May 13, 1947

TO THE DIRECTORS OF AMERICAN AIRLINES, INC.:  

Enclosed are minutes of the meeting of the Board of Directors held April 16, 1947, together with an envelope for your convenience in returning them.

Please advise if there are any corrections or comments.

C. W. Jacob,
Secretary

CWJ:AM
enc.

MAY 15 1947
MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
AMERICAN AIRLINES, INC.

A regular meeting of the Board of Directors of American Airlines, Inc., was held in the Carlton Suite of the Ritz-Carlton Hotel, New York, New York, on Wednesday, April 16, 1947, at 10:00 o'clock a.m., Eastern Standard Time, pursuant to due notice to all of the directors of the corporation in accordance with the By-Laws.

There were present at the meeting:

Harold T. Ames
Harry E. Benedict
Edward H. Butler
Charles S. Cheston
Thomas M. Conroy
Ralph S. Damon
Thomas S. Hammond
A. N. Kemp
Walter S. McLucas
O. M. Mosier
Edgar M. Queeny
C.R. Smith

being a quorum of the Board of Directors.

Also present at the request of the directors was Mr. Maulsby Forrest, Vice President and Treasurer of the corporation.

Directors Bruce, Carter, Evans and Farley were unable to attend the meeting.

The Chairman of the Board presided and the Secretary kept the records of the meeting.
1. The Secretary presented a summary of the minutes of the previous meeting held March 19, 1947. There being no request for additional detail, upon motion duly made and seconded, the minutes of such meeting were approved.

2. The Secretary reported that on April 10, 1947 the Civil Aeronautics Board had approved the interlocking relationships of Mr. Cheston which exist as a result of his holding the positions of director of this corporation and director of the Kansas, Oklahoma & Gulf Railway Co.

3. At the request of the Chairman, Mr. Forrest presented and explained financial statements of the corporation prepared as of February 28, 1947, consisting of consolidated balance sheets, statements of profit and loss and other financial exhibits. He reported that the Republic Aviation Corporation had paid the corporation $1,700,000 which was due in accordance with the terms of the cancellation of the contract for Republic Rainbow aircraft.

4. The President presented and explained a statement of capital expenditures authorized by the management since the last meeting of the Board of Directors, each in an amount less than $100,000 and not, therefore, requiring approval of the Board. These amounted in total to $142,531.66 for the corporation and $1,181.84 for American Airlines de Mexico, S. A.

5. The Chairman stated that the company has been operating a Contract Air Cargo Division, with headquarters at St. Joseph, Missouri, for approximately nine months and has gained therefrom valuable experience
and knowledge with respect to potential markets, costs, rates and operating procedures. He stated it was the opinion of the management that it is desirable to expand and further develop the company's common carrier cargo services now being operated with Douglas DC-3 airfreighters and combination passenger-cargo aircraft, and to utilize the Douglas DC-4 contract airfreighters assigned to the Contract Division primarily in common carrier service. Such aircraft would also be available for desirable contract services. He stated that the management had taken steps to deactivate the Contract Division as a separate unit and to integrate the airplanes assigned to that division into the overall system operations. The Chairman pointed out that pursuant to the authorization given by the directors at the meeting held on November 14, 1946, the management had purchased two of the three additional Douglas DC-4 airfreighters then authorized and that a total of eight aircraft are now assigned in such operation; that as a result of the consolidation of the Contract Division into the system operations, it might be possible to sell two or more of such aircraft and he recommended that authority be given to take such action. Thereupon, upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED that the appropriate officers of this corporation are hereby authorized, in their discretion, to sell such Douglas DC-4 airfreighters as are not currently required in the operations of this company at such price and at such terms as may in their judgment be desirable; and be it further

RESOLVED that such officers are hereby directed to report to this Board of Directors the cost and net book value of any aircraft so sold and the amount of proceeds derived from such sale.
6. At the request of the Chairman, Mr. Mosier explained the terms and conditions of a proposed lease agreement with the City of Dallas providing for the rental of 10,592 square feet of space in the international and operations wing of the Love Field Terminal Building located in Dallas, Texas, at a rental rate of $2.00 per square foot per annum, for a ten-year term with an option to renew for two additional five-year terms. Whereupon, after discussion and upon motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the proper officers of this corporation be and they hereby are authorized, in their discretion, to negotiate and execute a lease agreement with the City of Dallas, Texas, for occupancy by the corporation of 10,592 square feet of space in the international and operations wing of the Love Field Terminal Building, Dallas, Texas, for a term of ten years at a rental of $21,184 per annum, provided that this corporation shall have the option to renew such lease for two additional five-year terms at a rental rate no more or less than twenty-five percent of the basic term rental.

7. The Treasurer reviewed the capital requirements of the corporation's subsidiary, Sky Chefs, Inc., and outlined the major items, estimating that $200,000 would be needed for the current year in addition to $500,000 previously authorized by the directors. It was pointed out that the net earnings carried to surplus by Sky Chefs, Inc., amounted to $17,839.70 in 1946 and that on December 31, 1946, the corporation had an earned surplus balance of $91,431.22. The directors discussed the possibility of disposing of Sky Chefs, Inc., or in the alternative of purchasing additional capital stock of that company. The Chairman
stated that in his opinion it would be advisable to sell the corporation's interest in Sky Chefs, Inc. only if a suitable operator could be found and he recommended that pending such a decision by the directors advances to Sky Chefs, Inc. be made on a loan basis. Whereupon, after discussion and upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the proper officers of this corporation be and they hereby are authorized and directed to loan to Sky Chefs, Inc., in their discretion, $200,000 in addition to amounts previously authorized to make a total loan to that corporation not to exceed $700,000, subject to such terms and conditions and requirements as they shall determine.

8. The Chairman and President reviewed plans for the inauguration of service with Douglas DC-6 type aircraft on April 27, 1947.

9. The Chairman called attention to the necessity of taking action at this time with reference to declaration of the quarterly dividend on the corporation's outstanding $3.50 Cumulative Convertible Preferred Stock which would become due and payable June 1, 1947 and would involve a disbursement of approximately $350,000. After discussion and upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

BE IT RESOLVED that a dividend of $0.375 per share shall be declared and is hereby ordered paid upon the outstanding $3.50 Cumulative Convertible Preferred Stock of this corporation, such dividend to be payable June 1, 1947 to the stockholders of record at the close of business May 19, 1947; and be it further
RESOLVED that the Treasurer of this corporation shall be and is hereby instructed to deposit with The Chase National Bank of the City of New York, Dividend Disbursing Agent of this corporation, on or before June 1, 1947, the moneys required to pay the dividend hereby ordered paid on said date on the outstanding $3.50 Cumulative Convertible Preferred Stock of this corporation, and that The Chase National Bank of the City of New York, as such Dividend Disbursing Agent, be authorized and instructed to disburse said dividend to the holders of said outstanding $3.50 Cumulative Convertible Preferred Stock of this corporation entitled to receive the same in accordance with the provisions of this resolution.

10. Mr. Forrest stated he wished to recommend revision of the resolution of May 7, 1934 covering Imprest Bank Accounts so as to authorize an increase in the limitation of deposit to $100,000. Whereupon, upon motion duly made, seconded and unanimously carried, the following resolutions were adopted:

RESOLVED that the limitation of deposit in the "Imprest Accounts" in the respective bank accounts of this corporation heretofore opened, maintained and designated:

"AMERICAN AIRLINES, INC. - IMPREST ACCOUNT"

with the following named banks:

The Cleveland Trust Company
Cleveland, Ohio

Corn Exchange Bank Trust Company
Commodore Branch
New York, New York

The First National Bank of Chicago
Chicago, Illinois

Republic National Bank of Dallas
Dallas, Texas
Security—First National Bank of Los Angeles
Seventh and Grand Branch
Los Angeles, California

State Street Trust Company
Boston, Massachusetts

subject to all other limitations and conditions contained in the respective resolutions authorizing such accounts in each of such banks, be and is hereby increased to $100,000; and be it further

RESOLVED that the Secretary or an Assistant Secretary of this corporation be and is hereby authorized to file with each of said banks a certified copy of the foregoing resolution, and that each of said banks is hereby authorized to rely upon such certified copy until the foregoing resolution is modified, altered or repealed and until notice of such modification, alteration or repeal has been given to said respective bank.

Upon the further recommendation of Mr. Forrest, the following resolutions with respect to giving Assistant Treasurers of the corporation signatory authority up to $1,000 on Refund Bank Accounts were then duly offered, seconded and unanimously adopted:

RESOLVED that a bank account of this corporation be opened and maintained, to be designated:

"AMERICAN AIRLINES, INC. — REFUND ACCOUNT"

with the following named bank:

First National Bank and Trust Company
325 South Main Street
Tulsa, Oklahoma

subject to the limitations and conditions contained in these resolutions; that funds of the corporation may be deposited therein only by check of this corporation drawn upon its bank account designated "American Airlines, Inc." at The Chase National Bank of the City of New York, New York, New York, payable to the order of "American Airlines, Inc.—Refund Account"; and be it further
RESOLVED that the aforesaid bank hereby is instructed never to receive for deposit in said "Refund Account" any checks, drafts, or orders for the payment of money drawn or endorsed to the order of this corporation by any other corporation, firm, or person, and never under any circumstances to retain on deposit in any such Refund Account any balance to the credit of this company in excess of $100,000.00, and in the event of having any such excess balance at any time, to promptly reduce said balance to $100,000.00 and no more, by remitting to The Chase National Bank of the City of New York, New York, New York, for deposit in the regular bank account of this corporation any amount or amounts in excess of $100,000.00 which may be on deposit in such Refund Account at any time or times hereafter; and be it further

RESOLVED that all checks, drafts or other instruments for the payment of money made or drawn by the corporation upon its Refund Account shall be signed, in the name of the corporation, by its Treasurer and Assistant Treasurer, jointly, or by either the Treasurer or Assistant Treasurer, and countersigned by the Chairman of the Board, the President, or Vice President, two signatures being required upon every such check except that checks for not more than $150.00 each for the withdrawal of funds from said bank account may be signed by any one of the aforesaid officers or by any one of such other officers, agents or individuals as may from time to time be authorized in writing by the Treasurer and Assistant Treasurer, jointly, or by either one of them, and the Chairman of the Board, the President or a Vice President, two signatures being required upon every such authorization, and the authority thereby granted to such other officers, agents or individuals acting alone being limited to the signing of checks for not more than $150.00 each for the withdrawal of funds from said bank account, and except further that checks for not more than $1,000.00 each for the withdrawal of funds from said bank accounts may be signed by any Assistant Treasurer of the corporation and any one of the
individuals currently authorized in writing to sign checks for not more than $150.00 each as indicated above, two signatures being required upon every such check; and be it further

RESOLVED that said bank is hereby authorized to pay such checks, when drawn and signed as aforesaid, and to receive the same for deposit to the credit of, or in payment from, any holder (including checks drawn to cash, or bearer, or to the individual signing same), whether payable to, or tendered for deposit to the credit of, or in payment of any obligations to, any officer or agent of this corporation, or otherwise; and be it further

RESOLVED that the foregoing resolutions shall continue in force until formally rescinded and written notice of such rescission is filed with said bank.

11. At the request of the Chairman, Mr. Forrest explained the terms of the proposed American Overseas Airlines financing and participation by the corporation which was authorized at the February meeting:

American Overseas Airlines has authorized an offering to its stockholders of $5,000,000 principal amount of 4% Subordinated Income Debentures due April 1, 1957 and Stock Purchase Warrants expiring March 31, 1957 for the purchase of an aggregate of 555,555 shares of Capital Stock of American Overseas Airlines, Inc., at an initial purchase price of $9 per share increasing yearly by 50¢ per share. Registration Statement respecting the offering has been filed with the Securities and Exchange Commission.

The corporation has agreed to purchase its pro rata share of the offering and to purchase and take up all Debentures and Warrants not subscribed by other stockholders.

Indications are that relatively few stockholders, other than the corporation, will exercise their rights to subscribe. The corporation must expect to purchase most of the $5,000,000 Debentures. The corporation's advances to American Overseas Airlines of $3,350,000 would be applied on its purchase of Debentures.
The offering of Debentures contemplates borrowing by American Overseas Airlines, without guarantee by American, of an amount up to $12,000,000 which may be required to complete American Overseas Airlines' capital expenditure program through 1948 including the purchase of Boeing aircraft and to meet possible operating losses.

In the discussion that followed, questions were raised as to the form of offering proposed by American Overseas Airlines, the cash position and requirements of American Overseas Airlines, and the corporation's guarantee of the Boeing Purchase Contract. It was stated that beyond the $3,000,000 advance to American Overseas Airlines approved at the February meeting, the further advance of $350,000 made early in April, and open account of approximately $800,000 due to the corporation, an additional $1,000,000 is estimated to be required by American Overseas Airlines through the next three months. The advance of $350,000 referred to was approved.

Upon further discussion, the Chairman appointed a committee consisting of Messrs. Cheston, Conroy and Kemp to meet with the President to review and study the proposed American Overseas Airlines financing before further action is taken on such program.

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting was adjourned.

C. W. Jacob, Secretary

APPROVED:

C.R. Smith, Chairman