

American Airlines, Inc.  
Agenda for Directors' Meeting  
October 20, 1944

- ✓ 1. Reading of the minutes of the Directors' meeting of August 16, 1944 (see pages 1 and 2).
- ✓ 2. Presentation of financial statements of the corporation as of August 31, 1944.
- ✓ 3. Purchase of Government bonds:
  - (a) U. S. -- Sixth War Loan — 5000000 Buy
  - (b) Canadian -- Seventh Victory Loan — 21186000
- ✓ 4. Capital authorizations: 50000=
  - (a) Request for approval of authorizations authorized by the management since the last meeting
  - (b) Approval of capital expenditures approved by Executive Committee
- ✓ 5. Ratification of action of officers of the corporation in signing agreements with the Douglas Aircraft Company for the purchase of aircraft and Escrow Agreements provided for therein with the Douglas Company and the Security First National Bank of Los Angeles.
- ✓ 6. Request for authority to purchase and make alterations to the Casey Jones building near LaGuardia Field.
- ✓ 7. Report on passenger, mail and express traffic - September 1944 (see page 3).
- ✓ 8. Report on status of war contracts (see page 4).
- ✓ 9. Resolutions of sympathy.
10. Employment of Edward Seay as Counselor of Veteran Affairs.
- ✓ 11. Contributions:
  - (a) National War Fund (last year \$250,000) — E
  - (b) Harvard Business School and Aeronautical Radio, Inc. — X+
- ✓ 12. Report on recent proceedings before the Civil Aeronautics Board.
- ✓ 13. Lease negotiations:
  - (a) Report on lease negotiation at Kenton County Airport, Cincinnati
  - (b) Request for approval of Los Angeles lease
- ✓ 14. Request for authority to sign checks.
15. Consideration of capital requirements and approval of Executive Committee minutes (see pages 5 to 9).

Summary of the Minutes of the Regular Meeting  
of the Board of Directors of American Airlines, Inc.  
Held August 16, 1944

There were present at the meeting: Directors Ames, Benedict, Bruce, Damon, Evans, Farley, Hovoy, Kemp, McLucas, Mosier, Queeny and Rheinstrom.

1. The minutes of the previous meeting, held on July 19, 1944, were approved.
2. The Treasurer presented financial statements prepared as of June 30, 1944.
3. The Directors approved capital expenditures authorized by the management amounting to \$77,283.47.
4. The Chairman presented the management's recommendations for expenditure of up to \$33,000,000 for new flight equipment. The Directors discussed the matter in detail, including anticipated public demand, the economic characteristics and availability of aircraft of various manufacturers, the safety characteristics of such aircraft, competitive considerations and public requirements, the anticipated capital requirements for other purposes, and the ability of the corporation to obtain necessary credit or to obtain additional equity capital.

The Directors authorized the purchase of up to 30 Douglas DC-4 and 30 Douglas DC-6 type aircraft complete with engines and propellers at not to exceed \$450,000 and \$550,000 respectively per airplane. The purchase of spare engines, propellers or other equipment for DC-4 and DC-6 type aircraft up to the amount of \$3,000,000 was also authorized.

5. Mr. Rheinstrom submitted the customary report on passenger, mail and express traffic, covering the month of July and the first seven months of 1944 and 1943. In this connection, he reported that the management is working on a plan to carry air freight, the details of which will be presented when they are complete.
6. Mr. Rulison presented the confidential monthly report, showing the amount of charges applicable to war contracts and the amount of such charges reimbursed to the corporation.
7. The regular quarterly dividend was declared on the 4 $\frac{1}{4}$  preferred stock, payable October 16, 1944, to stockholders of record as of October 4, 1944.

8. The Chairman reported that hearings on the application for control of American Export Airlines, Inc., had been held before an Examiner of the Civil Aeronautics Board on July 24-26, 1944. The Secretary explained the status of other pending proceedings before the Board.
9. The Chairman reported he believed it unlikely that a decision of the CAB in the proceeding involving this corporation's application for control of American Export Airlines would be forthcoming prior to the public hearings set for October 16, 1944 on applications for air service over the North Atlantic. Consequently, the management plans to protect to the utmost its own application across the North Atlantic and has so informed the management of American Export Airlines.

The Chairman referred to the four transatlantic routes included in the tentative international route pattern announced by the Board on June 15, 1944, stating that the management, although not desiring to amend this corporation's North Atlantic application to request any of the identical CAB routes, believed it desirable to amend its application so as to permit the Board to lawfully grant this corporation any extension beyond London and/or Paris which the Board might find to be required in the public convenience or the national interest. The Directors authorized amendment of the corporation's pending application to conform to the Chairman's recommendations.

10. The matter of contributions to the National War Fund and the American Red Cross was deferred for consideration at a later meeting.
11. The meeting was resolved into Executive Session, Mr. Hale acting as Temporary Secretary.

Mr. Terrell C. Drinkwater was elected a Vice President of the corporation effective September 1, 1944.

The Chairman reported the employment, as of August 16, 1944, of Mr. Thomas J. Deegan as Director of Public Information.

Certain salary adjustments, recommended by the Chairman, were approved.

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

	September 1944	September 1943	% Increase or Decrease	9 Months 1944	9 Months 1943	% Increase or Decrease
<b>Passengers</b>						
Rev. Miles Flown with Psgrs.	3,112,468	2,193,119	41.9%	23,061,768	19,438,845	18.6%
Rev. Miles Flown Total	3,298,171	2,310,189	42.8	24,400,829	19,661,006	24.1
Revenue Passengers Carried	89,596	70,579	26.9	666,595	598,984	11.3
Revenue Passenger Miles	56,716,001	38,531,882	47.2	406,560,217	327,309,307	24.2
Seat Miles Flown	61,813,854	41,951,454	47.3	450,331,032	372,511,689	20.9
Average Haul Per Passenger	633	546	-	610	546	-
% Priority Passengers Boarding	39.9%	46.0%	-	25.9%	36.4%	-

Revenue Passengers Carried	
October 1-10, 1944 - 29,062	
October 1-10, 1943 - 22,906	

<u>Mail</u>	
Tons Carried	1,485
Ton Miles Flown	954,684

<u>Express</u>	
Tons Carried	1,053
Ton Miles Flown	468,294

	14.4	12,217	9,420	29.7
	17.3	7,896,827	5,810,514	35.9
	4.6	8,177	7,672	6.6
	2.4	3,766,096	3,606,348	4.4

CONFIDENTIAL

AMERICAN AIRLINES, INC.

Statement of Charges Applicable to War Contracts for the period ended  
December 31, 1943, for eight months ended August 31, 1944 and the  
Total Charges to August 31, 1944

<u>Description of Contract</u>	<u>Charges To Dec. 31, 1943</u>	<u>Charges For Eight Months Ended August 31, 1944</u>	<u>Total Charges To August 31, 1944</u>
Cargo Contract	\$14,447,091.83	\$6,483,579.04	\$20,930,670.87 ✓
Modification of B-24 Airplanes	483,125.28	853.84	483,979.12
Fort Worth Naval Training School	1,354,146.02	551,136.20	1,905,282.22 ✓
Install Experimental Equipment on Air- planes Loaned to General Electric Company by Army and Conduct Certain Tests of Such Installations.	445,715.56	68,711.83	514,427.39
Navy Ferry Advisory and Communication Service.	395.40	61,058.62	61,454.02
Operation of Sikorsky S-43 and Douglas Dolphin Aircraft	37,659.58	9,037.44	46,697.02
Other Completed War Contracts	64,604.62	236.45	64,841.07
	<u>\$16,832,738.29</u>	<u>\$7,174,613.42</u>	<u>\$24,007,351.71</u>

NOTE:

Of the above charges applicable to War Contracts, the Corporation has been reimbursed to October 18, 1944 in the amount of: \$19,967,935.39.

In addition we have on hand as of October 18, 1944, \$1,618,811.00 representing advance payments under the Cargo Contract to be applied on unreimbursed charges.

MINUTES OF A SPECIAL MEETING  
OF THE EXECUTIVE COMMITTEE  
OF AMERICAN AIRLINES, INC.

A special meeting of the Executive Committee of American Airlines, Inc., a Delaware corporation, was held in the offices of the corporation, 17th floor of the Pershing Square Building, 100 East 42nd Street, New York, New York, on Friday, October 6, 1944, at 10 o'clock A.M., Eastern War Time. All of the members of the Executive Committee, as follows, were present at the meeting:

Walter S. McLucas, Chairman  
Harry E. Benedict  
James Bruce  
Amon G. Carter  
Ralph S. Damon  
Chandler Hovey  
A. N. Kemp

Mr. C. W. Jacob, Secretary of the corporation, acted as Secretary of the meeting.

Waiver of notice of meeting, duly signed by each member of the Executive Committee, is attached to and made a part of these minutes.

1. Mr. Damon submitted and explained a list of proposed capital expenditures as follows:

<u>Description</u>	<u>Amount</u>
Additional authorization required for the repurchase from the Army and the conversion and overhaul of 24 Douglas Aircraft	
Total amount necessary to complete the repurchase of 24 airplanes per summary	\$2,571,813.79
Less: Amount authorized by the Board of Directors on April 20, 1944 or subsequently thereto	<u>1,806,663.40</u>
	\$ 765,150.39
Purchase from Army and the conversion and overhaul of 28 type C-53 Douglas Aircraft	3,332,000.00
Spare engines, accessories, parts, special tools and equipment necessary to perform standard overhauls and Line Maintenance servicing of Pratt and Whitney type 1830C engines	270,685.48
Purchase of Very High Frequency receiving equipment for installation in 76 DC-3 type aircraft and complete sets of transmitting, receiving and radio navigational equipment for the 77th to 100 DC-3 type aircraft	159,998.80
Installation of Oil and hydraulic line Firewall shut-off valves and necessary control systems in 100 DC-3 type airplanes plus 15% spare parts	<u>29,893.00</u>
TOTAL	<u><u>\$4,557,727.67</u></u>

Mr. Damon explained that the proposed capital expenditures would bring the commercial fleet up to a total of 100 DC-3 airplanes and said it was the recommendation of the management that the proposal be approved. He recalled that the corporation had a maximum prewar fleet of 85 Douglas aircraft which had been reduced to a wartime minimum of 43 airplanes.

Mr. Damon also recalled that the Board of Directors had approved on April 20, 1944, contingent capital expenditures of \$1,795,815 for the repurchase and reconditioning of aircraft and on June 21, 1944 and July 19, 1944, additional amounts of \$2,772.00 and \$8,076.40 respectively for radio equipment for such aircraft, so that a total of \$1,806,663.40 which had been previously authorized by the directors was deducted from the total of the amount proposed for approval.

Mr. Damon said the United States Government is now in process of allocating to the airlines for use in commercial operations a number of DC-3 type aircraft, including some which had at one time been purchased by the Government from the airlines and others originally manufactured for the United States Army. The basis under which the corporation is now permitted to purchase such aircraft was explained. Mr. Damon discussed the cost of overhaul of the aircraft to be purchased and of converting them from military to commercial types.

After full and complete discussion, including consideration of the current earning power and resale value of DC-3 type aircraft, the demand for air travel which substantially exceeds capacity of the present fleet and the anticipated future demand, and upon motion duly made, seconded and unanimously carried, all of the aforesaid capital expenditures totaling \$4,557,727.67 were approved.

2. The Chairman then brought up for consideration and requested Mr. Kemp to lead a discussion on the amount of contemplated future capital expenditures, the sources of funds applicable thereto, and the possible desirability of rearranging the capital structure to help meet the capital needs. A copy of Mr. Kemp's memorandum of September 11, 1944, which had previously been sent to the members of the Committee, stating the estimated amount of capital expenditures and of cash resources available for capital expenditures up to June 30, 1947, and recommending alternate courses of action, was placed before each person present. There was added a supplemental statement of estimated cash resources available for capital expenditures revised to October 3, 1944, marked Exhibit 3B. Copies of both memoranda are attached hereto.

At the President's request, Mr. Jacob presented and explained the estimate of earnings and expense for the years 1945, 1946 and 1947 which had been used in the calculation of estimated cash resources.

Mr. Kemp pointed out that, in addition to the \$65,940,000 needed for capital, an additional \$5,500,000 would be needed for increased working capital, making a total of approximately \$71,500,000. To meet this the company already has excess cash funds on hand amounting to \$10,000,000, and it was estimated that earnings and depreciation reserves would provide \$24,500,000 and a bank credit (net), \$20,500,000, leaving to be provided from some other source \$16,500,000 (presumably equity financing).

Mr. Kemp said it was his opinion that the problem before the Executive Committee was how to rearrange the capital structure so that capital might be obtained when needed. He stated it was not necessary at this time to make definite arrangements for the obtaining of such capital or to determine the date it should be obtained or what type of stock should be issued.

The estimates of future requirements and of earnings were then discussed in detail.

The meeting was adjourned for luncheon at 12:45 P.M. and was reconvened at 2:15 P.M.

After further discussion it was decided that the capital structure should be revised from the present:

	<u>Par Value</u>	<u>Authorized</u>	<u>Outstanding</u>
Preferred Stock	None	100,000 shares	50,000 shares
Common Stock	\$10	1,000,000 "	574,848 "
Reserved for Conversion of Preferred			71,429 "

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To:

Preferred	None	50,000 "	50,000 "
"A" Preferred	\$100	200,000 "	None
Common	\$5	2,400,000 "	1,149,696 "
"B" Common	\$5	100,000 "	None
Reserved for Conversion of Preferred			142,858 "

It will be noted:

- (a) This reduces the authorized present preferred stock to 50,000 shares which, after January 1, 1945, will be callable at \$106 and is convertible into common at \$70.
- (b) 200,000 shares of preferred stock will be created, of which none will be immediately outstanding,
- (c) 2,400,000 shares of common will be provided of half the par value of the present stock, thereby permitting an exchange of present outstanding common for twice the number of shares of the new common.
- (d) A new issue of 100,000 shares of stock will be made available for management and key personnel.

Thereupon, on motion duly made, seconded and unanimously carried,

it was

RESOLVED that this Committee recommend to the Board of Directors of American Airlines, Inc. that a special meeting of the shareholders of the corporation be called for the purpose of voting on proposals for the amendment of the Certificate of Incorporation to provide for the adjustment of its capital structure as outlined above.

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

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C. W. Jacob, Secretary

APPROVED:

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Walter S. McLucas,  
Chairman of the Meeting