

AMERICAN AIRLINES, INC.  
Agenda for Directors' Meeting  
April 20, 1944

- ✓ 1. Selection of a temporary chairman and secretary.
- ✓ 2. Report of the annual meeting of the common stockholders held on April 19, 1944.
- ✓ 3. Election of officers to serve during the ensuing year.
- ✓ 4. Consideration of Directors' fees.
- ✓ 5. Reading of the minutes of the Directors' meeting of March 15, 1944 (see pages 1 to 3).
- ✓ 6. Presentation of financial statements of the corporation as of February 29, 1944; economy measures; earnings forecast (see pages 4 to 7).
- ✓ 7. Request for approval of miscellaneous capital authorizations authorized by the management since the last Directors' meeting.
- ✓ 8. Request for authorization:
  - ✓ (a) To revise alcohol de-icing system--\$49,500 *48,500*
  - ✓ (b) For contingent commitment for 25 sets of DC-3 cabin interiors--\$250,000
  - ✓ (c) For contingent commitment to repurchase 11 DC-3 and 13 DST planes sold the Army--\$1,545,815
- ✓ 9. Approval of continuance of insurance on the life of Brigadier General C. R. Smith.
- ✓ 10. Request for authority to designate Stanley G. King Attorney-in-Fact for American Airlines in Mexico.
- ✓ 11. Request for authority to renew qualification in the State of Texas, to qualify in the State of Arkansas, and to appoint agents.
- ✓ 12. Report on passenger, mail and express traffic for the month of March 1944 (see page 8).
- ✓ 13. Report on the status of war contracts (see page 9).

Summary of the Minutes of a Regular Meeting  
of the Board of Directors of American Airlines, Inc.  
Held March 15, 1944

There were present at the meeting: Directors Ames, Benedict, Butler, Damon, Evans, Farley, Hammond, Hovey, Kemp, McLucas, Mosier and Rheinstrom.

1. The minutes of the previous meeting held March 15, 1944, were approved.
2. The Directors and representatives of the management discussed the trend of increasing expenses and measures being taken to control expenses. Financial statements for the month of January 1944 were presented and accepted.
3. The Directors approved capital expenditures recommended by the management amounting to \$59,225.37, and also approved capital expenditures in Mexico to December 31, 1943, of \$109,910.22 in excess of amounts heretofore authorized, making the total authorized capital expenditures in Mexico for airway aids and ground facilities and equipment \$1,084,271.22.
4. The Directors accepted the report of the auditors, Arthur Young & Co., showing assets and liabilities of the corporation as of December 31, 1943, consolidated statements of profit and loss for the years 1943 and 1942, consolidated statement of surplus for the year 1943 and 1942, notes to financial statements, and certificate of audit dated March 7, 1944.

The annual report of the President to the stockholders was approved and ordered printed, with such changes as the President might believe necessary, and distributed to the stockholders of the corporation.

5. Each of the present members of the Board of Directors was nominated for election as a Director at the annual stockholders' meeting to be held on April 19, 1944, and it was ordered that stockholders be advised in the notice of the meeting and accompanying proxy statement that all proxies received by the management proxy committee will, unless limited to the contrary, be voted in favor of the election of such nominees.
6. A resolution was adopted recommending the reelection of Arthur Young & Co. as auditors for the calendar year 1944 and providing that stockholders be advised in the proxy statement that proxies will be voted, unless limited to the contrary, in favor of the election of Arthur Young & Co.

7. The Directors fixed March 24, 1944, as the record date for determining the holders of Common stock of the corporation entitled to receive notice of and vote at the 1944 annual stockholders' meeting.

Messrs. Benedict, Kemp and Rheinstrom were constituted a proxy committee to solicit proxies in behalf of the present management.

Messrs. Henry Bauer of the Schroder Trust Company and R. L. Spurgeon of Pruitt, Hale and Coursen, were appointed judges of election to receive and count the ballots at the annual stockholders' meeting.

The proxy statement, notice of meeting and proxy prepared by Counsel were approved and ordered printed and mailed to Common stockholders of record at the close of business March 24, 1944.

8. The Chairman presented statements showing the financial condition of the corporation's subsidiaries, Sky Chefs, Inc. and American Airlines de Mexico, S.A., as of December 31, 1943.
9. Mr. Rheinstrom gave a comparative report of passenger, mail and express traffic carried in the months of February 1944 and 1943.

Mr. Damon reported the difficulties which were being experienced on account of the limited number of commercial airplanes in operation by the corporation at this time and discussed with the Directors the possibility of additional commercial airplanes being made available.

10. The Chairman submitted a confidential statement of charges applicable to war contracts to January 31, 1944 and the amount of such charges paid to the corporation to March 13, 1944.
11. The Directors authorized proper officers of the corporation to enter into a lease with the City of Indianapolis for the use of Weir Cook Airport and the use or occupancy of office space and other facilities for a term of not to exceed ten years commencing April 1, 1944, at a total rental based on present schedules of not to exceed \$66,340.
12. The action of officers of the corporation in having appointed Ayers Blocher, 1337 Rialto Building, Kansas City, Missouri, as an agent of the corporation for acceptance of process in the State of Missouri was ratified and approved.

13. The Chairman stated that since the last meeting at which the management had been authorized to purchase a controlling interest in American Export Airlines, Inc., negotiations had been concluded for such purchase. To bring the Directors up to date, and for the benefit of those not present at the last meeting, the details of the purchase were explained and discussed. The discussion included consideration of audited financial statements of the company obtained since the last Directors' meeting, the status of temporary certificates of convenience and necessity held by Export, contingencies which might adversely affect earnings, monthly expenses and payroll.

A summary of the principal provisions of the proposed purchase contract was submitted and discussed.

Comparison of 1942 and 1943 Earnings  
of Major U. S. Domestic Airlines

	<u>Operating Revenues</u>	<u>Expenses(b)</u>	<u>Profit Before Taxes and War Reserve</u>	<u>Income Taxes</u>	<u>Profit Before War Reserve</u>	<u>War Reserve</u>	<u>Net Profit</u>
<b>American Airlines, Inc.</b>							
1942 (a)	\$26,982,014	\$21,558,145	\$5,423,869	\$2,407,000	\$3,016,869	-	\$3,016,869
1943	31,451,430	23,008,461	8,442,969	3,500,000	4,942,969	\$1,750,000	3,192,969
Percent increase	16.6	6.7	55.7	45.4	63.8		5.8
<b>United Air Lines, Inc.</b>							
1942	\$23,593,595	\$17,834,784	\$5,758,811	\$2,324,455	\$3,134,356	\$1,000,000	\$2,134,356
1943	27,650,545	19,967,095	7,683,450	3,480,174	4,203,276	1,000,000	3,203,276
Percent increase	17.2	12.0	33.4	32.6	34.1		50.1
<b>Transcontinental &amp; Western Air, Inc.</b>							
1942	\$18,044,633	\$12,374,743	\$3,669,890	\$1,493,855	\$2,176,035	-	\$2,176,035
1943	19,212,939	15,592,746	3,620,193	1,569,302	2,050,891	-	2,050,891
Percent increase	19.7	26.0	1.4*	5.1	5.8*		5.8*
<b>Eastern Air Lines</b>							
1942 (a) (c)	\$15,355,810	\$10,457,353	\$4,898,457	\$2,127,905	\$2,770,552	-	\$2,770,552
1943	16,012,460	10,835,601	5,176,859	3,750,000	1,426,859	-	1,426,859
Percent increase	4.3	3.6	5.7	76.2	48.5*		48.5*

\* percent decrease

- (a) Excluding profit on sale of aircraft  
 (b) Expenses include Income Deductions, less Income credits  
 (c) Revised as indicated by 1943 annual report

Comparison of 1942 and 1943 Operating Expenses  
of Major U. S. Domestic Airlines

	<u>American Airlines</u>	<u>United Air Lines</u>	<u>TWA</u>	<u>Eastern Air Lines</u>
<u>Operating Expenses (cents per revenue mile)</u>				
1942	76.8	80.8	75.0	65.0
1943	87.1	92.8	97.5	81.2
Percent increase over 1942	13.4%	14.9%	30.0%	24.9%
<b>1943:</b>				
3 months	81.9	79.0	91.2	73.3
6 months	82.4	86.9	94.3	77.2
9 months	83.2	90.3	93.6	76.9
12 months	87.1	92.8	97.5	81.2

SOURCE: Monthly financial reports on file with Civil Aeronautics Board.

4/5/44

## Confidential

## AMERICAN AIRLINES, INC.

Estimate of 1944 Earnings in  
Comparison With the Year 1943

		Expanded Fleet after Estimated Econo- mies	<u>1943</u>
<b>OPERATING REVENUES</b>			
Passenger	\$	27,409,000	\$ 23,356,000
Mail		6,456,000	4,886,000
Express & Freight		2,577,000	2,581,000
Other		<u>750,000</u>	<u>628,000</u>
TOTAL	\$	<u>37,192,000</u>	\$ <u>31,451,000</u>
<b>OPERATING EXPENSES</b>			
Flying Operations	\$	6,363,000	5,011,000
Flight Equip. Maint. - Direct		2,898,000	1,993,000
Depreciation - Flight Equip.		<u>800,000</u>	<u>819,000</u>
Total Flying Expenses	\$	10,061,000	\$ 7,823,000
Ground Operations		5,125,000	4,647,000
Ground Equip. Maint. - Direct		374,000	222,000
Equip. Maint. - Indirect		1,837,000	1,466,000
Passenger Service		2,541,000	1,883,000
Traffic & Sales		3,298,000	2,785,000
Advertising & Publicity		1,049,000	1,125,000
General & Administrative		3,367,000	2,645,000
Depreciation - Property & Ground Equipment		<u>400,000</u>	<u>391,000</u>
TOTAL OPERATING EXPENSES	\$	<u>28,052,000</u>	\$ <u>22,987,000</u>
NET OPERATING INCOME	\$	<u>9,140,000</u>	\$ <u>8,464,000</u>
Non-Operating Income		107,000	107,000
Deductions from Gross Income		<u>- 128,000</u>	<u>128,000</u>
Net Income before Federal Income Taxes	\$	<u>9,119,000</u>	\$ <u>8,443,000</u>
Provision for Federal Income & Excess Profits Taxes			<u>3,500,000</u>
			\$ <u>4,943,000</u>
Provision for Transition to Peacetime Operations			<u>1,750,000</u>
NET PROFIT			<u><u>3,193,000</u></u>
Revenue Miles Flown		33,314,116	26,397,687

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Basis for Estimate of 1944 Earnings

Equipment and Miles Flown: It is estimated that 16 airplanes will be added in 1944 to the present operating fleet of 47 planes. The estimated "in service" date of this equipment is equivalent to  $4\frac{1}{2}$  airplanes in service for the entire year.

Passengers: The average number of passengers per mile is assumed to remain the same as the average for 1943; i.e. 16.8. The total passenger miles are 531,666,294 as compared with 435,913,741 in 1943. Passenger revenue is computed at 5.15 cents per passenger mile based upon experience for the period September 1943-February 1944.

Express: Estimated ton miles of express are 5,368,435 as compared with 4,882,114 in 1943. Express revenue is computed at 48 cents per ton mile.

Mail: Estimated ton miles of mail are 10,710,459 as compared with 8,145,462 in 1943.

Expenses: Direct flying expenses were computed at the 1943 average cost per revenue mile plus allowance for known increased expenses.

Passenger service expense is based upon the number of passengers anticipated to be carried with 10 per cent allowance for increased food costs.

Advertising and publicity expenses are based upon planned expenditures.

Depreciation includes provision for anticipated capital expenditures and is computed at current depreciation rates.

The remaining expenses are the sum of January-March actual expenditures plus (a) provision for 9 months' expense at the highest rate of expense during January, February or March, and (b) provision for the addition of new schedules at  $\frac{2}{3}$  rds of the current cost per mile of operation.

Estimated economies totaling \$1,600,000 for the period May-December have been deducted where applicable.

AMERICAN AIRLINES, INC.  
PASSENGER, MAIL AND EXPRESS TRAFFIC STATISTICS

	<u>March</u> 1944	<u>March</u> 1943	<u>% Increase</u> or <u>Decrease</u>	<u>3 Months</u> 1944	<u>3 Months</u> 1943	<u>\$ Increase</u> or <u>Decrease</u>
<u>Passengers</u>						
Rev. Miles Flown with Psgrs.	2,183,410	2,121,193	2.9	6,223,356	6,078,502	2.4
Rev. Miles Flown Total	2,328,269	2,121,193	9.8	6,626,608	6,120,963	8.3
Revenue Passengers Carried	58,721	61,542	-4.6	170,799	165,836	3.0
Revenue Passengers Miles	35,992,883	33,924,444	6.1	102,117,357	93,950,370	10.9
Seat Miles Flown	41,036,015	40,430,910	1.5	116,608,535	116,028,865	0.5
Average Haul per Passenger	613	551		598	567	
% Priority Passengers Boarding	42.5%	33.6%		43.2%	29.8%	
Revenue Passengers Carried						
April 1-8, 1944 -	18,874					
April 1-8, 1943 -	18,252					
<u>Mail</u>						
Pounds Carried	2,797,988	1,908,707	46.6	7,667,369	5,334,916	43.7
Pound Miles Flown	1,749,847,297	1,132,270,673	54.5	4,770,919,722	3,284,848,193	45.2
<u>Express</u>						
Pounds Carried	1,637,172	1,532,812	6.8	4,917,267	4,089,610	20.2
Pound Miles Flown	775,726,144	719,875,732	7.8	2,249,942,421	2,023,326,467	11.2

## AMERICAN AIRLINES, INC.

Statement of Charges Applicable to War Contracts for the period  
ended December 31, 1943, for the two months  
ended February 29, 1944 and the total charges to February 29, 1944

<u>Description of Contract</u>	Charges		Total Charges To Feb. 29, 1944
	Charges To Dec. 31, 1943	For Two Months Ended Feb. 29, 1944	
Cargo Contract	\$14,447,091.83	\$ 1,758,114.62	\$16,205,206.45
Modification of B-24 Airplanes	483,125.28	308.14	483,433.42
Fort Worth Naval Training School	1,354,146.02	122,330.94	1,476,476.96
Furnish (3) Skilled Mechanics to Assist In Setting Up Instruction Courses for Navy Airplane Mechanics at Chicago, Ill.	3,081.91	-	3,081.91
Install Experimental Equipment on Airplanes Loaned to General Electric Company by Army and Conduct Certain Tests of Such Installations	445,715.56	56,625.30	502,340.86
Furnish 5 Mechanics to Instruct in Repair Work at Army Air Base, Tucson, Arizona	5,336.45	-	5,336.45
Furnish Training to Army Air Force Mechanics at New York, N. Y.	9,144.17	-	9,144.17
Installation of Radio Equipment in Navy Airplanes	24,689.92	(11,50)	24,678.42
Installation of Experimental Equipment on C47 Airplanes	21,719.01	-	21,719.01
Manufacture of 25 DC3 Type Boilers for Navy Airplanes	633.16	-	633.16
Navy Ferry Advisory and Communication Service	395.40	8,295.76	8,691.16
Operation of Sikorsky S-43 and Douglas Dalphin Aircraft	37,659.58	1,780.75	39,440.33
	<u>\$16,832,738.29</u>	<u>\$1,947,444.01</u>	<u>\$18,780,182.30</u>

## NOTE:

Of the above charges applicable to War Contracts, the Corporation has  
been reimbursed to April 15, 1943 in the amount of: \$13,639,114.09

In addition we have on hand as of April 15, 1944 - \$2,956,156.76  
representing advance payments under the Cargo Contract to be applied  
on unreimbursed charges.

Parenthesis ( ) indicate red figures.

ARMY AIR FORCES  
HEADQUARTERS AIR TRANSPORT COMMAND  
PRIORITIES AND TRAFFIC  
Operational Instruction Circular

No. 29

File: Domestic Movement  
Division Operational

24 April 1944

SUBJECT: Priority for Directors of Commercial Air Lines.

TO: All Regional Air Priorities Control Offices

1. When requests are received from directors of commercial air lines for priority for air transportation covering travel on official business of the air line, such requests will be handled in the same manner as requests received from, or on behalf of, officials and employees of air lines, pursuant to the procedure outlined in Operational Instruction Circular #14, dated 24 November 1943.

2. When directors of air lines require priorities in order to permit attendance at meetings of the Board of Directors of air lines, requests for such air priority should be submitted by the Secretary of the air line (or other appropriate official) to the nearest Regional Air Priorities Control Office.

3. It would appear that normally Class 3 priority would be appropriate for both types of travel mentioned above. However, a higher priority may be granted if information available indicates the urgency justifies such action.

4. When the itinerary of an air line director is known at the time the original request is submitted, priority for the round trip should be issued. Such policy should prevail even though it might be necessary for the director to follow a circuitous routing in proceeding to and returning from directors' meetings.

5. The foregoing supersedes all previous instructions with respect to the handling of requests for air priorities received from directors of air lines.

Laigh C. Parker (s)

LAIGH C. PARKER  
Lt. Colonel, Air Corps  
Deputy Ass't. Chief of Staff  
Priorities and Traffic

U. S. Domestic Air Carriers \*

Earnings for the Year 1942 and Estimated Adjusted Earnings for the Year

Based Upon Mail Rates and Passenger and Express Tariffs in Effect as of May 1, 1944

Airline	Mail Pound Miles	Mail Revenue	Mail Adjustment (1)	Adjusted Mail Revenue (1)	Re- Pas- senger Revenue (2)
American Airlines, Inc.	5,871,577.025	\$ 4,272,853.51	\$ 2,511,380.40	\$ 1,761,473.11	409
Braniff Airways, Inc.	678,837.687	1,153,985.47	950,334.16	203,651.31	45
Chicago & Southern Air Lines, Inc.	309,186.610	611,096.74	518,340.76	92,755.98	23
Colonial Airlines, Inc.	(5) 25,028.723	259,576.20	89,701.20	169,875.00	9
Continental Air Lines, Inc.	(5) 84,458,454	591,169.24	165,794.24	425,375.00	5
Delta Air Corporation	271,191,950	604,274.91	522,917.32	81,357.59	21
Eastern Air Lines, Inc.	3,407,325.246	2,028,927.18	1,006,729.61	1,022,197.57	211
Inland Air Lines, Inc.	(5) 40,501,187	444,426.16	53,205.84	497,632.00	3
Mid-Continent Airlines, Inc.	(5) 153,980,331	787,734.74	139,848.26	927,583.00	9
National Airlines, Inc.	(5) 101,277,031	326,247.36	178,823.36	147,424.00	8
Northeast Airlines, Inc.	(5) 26,261,201	351,143.76	43,652.24	394,796.00	6
Northwest Airlines, Inc.	1,862,203,675	1,879,868.51	1,321,207.41	558,661.10	59
Penn.-Central Airlines Corp.	403,161,347	995,536.63	874,588.23	120,948.40	65
Trans. & Western Air, Inc.	4,979,050,669	3,056,071.93	1,562,356.73	1,493,715.20	202
United Air Lines, Inc.	7,449,403,504	4,107,465.20	1,872,644.15	2,234,821.05	271
Western Air Lines, Inc.	546,196,223	826,813.65	662,894.78	163,918.87	22
	<u>26,209,840,863</u>	<u>\$22,297,191.19</u>	<u>\$12,001,006.01</u>	<u>\$10,296,185.18</u>	<u>1,377</u>

\* All American Aviation, Inc., Catalina Air Transport, and Hawaiian Airlines, Ltd. are not included.

(1) Mail revenues based on effective C.A.B. mail rates as of May 1, 1944 or pending "show cause" orders.

(2) Passenger revenues based on average fare per revenue passenger mile realized for the months of August and September, 1942.

(3) Express revenues based on average revenues per pound mile realized for the months of September, 1942 (revenue per pound mile computed by Railway Express Agency).

(4) Federal income taxes computed at 40% of adjusted operating profit or loss.

(5) Mail revenue estimated on basis of formula without adjustments for variations in mileage or pound miles.

Source of statistics: Annual Airline Statistics - Calendar Years 1938-1942 issued by Economic Bureau, Bureau of Civil Aeronautics, Rates and Audit Division, CAB  
Adjustments computed as noted.

Revenue Passenger Miles	Passenger Revenue	Passenger Adjustment (2)	Adjusted Passenger Revenue (2)	Express Pound Miles	Express Revenue	Express Adjustment (3)
100,652	\$20,780,423.23	\$ 426,530.54	\$21,206,953.77	2,718,534,685	\$ 756,116.08	\$ 99,589.95
989,555	2,120,236.14	225,231.17	2,345,467.31	222,712,706	70,193.72	16,319.52
414,438	1,070,324.45	144,884.88	1,215,209.33	108,048,653	34,318.57	7,911.48
301,734	482,967.17	43,510.97	526,478.14	15,252,577	4,475.06	22.83
937,824	253,143.90	16,433.31	269,577.21	10,429,170	2,870.56	550.07
683,260	953,571.42	111,076.65	1,064,648.07	50,569,978	13,400.98	1,613.12
449,614	11,027,383.49	158,301.09	11,185,684.58	1,260,106,015	377,426.83	62,400.33
154,100	133,768.73	41,599.23	175,367.96	5,571,238	2,004.93	290.42
134,646	412,215.08	37,809.50	449,424.58	20,217,234	7,291.88	1,525.92
984,450	428,053.90	27,457.72	455,511.62	18,882,703	5,630.29	2,208.74
59,671	378,569.04	23,407.68	401,976.72	9,383,825	3,832.67	774.48
559,145	2,526,721.83	396,576.28	2,923,298.11	416,048,017	118,285.09	25,898.36
549,526	3,721,336.90	362,398.57	4,083,735.47	272,523,706	95,516.90	24,197.45
483,452	10,240,662.64	409,966.94	10,650,629.58	1,823,830,627	481,967.64	59,568.47
258,208	13,411,612.25	232,675.61	13,644,287.86	3,247,420,704	848,021.77	61,821.22
292,263	1,055,221.10	109,395.09	1,165,216.19	282,202,215	69,403.80	1,033.87
152,538	\$68,996,211.27	\$2,766,655.23	\$71,763,466.50	10,481,734,053	\$2,891,356.77	\$363,077.65

... of the C.A.B. as of such date.

... August, September, and November 1943.

... October and November 1943 (average

U. S. Domestic Air Carriers \*

Earnings for the Year 1941 and Estimated Adjusted Earnings for the Year

Based Upon Mail Rates and Passenger and Express Tariffs in Effect as of May 1, 1941

	Adjusted Express Revenue (3)	Operating Profit or Loss	Total Adjustments	Adjusted Operating Profit or Loss	Federal Income Taxes (4)	Adjusted Oper. Profit or Loss Less Federal Income Taxes (4)
American	\$ 656,526.13	\$3,823,605.31	\$2,184,439.81	\$1,639,165.50	\$ 655,666.20	\$ 983,499.30
Braniff	53,874.20	75,862.18	741,422.51	817,284.69	-	817,284.69
Chicago	26,407.09	38,002.10	381,367.36	343,365.26	-	343,365.26
Colonial	4,452.23	74,825.72	46,213.06	28,612.66	11,445.06	17,167.60
Continental	2,320.49	48,803.12	149,911.00	198,714.12	-	198,714.12
Delta Air	11,787.86	98,446.09	413,453.79	315,007.70	-	315,007.70
Eastern	315,026.50	2,491,407.79	910,828.85	1,580,578.94	632,231.58	948,347.36
Inland Air	2,295.35	7,737.49	95,095.49	87,358.00	34,943.20	52,414.80
Mid-Cont.	5,765.96	179,190.53	175,531.84	3,658.69	-	3,658.69
National	3,421.55	19,047.06	153,574.38	134,527.32	-	134,527.32
Northeast	3,058.19	95,029.46	66,285.44	28,744.02	-	28,744.02
Northwest	92,986.73	448,028.62	950,529.49	502,500.87	-	502,500.87
Penn.-Cal.	71,319.45	261,403.75	536,387.11	274,983.36	-	274,983.36
Trans. &	422,399.17	548,681.56	1,211,958.26	1,760,639.82	-	1,760,639.82
United Air	786,200.55	1,022,820.04	1,701,789.76	678,969.72	-	678,969.72
Western	70,437.67	28,995.49	552,465.82	581,461.31	-	581,461.31
	<u>\$2,528,279.12</u>	<u>\$7,293,286.65</u>	<u>\$9,597,428.43</u>	<u>\$2,304,141.78</u>	<u>\$1,334,286.04</u>	<u>\$3,638,427.82</u>

\* All

(1) Mail

(2) Pass

(3) Expr  
reve

(4) Fede

(5) Mail

Source o