equipment and improved facilities requisite to inauguration of commercial operations by Export on a peacetime basis.

The dissolution of Export is not contemplated by the terms of the agreement. The name of Export is to remain unchanged and the company is to be a separate corporate entity which will engage in overseas air transportation.

In Paragraph Eighth of the agreement, American agrees that so long as it retains control of Export it will conduct operations in international air transportation (exclusive of operations in the North American continent, including the Isthmus of Panama) only through Export. Similarly, Steamship Company agrees that so long as it remains a stockholder of Export, it will engage in air transportation only to the extent permitted through its minority stock interest in Export. Although the applicants intend to maintain the distinct corporate existence of Export they do contemplate a high degree of integration of its operations and services with those of American.

In passing upon the proposed transaction we are required to determine whether the plan for divestiture complies with our order entered in Docket No. 319 on July 30, 1942; and whether the acquisition of Export by American pursuant to the terms and conditions of the agreement will be inconsistent with the public interest or contrary to the conditions of section 408 of the Act. As will appear upon analysis these questions are interdependent in the present case.

There was no dispute that Steamship Company would be divested of control of Export. By virtue of the proposed transaction American would obtain not less than 51.4 percent of the outstanding capital stock of Export. Steamship Company would be left with approximately 24 percent upon exercise of the outstanding purchase warrants and the balance would be held publicly in small lots. The agreement provides that upon approval of the acquisition Steamship Company will transfer managerial control of Export immediately to American by causing a majority of the board of directors of Export to consist of persons nominated and designated in writing by American and by procuring the resignation of such officers of Export as desired by American.

American's control would be protected by the provisions of the certificate of incorporation and the bylaws of Export which base the quorum and voting for both stockholders' and directors' meetings upon a simple majority. The only provision of the Delaware corporation law which

requires a two-thirds vote of the stockholders applies to an action relating to consolidations, mergers, and dissolutions. In view of American's holding 51.4 percent of the outstanding stock of Export it is apparent that Steamship Company would not be able to exercise either a positive or a negative control over Export or to impede American's direction of its policies and operations.

While it is clear that the proposed plan accomplishes a divestment of control by the Steamship Company that fact alone would not constitute compliance with the order of divestiture which we issued on July 30, 1942. Implicit in that order is the requirement that the plan of divestment will not result in another control relationship inconsistent with the standards of the Act. Whether the proposed plan represents full compliance with our order, therefore, must depend upon the question whether the acquisition of control by American will be consistent with the public interest and whether the other conditions of section 408 of the Act governing acquisitions will be fulfilled.

There are several elements to be considered in determining whether the acquisition of control of Export by American will, or will not, be inconsistent with the public interest. The public interest has direct relation to the adequacy of transportation service, to its essential conditions of economy and efficiency, and to the provision of adequate facilities and their best use. The record indicates that the plan will accomplish an integration of the operations of both systems which will result in substantial economies in operation, maintenance, sales and advertising; in generating traffic; and in promoting international air transportation generally through the coordinated efforts of the two carriers. American stresses the fact that such integration would extend to all phases of operation and service, including overhaul, loading, and dispatching, and would result in the intensive use of equipment, and the better coordination of personnel and facilities.

It was estimated by American's witnesses that savings of an operational and traffic nature amounting to over a million dollars annually would be possible through integration of the two companies. These estimates conceded were made without any attempt to forecast a definite level of operations in view of numerous contingencies and indefinite economic factors. While no accurate forecast can be made as to the economies which may be achieved, it is obvious that they could be substantial and that their realization would work toward the development of a sound air transportation system. For reasons set forth in our opinion in the North Atlantic Route case, supra, issued concurrently herewith, we have reached the conclusion that the operation of a North Atlantic route by Export as a

12/ Acquisition of Marquette by TWA - Supplemental Opinion, 2 C.A.B. 409 (1940).
subsidiary of American, with the resultant integration of operation and benefits, would be in the public interest as defined by the Act.

In approving the proposed transaction, the Board must also consider whether the payment of the $3,000,000 purchase price by American is in the public interest. Any expenditure that would result in the dissipation or waste of American's assets might impose undue financial burdens on the public or impair the service now being rendered by American, either of which would be inconsistent with the objectives of the Act. Consideration must also be given to the reasonableness of the purchase price and to any adverse effect which the transaction might have upon the credit of either carrier.

The balance sheet, profit and loss statement, and earned surplus statement submitted by American clearly indicate that its payment of the sum involved would not impair its financial position or its ability to render service. American's net profit carried to surplus for the year 1944 amounted to $4,396,163. This figure does not include additional net profits of $1,000,000 withheld as a reserve for transition to peacetime operations which, added to the reserve of $1,750,000 established in 1943, provides an aggregate of $2,750,000 for this purpose. With almost $9,000,000 in cash on hand, over $13,000,000 in marketable securities, and a balance of over $10,000,000 in an unappropriated earned surplus account American can purchase the stock at the proposed price and yet maintain adequate funds on hand not only for current demands but also for contingencies. Therefore payment of the proposed price for the stock would not unduly burden American financially or impair its capacity to render service as a certificated air carrier.

It must be borne in mind that this transaction differs from previous transactions considered by us under section 408 wherein the assets or stock of an air carrier were sold. The present proposal involves the purchase of neither the physical assets nor the stock of existing stockholders but of new stock not now outstanding. The present stockholders will retain their holdings but American will acquire control through new stock issued. The capital to be invested by American is to be used entirely for Export's corporate purposes, with no seller's profit realized or abstracted. The $3,000,000 fund acquired from the sale will be used to finance Export's future operations and to retire outstanding indebtedness.

After considering the proposed transaction in the light of all the evidence in this case, we find, for the purposes of this proceeding, and for those purposes only, that the price proposed to be paid by American for the stock of Export is not inconsistent with the public...
interest. Our approval of the proposed acquisition does not, however, imply any finding as to the actual, legitimate investment of Export for rate-making or other regulatory purposes.

There is no evidence of record which would lead to the conclusion that the acquisition of Export by American would result in the creation of a monopoly and thereby restrain competition or jeopardize another carrier, not a party to the acquisition. Export and American do not compete with each other and no presently available travel facilities will be lost to the public since the routes of both carriers will be maintained. The acquisition will be merely a substitution of control by an air carrier for control by a surface carrier. Moreover, transatlantic competition will be provided by other carriers awarded certificates in the North Atlantic Route case, supra. We therefore find that the acquisition proposed here meets the tests set forth in the first proviso of section 408 of the Act governing acquisitions.

As stated above, under the provisions of Paragraph Eighth of the agreement, American agrees as long as it retains control of Export to engage in international air transportation, exclusive of operations in the North American continent including the Isthmus of Panama, only through Export; and Steamship Company agrees that, as long as it remains a stockholder of Export, it will engage in air transportation only to the extent permitted through its minority stock interest in Export. Paragraph Eighth provides that neither the approval nor the disapproval of that provision by the Board shall be a condition to the obligations of the parties to perform the other provisions of the agreement.

An agreement which imposes limitations upon future operations might tend to discourage, impede or impair the sound economic conditions of an international air transportation system to the extent required by the future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense. We are of the opinion that such agreements defeat the purposes of the Act and that their formation should be discouraged. Therefore we find that this provision is not consistent with the public interest and should be disapproved.

To the extent that the Board's action on the agreement between the parties may be required under section 412(b) of the Act, we believe that the agreement is not in violation of the Act, nor adverse to the public interest except insofar as it is inconsistent with the conditions hereinbefore set forth.

Air Line Pilots Association, International (ALPA), appeared at the hearing by its counsel seeking assurance that the members of that trade union in the employ of Export and American would receive fair labor treatment under the acquisition plan.
The record reflects that a collective bargaining agreement between Export and ALPA, covering rates of pay, hours, rules, and working conditions for the flight personnel of that company, was under negotiation for some time. At the time of the hearing that agreement had not been submitted to the National Railway Labor Panel. Export's chief executive officer testified that since Export was operating under Navy contract, it had submitted the agreement to the Navy for approval. Further, under the terms of the acquisition agreement, all agreements entered into by Export must be approved by American. ALPA contended that American has no right to dictate the policies of Export before the Board has approved the acquisition. A witness for American testified that if the acquisition is approved, any collective bargaining agreement satisfactory to the flight personnel of American and Export with respect to seniority rights would be satisfactory to American. Export's chief witness stated that the clause in the acquisition agreement requiring submission of all agreements to American would not be a barrier to execution of the bargaining agreement between Export and ALPA. ALPA contended that it is the intent of the Railway Labor Act that when parties approach agreements on a collective bargaining basis, they shall have power to conclude as well as to negotiate them, and that the contention of Export that the agreement must be submitted to the Navy Department and to American is contrary thereto. ALPA then urged that the Board withhold approval of the acquisition until such time as the collective bargaining agreement already negotiated had been signed by Export.

Subsequently, ALPA withdrew from oral argument and in lieu thereof submitted a statement[14] advising that the collective bargaining agreement with Export had been signed on December 1, 1944. ALPA requested, however, that in the event the plan of divestiture and acquisition should be approved, we prescribe as a condition thereto that the assurances given by American concerning the settlement of flight personnel seniority problems must be carried out. The record shows that American's position generally would be that any provision satisfactory to both employee groups regarding relative seniority in Export and American would be satisfactory to American. As discussed hereinbefore, Export is not to lose its independent identity as a separate corporation under the acquisition. Its position will not therefore be so changed as to affect its obligations under existing contracts with its personnel and we see no adequate reason for attaching the condition urged by ALPA to our approval.

On the basis of the foregoing considerations and the evidence of record we find that the plan of divestiture represents a compliance with the Board's order to American Export Lines, Inc., to divest control of American Export Airlines, Inc., and that the acquisition of control of American Export Airlines, Inc., by American Airlines, Inc., as well as the agreement relating thereto, will not be inconsistent with the public interest, with the exception of Paragraph Eighth, which paragraph we find to be adverse to the public interest and is disapproved.

An appropriate order will be entered.

Chairman Pogue, Warner, Branch, Ryan and Lee, Members of the Board, concurred in the above opinion.
At a session of the Civil Aeronautics Board held at its office in Washington, D. C. on the 1st day of June, 1945

In the matter of the application of

AMERICAN EXPORT LINES, INC.

for approval of the plan for the divestiture of control of American Export Airlines, Inc., by American Export Lines, Inc., under section 408, and for approval of an agreement relating thereto, under section 412 of the Civil Aeronautics Act of 1938, as amended.

ORDER

Full public hearing having been held in the above-entitled proceeding and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions, and decision, which is attached hereto and made a part hereof;

IT IS ORDERED:

(1) That the application of American Airlines, Inc., for the approval of the acquisition of control of American Export Airlines, Inc., Docket No. 1345, be and it is hereby approved, subject to the condition that said acquisition of control shall be carried out in accordance with the terms of the agreement between American Airlines, Inc., and American Export Airlines, Inc. (filed as exhibit "A" in said application), except Paragraph Eighth of said agreement, which paragraph is hereby disapproved.

(2) That the application of American Export Lines, Inc., for approval of a plan of divestiture of control of American Export Airlines, Inc., Docket No. 1346, be, and it is, approved, subject to the condition that said divestiture of control shall be carried out in accordance with the terms of the agreement between American Airlines, Inc., and American Export Airlines, Inc. (filed as exhibit "A" in said application), except Paragraph Eighth of said agreement, which paragraph is hereby disapproved.

By the Civil Aeronautics Board:

/s/ Fred A. Toombs

(SEAL)

Fred A. Toombs
Secretary