

November 1, 1950

To the Directors of American Airlines:

Attached for your information and comments are the draft of Minutes of the Directors Meeting of October 18, 1950.

A stamped and addressed envelope is enclosed for your convenience in returning your comments.

C. W. Jacob
Vice President and
Secretary

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, October 18, 1950 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. Ages
Harry E. Benedict
James Bruce
Edward H. Butler
Charles S. Cheston
Thomas M. Conroy
Silliman Evans
John W. Farley
A. N. Kemp
Edgar M. Queeny
C. R. Smith

being a quorum of the Board of Directors.

Also present at the request of the Directors were Walter S. McLucas who acted in a consulting capacity, William J. Hogan, Vice President and Treasurer, and Malcolm A. MacIntyre of General Counsel for the corporation.

Directors Carter, Fisher, Miller and Mosier were unable to attend the meeting.

The President presided and the Secretary kept the records of the meeting.

1. The Secretary read a summary of action taken at the previous meeting of the Directors, held September 20, 1950. Thereupon, upon motion duly made and seconded, the minutes of the meeting of September were approved.

2. The Treasurer presented and explained financial statements of the corporation as of September 30, 1950. He also presented a series of charts showing revenues, expenses and earnings of the company and other airlines.

3. The Treasurer presented a statement of capital expenditures authorized by the management since the last meeting of the Board of Directors totaling \$61,894 for the corporation and \$5,095 for American Airlines de Mexico, S. A.

Upon recommendation of the Chairman the Directors approved the following capital expenditures:

Hamilton Standard Propellers for DC-6 and Convair-240 aircraft to replace existing Curtiss propellers because of blade failures	\$5,300,000
Purchase and installation of new 81-D-1 Automatic Teletype System	102,000
Replacement of aging automobile equipment, mechanical ramp equipment, office equipment and supplies in accordance with summary filed with the records of this meeting	1,031,000

Mr. Hogan said that the propeller replacement program would be accomplished during the year 1951 and that the book value of Curtiss propellers to be retired is approximately \$2,900,000.

4. The Chairman brought up for consideration, action with respect to the declaration of the regular quarterly dividend on the corporation's outstanding \$3.50 Cumulative Convertible Preferred Stock which would become due and payable December 1, 1950.

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The Treasurer presented to the meeting a certification, the original of which is attached to these minutes, showing that the surplus available for such dividends as of September 30, 1950 was \$20,311,466, of which \$6,159,653 was capital surplus and not less than \$14,151,813 earned surplus, both of which, in the opinion of counsel, are available for dividends.

After discussion the following resolutions were adopted:

BE IT RESOLVED that a dividend of \$0.875 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 December 1, 1950, to the stockholders of record at the close of business November 15, 1950; 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 December 1, 1950, 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 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 the said outstanding \$3.50 Cumulative Convertible Preferred Stock of this corporation entitled to receive the same in accordance with the provisions of this resolution.

#5. The Chairman said that the sale of the assets of American Overseas Airlines, Inc. to Pan American World Airways, for \$17,450,000 was concluded on September 25, 1950. He reviewed the terms of the Civil Aeronautics Board order of September 22, 1950, as amended on September 25, 1950, which imposed conditions with respect to employees of American Airlines who might lose their jobs or have loss of income as a result of the sale of American Overseas. He said that the Board's order imposed such obligation on American Airlines with requirement that American Overseas Airlines reimburse this company for expenses so incurred. The Chairman explained that inasmuch as the protection to be afforded employees extends to July 5, 1952 and the amount of such

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liability could not be ascertained, the directors of American Overseas Airlines were unwilling to consummate the sale on such a basis. The Chairman said he felt it was in the best interest of American Airlines to induce the directors of American Overseas to consummate the sale, and accordingly, after checking informally with a number of the directors, he had guaranteed to American Overseas through letter dated September 26, 1950, a copy of which is attached to and made a part of the minutes of this meeting, that the cost to American Overseas would not exceed \$450,000. Various officers of the corporation and Mr. MacIntyre then discussed the terms of the Board's order and the potential cost, if any, of such guarantee. Upon motion duly made and seconded, the following resolution was unanimously adopted:

RESOLVED that the action of the President of this corporation in having executed the letter of guarantee dated September 26, 1950 to American Overseas Airlines, Inc. in the form presented to the meeting and ordered filed with the records of the meeting be, and hereby is, ratified and approved.

The Chairman said he was informed that the directors of American Overseas Airlines desired to disburse a liquidating distribution as soon as possible, although such distribution might not be made until December 6, 1950 when the time for any appeal from the U. S. Circuit Court of Appeals decision of August, 1950 would expire. He said that he had been informed that American Export Lines, Inc. would be willing to indemnify the directors of American Overseas Airlines to the extent of 24.72% of any liability they might incur by reason of the payment of an immediate liquidating dividend, provided American Airlines would similarly indemnify the directors for 75.28%. He then recommended that the directors take action to so indemnify the directors of American Overseas Airlines and said that he believed a distribution of approximately \$9 would immediately be made. Whereupon

upon motion duly made, seconded and unanimously approved, the following resolution was adopted:

RESOLVED, that the President or any Vice President of this corporation be and hereby is authorized, by and with advice of counsel, to execute an indemnity agreement running in favor of the directors of American Overseas Airlines, Inc. substantially in the form submitted to the meeting and hereby ordered filed with the records thereof.

Upon recommendation of the Chairman the following resolution was unanimously adopted:

RESOLVED that the resolution of the Board of Directors adopted June 18, 1947, authorizing banks with which American Overseas Airlines, Inc. maintains an operating or depository account to accept checks drawn to the order of American Airlines, Inc., be, and hereby is, rescinded.

6. The Chairman recommended adjustments in the salaries of certain officers of the corporation and upon motion duly made, seconded and unanimously carried, the salaries of such persons were established on the following basis effective October 1, 1950:

A. R. Bone, Jr.	Regional Vice President	\$13,500
W. N. Bump	Regional Vice President	\$13,500
L. E. Glasgow	Assistant Treasurer & Assistant Comptroller	15,000
G. K. Griffin	Vice President	16,500
W. H. Johnson	Regional Vice President	13,500
S. G. King	Regional Vice President	13,500
G. E. Markt	Asst. Vice President	11,200
A.A. Paradis	Assistant Secretary	9,000

At the request of the Chairman, Mr. Kemp, on behalf of the Special Committee which determined the stock option awards, made a report in respect to possible employment agreements covering current services and consulting services to be rendered after retirement by selected executive personnel whose efforts, in the opinion of the Special Committee, principally contributed to the profits of the company. After discussion, it was, on motion duly made, seconded and unanimously carried:

RESOLVED that a Special Committee, of which Mr. A. N. Kemp is designated Chairman and Messrs. Ames, Bruce, Farley and Fisher are designated as additional members, be and hereby is authorized to determine whether and to what extent employment contracts should be entered into with selected executive personnel of the Company providing compensation for current services and for conditional arrangements for consulting services after retirement for compensation then to be payable, and such Committee, by and with advice of counsel, be and hereby is authorized to approve the execution of any such contract with an individual executive, provided only that (a) the aggregate number of such contracts with selected individual executives shall not exceed ten (10); (b) future compensation for advisory services after retirement shall not exceed Ten Thousand Dollars (\$10,000) per year for a fixed period of not more than twelve years except in the case of the President whose compensation for such services may be Fifteen Thousand Dollars (\$15,000) for any such period; and (c) such contracts will contain reasonable restrictions against employment with competitors during the period of advisory services and upon any termination of employment prior to normal retirement which may be effected by either party upon not more than 30 day's notice.

7. Upon the recommendation of the Chairman the following resolutions were unanimously adopted:

RESOLVED that the resolution of the Board of Directors adopted November 14, 1946, appointing Schroder Trust Company as Transfer Agent and Guaranty Trust Company of New York as Registrar for an additional 250,000 shares of the corporation's Common Stock be, and hereby is, revoked; and be it further

RESOLVED that Schroder Trust Company, New York, N.Y. and Continental Illinois National Bank and Trust Company of Chicago, Illinois, present Transfer Agent and Co-Transfer Agent, respectively, for the outstanding shares of this corporation's Common Stock of \$1 par value be, and they hereby are, appointed Transfer Agent and Co-Transfer Agent for the issuance and transfer of certificates for an additional 250,000 shares of such Common Stock; and be it further

RESOLVED that the said Transfer Agent and Co-Transfer Agent be, and they hereby are, authorized to countersign for original issue, when signed by, or bearing the facsimile signature of, the President or a Vice President and the Secretary or an Assistant Secretary of this corporation and, when registered by the Registrar or Co-registrar to deliver certificates for not exceeding 250,000 shares of

Common Stock of \$1 par value upon the exercise of options to purchase such shares granted and to be granted by the corporation pursuant to the authority given to the Board of Directors by resolution adopted on May 16, 1950, at the annual meeting of the stockholders; and be it further

RESOLVED that the Guaranty Trust Company of New York, New York, N. Y., and The First National Bank of Chicago, Chicago, Illinois, the present Registrar and Co-registrar, respectively, for the registration of certificates for the outstanding shares of this corporation's Common Stock of \$1 par value per share be, and they hereby are, appointed Registrar and Co-registrar respectively for the registration of certificates for an additional 250,000 shares of such Common Stock; and be it further

RESOLVED that for the original issue of certificates for such 250,000 shares of Common Stock of \$1 par value per share, the said Registrar and Co-registrar are hereby authorized and directed to countersign and record in their registration record, when presented to them for such purpose by Schroder Trust Company, Transfer Agent, or Continental Illinois National Bank and Trust Company of Chicago, Co-transfer Agent, and to redeliver to the Transfer Agent or Co-transfer Agent not exceeding 250,000 shares of the Common Stock of \$1 par value per share reserved for issuance upon the exercise of options to purchase such shares granted and to be granted by the corporation pursuant to the authority given to the Board of Directors by resolution adopted on May 16, 1950, at the annual meeting of the stockholders; and be it further

RESOLVED that said Registrar and Co-registrar are hereby authorized and directed to register transfers of such certificates upon the cancellation of certificates for like amount of stock of the same class, and, when presented to it for such purpose by said Transfer Agent or Co-transfer Agent, to countersign and redeliver the certificates to the Transfer Agent or Co-transfer Agent and to keep the necessary records in connection therewith.

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