



# AMERICAN AIRLINES SYSTEM

AMERICAN AIRLINES, INC. • AMERICAN OVERSEAS AIRLINES, INC.

100 EAST 42nd STREET • NEW YORK 17, NEW YORK • MURRAY HILL 5-3900

June 7, 1946

OFFICE OF  
THE SECRETARY  
AMERICAN AIRLINES, INC.

Mr. Amon G. Carter  
Fort Worth Star-Telegram  
Fort Worth, Texas

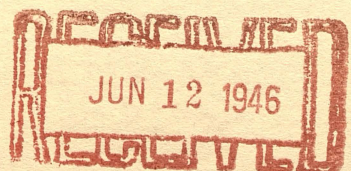
Dear Mr. Carter:

For your information,  
I am attaching copy of the Financial  
Statements which were presented at the  
directors' meeting held on June 7, 1946.

Very truly yours,

C. W. Jacob

CWJ:rc  
att.



AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

FINANCIAL STATEMENTS

DIRECTORS' MEETING JUNE 7, 1946

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AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

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CONSOLIDATED BALANCE SHEETS

AT APRIL 30, 1946, MARCH 31, 1946 AND APRIL 30, 1945

	ASSETS	April 30, 1946	March 31, 1946	April 30, 1945
<b>CURRENT ASSETS:</b>				
Cash on hand and demand deposits		\$ 5,803,739.18	\$12,830,328.30	\$10,601,246.96
Marketable Securities, at cost (approximately market):				
U. S. Government		\$12,246,673.16	\$14,249,558.29	\$11,948,967.50
Canadian Government		226,250.00	226,250.00	136,350.00
		\$12,472,923.16	\$14,475,808.29	\$12,085,317.50
Accounts Receivable				
U. S. Government:				
For services performed at cost under war contracts		\$ 2,088,104.22	\$ 2,442,934.47	\$ 4,005,879.27
Less: Advance payments and partial payments		874,144.26	1,342,852.67	293,108.40
		\$ 1,213,959.96	\$ 1,100,081.80	\$ 3,712,770.78
For the transportation of air mail		426,170.83	407,101.75	1,080,030.02
For air travel, etc.		1,013,873.76	1,135,621.00	1,292,489.19
Air travel plan subscribers		2,933,508.41	2,001,156.70	1,207,860.24
Other airline companies and agents- traffic and express balances		3,364,874.92	2,847,690.62	1,789,838.80
Other trade accounts		1,236,561.38	1,462,142.42	493,899.59
Indebtedness of employees		122,943.38	114,497.04	88,893.94
		\$10,311,892.64	\$ 9,068,291.33	\$ 9,665,782.56
Less: Reserve for doubtful accounts receivable		131,118.27	131,118.27	140,296.58
		\$10,180,774.37	\$ 8,937,173.06	\$ 9,525,485.98
Inventories- parts and supplies, at the lower of cost or market		\$ 1,163,828.75	\$ 1,118,140.11	\$ 991,069.95
Total Current Assets		\$29,621,265.46	\$37,361,449.76	\$33,203,120.39
ADVANCE IN SPECIAL CONTRACT ADVANCE PAYMENT ACCOUNT		\$ 140.90	\$ 140.90	\$ 17,140.90
<b>INVESTMENTS AND SPECIAL FUNDS:</b>				
Investment in American Overseas Airlines, Inc., at cost		\$ 3,000,000.00	\$ 3,000,000.00	\$ -
Investment in wholly-owned subsidiaries not consolidated, at cost		651,000.00	651,000.00	500,000.00
Cash deposits in connection with the acquisition of airplanes and engines		8,569,408.64	8,584,077.76	275,000.00
Miscellaneous investments in connection with operations, at cost		175,971.24	176,221.24	52,945.22
Other special deposits		185,727.71	185,755.06	53,540.00
		\$12,582,107.59	\$12,597,054.06	\$ 881,485.22
<b>FLIGHT EQUIPMENT, AT COST</b>				
Less: Reserve for obsolescence and depreciation		\$32,099,536.57	\$25,563,626.74	\$10,175,080.90
		8,392,033.35	8,151,886.19	6,860,760.77
		\$23,707,503.22	\$17,411,740.55	\$ 3,314,320.13
<b>LAND, BUILDINGS AND OTHER EQUIPMENT, AT COST</b>				
Less: Reserve for depreciation		\$ 8,790,780.19	\$ 8,394,348.00	\$ 5,808,938.67
		3,209,321.39	3,146,686.55	2,707,260.92
		\$ 5,581,458.80	\$ 5,247,661.45	\$ 3,101,677.75
<b>NON-OPERATING PROPERTY AND EQUIPMENT, AT ESTIMATED REALIZABLE VALUE</b>				
		\$ 8,000.00	\$ 8,000.00	\$ 21,320.00
<b>LONG TERM OPERATING PROPERTY PREPAYMENTS, LESS AMORTIZATION</b>				
		\$ 620,224.00	\$ 610,681.60	\$ 513,076.28
<b>DEFERRED CHARGES:</b>				
Prepaid rents, insurance and other expenses		\$ 249,990.52	\$ 276,406.49	\$ 362,087.06
Other deferred charges		252,236.46	205,474.55	146,497.94
		\$ 502,226.98	\$ 481,881.04	\$ 508,585.00
		\$72,622,926.95	\$73,718,609.36	\$41,560,725.67

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Explanatory Notes are Attached Hereto

AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

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CONSOLIDATED BALANCE SHEETS

AT APRIL 30, 1946, MARCH 31, 1946 AND APRIL 30, 1945

	<u>April 30, 1946</u>	<u>March 31, 1946</u>	<u>April 30, 1945</u>
<u>LIABILITIES, CAPITAL STOCK AND SURPLUS</u>			
<u>CURRENT LIABILITIES:</u>			
Notes payable	\$25,000,000.00	\$25,000,000.00	\$ -
Accounts payable	5,182,597.86	7,280,073.89	2,713,702.41
Accrued interest	64,583.30	33,333.30	-
Other airline companies- traffic balances payable	5,325,909.16	4,228,885.23	1,908,613.70
Air travel plan subscriber's deposits	4,677,509.63	4,527,807.63	3,656,960.08
Accrued salaries and wages	446,803.07	392,607.29	498,512.62
Provision for federal income taxes (Less- federal income tax credit resulting from loss for period)	2,449,669.57	2,579,669.57	4,050,667.21
Other accrued taxes	328,685.70	375,045.32	334,269.94
Other accrued liabilities	803,206.67	788,062.33	836,136.19
Total Current Liabilities	<u>\$44,278,964.96</u>	<u>\$45,205,484.56</u>	<u>\$13,998,862.15</u>
LIABILITY FOR ADVANCE PAYMENT ON GOVERNMENT CONTRACT OPERATIONS	\$ 140.90	\$ 140.90	\$ 17,140.90
UNEARNED TRANSPORTATION REVENUE	\$ 539,453.80	\$ 476,765.79	\$ 234,503.00
RESERVE FOR TRANSITION TO PEACETIME OPERATIONS	\$ 2,104,899.58	\$ 2,341,293.84	\$ 2,750,000.00
<u>CAPITAL STOCK:</u>			
Preferred stock, par value \$100 per share			
Authorized- 600,000 shares (of which 400,000 shares have been designated as ___% Cumulative Convertible Preferred Stock)			
Issued and outstanding- none	\$ -	\$ -	\$ -
Common stock, par value \$1 per share			
Authorized- 12,000,000 shares			
Issued and outstanding- 6,452,835.85 shares \$1 par value at 4/30/46, 1,290,567.17 shares \$5 par value at 3/31/46 and 1,290,567.69 shares \$5 par value at 4/30/45	\$ 6,452,835.85	\$ 6,452,835.85	\$ 6,452,835.45
250,000 shares reserved for exercise of option expiring 6/1/50 at \$11.70 per share			
Employees stock, par value \$1 per share			
Authorized- 500,000 shares			
Issued and outstanding- none	\$ -	\$ -	\$ -
<u>SURPLUS:</u>			
Paid-in surplus	\$ 6,267,434.05	\$ 6,267,434.05	\$ 6,267,434.05
Earned surplus			
Balance at December 31, 1945 and December 31, 1944	\$13,422,302.87	\$13,422,302.87	\$10,376,858.16
Net profit or loss for the four months ended 4/30/46, three months ended 3/31/46 and the four months ended 4/30/45	443,105.06	447,648.50	1,466,607.41
	<u>\$12,979,197.81</u>	<u>\$12,974,654.37</u>	<u>\$11,843,465.57</u>
Less: Redemption premium on 695 shares of prior preferred stock redeemed on January 15, 1945	-	-	3,518.45
Total Earned Surplus	<u>\$12,979,197.81</u>	<u>\$12,974,654.37</u>	<u>\$11,839,947.12</u>
Total Surplus	<u>\$19,246,631.86</u>	<u>\$19,242,088.42</u>	<u>\$18,107,381.17</u>
	<u>\$72,622,926.95</u>	<u>\$73,718,609.36</u>	<u>\$41,560,725.67</u>

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Explanatory Notes are Attached Hereto

AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

COMPARATIVE STATEMENT OF PROFIT AND LOSS

FOR THE MONTHS OF APRIL 1946, MARCH 1946 AND APRIL 1945

AND FOR THE FOUR MONTHS ENDED APRIL 30, 1946 AND APRIL 30, 1945

	April 1946	Cents Per Rev. Mile	March 1946	Cents Per Rev. Mile	(Note 8) April 1945	Cents Per Rev. Mile	4 Months Ended April 30, 1946	Cents Per Rev. Mile	(Note 8) 4 Months Ended April 30, 1945	Cents Per Rev. Mile
<b>OPERATING REVENUES</b>										
Passenger	\$4,318,414.94	89.7	\$3,720,129.43	78.1	\$2,937,045.38	82.1	\$14,931,788.98	82.0	\$10,723,819.36	80.8
Mail	254,749.88	5.3	283,179.82	6.0	556,379.77	15.5	1,102,932.82	6.1	2,116,301.99	15.9
Express	141,365.48	2.9	146,490.21	3.1	265,801.74	7.4	471,333.42	2.6	1,035,774.73	7.8
Freight	104,440.68	2.2	95,830.55	2.0	63,462.39	1.8	331,775.31	1.8	165,491.28	1.2
Excess baggage	46,890.44	1.0	50,897.98	1.1	49,551.41	1.4	173,820.41	1.0	209,853.53	1.6
Charter and special- Passenger	468.44	-	-	-	490.00	-	468.44	-	490.00	-
Charter and special- Freight	8,824.25	.2	3,503.22	.1	-	-	25,379.54	.1	-	-
Incidental revenue	25,441.01	.5	18,835.50	.4	17,064.90	.5	61,674.33	.3	41,569.28	.3
<b>Total Operating Revenue</b>	<b>\$4,900,595.12</b>	<b>101.8</b>	<b>\$4,318,866.71</b>	<b>90.8</b>	<b>\$3,889,795.59</b>	<b>108.7</b>	<b>\$17,099,173.25</b>	<b>93.9</b>	<b>\$14,293,300.17</b>	<b>107.6</b>
<b>OPERATING EXPENSES</b>										
Flying operations	\$ 997,385.28	20.7	\$ 964,018.88	20.3	\$ 714,884.96	20.0	\$ 3,818,502.33	21.0	\$ 2,796,823.94	21.0
Flight equipment maintenance- direct	519,646.86	10.8	420,851.14	8.8	266,163.37	7.4	1,784,954.76	9.8	1,033,455.23	7.8
Depreciation- flight equipment	240,147.16	5.0	191,632.85	4.0	101,887.78	2.9	753,083.80	4.1	342,909.90	2.6
<b>Total Flying Expenses</b>	<b>\$1,757,179.30</b>	<b>36.5</b>	<b>\$1,576,502.87</b>	<b>33.1</b>	<b>\$1,082,926.11</b>	<b>30.3</b>	<b>\$ 6,356,540.89</b>	<b>34.9</b>	<b>\$ 4,173,189.07</b>	<b>31.4</b>
Ground operations	\$ 862,012.33	17.9	\$ 860,052.76	18.2	\$ 520,279.68	14.6	\$ 3,276,516.17	18.0	\$ 2,013,229.66	15.2
Ground equipment maintenance- direct	53,375.24	1.1	59,758.72	1.3	38,939.27	1.1	199,694.59	1.1	146,204.49	1.1
Equipment maintenance- indirect	413,400.24	8.6	343,434.88	7.2	232,327.65	6.5	1,487,326.85	8.2	893,688.38	6.7
Passenger service	422,344.59	8.8	403,182.48	8.4	258,229.02	7.2	1,557,948.89	8.6	913,777.21	6.9
Traffic and sales	559,108.19	11.6	578,954.16	12.1	320,758.73	9.2	2,156,326.29	11.8	1,239,589.47	9.3
Advertising	188,522.43	3.9	107,772.00	2.2	114,799.39	3.2	529,113.53	2.9	382,174.94	2.9
Publicity	52,850.32	1.1	55,679.47	1.2	24,844.66	.7	186,165.04	1.0	119,916.51	.9
General and administrative	458,541.14	9.5	430,967.92	9.1	304,345.14	8.5	1,688,880.31	9.3	1,166,931.09	8.8
Depreciation- property and ground equipment	64,275.64	1.4	69,642.30	1.5	43,625.08	1.2	242,406.14	1.3	165,238.39	1.2
<b>Total Ground Expenses</b>	<b>\$3,074,430.12</b>	<b>63.9</b>	<b>\$2,909,444.69</b>	<b>61.2</b>	<b>\$1,868,148.62</b>	<b>52.2</b>	<b>\$11,324,377.81</b>	<b>62.2</b>	<b>\$ 7,040,750.14</b>	<b>53.0</b>
<b>Total Operating Expenses</b>	<b>\$4,831,609.42</b>	<b>100.4</b>	<b>\$4,485,947.56</b>	<b>94.3</b>	<b>\$2,951,084.73</b>	<b>82.5</b>	<b>\$17,680,918.70</b>	<b>97.1</b>	<b>\$11,213,939.21</b>	<b>84.4</b>
Net operating income	\$ 68,985.70	1.4	\$ 167,080.85	3.5	\$ 938,710.86	26.2	\$ 581,745.45	3.2	\$ 3,079,360.96	23.2
Non-operating income	19,369.53	.4	21,003.15	.4	15,585.14	.4	74,820.91	.4	64,631.19	.5
	\$ 88,355.23	1.8	\$ 146,077.70	3.1	\$ 954,296.00	26.6	\$ 506,924.54	2.8	\$ 3,143,992.15	23.7
<b>Deductions from gross income</b>										
Portion of estimated expenses of transition to peacetime operations representing amount equivalent to Federal income tax credit resulting therefrom (Note 5)	144,886.80	3.0	97,265.20	2.0	-	-	395,384.12	2.2	-	-
Interest on bank loans	31,250.00	.6	32,291.63	.7	-	-	64,583.30	.3	-	-
Other	37,674.99	.8	86,759.53	1.8	43,054.66	1.2	126,213.10	.7	155,372.99	1.2
<b>Total Deductions from Gross Income</b>	<b>\$ 213,811.79</b>	<b>4.4</b>	<b>\$ 216,316.36</b>	<b>4.5</b>	<b>\$ 43,054.66</b>	<b>1.2</b>	<b>\$ 586,180.52</b>	<b>3.2</b>	<b>\$ 155,372.99</b>	<b>1.2</b>
Net income before Federal income taxes	\$ 125,456.56	2.6	\$ 362,394.06	7.6	\$ 911,241.34	25.4	\$ 1,093,105.06	6.0	\$ 2,988,619.16	22.5
Provision for Federal income taxes	-	-	-	-	330,000.00	9.2	-	-	1,155,000.00	8.7
Federal income tax credit resulting from loss for the period	330,000.00	2.7	195,000.00	4.1	-	-	650,000.00	3.6	-	-
<b>NET PROFIT OR LOSS CARRIED TO SURPLUS</b>	<b>\$ 4,543.44</b>	<b>.1</b>	<b>\$ 167,394.06</b>	<b>3.5</b>	<b>\$ 581,241.34</b>	<b>16.2</b>	<b>\$ 443,105.06</b>	<b>2.4</b>	<b>\$ 1,833,619.16</b>	<b>13.8</b>
REVENUE MILES FLOWN	4,811,444		4,755,649		3,727,485		18,203,425		13,834,029	
REVENUE PASSENGER MILES FLOWN	92,501,964		81,175,007		59,521,042		323,603,672		216,990,636	
REVENUE PASSENGERS CARRIED	174,923		149,514		97,026		577,889		347,117	

Cents per revenue mile flown are reported on airport to airport distances. April 1946 and the four months ended April 30, 1946 are actual, while April 1945 and the four months ended April 30, 1945 have been converted to an airport to airport basis by reducing the course miles flown by 4%.

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Explanatory Notes are Attached Hereto

COMPARATIVE STATEMENT OF PROFIT & LOSS - YAM 26

FT. WORTH-DALLAS-MEXICO CITY-EL PASO-MEXICO CITY

FOR THE MONTHS OF APRIL 1946, MARCH 1946 AND APRIL 1945

AND THE FOUR MONTHS ENDED APRIL 30, 1946 AND APRIL 30, 1945

		April 1946	March 1946	April 1945	Four Months Ended Apr. 30, 1946	Four Months Ended Apr. 30, 1945
<b>OPERATING REVENUES</b>						
Passenger		\$152,798.40	\$154,567.06	\$129,810.41	\$662,998.61	\$570,336.96
Mail						
U. S. Government						
Foreign Government						
Freight and express						
Excess baggage						
Incidental revenue						
Total Operating Revenues		\$191,027.77	\$210,746.53	\$171,046.30	\$829,236.40	\$702,979.41
<b>OPERATING EXPENSES</b>						
Flying operations	\$ 8,689.88	\$ 31,409.73	\$ 40,099.61	\$ 51,473.85	\$ 38,345.15	\$184,995.27
Flight equipment maintenance- direct	853.64	20,745.18	21,598.82	17,981.64	13,267.80	77,301.55
Depreciation- Flight equipment	-	5,947.69	5,947.69	6,976.65	4,910.99	26,731.65
Total Flying Expenses	\$ 9,543.52	\$ 58,102.60	\$ 67,646.12	\$ 76,432.14	\$ 56,523.94	\$289,028.47
Ground operations	16,927.90	15,045.51	31,973.41	26,551.55	23,565.89	118,701.00
Ground equipment maintenance- direct	2,436.73	296.89	2,733.62	5,561.66	3,863.74	16,060.09
Equipment maintenance- indirect	4,285.93	7,830.11	12,116.04	9,862.86	7,004.51	41,020.02
Passenger service	7,145.00	11,862.28	19,007.28	21,457.49	16,123.08	85,268.17
Traffic and sales	11,644.19	7,432.58	19,076.77	26,799.79	14,090.32	95,161.68
Advertising and publicity	8,934.89	-	8,934.89	5,347.49	7,250.77	22,795.52
General and administrative	12,457.24	8,787.85	21,245.09	20,983.06	11,327.40	87,447.22
Depreciation- ground equipment	15,623.05	899.05	16,522.10	18,300.10	15,423.63	67,198.14
Total Operating Expenses	\$85,998.45	\$110,256.87	\$199,225.32	\$211,296.34	\$155,173.28	\$822,680.31
Net operating income		\$ 8,227.55	\$ 549.61	\$ 15,873.02	\$ 6,556.09	\$ 81,689.32
Profit on sale of equipment	\$ 76.29		76.29		2,994.90	
Deductions from income	\$ 1,150.46		\$ 8,151.26	\$ 2,130.80	\$ 9,550.99	\$ 81,689.32
Net income before Federal income taxes		\$ 9,301.72	\$ 218.61	\$ 15,346.39	\$ 4,842.79	\$ 77,134.20
Pro-rata share of Federal income taxes				7,500.00		29,600.00
<b>NET PROFIT</b>		\$ 9,301.72	\$ 218.61	\$ 7,846.39	\$ 4,842.79	\$ 47,534.20
<b>REVENUE MILES FLOWN</b>		184,896	230,665	193,117	835,883	746,025
<b>REVENUE PASSENGER MILES FLOWN</b>		3,156,083	3,757,943	2,535,350	14,154,921	11,126,762
<b>REVENUE PASSENGERS CARRIED</b>		3,766	4,048	3,055	15,963	12,688

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AMERICAN AIRLINES, INC. AND CONSOLIDATED SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 1946

- NOTE 1: The accompanying financial statements include in consolidation the Company's wholly owned subsidiary, American Airlines de Mexico, S.A. The accounts of the following subsidiaries are not included in consolidation: American Overseas Airlines, Inc., (51.4% owned), Sky Chefs, Inc., (100% owned); and Airborne Instruments Laboratory, Inc., (100% owned).
- NOTE 2: No provision has been made for Federal excess profits tax for 1945 and prior years as the Company is believed to be exempt therefrom although its liability for Federal taxes on income is subject to the Internal Revenue Bureau's review of the tax returns filed or to be filed for the years 1942 through 1945.
- NOTE 3: On September 17, 1945 the Company entered into an agreement with a representative of holders of certain shares of the common stock of Mid-Continent Airlines, Inc., subject to the approval of the Civil Aeronautics Board, to issue one share of its common stock of a par value of \$5 per share in exchange for each four shares of common stock of Mid-Continent Airlines, Inc. and to extend the same offer to other stockholders of Mid-Continent Airlines, Inc. Application for approval of this agreement was filed on October 1, 1945 with the Civil Aeronautics Board which held hearings on the matter on January 21, 1946. The examiner of the Civil Aeronautics Board on April 19, 1946 submitted his report recommending that the acquisition not be approved but final decision by the Board has not yet been rendered. If this acquisition is consummated, the number of shares of common stock to be issued by the Company will amount, after giving effect to the five-for-one split-up of the Company's common stock referred to in Note 7, to a minimum of 247,025 shares of a par value of \$1 per share and a maximum of 486,750 shares of a par value of \$1 per share, depending upon the extent to which its offer is accepted by the stockholders of Mid-Continent Airlines, Inc.

All shares of the Company's common stock of a par value of \$1 per share issued under such offer will, subject to the approval of the Civil Aeronautics Board, be recorded as issued for a consideration of \$9.16 per share, being one-fifth of the average market price of the Company's common stock of a par value of \$5 per share during the 18 months preceding September 17, 1945. Assuming that all stockholders of Mid-Continent Airlines, Inc. accept the Company's offer, the Company's investment therein will, subject to the approval of the Civil Aeronautics Board, be recorded on its books at \$4,458,630 which is approximately \$3,150,000 in excess of the net tangible assets of Mid-Continent Airlines, Inc. based on the latter's books at December 31, 1945. Such excess is considered to relate primarily to intangible asset values not carried on the books of Mid-Continent Airlines, Inc.

- NOTE 4: The Company is presently negotiating for the purchase of, or has commitments for flight equipment and major items of other equipment and facilities estimated at approximately \$73,000,000 of which it is estimated approximately \$20,000,000 will be expended during the balance of the year 1946.

The Company has guaranteed a bank loan in the amount of \$10,000,000 obtained on March 7, 1946 by American Overseas Airlines, Inc. and has indicated its willingness to guarantee the performance by American Overseas Airlines, Inc. of the latter's obligation under a purchase contract for the purchase of eight Boeing airplanes at a total basic price of approximately \$10,600,000.

NOTE 5: There was excluded from operating expenses for the month of April and the four months ended April 30, 1946 the estimated cost (amounting to \$381,281.06 and \$1,040,484.54 for the respective periods) resulting from delays in relocating personnel from military contract to commercial operations and from re-training of personnel returning from military service. The portion of such costs equivalent to the Federal income tax credit resulting from their deductibility for tax purposes was charged to profit and loss (in the amounts of \$144,886.80 and \$395,384.12 for the respective periods) and the balance (in the amount of \$236,394.26 and \$645,100.42 for the respective periods) was charged to the reserve for transition to peacetime operations.

NOTE 6: Since early in 1942 services have been performed by the Company for the U. S. Government under war contracts at cost thereof and the Company has waived all profits thereon to December 31, 1945. The cost and expenses applicable to the Company's performance of such contracts are not included in the accompanying profit and loss statements, but have been charged directly to the U. S. Government. Part of the services under these contracts had been terminated at December 31, 1945 and it is expected that the remainder will be terminated shortly. Renegotiation proceedings pursuant to the War Contracts Renegotiation Act have been concluded for 1944 and prior years, no refunds being required thereunder. The Company believes that such proceedings for the years 1945 and 1946 will likewise result in no refund being required.

NOTE 7: An amendment to the Company's Certificate of Incorporation was approved by the Company's stockholders on April 17, 1946 and became effective on April 22, 1946. Such amendment provides for:

- (1) Eliminating the previously authorized Preferred Stock consisting of 200,000 shares of a par value of \$100 per share and authorizing a new class of Preferred Stock consisting of 600,000 shares of a par value of \$100 per share.
- (2) Changing the authorized Common Stock from 2,400,000 shares of a par value of \$5 per share to 12,000,000 shares of a par value of \$1 per share and splitting up the Common Stock five-for-one so that each stockholder will receive 5 shares of Common Stock of a par value of \$1 per share for each share of Common Stock of a par value of \$5 per share held by him.
- (3) Changing the authorized Employees Stock from 100,000 shares of a par value of \$5 per share to 500,000 shares of a par value of \$1 per share, convertible, as previously, three years after issuance into Common Stock on a share for share basis.

NOTE 8: On January 1, 1945 the Company was served with an order by the Civil Aeronautics Board to show cause why the rate for the transportation of airmail should not be reduced from 60¢ per ton mile to 32¢ per ton mile effective January 1, 1945. A later order of the Board dated October 26, 1945 established a rate of 45¢ per ton mile for the transportation of airmail effective January 1, 1945. The above statement of profit and loss for the month of April 1945 and the four months ended April 30, 1945 has been revised to reflect mail revenue at the established rate of 45¢ per ton mile instead of 32¢ per ton mile, at which such revenue was accrued on the Company's books. As a result of this revision the mail revenue for such period has been increased by \$155,276.65 for the month of April 1945 and \$607,011.75 for the four months ended April 30, 1945 and the provision for Federal income taxes has increased by \$60,000 and \$240,000 for the respective periods, with resulting increases in net profit from \$485,964.69 to \$581,241.34 and \$1,466,607.41 to \$1,833,619.16.

6/5/46

Statement of capital expenditures which have been authorized by the management since the last meeting of the Board of Directors on May 15, 1946 and which are herewith submitted for approval by the Directors.

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<u>Executive Authorization Number</u>	<u>Description</u>	<u>Amount Authorized</u>
C1572-1	Additional alterations and equipment to provide necessary office space- South Bend Airport	\$ 2,150.00
C1559-1	Additional cost of 55 self-powered cargo loaders for system use	36,850.00
C1720	Additional cost of alterations to Office Bldg.- Tulsa	69,711.07
C1721	Steel lockers for maintenance personnel- Los Angeles	1,820.80
C1722	Steel lockers for warehouse personnel- New York	3,000.00
C1723	6 Magnetos for fleet requirements	1,440.00
C1724	Equipment required for building maintenance- Ardmore	16,352.75
C1725	4 Low speed generators for experimental aircraft	1,366.00
C1726	Alterations to provide new sales offices- Indianapolis	7,224.00
C1727	Alterations to provide Personnel offices- New York City	1,725.00
C1728	Air conditioning unit for Screening Room- Personnel Dept.- New York City	2,680.00
C1729	Alterations and furnishings to provide adequate offices for Regional and District Sales Offices- New York City	48,750.00
C1730	33 Typewriters for system requirements	3,266.45
C1731	Office equipment for Advertising Dept.- NYP	1,200.00
C1732	15 Typewriters for Airfreight Division- St. Joseph, Mich.	1,477.51
C1733	Construct sanitary disposal room in Hangar #1- NYMA	2,500.00
C1734	6 Cargo scales for system use	2,880.00
C1735	3 Hydraulic step stands for emergency use at alternate stations for DC-54 operations	1,800.00
C1736	Radio equipment and linens and blankets for Flight Training Center- Ardmore	4,106.99
C1737	Purchase and installation of radio range station between Nashville and Tulsa	5,151.70
C1738	Airconditioning unit for counter area in Airlines Terminal Bldg.- New York City	3,500.00
C1739	22 Baggage scales for system use	2,520.00
C1740	10 Safes for system use	1,600.00
	<u>114</u> Authorizations each for an amount less than \$1,000.00 for the purchase of furniture, shop and miscellaneous equipment	<u>23,466.16</u>
		<u>\$246,538.43</u>

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