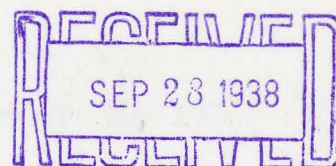


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September 21, 1938



Mr. C. R. Smith, President
American Airlines, Inc.
4848 West 63rd Street
Chicago, Illinois

Dear Mr. Smith:

I am writing in reply to your letter of September 12, in which you state that in the minds of some of your directors a question has arisen as to the propriety and advisability of retaining as General Counsel of American Airlines, Inc. the same law firm which now represents The Aviation Corporation in a similar capacity. It is my understanding that this question has come up not because of any criticism of the service rendered or of the general qualifications of our firm to serve your company in a legal capacity, but solely because The Aviation Corporation is the holder of substantial amounts of the convertible debentures of American Airlines, Inc., which debentures if converted would give The Aviation Corporation what might be considered factual control of the outstanding capital stock of your company.

Since some of your directors have brought up this question, I am very glad indeed that you have decided to lay it upon the table for discussion at the next meeting of your directors, to be held on October 4, and assume that prior to the meeting it would be in order for me to give you in this letter my own views on the subjects referred to.

In the first place, I would like to make it entirely clear that if I believed there were the slightest conflict of interest between our representation of The Aviation Corporation and the Airlines, I would be the first to direct attention to this conflict of interest and to eliminate the same, either by giving up one or the other retainer if such conflict of interest seemed general and continuous, or in the case of any local or incidental conflict, by suggesting that as to such particular subjects the directors of both corporations receive independent legal counsel and advice. It is, however, needless for me to say that in my opinion as between The Aviation Corporation and American Airlines, Inc., such conflict of interest does not presently exist. Both as a creditor and perhaps as a potential stockholder of American Airlines, Inc., The Aviation Corporation has every reason to look forward to the success and prosperity of the Airlines, and no conceivable reason to seek its injury or destruction. I am Counsel for, and also a stockholder of both companies and, in fact, personally have a much larger investment in American Airlines, Inc. than in The Aviation Corporation, but can assure you that our advice to the officers and

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directors of the Airlines is not influenced or modified in any way by personal interests or by the fact that we also represent The Aviation Corporation, and that in representing your company we have, and shall always retain, the same fair attitude and no objective except to serve the interests of your company to the fullest extent of our ability.

Being in almost daily contact with some of the members of our legal staff, you are intimately familiar with the work which we do, covering a very wide range of specialized work in the field of air law and air legislation and, as you know, there are two members of our staff almost continuously engaged in this work which affects American Airlines, Inc. alone and does not in any way concern The Aviation Corporation. This kind of specialized work has been handled by my firm for your company and its predecessor for over six years last past. As a result of this, our organization has acquired outstanding experience with air law and air legislation, as well as a general knowledge of your business which is important to us in our work for your company and is of great value to American Airlines, Inc. I know of no place where this experience can be duplicated.

I would not wish to close this letter, however, without pointing out that while there now exists in our legal relationships no conflict of interest between The Aviation Corporation and the Airlines, there is one possibility that such conflict of interest might some day develop, if, for example, American Airlines, Inc. were compelled to default in the payment of its obligations to The Aviation Corporation and the latter corporation then sought to collect and enforce such obligations. Such a contingency seems extremely remote and most unlikely to develop, but if same did occur, my firm, on account of our relationship to both companies, would act directly for neither, but insist that each company have the advice of independent counsel, while retaining for ourselves a neutral position in which we might be able to harmonize any difference of opinion.

I know of no other conflict of interest which might arise, but if same in the opinion of your directors should arise at any future time, I assure you that they are always at liberty to secure the advice of independent counsel with whom I would be glad to cooperate. If at any time you feel that you could best be represented in Washington or elsewhere in respect to particular problems by other counsel, I am sure you know me well enough to know that there would not be the slightest objection on my part. Frankly speaking, however, I do not wish to see my firm lose the American Airlines business. Like you, we have to some extent pioneered in this work. It is fascinating and interesting, and we are just as proud of our small part in the upbuilding of American Airlines, Inc. as you are of the conspicuous business success which the company has achieved under your management. We have, as I have

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stated, tried to build an organization to serve your needs, and believe we have done so successfully. It would be something of an undeserved hardship to some of our personnel if this organization were allowed to disintegrate now. As you know, the legal work of American Airlines, Inc. has not up to this time been highly remunerative to my firm, and I know you realize that the contrary has been the case, but, like others who have served American Airlines in the pioneer stage of its development, we have been interested not so much in what could be gotten out of the company now as in the opportunity to participate in what we felt to be its assured future growth and development. If we were to lose the business now, while frankly it would not cause us any great monetary loss, it would be a blow to our prestige and pride after so many years of association and pioneering work in connection with the company. As you know from a recent conversation I had with you, if you should decide to move your offices elsewhere, we are entirely prepared to establish an office in the new location so that we can continue to serve you to best advantage.

With your permission, I would be glad to send copies of this letter to the directors of your company prior to the next meeting. I am leaving tonight for California, but should you wish to get in touch with me, a message to my secretary will immediately reach me.

Sincerely yours,

(Signed) R. S. Pruitt

RSP-TR