

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [Fee Required]  
For fiscal year ended December 31, 1995.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

Commission file number 1-8400.

AMR CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

75-1825172

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

4333 Amon Carter Blvd.  
Fort Worth, Texas

76155

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (817) 963-1234

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of exchange on which registered

Common stock, \$1 par value per share	New York Stock Exchange
5-1/4% Subordinated Debentures due 1998	New York Stock Exchange
6-1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024	New York Stock Exchange
6-1/4% Subordinated Debentures due 1996	New York Stock Exchange
8.10% Notes due 1998	New York Stock Exchange
9.00% Debentures due 2016	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 18, 1996, was approximately \$6,985,304,690. As of March 18, 1996, 76,761,590 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the Proxy Statement for the Annual Meeting of Stockholders to be held May 15, 1996.

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ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc. (American), was founded in 1934. For financial reporting purposes, AMR's operations fall within three major lines of business: the Airline Group, The SABRE Group and the Management Services Group.

## AIRLINE GROUP

The Airline Group consists primarily of American's Passenger and Cargo divisions, as well as AMR Eagle, Inc. and AMR Leasing Corporation, which are subsidiaries of AMR.

AMERICAN'S PASSENGER DIVISION is one of the largest scheduled passenger airlines in the world. At the end of 1995, American provided scheduled jet service to more than 160 destinations, primarily throughout North America, the Caribbean, Latin America, Europe and the Pacific.

AMERICAN'S CARGO DIVISION is one of the largest scheduled air freight carriers in the world. The Cargo Division provides a full range of freight and mail services to shippers throughout the airline's system. In addition, through cooperative agreements with other carriers, it has the ability to transport shipments to virtually any country in the world.

AMR EAGLE, INC. owns the four regional airlines which operate as "American Eagle" -- Flagship Airlines, Inc., Simmons Airlines, Inc., Executive Airlines, Inc. and Wings West Airlines, Inc. The American Eagle carriers provide connecting turboprop service from seven of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

AMR LEASING CORPORATION is a financing subsidiary which leases regional aircraft to subsidiaries of AMR Eagle.

## THE SABRE GROUP

AMR formed The SABRE Group in 1993 to capitalize on the synergies of combining its information technology businesses under common management. The SABRE Group consists primarily of four business units -- SABRE Travel Information Network (STIN), SABRE Computer Services (SCS), SABRE Decision Technologies (SDT) and SABRE Interactive.

STIN markets SABRE -- one of the largest privately owned, real-time computer systems in the world -- which provides travel distribution and information services to nearly 30,000 travel agencies in 74 countries on six continents.

SCS manages and maintains AMR's technology infrastructure. This includes the planning, installation and operation of AMR's data centers, as well as technology and architectural planning for AMR units and for external customers. SCS also provides voice and data communication services to AMR, but is currently in negotiations with a third party to outsource this function.

SDT provides decision support systems, application software packages, systems development and consulting services to other AMR units and to external companies in the transportation, travel and other industries worldwide.

SABRE INTERACTIVE is a distribution strategy division formed by The SABRE Group in 1995 to develop opportunities for consumer-direct travel distribution via personal computer, CD-ROM, interactive television, cable television and other media.

## MANAGEMENT SERVICES GROUP

The Management Services Group consists of four AMR subsidiaries -- AMR Services Corporation, Americas Ground Services, Inc. (AGS), AMR Investment Services, Inc. and Airline Management Services, Inc. (AMS).

AMR SERVICES CORPORATION has six operating divisions: Airline Services, AMR Combs, AMR Distribution Systems, TeleService Resources (TSR), Data Management Services (DMS) and AMR Training Group. The Airline Services division's main lines of business include airline passenger, ramp and cargo handling, cabin service and an array of other air transportation-related services for carriers around the world. AMR Combs is a premier corporate aviation services network of 13 facilities in major business centers in the United States and Mexico. It also is involved in a number of other related businesses, including parts and aircraft sales and operation of one of the world's largest executive charter services. AMR Distribution Systems serves the logistics marketplace and specializes in contract warehousing, trucking and multi-modal freight forwarding services. TSR provides comprehensive telemarketing and reservation services for a wide range of clients. DMS provides data capture and document management services to American and to companies in the insurance, financial services and transportation industries. AMR Training Group provides a wide variety of training services and operates the American Airlines Training & Conference Center, which hosts a multitude of AMR training activities, and markets its capabilities to other companies.

AGS provides airline ground and cabin service handling at 11 locations in eight countries in the Caribbean and Central and South America.

AMR INVESTMENT SERVICES, INC. serves as an investment advisor to AMR and other institutional investors. It also manages the American AAdvantage Funds, which have both institutional shareholders, including pension funds and bank and trust companies, and individual shareholders. As of December 31, 1995, AMR Investment Services was responsible for management of approximately \$13.7 billion in assets, including direct management of approximately \$4.5 billion in short-term investments.

AMS was formed in 1994 to manage the Company's service contracts with other airlines such as the agreement to provide a variety of management, technical and administrative services to Canadian Airlines International, Ltd. which the Company signed in 1994.

Additional information regarding business segments is included in Management's Discussion and Analysis on pages 15 through 27 and in Note 14 to the consolidated financial statements.

## ROUTES AND COMPETITION

AIR TRANSPORTATION Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates four hubs: Dallas/Fort Worth, Chicago O'Hare, Miami, and San Juan, Puerto Rico. In 1995, American implemented schedule reductions which ended the airline's hub operations at Raleigh/Durham and Nashville. Delta Air Lines and United Airlines have hub operations at American's Dallas/Fort Worth and Chicago O'Hare hubs, respectively.

The American Eagle carriers increase the number of markets the Airline Group serves by providing connections to American at its hubs and certain other major airports. The American Eagle carriers -- Simmons Airlines, Inc., Flagship Airlines, Inc., Wings West Airlines, Inc. and Executive Airlines, Inc. -- serve smaller markets through Dallas/Fort Worth, Chicago, Miami, Nashville, San Juan, Los Angeles and New York John F. Kennedy International Airport. American's competitors also own or have marketing agreements with regional carriers which provide service at their major hubs.

In addition to its extensive domestic service, American provides service to and from cities in various other countries, across the Atlantic and Pacific, and between the U.S. and the Caribbean, and Central and South America. American's operating revenues from foreign operations were approximately \$4.7 billion in 1995, \$4.3 billion in 1994 and \$3.9 billion in 1993. Additional information about the Company's foreign operations is included in Note 13 to the consolidated financial statements.

Service over almost all of the Airline Group's routes is highly competitive. Currently, any carrier deemed fit by the U.S. Department of Transportation (DOT) is free to operate scheduled passenger service between any two points within the U.S. and its possessions. On most of its non-stop routes, the Airline Group competes with at least one, and usually more than one, major domestic airline including: America West Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, Southwest Airlines, Trans World Airlines, United Airlines, and USAir. Competition is even greater between cities that require a connection, for example, Portland, Oregon to Tampa, Florida, where eight airlines compete via the respective hubs of each carrier. The Airline Group also competes with national, regional, all-cargo, and charter carriers and, particularly on shorter segments, ground transportation.

On all of its routes, pricing decisions are affected by competition from other airlines, some of which have cost structures significantly lower than American's and can therefore operate profitably at lower fare levels. Approximately 40 percent of American's bookings are impacted by competition from lower-cost carriers. American and its principal competitors use inventory management systems that permit them to vary the number of discount seats offered on each flight in an effort to maximize revenues, yet still be price competitive with lower-cost carriers.

Competition in many international markets is subject to extensive government regulation. In these markets, American competes with foreign-investor owned carriers, state-owned airlines and U.S. carriers that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations. American's operating authority in these markets is subject to aviation agreements between the U.S. and the respective countries, and in some cases, fares and schedules require the approval of the DOT and the relevant foreign governments. Because international air transportation is governed by bilateral or other agreements between the U.S. and the foreign country or countries involved, changes in U.S. or foreign government aviation policy could result in the alteration or termination of such agreements, diminish the value of such route authorities, or otherwise affect American's international operations. Bilateral agreements between the U.S. and various foreign countries served by American are subject to frequent renegotiation.

The major domestic carriers have some advantage over foreign competitors in their ability to generate traffic from their extensive domestic route systems. In many cases, however, U.S. carriers are limited in their rights to carry passengers beyond designated gateway cities in foreign countries. Some of American's foreign competitors are owned and subsidized by foreign governments. To improve their access to each others' markets, various U.S. and foreign carriers -- including American -- have made substantial equity investments in, or established marketing relationships with, other carriers. American has well-developed code sharing programs with Canadian Airlines International, Qantas Airways, Singapore Airlines, South African Airways, Gulf Air, and British Midland. In the coming years, the Company expects to develop these programs further and to evaluate new alliances with other international carriers.

The Airline Group believes that it has several advantages relative to its competition. Its fleet is young, efficient and quiet. It has a comprehensive domestic and international route structure, anchored by efficient hubs, which permit it to take full advantage of whatever traffic growth occurs. The Company believes American's AAdvantage frequent flyer program, which is the largest program in the industry, and its superior service also give it a competitive advantage.

**COMPUTER RESERVATION SYSTEMS** The complexity of the various schedules and fares offered by air carriers has fostered the development of electronic distribution systems. Travel agents and other subscribers access travel information and book airline, hotel and car rental reservations and issue airline tickets using these systems. American developed the SABRE computer reservation system (CRS), which is one of the largest CRSs in the world. Competition among the CRS vendors is strong. Services similar to those offered through SABRE are offered by several air carriers and other companies in the United States and abroad.

The SABRE CRS has several advantages relative to its competition. SABRE ranks first in market share among travel agents in the U.S. The SABRE CRS is furthering its expansion into international markets and continues to be in the forefront of technological innovation in the CRS industry.

#### REGULATION

**GENERAL** The Airline Deregulation Act of 1978 (Act) and various other statutes amending the Act eliminated most domestic economic regulation of passenger and freight transportation. However, the DOT and the Federal Aviation Administration (FAA) still exercise certain regulatory authority over air carriers under the Federal Aviation Act of 1958, as amended. The DOT maintains jurisdiction over international route authorities and certain consumer protection matters, such as advertising, denied boarding compensation, baggage liability, and computer reservations systems. The DOT issued certain rules governing the CRS industry which became effective on December 7, 1992, and expire on December 31, 1997.

The FAA regulates flying operations generally, including establishing personnel, aircraft and security standards. In addition, the FAA has implemented a number of requirements that the Airline Group is incorporating into its maintenance program. These matters relate to, among other things, inspection and maintenance of aging aircraft, corrosion control, collision avoidance and windshear detection. Based on its current implementation schedule, the Airline Group expects to be in compliance with the applicable requirements within the required time periods.

The U.S. Department of Justice has jurisdiction over airline antitrust matters. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services. Labor relations in the air transportation industry are regulated under the Railway Labor Act, which vests in the National Mediation Board certain regulatory powers with respect to disputes between airlines and labor unions arising under collective bargaining agreements.

**FARES** Airlines are permitted to establish their own domestic fares without governmental regulation, and the industry is characterized by substantial price competition. The DOT maintains authority over international fares, rates and charges. International fares and rates are also subject to the jurisdiction of the governments of the foreign countries which American serves. While air carriers are required to file and adhere to international fare and rate tariffs, many international markets are characterized by substantial commissions, overrides, and discounts to travel agents, brokers and wholesalers.

Fare discounting by competitors has historically had a negative effect on the Airline Group's financial results because the Airline Group is generally required to match competitors' fares to maintain passenger traffic. During recent years, a number of new low-cost airlines have entered the domestic market and several major airlines have begun to implement efforts to lower their cost structures. Further fare reductions, domestic and international, may occur in the future. If fare reductions are not offset by increases in passenger traffic or changes in the mix of traffic that improves yields, the Airline Group's operating results will be negatively impacted.

**AIRPORT ACCESS** In 1968, the FAA issued a rule designating New York John F. Kennedy, New York LaGuardia, Washington National, Chicago O'Hare and Newark airports as high density traffic airports. Newark was subsequently removed from the high density airport classification. The rule adopted hourly take-off and landing slot allocations for each of these airports. Currently, the FAA permits the purchasing, selling, leasing and trading of these slots by airlines and others, subject to certain restrictions. Certain foreign airports, including London Heathrow, a major European destination for American, also have slot allocations.

The Airline Group currently has sufficient slot authorizations to operate its existing flights and has generally been able to obtain slots to expand its operations and change its schedules. There is no assurance, however, that the Airline Group will be able to obtain slots for these purposes in the future, because, among other factors, slot allocations are subject to changes in government policies.

**ENVIRONMENTAL MATTERS** The Company is subject to various laws and government regulations concerning environmental matters and employee safety and health in the U.S. and other countries. U.S. federal laws that have a particular impact on the Company include the Airport Noise and Capacity Act of 1990 (ANCA), the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or the Superfund Act). The Company is also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency (EPA), OSHA, and other federal agencies have been authorized to promulgate regulations that have an impact on the Company's operations. In addition to these federal activities, various states have been delegated certain authorities under the aforementioned federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to federal requirements. As a part of its continuing safety, health and environmental program, the Company has maintained compliance with such requirements without any material adverse effect on its business.

For purposes of noise standards, jet aircraft are rated by categories or "stages." The ANCA requires the phase-out by December 31, 1999, of Stage II aircraft operations, subject to certain exceptions. Under final regulations issued by the FAA in 1991, air carriers are required to reduce, by modification or retirement, the number of Stage II aircraft in their fleets 25 percent by December 31, 1994; 50 percent by December 31, 1996; 75 percent by December 31, 1998, and 100 percent by December 31, 1999. Alternatively, a carrier may satisfy the regulations by operating a fleet that is at least 55 percent, 65 percent, 75 percent, and 100 percent Stage III by the dates set forth in the preceding sentence, respectively. At December 31, 1995, approximately 89 percent of American's active fleet was Stage III, the quietest and most fuel efficient rating category.

The ANCA recognizes the rights of airport operators with noise problems to implement local noise abatement programs so long as they do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. Authorities in several cities have promulgated aircraft noise reduction programs, including the imposition of night-time curfews. The ANCA generally requires FAA approval of local noise restrictions on Stage III aircraft first effective after October 1990, and establishes a regulatory notice and review process for local restrictions on Stage II aircraft first proposed after October 1990. While American has had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, American's operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

American has been identified by the EPA as a potentially responsible party (PRP) with respect to the following Superfund Sites: Operating Industries, Inc., California; Cannons, New Hampshire; Byron Barrel and Drum, New York; Palmer PSC, Massachusetts; Frontier Chemical, New York and Duffy Brothers, Massachusetts. American has settled the Cannons, Byron Barrel and Drum, Palmer PSC and Frontier Chemical matters, and all that remains to complete these matters are administrative tasks. American has signed a partial consent decree with respect to Operating Industries, Inc. With respect to the Operating Industries, Inc., Palmer PSC, Frontier Chemical and Duffy Brothers sites, American is one of several PRPs named at each site. American's alleged waste disposal volumes are minor compared to the other PRPs.

American, along with most other tenants at Boston Logan International Airport, has been notified under the Massachusetts State Superfund statute of a claim for contribution by the Massachusetts Port Authority

(Massport). Massport has claimed that American is responsible for past and future remediation costs at the airport. American is vigorously defending against Massport's claim.

American, along with most other tenants at the San Francisco International Airport, has been ordered by the California Regional Water Quality Control Board to engage in various studies of potential environmental contamination at the airport and to undertake remedial measures, if necessary.

The Miami International Airport Authority is currently remediating various environmental conditions at the Miami International Airport (Airport) and funding the remediation costs through landing fee revenues. Some of the costs of the remediation effort may be borne by carriers currently operating at the Airport, including American, through increased landing fees since certain of the potentially responsible parties are no longer in business. The future increase in landing fees may be material but cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision.

AMR Combs Memphis, an AMR Services subsidiary, has been named a PRP at an EPA Superfund Site in West Memphis, Arkansas. AMR Combs Memphis' alleged involvement in the site is minor relative to the other PRPs.

Flagship Airlines, Inc., an AMR Eagle subsidiary, has been notified of its potential liability under New York law at an inactive hazardous waste site in Poughkeepsie, New York.

AMR does not expect these matters, individually or collectively, to have a significant impact on its financial position or liquidity.

#### LABOR

The airline business is labor intensive. Approximately 81 percent of AMR's employees work in the Airline Group. Wages, salaries and benefits represented approximately 36 percent of AMR's consolidated operating expenses for the year ended December 31, 1995. To improve its competitive position, American has undertaken various steps to reduce its unit labor costs, including workforce reductions.

The majority of American's employees are represented by labor unions and covered by collective bargaining agreements. American's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among American and these organizations do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party before the contract becomes amendable. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board (NMB) to appoint a federal mediator. If no agreement is reached in mediation, the NMB may determine, at any time, that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected, a 30-day "cooling-off" period commences, following which the labor organization may strike and the airline may resort to "self-help," including the imposition of its proposed amendments and the hiring of replacement workers.

In October 1995, a panel of arbitrators issued a binding arbitration award that resolved the remaining open issues in the labor contract between American and the Association of Professional Flight Attendants (APFA). The arbitration award included a one-time early retirement program, for which AMR recorded a charge in the fourth quarter. American's collective bargaining agreement with the APFA becomes amendable on November 1, 1998.

In 1995, American reached agreements with the members of the Transport Workers Union (TWU) on their labor contracts. The new contracts include a one-time early retirement program, for which AMR recorded a charge in the fourth quarter. American's collective bargaining agreement with the TWU becomes amendable on March 1, 2001.

American's collective bargaining agreement with the Allied Pilots Association (APA) became amendable on August 31, 1994. In January 1996, the APA filed a petition with the NMB to appoint a federal mediator. A

mediator has been appointed, and initial meetings have been held between the APA and the NMB mediator and between American and the NMB mediator. Joint meetings began in March 1996.

A majority of the workforces at the four AMR Eagle carriers is represented by labor unions and covered by a number of different collective bargaining agreements. Certain of these agreements are currently in negotiation. A 1995 decision by the NMB provides that the four AMR Eagle carriers are to be treated as a single carrier for the limited purpose of labor relations, which will result in all employees within each specific job class or craft being represented by a single union for collective bargaining purposes. This decision does not affect the current collective bargaining agreements or the corporate status of the four carriers -- each continues to be a separate company with its own government operating certificates.

#### FUEL

The Airline Group's operations are significantly affected by the availability and price of jet fuel. American's fuel costs and consumption for the years 1991 through 1995 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Price Per Gallon (in cents)	Percent of AMR's Operating Expenses
1991	2,527	\$ 1,780	70.5	13.8
1992	2,862	1,862	65.1	12.9
1993	2,939	1,818	61.8	12.0
1994	2,741	1,556	56.7	10.3
1995	2,749	1,565	56.9	9.8

Based upon American's 1995 fuel consumption, a one-cent rise in the average annual price-per-gallon of jet fuel would increase American's monthly fuel costs by approximately \$2.3 million, not considering the offsetting effect of American's fuel cost hedging program.

The impact of fuel price changes on the Company's competitors is dependent upon various factors, including their hedging strategies. However, lower fuel prices may be offset by increased price competition and lower revenues for all air carriers. Conversely, there can be no assurance that American will be able to pass fuel cost increases on to its customers by increasing fares in the future.

Most of American's fuel is purchased pursuant to contracts which, by their terms, may be terminated upon short notice. While American does not anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there were major reductions in the availability of jet fuel, American's business would be adversely affected.

#### FREQUENT FLYER PROGRAM

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by utilizing services of other program participants, including hotels, car rental companies and bank credit card issuers. American sells mileage credits to the other companies participating in the program. American reserves the right to change the AAdvantage program rules, regulations, travel awards and special offers at any time without notice. American may initiate changes impacting, for example, participant affiliations, rules for earning mileage credit, mileage levels and awards, blackout dates and limited seating for travel awards, and the features of special offers. American reserves the right to end the AAdvantage program with six months notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may request an award certificate from American. Award certificates may be redeemed up to one



year after issuance. Most travel awards are subject to blackout dates and capacity controlled seating. All miles earned after July 1989 must be redeemed within three years or they expire.

American accounts for its frequent flyer obligation on an accrual basis using the incremental cost method. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and such award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs, but not a contribution to overhead or profit, in the calculation of incremental cost. The cost for fuel is estimated based on total fuel consumption tracked by various categories of markets, with an amount allocated to each passenger. Food costs are tracked by market category, with an amount allocated to each passenger. Reservation/ticketing costs are based on the total number of passengers, including those traveling on free awards, divided into American's total expense for these costs. American defers a portion of revenues from the sale of mileage credits to companies participating in the AAdvantage program and recognizes such revenues over a period approximating the period during which the mileage credits are used.

At December 31, 1995 and 1994, American estimated that approximately 4.7 million and 4.5 million free travel awards, respectively, were eligible for redemption. At December 31, 1995 and 1994, American estimated that approximately 4.0 million and 3.6 million free travel awards, respectively, were expected to be redeemed for free travel. In making this estimate, American has excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which is not expected to ever be redeemed for free travel. The liability for the program mileage that has reached the lowest level of free travel award and is expected to be redeemed for free travel and deferred revenues for mileage sold to others participating in the program was \$370 million and \$329 million, representing 7.9 percent and 6.9 percent of AMR's total current liabilities, at December 31, 1995 and 1994, respectively.

The number of free travel awards used for travel on American during the years ended December 31, 1995, 1994 and 1993, was approximately 2,204,000, 2,198,000, and 2,163,000, respectively, representing 8.4 percent, 8.5 percent and 9.5 percent of total revenue passenger miles for each period, respectively. American believes displacement of revenue passengers is insignificant given American's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to revenue passenger miles.

#### OTHER MATTERS

**SEASONALITY AND OTHER FACTORS** The Airline Group's results of operations for any interim period are not necessarily indicative of those for the entire year, since the air transportation business is subject to seasonal fluctuations. Higher demand for air travel has traditionally resulted in more favorable operating results for the second and third quarters of the year than for the first and fourth quarters.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fare initiatives, fluctuations in fuel prices, labor actions and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 1995, is included in Note 16 to the consolidated financial statements.

No material part of the business of AMR and its subsidiaries is dependent upon a single customer or very few customers. Consequently, the loss of the Company's largest few customers would not have a materially adverse effect upon AMR.

**INSURANCE** American carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to its aircraft, in amounts which, in the opinion of management, are adequate.

**OTHER GOVERNMENT MATTERS** In time of war or during an unlimited national emergency or civil defense emergency, American and other major air carriers may be required to provide airlift services to the Military Airlift Command under the Civil Reserve Air Fleet program.

## FLIGHT EQUIPMENT

Owned and leased aircraft operated by AMR's subsidiaries at December 31, 1995, included:

Equipment Type	Current Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Weighted Average Age (Years)
JET AIRCRAFT						
Airbus A300-600R	266/267	10	-	25	35	6
Boeing 727-200	150	53	14	-	67	19
Boeing 757-200	188	46	9	31	86	4
Boeing 767-200	172	8	-	-	8	13
Boeing 767-200 Extended Range	172	9	13	-	22	10
Boeing 767-300 Extended Range	215	16	3	22	41	5
Fokker 100	97	66	5	4	75	3
McDonnell Douglas DC-10-10	237/290	13	4	-	17	19
McDonnell Douglas DC-10-30	273	4	1	-	5	21
McDonnell Douglas MD-11	251/271	19	-	-	19	4
McDonnell Douglas MD-80	139	119	25	116	260	8
Total		363	74	198	635	8
REGIONAL AIRCRAFT						
ATR 42	46	28	2	16	46	6
Super ATR	64	28	-	5	33	2
Jetstream 32	19	-	-	44	44	4
Saab 340A	34	-	-	10	10	8
Saab 340B	34	29	61	10	100	3
Saab 340B Plus	34	-	-	7	7	1
Shorts 360	33/36	4	-	17	21	10
Total		89	63	109	261	4

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms and amortization relating to aircraft under capital leases, and acquisitions of aircraft, see Notes 1, 3 and 4 to the consolidated financial statements. See Management's Discussion and Analysis for discussion of the retirement of certain aircraft from the fleet.

In April 1995, American announced an agreement to sell 12 of its McDonnell Douglas MD-11 aircraft to Federal Express Corporation (FedEx), with delivery of the aircraft between 1996 and 1999. In addition, American has the option to sell its remaining seven MD-11 aircraft to FedEx with deliveries between 2000 and 2002.

Lease expirations for leased aircraft operated by AMR's subsidiaries and included in the preceding table as of December 31, 1995, were:

Equipment Type	1996	1997	1998	1999	2000	2001 and Thereafter
<b>JET AIRCRAFT</b>						
Airbus A300-600R	-	-	-	-	-	25
Boeing 727-200	-	-	-	2	4	8
Boeing 757-200	-	-	-	-	2	38
Boeing 767-200 Extended Range	-	-	-	-	-	13
Boeing 767-300 Extended Range	-	-	-	-	-	10
Fokker 100	-	-	-	-	-	9
McDonnell Douglas DC-10-10	3	1	-	-	-	-
McDonnell Douglas DC-10-30	-	-	1	-	-	-
McDonnell Douglas MD-80	-	-	-	-	3	138
	3	1	1	2	9	241
<b>REGIONAL AIRCRAFT</b>						
ATR 42	-	-	-	6	1	3
Super ATR	-	2	-	-	-	-
Jetstream 32	21	23	-	-	-	-
Saab 340B	-	-	-	-	-	61
Shorts 360	-	-	-	-	-	17
	21	25	-	6	1	81

The table excludes leases for 15 Boeing 767-300 Extended Range aircraft which can be canceled with 30 days' notice during the initial 10-year lease term. At the end of that term in 1998, the leases can be renewed for periods ranging from 10 to 12 years. The table also excludes leases for 10 Saab 340A aircraft, 10 Saab 340B aircraft, seven Saab 340B Plus aircraft, eight ATR 42 aircraft, and three Super ATR aircraft which can be canceled with six months or less notice within certain restrictions.

Substantially all of the Airline Group's aircraft leases include an option to purchase the aircraft or to extend the lease term, or both, with the purchase price or renewal rental to be based essentially on the market value of the aircraft at the end of the term of the lease or at a predetermined fixed rate.

#### GROUND PROPERTIES

American leases, or has built as leasehold improvements on leased property, most of its airport and terminal facilities; certain corporate office, maintenance and training facilities in Fort Worth, Texas; its principal overhaul and maintenance base and computer facility at Tulsa International Airport, Tulsa, Oklahoma; its regional reservation offices; and local ticket and administration offices throughout the system. American has entered into agreements with the Tulsa Municipal Airport Trust; the Alliance Airport Authority, Fort Worth, Texas; and the Dallas/Fort Worth, Chicago O'Hare, Raleigh/Durham, Nashville, San Juan, New York, and Los Angeles airport authorities to provide funds for constructing, improving and modifying facilities and acquiring equipment which are or will be leased to American. American also utilizes public airports for its flight operations under lease or use arrangements with the municipalities or governmental agencies owning or controlling them and leases certain other ground equipment for use at its facilities.

For information concerning the estimated lives and residual values for owned ground properties, lease terms and amortization relating to ground properties under capital leases, and acquisitions of ground properties, see Notes 1, 3 and 4 to the consolidated financial statements.

In January, 1985, American announced a new fare category, the "Ultimate SuperSaver," a discount, advance purchase fare that carried a 25 percent penalty upon cancellation. On December 30, 1985, a class action lawsuit was filed in Circuit Court, Cook County, Illinois entitled Johnson vs. American Airlines, Inc. The Johnson plaintiffs allege that the 10 percent federal excise transportation tax should be excluded from the "fare" upon which the 25 percent penalty is assessed. The case has not been certified as a class action. Summary judgment has been granted for American and the matter is currently on appeal. American believes the matter is without merit and is vigorously defending the lawsuit.

American has been sued in two class action cases that have been consolidated in the Circuit Court of Cook County, Illinois, in connection with certain changes made to American's AAdvantage frequent flyer program in May, 1988. (Wolens, et al v. American Airlines, Inc., No. 88 CH 7554, and Tucker v. American Airlines, Inc., No. 89 CH 199.) In both cases, the plaintiffs seek to represent all persons who joined the AAdvantage program before May 1988. Currently, the plaintiffs allege that, on that date, American implemented changes that limited the number of seats available to participants traveling on certain awards and established blackout dates during which no AAdvantage seats would be available for certain awards and that these changes breached American's contracts with AAdvantage members. Plaintiffs seek money damages for such alleged breach and attorneys' fees. Previously the plaintiffs also alleged violation of the Illinois Consumer Fraud and Deceptive Business Practice Act (Consumer Fraud Act) and sought punitive damages, attorneys' fees and injunctive relief preventing American from making changes to the AAdvantage program. American originally moved to dismiss all of the claims asserting that they were preempted by the Federal Aviation Act and barred by the Commerce Clause of the U.S. Constitution.

Initially, the trial court denied American's preemption motions, but certified its decision for interlocutory appeal. In December 1990, the Illinois Appellate Court held that plaintiffs' claims for an injunction are preempted by the Federal Aviation Act, but that plaintiffs' claims for money damages could proceed. On March 12, 1992, the Illinois Supreme Court affirmed the decision of the Appellate Court. American sought a writ of certiorari from the U.S. Supreme Court; and on October 5, 1992, the Court vacated the decision of the Illinois Supreme Court and remanded the cases for reconsideration in light of the U.S. Supreme Court's decision in *Morales v. TWA, et al*, which interpreted the preemption provisions of the Federal Aviation Act very broadly. On December 16, 1993, the Illinois Supreme Court rendered its decision on remand, holding that plaintiffs' claims seeking an injunction are preempted, but that identical claims for compensatory and punitive damages are not preempted. On February 8, 1994, American filed a petition for a writ of certiorari in the U.S. Supreme Court. The Illinois Supreme Court granted American's motion to stay the state court proceeding pending disposition of American's petition in the U.S. Supreme Court. The matter was argued before the U.S. Supreme Court on November 1, 1994, and on January 18, 1995, the U.S. Supreme Court issued its opinion ending a portion of the suit against American. The U.S. Supreme Court held that a) plaintiffs' claim for violation of the Illinois Consumer Fraud Act is preempted by federal law -- entirely ending that part of the case and eliminating plaintiffs' claim for punitive damages; and b) certain breach of contract claims are not preempted by federal law.

The Court did not determine, however, whether the contract claims asserted by the plaintiffs are preempted, and therefore, remanded the case to the state court for further proceedings. Subsequently, plaintiffs filed an amended complaint seeking damages solely for a breach of contract claim. In the event that the plaintiffs' breach of contract claim is eventually permitted to proceed in the state court, American intends to vigorously defend the case.

In December, 1993, American announced that the number of miles required to claim a certain travel award under American's AAdvantage frequent flyer program would be increased effective February 1, 1995. On February 1, 1995 a class action lawsuit entitled Gutterman vs. American Airlines, Inc. was filed in the Circuit Court of Cook County, Illinois. The Gutterman plaintiffs claim that this increase in mileage level violated the terms and conditions of the agreement between American and AAdvantage members. On February 9, 1995, a virtually identical class action lawsuit entitled Benway vs. American Airlines, Inc. was filed in District Court, Dallas County, Texas. After limited discovery and prior to class certification, a summary judgment dismissing the Benway case was entered by the Dallas County Court in July 1995. On March 11, 1996, American's motion to dismiss the Gutterman lawsuit was denied, although American's motion for summary judgment is still pending.

No class has been certified in the Gutterman lawsuit and to date no discovery has been undertaken. American believes the Gutterman complaint is without merit and is vigorously defending the lawsuit.

On February 10, 1995, American capped travel agency commissions for one-way and round trip domestic tickets at \$25 and \$50, respectively. Immediately thereafter, numerous travel agencies, and two travel agency trade association groups, filed class action lawsuits against American and other major air carriers (Continental, Delta, Northwest, United, USAir and TWA) that had independently imposed similar limits on travel agency commissions. The suits were transferred to the United States District Court for the District of Minnesota, and consolidated as a multi-district litigation captioned In Re: Airline Travel Agency Commission Antitrust Litigation. The plaintiffs assert that the airline defendants conspired to reduce travel agency commissions and to monopolize air travel in violation of sections 1 and 2 of the Sherman Act. The case has been certified as a class action on behalf of approximately 40,000 domestic travel agencies and two travel agency trade associations. In June 1995 after extensive, expedited discovery, the travel agents moved for a preliminary injunction to enjoin the commission caps, and the defendants simultaneously moved for summary judgment. On August 31, 1995, the District Court denied both motions. Pre-trial activities against the defendants, including American, are continuing. American is vigorously defending the lawsuit.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of its fiscal year ended December 31, 1995.

#### EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of AMR as of December 31, 1995, were:

Robert L. Crandall	Mr. Crandall was elected Chairman and Chief Executive Officer of AMR and American in March 1985. He has been President of AMR since its formation in 1982 and served as President of American from 1980 to March 1995. Age 60.
Donald J. Carty	Mr. Carty was elected President of American in March 1995 and Executive Vice President of AMR in October 1989. Except for two years service as President of Canadian Pacific Air between March 1985 and March 1987, he has been with the Company in various finance and planning positions since 1978. Age 49.
Gerard J. Arpey	Mr. Arpey was elected Chief Financial Officer in March 1995 and Senior Vice President in April 1992. Prior to that, he served as Vice President of American since October 1989. Age 37.
Anne H. McNamara	Mrs. McNamara was elected Senior Vice President and General Counsel in June 1988. She had served as Vice President - Personnel Resources of American from January 1988 through May 1988. She was elected Corporate Secretary of AMR in 1982 and American in 1979 and held those positions through 1987. Age 48.
Charles D. MarLett	Mr. MarLett was elected Corporate Secretary in January 1988. He joined American as an attorney in June 1984. Age 41.

There are no family relationships among the executive officers of the Company named above.

There have been no events under any bankruptcy act, no criminal proceedings, and no judgments or injunctions material to the evaluation of the ability and integrity of any director or executive officer during the past five years.

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 ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER  
 MATTERS

The Company's common stock is traded on the New York Stock Exchange (symbol AMR).

The approximate number of record holders of the Company's common stock at March 18, 1996, was 15,935.

The range of closing market prices for AMR's common stock on the New York Stock Exchange was:

	1995		1994	
	High	Low	High	Low
QUARTER ENDED				
March 31	\$ 65 3/4	\$ 54 7/8	\$ 71 3/4	\$ 56 1/2
June 30	76 1/4	64	60 3/4	52 1/4
September 30	79 3/4	68 1/8	62 7/8	50 3/4
December 31	78	64 3/8	55 1/4	48 1/8

No cash dividends on common stock were declared for any period during 1995 or 1994. Payment of dividends is subject to the restrictions described in Note 5 to the consolidated financial statements.

## ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(in millions, except per share amounts)

	1995	1994	1993	1992	1991
Total operating revenues	\$16,910	\$16,137	\$15,816	\$14,396	\$12,887
Operating income (loss) (1)	1,015	1,006	690	(25)	5
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes	196	228	(96)	(475)	(240)
Earnings (loss) before cumulative effect of accounting changes	167	228	(110)	(475)	(240)
Net earnings (loss)	167	228	(110)	(935)	(240)
Primary and fully diluted earnings (loss) per common share before extraordinary loss, cumulative effect of accounting changes, and effect of preferred stock exchange(2)	2.48	2.26	(2.05)	(6.35)	(3.54)
Primary and fully diluted net earnings (loss) per common share	2.11	4.51	(2.23)	(12.49)	(3.54)
Total assets	19,556	19,486	19,326	18,706	16,208
Long-term debt	4,983	5,603	5,431	5,643	3,951
Obligations under capital leases, less current obligations	2,069	2,275	2,123	2,195	1,928
Obligation for postretirement benefits	1,439	1,254	1,090	1,006	-

(1) Operating income (loss) for 1995 and 1994 includes restructuring costs of \$533 million and \$278 million, respectively.

(2) Information on the adjustment to the earnings per share computation for the twelve months ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5 to the consolidated financial statements.

No dividends were declared on common shares during any of the periods above.

Effective January 1, 1992, AMR adopted Statements of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes."

Information on the comparability of results is included in Management's Discussion and Analysis and the notes to the consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AMR was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. For financial reporting purposes, AMR's operations fall within three major lines of business: the Airline Group, The SABRE Group and the Management Services Group.

#### AIRLINE GROUP

The Airline Group consists primarily of American's Passenger and Cargo divisions, as well as AMR Eagle, Inc. and AMR Leasing Corporation, which are subsidiaries of AMR.

AMERICAN'S PASSENGER DIVISION is one of the largest scheduled passenger airlines in the world. At the end of 1995, American provided scheduled jet service to more than 160 destinations, primarily throughout North America, the Caribbean, Latin America, Europe and the Pacific.

AMERICAN'S CARGO DIVISION is one of the largest scheduled air freight carriers in the world. The Cargo Division provides a full range of freight and mail services to shippers throughout the airline's system. In addition, through cooperative agreements with other carriers, it has the ability to transport shipments to virtually any country in the world.

AMR EAGLE, INC. owns the four regional airlines which operate as "American Eagle" -- Flagship Airlines, Inc., Simmons Airlines, Inc., Executive Airlines, Inc. and Wings West Airlines, Inc. The American Eagle carriers provide connecting turboprop service from seven of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

AMR LEASING CORPORATION is a financing subsidiary which leases regional aircraft to subsidiaries of AMR Eagle.

#### THE SABRE GROUP

AMR formed The SABRE Group in 1993 to capitalize on the synergies of combining its information technology businesses under common management. The SABRE Group consists primarily of four business units -- SABRE Travel Information Network (STIN), SABRE Computer Services (SCS), SABRE Decision Technologies (SDT) and SABRE Interactive.

STIN markets SABRE -- one of the largest privately owned, real-time computer systems in the world -- which provides travel distribution and information services to nearly 30,000 travel agencies in 74 countries on six continents.

SCS manages and maintains AMR's technology infrastructure. This includes the planning, installation and operation of AMR's data centers, as well as technology and architectural planning for AMR units and for external customers. SCS also provides voice and data communication services to AMR, but is currently in negotiations with a third party to outsource this function.

SDT provides decision support systems, application software packages, systems development and consulting services to other AMR units and to external companies in the transportation, travel and other industries worldwide.

SABRE INTERACTIVE is a distribution strategy division formed by The SABRE Group in 1995 to develop opportunities for consumer-direct travel distribution via personal computer, CD-ROM, interactive television, cable television and other media.

#### MANAGEMENT SERVICES GROUP

The Management Services Group consists of four AMR subsidiaries -- AMR Services Corporation, Americas Ground Services, Inc. (AGS), AMR Investment Services, Inc. and Airline Management Services, Inc. (AMS).



AMR SERVICES CORPORATION has six operating divisions: Airline Services, AMR Combs, AMR Distribution Systems, TeleService Resources (TSR), Data Management Services (DMS) and AMR Training Group. The Airline Services division's main lines of business include airline passenger, ramp and cargo handling, cabin service and an array of other air transportation-related services for carriers around the world. AMR Combs is a premier corporate aviation services network of 13 facilities in major business centers in the United States and Mexico. It also is involved in a number of other related businesses, including parts and aircraft sales and operation of one of the world's largest executive charter services. AMR Distribution Systems serves the logistics marketplace and specializes in contract warehousing, trucking and multi-modal freight forwarding services. TSR provides comprehensive telemarketing and reservation services for a wide range of clients. DMS provides data capture and document management services to American and to companies in the insurance, financial services and transportation industries. AMR Training Group provides a wide variety of training services and operates the American Airlines Training & Conference Center, which hosts a multitude of AMR training activities, and markets its capabilities to other companies.

AGS provides airline ground and cabin service handling at 11 locations in eight countries in the Caribbean and Central and South America.

AMR INVESTMENT SERVICES, INC. serves as an investment advisor to AMR and other institutional investors. It also manages the American AAdvantage Funds, which have both institutional shareholders, including pension funds and bank and trust companies, and individual shareholders. As of December 31, 1995, AMR Investment Services was responsible for management of approximately \$13.7 billion in assets, including direct management of approximately \$4.5 billion in short-term investments.

AMS was formed in 1994 to manage the Company's service contracts with other airlines such as the agreement to provide a variety of management, technical and administrative services to Canadian Airlines International, Ltd. which the Company signed in 1994.

#### RESULTS OF OPERATIONS

**SUMMARY** AMR's net income in 1995 was \$167 million (\$2.11 per common share, primary and fully diluted, after preferred dividends). During the fourth quarter of 1995, AMR recorded a charge of \$533 million (\$334 million after tax) related to the cost of future pension and other postretirement benefits for voluntary early retirement programs offered in conjunction with recently renegotiated labor contracts covering members of the Transport Workers Union (TWU) and the Association of Professional Flight Attendants (APFA), as well as provisions for the writedown of certain McDonnell Douglas DC-10 aircraft and the planned retirement of certain turboprop aircraft, and other restructuring activities. Before the special charge, net earnings were \$501 million. In addition to the restructuring charge, the Company's 1995 earnings include a charge of \$41 million (\$26 million after tax) related to the loss of an aircraft operated by American. The expiration of the airline industry's fuel tax exemption increased the Company's costs by approximately \$22 million before tax. The Company's results were adversely affected by the disruption of American Eagle operations at the Chicago and Raleigh/Durham hubs in the first half of 1995 in response to the FAA's temporary restrictions on the operation of ATR aircraft in known or forecast icing conditions. In addition, in April 1995, a hailstorm at American's Dallas/Fort Worth hub temporarily disabled approximately 10 percent of American's fleet and approximately nine percent of AMR Eagle's fleet, forcing the carriers to temporarily reduce scheduled service. The combined impact of the Eagle fleet disruption and the hailstorm on 1995 net income was approximately \$40 million after tax.

AMR's net income in 1994 was \$228 million (\$2.26 per common share, primary and fully diluted, after preferred dividends but before an adjustment to additional paid-in capital for an exchange of debentures for preferred stock). During the fourth quarter of 1994, AMR recorded a charge of \$278 million (\$174 million after tax) related to the cost of future pension and other postretirement benefits for agent and management/support staff voluntary early retirement programs, severance and other restructuring activities. Before the special charge, net earnings were \$402 million. In addition to the restructuring charge, the Company's 1994 earnings include a charge of \$25 million (\$16 million after tax) related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle. The Company's results were also adversely affected by the disruption of American Eagle operations at the Chicago and Raleigh/Durham hubs referenced above.

In response to the increasing competitive emphasis on lower costs and lower fares, in 1993 the Company began implementing a new strategic framework, known as the Transition Plan. The Plan has three parts, each intended to improve the Company's results. First, make the core airline business bigger and stronger where economically justified. Second, and conversely, shrink the airline where it cannot compete profitably. Third, encourage and support the growth of the profitable information and management services businesses.

The Company's improved results reflect progress on each of these three tenets, as well as strong economies in most of the markets it serves, relatively low jet fuel prices, and a healthier pricing environment which is attributable in part to more modest industry capacity growth.

American continued its effort to find the most productive use for each of its aircraft. During 1995, the Company made major changes to both its jet and turboprop schedules. American reallocated resources to longer flights and reduced its short-haul flying, thus improving plane miles per jet aircraft by more than four percent. To improve the mix of traffic, American increased frequency in major markets while simultaneously ending hub operations at Raleigh/Durham and Nashville and reducing or eliminating jet service in 72 city pairs. On the international front, American increased the scope of its service to Latin America and the United Kingdom, and took advantage of the new U.S. - Canadian bilateral agreement to open service on several new Canadian routes and expand its code-sharing program with Canadian Airlines International (CAI).

To reduce interest expense, the Company repurchased and retired prior to maturity \$378 million in face value of long-term debt, net of sinking fund balances. In addition, \$616 million in outstanding principal of certain debt and lease obligations was refinanced during 1995. These transactions resulted in an extraordinary loss of \$45 million (\$29 million after tax) in 1995.

The Company's non-airline businesses continued their strong performances. The SABRE Group posted pre-tax earnings of \$371 million, a 15.6 percent increase from 1994. As a result of its increased domestic booking share and the steady pace of international growth, The SABRE Group's revenues were up 11.0 percent from 1994, and its operating margin was approximately 23.5 percent.

The Management Services Group's pre-tax earnings were \$68 million, a 30.8 percent increase from 1994, due primarily to increased revenues for Airline Management Services, which was formed in 1994 to manage the Company's service contracts with other airlines, including CAI.

BUSINESS SEGMENTS The following sections provide a discussion of AMR's results by reporting segment. Additional segment information is included in Note 14 to the consolidated financial statements.

## AIRLINE GROUP

## FINANCIAL HIGHLIGHTS

(dollars in millions)

	Year Ended December 31,		
	1995	1994	1993
<b>REVENUES</b>			
Passenger			
- American Airlines, Inc.	\$13,335	\$12,826	\$12,900
- AMR Eagle, Inc.	775	790	711
Cargo	677	666	643
Other	714	613	531
	15,501	14,895	14,785
<b>EXPENSES</b>			
Wages, salaries and benefits	5,082	4,923	4,837
Aircraft fuel	1,623	1,614	1,875
Commissions to agents	1,293	1,335	1,448
Depreciation and amortization	1,070	1,057	1,035
Other operating expenses	5,336	5,080	5,189
Restructuring costs	533	272	-
Total operating expenses	14,937	14,281	14,384
OPERATING INCOME	564	614	401
OTHER INCOME (EXPENSE)	(645)	(617)	(715)
LOSS BEFORE INCOME TAXES AND EXTRAORDINARY LOSS	\$ (81)	\$ (3)	\$ (314)
Average number of equivalent employees	89,400	90,300	94,200
<b>OPERATING STATISTICS</b>			
<b>AMERICAN AIRLINES, INC.</b>			
Passenger Division			
Revenue passenger miles (millions)	102,918	98,896	97,160
Available seat miles (millions)	155,337	152,668	160,890
Passenger revenue yield per passenger mile (cents)	12.96	12.97	13.28
Passenger revenue per available seat mile (cents)	8.58	8.40	8.02
Operating expenses excluding restructuring costs per available seat mile (cents)	8.43	8.34	8.25
Passenger load factor	66.3%	64.8%	60.4%
Breakeven load factor excluding restructuring costs	61.5%	61.5%	60.5%
Operating aircraft at year-end	635	647	667
Cargo Division			
Cargo ton miles (millions)	2,046	1,983	1,826
Revenue yield per ton mile (cents)	32.64	33.11	34.86
<b>AMR EAGLE, INC.</b>			
Revenue passenger miles (millions)	2,492	2,486	2,125
Available seat miles (millions)	4,488	4,379	3,821
Passenger load factor	55.5%	56.8%	55.6%
Operating aircraft at year-end	261	270	275

## REVENUES

1995 COMPARED TO 1994 Airline Group revenues of \$15.5 billion in 1995 were up \$606 million, 4.1 percent, versus 1994. American's passenger revenues increased 4.0 percent, \$509 million. The increase in passenger revenues resulted primarily from a 4.1 percent increase in passenger traffic, partially offset by a 0.1 percent decrease in passenger yield (the average amount one passenger pays to fly one mile) from 12.97 to 12.96 cents. American's average stage length increased approximately 8.2 percent from 1994 to 1995, which contributed to the decrease in passenger yield since per mile fares for longer trips tend to be lower than for shorter trips. For the year, domestic yield decreased 0.9 percent and Latin American yields decreased 4.2 percent; yield increased 8.1 percent in Europe and 8.2 percent in the Pacific. In 1995, American derived 69.4 percent of its passenger revenues from domestic operations and 30.6 percent from international operations.

American's domestic traffic increased 1.7 percent, to 71.2 billion revenue passenger miles (RPMs), while domestic capacity, as measured by available seat miles (ASMs), decreased 1.3 percent. International traffic grew 9.8 percent, to 31.7 billion RPMs on capacity growth of 9.6 percent. The increase in international traffic was led by a 13.4 percent increase in Latin America on capacity growth of 12.4 percent, and a 7.4 percent increase in Europe on capacity growth of 7.9 percent.

The AMR Eagle carriers' passenger revenues decreased by 1.9 percent or \$15 million. Traffic on the AMR Eagle carriers increased 0.2 percent, to 2.5 billion RPMs, while capacity grew 2.5 percent. Passenger yield decreased 2.1 percent, in part due to the carriers' increased stage length as they entered longer-haul markets. In the first quarter of 1995, AMR Eagle redeployed its fleet of ATR aircraft in response to the FAA's temporary restrictions on the operation of ATR aircraft in known or forecast icing conditions. The fleet disruption adversely impacted AMR Eagle's results in the first and second quarters of 1995. As of June 30, 1995, the Eagle aircraft had returned to their original locations.

Other revenues, consisting of contract maintenance and ground handling services, fees for passenger services such as certain ticketing charges, and miscellaneous other revenues, increased 16.5 percent, \$101 million, primarily as a result of an increase in contract maintenance and airport ground services performed by American for other airlines. The remaining portion of the increase is attributable to the growth in passenger traffic.

1994 COMPARED TO 1993 Airline Group revenues of \$14.9 billion in 1994 were up \$110 million, 0.7 percent, versus 1993. American's passenger revenues decreased 0.6 percent, \$74 million. The decline in passenger revenues resulted primarily from a 2.3 percent decrease in passenger yield from 13.28 to 12.97 cents, partially offset by a 1.8 percent increase in passenger traffic. Yields were driven lower by competitive fare discounting and the greater presence of low-fare competitors in certain domestic markets. In addition, from 1993 to 1994, American's average stage length increased approximately 6.4 percent, contributing to the decline in passenger yields. For the year, domestic yield decreased 4.0 percent, while yield increased 2.6 percent in Latin America and 4.5 percent in Europe. In 1994, American derived 71.5 percent of its passenger revenues from domestic operations and 28.5 percent from international operations.

American's domestic traffic increased 0.4 percent, to 70.0 billion RPMs, while domestic capacity decreased 6.0 percent. International traffic grew 5.2 percent, to 28.9 billion RPMs, on a capacity reduction of 2.7 percent. The increase in international traffic was led by a 9.7 percent increase in Latin America on capacity growth of 1.1 percent, and a 1.6 percent increase in Europe on a capacity reduction of 6.9 percent. Traffic suffered in 1993 from American's inability to carry passengers during the flight attendants' strike in November 1993 and the adverse effect of the strike on passenger demand in the following month. Traffic in 1994 reflects the negative impact of the FAA's ban on flying ATR aircraft in known or forecast icing conditions which was in effect from December 9, 1994 through January 11, 1995. The restrictions resulted in the temporary suspension of American Eagle ATR service at Chicago and the Company's decision to end American Eagle service at Raleigh/Durham.

Despite the effect of the ATR restrictions, the AMR Eagle carriers' passenger revenues increased 11.1 percent, \$79 million. Traffic on the AMR Eagle carriers increased 17.0 percent, to 2.5 billion RPMs, while capacity grew 14.6 percent. Passenger yield decreased 5.0 percent, in part due to the carriers' increased stage length as they entered longer-haul markets.

Other revenues, consisting of fees for excess baggage and other passenger services, tour marketing, contract maintenance and miscellaneous other revenues, increased 15.4 percent, \$82 million, primarily as a result of increased passenger traffic, additional contract maintenance work and leasing of excess aircraft.

#### EXPENSES

1995 COMPARED TO 1994 Airline Group operating expenses in 1995 included restructuring charges of \$533 million, related to the cost of future pension and other postretirement benefits for voluntary early retirement programs offered in conjunction with recently renegotiated labor contracts covering members of the TWU and the APFA, as well as provisions for the writedown of certain DC-10 aircraft and the planned retirement of certain turboprop aircraft, and other restructuring activities. Airline Group operating expenses in 1994 included restructuring charges of \$272 million, primarily resulting from the cost of future pension and other postretirement benefits related to agent and management voluntary early retirement programs. Excluding the restructuring costs, the Airline Group's operating expenses increased 2.8 percent, \$395 million. American's capacity increased 1.7 percent, to 155.3 billion ASMs. American's Passenger Division cost per ASM, excluding restructuring costs, increased 1.1 percent to 8.43 cents.

Despite a 1.0 percent decrease in the average number of equivalent employees, wages, salaries and benefits expense rose 3.2 percent, \$159 million. The increase was due primarily to contractual wage rate and seniority increases that are built into the Company's labor contracts and an increase in the provision for profit sharing.

Fuel expense increased 0.6 percent, \$9 million, due to the October 1995 expiration of the fuel tax exemption for the airline industry. The expiration of the exemption resulted in additional fuel expense of \$22 million for 1995. Absent the fuel tax, fuel expense would have decreased \$13 million due primarily to lower jet fuel prices.

Commissions to agents decreased 3.1 percent, \$42 million, due principally to a reduction in average rates paid to agents attributable primarily to the change in commission structure implemented in February 1995, partially offset by commissions on increased passenger revenues.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, increased 5.0 percent, \$256 million. Maintenance materials and repairs expense increased 11.7 percent, \$66 million, primarily due to reduced expense in 1994 as a result of warranty recoveries as well as certain engine and airframe service checks that became due for the first time in 1995. Miscellaneous operating expenses (including data processing services, booking fees, crew travel expenses, credit card fees, advertising and communications costs) increased by 7.4 percent or \$176 million, primarily due to costs associated with increased contract maintenance work that American performed for other airlines. In addition, the Airline Group recognized approximately \$19 million in foreign currency exchange losses attributable to unfavorable exchange rates, primarily in Latin America.

1994 COMPARED TO 1993 Airline Group operating expenses in 1994 included restructuring charges of \$272 million, primarily resulting from the cost of future pension and other postretirement benefits related to agent and management voluntary early retirement programs. Excluding the restructuring costs, the Airline Group's operating expenses decreased 2.8 percent, \$402 million. American's capacity decreased 5.1 percent, due primarily to the retirement of 41 older aircraft, partially offset by the addition of 22 new aircraft. Because capacity decreased more rapidly than expenses, American's Passenger Division cost per ASM, excluding restructuring costs, increased 1.1 percent, to 8.34 cents.

Despite a 4.1 percent decrease in the average number of equivalent employees, wages, salaries and benefits expense rose 1.8 percent, \$86 million. The increase was due primarily to contractual and other wage and salary adjustments for existing employees, variable compensation under the Company's various profit sharing plans, and rising pension and other postretirement benefits costs.

Aircraft fuel expense decreased 13.9 percent, \$261 million, due to an 8.4 percent decrease in American's average price per gallon and a 6.8 percent decrease in gallons consumed by American. American's average price per gallon decreased from \$0.62 per gallon in 1993 to \$0.57 per gallon in 1994. American consumed an

average of 228 million gallons of jet fuel each month. A one-cent increase in fuel prices costs approximately \$2.3 million per month, not considering the offsetting effect of the Company's fuel price hedging program.

Commissions to agents decreased 7.8 percent, \$113 million, due to a lower percentage of passenger revenues subject to commissions and a change in classification of certain international commissions.

Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance expenses and miscellaneous operating expenses, decreased 2.1 percent, \$109 million. Aircraft rentals decreased 6.5 percent, \$48 million, primarily due to the expiration of operating leases during 1994 on 19 Boeing 727, 19 Jetstream 32 and five Shorts 360 aircraft. Other rentals and landing fees decreased 1.5 percent, \$12 million, due primarily to reduced landing fees expense resulting from American's capacity reductions, partially offset by higher fee rates charged by airports. Food service costs decreased 4.2 percent, \$29 million, due to a 1.8 percent decline in passengers boarded and aggressive cost reduction strategies, including changes in meal scheduling policies, renegotiation of contracts and increased use of vendor-prepared products. Maintenance materials and repairs expense decreased 13.7 percent, \$90 million. American's maintenance costs were lower as a result of retiring older aircraft from the fleet, increased warranty recoveries, and operational efficiencies gained by reducing the number of maintenance locations and other initiatives. Offsetting the decrease for American, growth of the American Eagle operations generated an increase in its maintenance materials and repairs costs. Miscellaneous operating expenses (including data processing services, booking fees, crew travel expenses, credit card fees, advertising and communications costs) increased 3.0 percent, \$70 million, primarily due to increased booking fees.

OTHER INCOME (EXPENSE)

Other Income (Expense) consists of interest income and expense, interest capitalized and miscellaneous - net.

1995 COMPARED TO 1994 Interest expense, net of amounts capitalized, increased 11.9 percent, \$72 million, due primarily to the issuance of \$1.02 billion of convertible debentures in exchange for 2.04 million preferred shares in late 1994, and the effect of rising short-term interest rates on floating rate debt and interest rate swap agreements, partially offset by reductions due to the repurchase and retirement of debt. Interest income increased \$22 million due primarily to higher average rates and also higher investment balances.

Miscellaneous - net for 1995 includes a \$41 million charge related to the loss of an aircraft operated by American. Miscellaneous - net for 1994 includes a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle.

1994 COMPARED TO 1993 Interest expense, net of interest income, increased 1.6 percent, \$9 million. Interest expense was higher due to the effect of rising interest rates on floating rate obligations, partially offset by the repurchases and retirement of long-term debt, and savings generated by interest rate swap transactions. Interest capitalized decreased 56.0 percent, \$28 million, primarily as a result of the decrease in the average balance during the year of purchase deposits for flight equipment.

Miscellaneous - net for 1994 includes a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle. Miscellaneous - net for 1993 includes a \$125 million charge related to the retirement of certain DC-10 aircraft.

THE SABRE GROUP  
 FINANCIAL HIGHLIGHTS  
 (dollars in millions)

	Year Ended December 31,		
	1995	1994	1993
REVENUES	\$1,624	\$1,463	\$1,302
EXPENSES			
Wages, salaries and benefits	450	396	375
Depreciation and amortization	172	175	171
Rentals	56	56	49
Other operating expenses	564	482	455
Restructuring costs	-	6	-
Total operating expenses	1,242	1,115	1,050
OPERATING INCOME	382	348	252
OTHER INCOME (EXPENSE)	(11)	(27)	(84)
EARNINGS BEFORE INCOME TAXES	\$371	\$321	\$168
Average number of equivalent employees	7,500	7,200	6,700

## REVENUES

1995 COMPARED TO 1994 Revenues for The SABRE Group increased 11.0 percent, \$161 million, primarily due to increased booking volumes as a result of international expansion in Europe, Latin America and Asia, booking fee price increases and revenue generated from AMR's services agreement with Canadian Airlines International (CAI).

1994 COMPARED TO 1993 Revenues for The SABRE Group increased 12.4 percent, \$161 million. Booking fee revenues increased due to growth in booking volumes, increased average fees per booking collected from participating vendors and the introduction of premium-priced products. Revenues of the AMR Training & Consulting Group, which began operations in the first quarter of 1993, increased \$29 million. Other revenues rose as a result of increased license fee revenues and systems development sales.

## EXPENSES

1995 COMPARED TO 1994 Wages, salaries and benefits increased 13.6 percent, \$54 million, due primarily to a 4.2 percent increase in the average number of equivalent employees, annual salary increases and an increase in the provisions for incentive compensation. Other operating expenses increased 17.0 percent, \$82 million, due to increases in various employee-related costs of \$29 million, primarily contract programmers, and increases in communications costs, subscriber incentives and other services purchased.

1994 COMPARED TO 1993 Wages, salaries and benefits increased 5.6 percent, \$21 million, due primarily to a 7.5 percent increase in the average number of equivalent employees and increased provisions for incentive compensation. Rentals increased 14.3 percent, \$7 million, due to additional leased data processing equipment and facilities costs. Other operating expenses increased 5.9 percent, \$27 million, primarily due to expansion in international markets including Europe and Mexico. The SABRE Group's 1994 operating expenses also include \$6 million in costs associated with restructuring activities.

## OTHER INCOME (EXPENSE)

Other Income (Expense) for 1993 includes a provision of \$71 million for losses associated with a reservation system project and resolution of related litigation.

MANAGEMENT SERVICES GROUP  
 FINANCIAL HIGHLIGHTS  
 (dollars in millions)

	Year Ended December 31,		
	1995	1994	1993
REVENUES	\$534	\$518	\$421
EXPENSES			
Wages, salaries and benefits	247	231	169
Depreciation and amortization	17	18	17
Other operating expenses	201	225	198
Total operating expenses	465	474	384
OPERATING INCOME	69	44	37
OTHER INCOME (EXPENSE)	(1)	8	(4)
EARNINGS BEFORE INCOME TAXES	\$68	\$52	\$33
Average number of equivalent employees	13,100	12,300	10,200

## REVENUES

1995 COMPARED TO 1994 Revenues for the Management Services Group increased 3.1 percent, \$16 million. Revenues for Airline Management Services, which was formed in 1994 to manage the Company's service contracts with other airlines including CAI, increased \$25 million. This increase was partially offset by a decrease in AMR Services' revenues of 2.1 percent, \$10 million, primarily due to the impact of the sale of AMR Combs' Learjet Service Centers in the first quarter of 1995, more than offsetting substantial revenue growth within AMR Services' other lines of business.

1994 COMPARED TO 1993 Revenues for the Management Services Group increased 23.0 percent, \$97 million. AMR Services' revenues increased 15.1 percent, \$62 million, primarily as a result of strong domestic fuel and deicing service sales, the acquisition of an additional domestic fixed-base operator in November 1993 and the expansion of international operations. Revenues of Americas Ground Services, which began operations in the second quarter of 1993, increased \$17 million.

## EXPENSES

1995 COMPARED TO 1994 Wages, salaries and benefits increased 6.9 percent, \$16 million, due primarily to a 6.5 percent increase in the average number of equivalent employees. Other operating expenses decreased 10.7 percent, \$24 million, due primarily to the effect of the sale of AMR Combs' Learjet Service Centers, offset by increased expenses due to the business growth of AMR Services' other lines of business.

1994 COMPARED TO 1993 Wages, salaries and benefits increased 36.7 percent, \$62 million, due primarily to an increase in the average number of equivalent employees and wage and salary adjustments for existing employees. Other operating expenses increased 13.6 percent, \$27 million, due primarily to the expansion of AMR Services and Americas Ground Services.



## INFLATION

Adjustment of historical cost data to reflect the impact of general inflation and specific price changes would worsen AMR's operating results, principally because of the increased depreciation and amortization resulting from the replacement, at current cost, of equipment and property with assets that have the same service potential. However, because AMR's monetary liabilities exceed monetary assets, the worsened operating results would be partially offset by a decrease in the real value of the net amounts owed.

## LIQUIDITY AND CAPITAL RESOURCES

Operating activities provided net cash of \$2.2 billion in 1995, \$1.6 billion in 1994 and \$1.4 billion in 1993. The \$576 million increase from 1994 to 1995 resulted from an increase in net income before non-cash restructuring charges and provisions for losses of approximately \$210 million combined with the timing of cash payments near year-end. Capital expenditures in 1995 totaled \$928 million, compared to \$1.1 billion in 1994 and \$2.1 billion in 1993, and included the acquisition of six Boeing 757-200s and four Boeing 767-300 Extended Range aircraft by American and the acquisition of five Super ATR turboprop aircraft by AMR Leasing. In addition to the purchase of new aircraft by American, sixteen Boeing 727 aircraft, eight formerly recorded as capital leased assets, and eight formerly under operating leases, were purchased upon the expiration of their lease terms. These capital expenditures, as well as the expansion of certain airport facilities, were funded primarily with internally generated cash.

## CAPITAL COMMITMENTS

**FIRM DELIVERIES** At December 31, 1995, AMR had firm orders and payments remaining of approximately \$100 million for four Boeing 757-200 aircraft, all of which are to be delivered in 1996.

**OTHER** The Company also has authorized capital expenditures in 1996 of approximately \$350 million for aircraft modifications, computer equipment, renovations of, and additions to, airport and office facilities and various other equipment and assets.

AMR intends to finance its capital asset acquisitions through the use of internally generated funds. At March 1, 1996, no borrowings were outstanding under American's credit facility and approximately \$1.0 billion was available under the facility.

AMR continually reviews its need for additional aircraft and ground properties and makes investments based on return-on-investment analyses and both short-term and long-term profitability forecasts.

**AIRCRAFT OPTIONS** In addition to aircraft on firm order at December 31, 1995, American has 80 jet aircraft available on option - five McDonnell Douglas MD-11s and 75 Fokker 100s. The Company also has 62 turboprop aircraft available on option - 42 Super ATRs, 10 Saab 2000s and 10 ATR 42s.

## OTHER INFORMATION

**WORKING CAPITAL** AMR (principally American Airlines) historically operates with a working capital deficit as do most other airline companies. The existence of such a deficit has not in the past impaired the Company's ability to meet its obligations as they become due and is not expected to do so in the future.

**DEFERRED TAX ASSETS** As of December 31, 1995, the Company had deferred tax assets aggregating approximately \$2.7 billion, including approximately \$443 million of alternative minimum tax credit carryforwards. The Company believes substantially all the deferred tax assets will be realized through reversal of existing taxable temporary differences.

**ENVIRONMENTAL MATTERS** Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at the sites are minimal. AMR does not expect these matters, individually or collectively, to have a significant impact on its financial position or liquidity. Additional information is included in Note 3 to the consolidated financial statements.

**DISCOUNT RATE** Due to the decrease in interest rates during 1995, the discount rate used to determine the Company's pension obligations as of December 31, 1995 and the related expense for 1996 has been decreased. The Company expects the increase in 1996 pension expense as a result of the change in the discount rate to be more than offset by the impact of appreciation in the market value of pension plan assets experienced during 1995.

#### OUTLOOK FOR 1996

AMR's improved financial performance in 1995 reflects the positive effects of the Transition Plan the Company began implementing in the early 1990s. The core tenets of the plan are to strengthen the airline wherever possible, to withdraw from markets in which the airline cannot compete effectively, and to grow AMR's profitable non-airline businesses.

**AIRLINE GROUP** For the Airline Group, improved performance was driven in part by the strong economy, low jet fuel prices and a more stable pricing environment attributable to the modest level of industry capacity growth.

AMR continued its effort to find the most productive use for each of its aircraft. During 1995, the Company made major changes to both its jet and turboprop schedules. Resources were reallocated to longer flights and short-haul flying was reduced. The result was an increase in plane miles per jet aircraft of more than four percent.

Another 1995 initiative was to increase the number of flights between major business centers such as New York, Chicago, Los Angeles and Dallas/Fort Worth. In many business markets, American now offers a dozen or more flights per day. Conversely, the airline reduced its operations in Raleigh/Durham and Nashville, where, despite its best efforts, American had been unable to earn a satisfactory return. Jet service was also eliminated from 29 other city pairs. In many cases, jet service was replaced with turboprop service from American Eagle, American's regional airline affiliate.

On the international front, American increased the scope of its service to Latin America and the United Kingdom, and took advantage of the new U.S. - Canadian bilateral agreement to open service on several new Canadian routes.

Alliances with foreign carriers have become an increasingly prominent part of American's international endeavors. The new aviation accord with Canada cleared the way for a wide-ranging code-sharing agreement with Canadian Airlines. Implemented in phases, this arrangement is one of the industry's largest, and has already generated a great deal of revenue for both airlines.

Sustaining American's strong revenue performance is critically important to AMR because the airline's costs remain uncompetitively high. Fortunately, American did make some progress on the cost front in 1995. The airline substantially reduced distribution expenses by capping travel agency commissions at \$50 per round-trip for domestic travel, developed new ways to lower food costs, and cut costs in many other areas as it sought to trim expenses without sacrificing quality.

Cost initiatives in 1995 also included initial work on a ticketless travel product which, when combined with devices to speed aircraft boarding, will streamline and facilitate customers' airport experience. The Company expects this program, which American will begin implementing in mid-1996, to allow airport employees to spend less time making computer entries and more time serving customers.

Despite these efforts, American will not have the fully-competitive cost structure it needs until it solves its labor cost problem. In this area, as well, the airline made some progress in 1995. First, the Company negotiated a new six-year agreement with the Transport Workers Union, which is expected to save approximately \$65 million in 1996, with additional savings in the years beyond.

Second, further progress was made on the restructuring of American's airport staffing which began in 1994. American has now outsourced all passenger handling functions at nearly 30 of its smaller stations and many of its

less specialized customer service functions at most other cities. These efforts are expected to ultimately save approximately \$80 million annually when steady state is achieved.

Third, the Company completed its "Reinventing Headquarters" program. This effort is expected to reduce annual headquarters costs by \$75 million in total, about \$40 million of which was realized in 1995.

Finally, the long-running arbitration with American's flight attendant union -- the Association of Professional Flight Attendants -- reached its conclusion in October. Although the arbitrators' decision provided pay increases for flight attendants, it also gave the Company the right to implement the most significant productivity improvements it was seeking.

These labor developments saved the airline some money in 1995, and will help more in 1996 and in the years beyond. However, until it makes further progress, particularly with the union that represents American's pilots -- the Allied Pilots Association (APA) -- the airline will be unable to reduce its costs to a fully competitive level. Despite American's deteriorating cost position versus many of its major competitors, the airline has been unable to make substantive progress to date with the APA on this issue.

As long as the airline's cost structure prevents it from earning a satisfactory return on new aircraft investments, it will not make sense for American to purchase additional aircraft.

With no immediate plans to grow its fleet, American has developed an alternative plan to cover the capacity of the 12 McDonnell Douglas MD-11s it agreed to sell to Federal Express in 1995. Delivery of the MD-11s began in early 1996 and will continue through 1999. As the MD-11s are delivered to Federal Express, American will replace them by reconfiguring some of the Airbus A300s now flying in the Caribbean for use on its shorter trans-Atlantic routes.

The A300s, in turn, will be replaced by Boeing 727s the airline had previously planned to retire in 1995. This approach will allow American to simultaneously complete the Federal Express transaction and sustain both its European and Caribbean route structures without acquiring new aircraft.

Overall, the 1996 outlook for the Airline Group is favorable. On the revenue side, many of 1995's favorable trends are expected to continue. Overall industry capacity is expected to grow only modestly and, assuming the U.S. economy remains reasonably healthy, demand should keep pace.

However, the pressure to reduce costs will continue. The Airline Group should see some progress in 1996, due in part to the fact that both the American and American Eagle schedules should be much more stable in 1996 than they were in 1995. Also, American's introduction of its version of electronic ticketing, coupled with an aggressive program of airport automation will, in the latter part of 1996 and in the years beyond, enable the airline to further increase the productivity of its agent workforce while simultaneously saving money in its internal operations.

The Airline Group will also have the benefit in 1996 of the full-year effect of the numerous changes made in 1995, which will favorably affect food and beverage costs, distribution expenses and a host of individually smaller items.

Taken together, the 1995 initiatives and those identified for 1996 are expected to generate non-labor expense savings, and by improving the productivity of most work groups, will impact, to some degree, labor costs as well.

Given the inherent volatility of fuel prices, anticipating the impact of fuel expense in 1996 is very difficult. Compounding this is the 4.3 cents per gallon fuel tax on commercial aviation jet fuel for use in domestic operations, which the airline was exempt from until October 1, 1995. On this date, the exemption expired and the resulting tax is scheduled to continue, although fuel tax exemption legislation is pending. American estimates the resulting annual increase in fuel taxes will be approximately \$80 million.

Finally, during 1996, management will continue its efforts to persuade the leadership of the APA that change is a prerequisite to a successful future for American Airlines.

**THE SABRE GROUP** The third objective of the Transition Plan is to grow the Company's profitable non-airline businesses, and AMR was able to do so in 1995. The SABRE Group, the largest of AMR's non-airline enterprises, continued to compete successfully in the travel distribution and information technology industries and recorded both improved earnings and strong margins in 1995.

One of the primary goals of The SABRE Group is to ensure that SABRE remains the premier global provider of travel distribution information services. Throughout the year, SABRE made important progress in a number of international markets, continuing its expansion in Canada, Europe, Mexico, Latin America and India and forming joint ventures with Japan Airlines' AXESS Information Network as well as the Civil Aviation Administration of China.

While SABRE's international growth is impressive, the travel distribution industry is changing at an accelerating rate -- and The SABRE Group is changing with it. During 1995, the group came under increasing competitive pressure, as new distribution channels and innovative technology began to divert attention and resources away from more traditional travel distribution channels. The SABRE Group is moving quickly to preserve its industry-leading position.

During 1995, the group announced a number of product enhancements and new products designed to sustain its position as a leading distributor of travel and travel-related products. Additionally, SABRE Interactive, a new business unit within The SABRE Group, was formed to help meet the challenges and opportunities posed by the rapid development of, and growing public interest in, consumer-direct travel distribution.

Sustaining The SABRE Group's leadership position in the years to come will require, in the short term, a significant amount of investment spending, which will be reflected in the group's 1996 results. Nonetheless, The SABRE Group's record of profitable growth should continue.

AMR plans to more fully develop and market its distinct information technology expertise through The SABRE Group and continues to investigate opportunities for further enhancing the value of its information technology businesses. In furtherance of these opportunities, AMR is taking preliminary steps, such as obtaining certain consents, that will allow it to proceed expeditiously should it decide that a reorganization of The SABRE Group into one or more subsidiaries of AMR is desirable. This reorganization, if concluded, may involve the transfer to AMR, by means of a dividend, of American's STIN, SCS, SDS and SABRE Interactive divisions. A final decision to proceed with a reorganization has not been made, however, and AMR could determine that conducting the business activities of The SABRE Group within the current corporate structure continues to be in the best interests of AMR's shareholders.

**MANAGEMENT SERVICES GROUP** The Management Services Group, whose activities are various and diverse, is expected to have continued success in 1996. Similar to the Airline Group, the Management Services Group is expected to benefit from a year of relative stability.

**BALANCE SHEET OUTLOOK** In addition to making progress in each of its business segments, AMR also made some significant strides towards a stronger balance sheet in 1995. Since airline earnings, while improved, remain insufficient to justify the purchase of new aircraft, AMR has opted to use much of its cash flow to reduce the Company's outstanding debt. Scheduled and early debt retirement reduced AMR's debt and capital lease obligations by more than \$1 billion in 1995, creating a healthier balance sheet and reducing future interest expense.

American has no immediate plans to acquire either growth or replacement aircraft, and thus AMR's capital spending in 1996 is expected to total only about \$900 million. The Company expects to generate surplus cash again in 1996. The Company continues to evaluate uses for its surplus cash, which will likely include the retirement or refinancing of debt and other fixed obligations, as well as the repurchase, in the open market or otherwise, of a significant amount of debt in excess of scheduled 1996 repayments. The total amount and type of debt retired, refinanced and repurchased will depend on market conditions, American's cash position and other considerations during the year.

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
AMR Corporation

We have audited the accompanying consolidated balance sheets of AMR Corporation as of December 31, 1995 and 1994, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1995. Our audits also included the financial statement schedules listed in the index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMR Corporation at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 11 to the consolidated financial statements, effective January 1, 1995, the Company changed its method of accounting for the impairment of long-lived assets to conform with Statement of Financial Accounting Standards No. 121.

ERNST & YOUNG LLP

2121 San Jacinto  
Dallas, Texas 75201  
January 15, 1996

AMR CORPORATION  
 CONSOLIDATED STATEMENT OF OPERATIONS  
 (in millions, except per share amounts)

	Year Ended December 31,		
	1995	1994	1993
<b>REVENUES</b>			
Airline Group:			
Passenger - American Airlines, Inc.	\$ 13,335	\$ 12,826	\$ 12,900
- AMR Eagle, Inc.	775	790	711
Cargo	677	666	643
Other	714	613	531
	15,501	14,895	14,785
The SABRE Group	1,624	1,463	1,302
Management Services Group	534	518	421
Less: Intergroup revenues	(749)	(739)	(692)
Total operating revenues	16,910	16,137	15,816
<b>EXPENSES</b>			
Wages, salaries and benefits	5,779	5,550	5,381
Aircraft fuel	1,623	1,614	1,875
Commissions to agents	1,293	1,335	1,448
Depreciation and amortization	1,259	1,250	1,223
Other rentals and landing fees	878	852	851
Aircraft rentals	671	695	743
Food service	682	670	700
Maintenance materials and repairs	641	577	664
Other operating expenses	2,536	2,310	2,241
Restructuring costs	533	278	-
Total operating expenses	15,895	15,131	15,126
OPERATING INCOME	1,015	1,006	690
<b>OTHER INCOME (EXPENSE)</b>			
Interest income	63	46	60
Interest expense	(684)	(637)	(668)
Interest capitalized	14	22	51
Miscellaneous - net	(50)	(67)	(246)
	(657)	(636)	(803)
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY LOSS	358	370	(113)
Income tax provision (benefit)	162	142	(17)
EARNINGS (LOSS) BEFORE EXTRAORDINARY LOSS	196	228	(96)
EXTRAORDINARY LOSS, NET OF TAX BENEFIT	(29)	-	(14)
NET EARNINGS (LOSS)	\$ 167	\$ 228	\$ (110)

Continued on next page.

AMR CORPORATION  
 CONSOLIDATED STATEMENT OF OPERATIONS (CONTINUED)  
 (in millions, except per share amounts)

	Year Ended December 31,		
	1995	1994	1993
NET EARNINGS (LOSS)	\$ 167	\$ 228	\$ (110)
Preferred stock dividends	(5)	(56)	(60)
	162	172	(170)
Increase in additional paid-in capital from preferred stock exchange	-	171	-
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ 162	\$ 343	\$ (170)
EARNINGS (LOSS) PER COMMON SHARE (PRIMARY AND FULLY DILUTED):			
Before effect of preferred stock exchange and extraordinary loss	\$ 2.48	\$ 2.26	\$ (2.05)
Effect of preferred stock exchange	-	2.25	-
Extraordinary loss	(0.37)	-	(0.18)
Net earnings (loss)	\$ 2.11	\$ 4.51	\$ (2.23)

The accompanying notes are an integral part of these financial statements.



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 AMR CORPORATION  
 CONSOLIDATED BALANCE SHEET  
 (in millions)

	December 31,	
	1995	1994
<hr/>		
ASSETS		
CURRENT ASSETS		
Cash	\$ 82	\$ 23
Short-term investments	819	754
Receivables, less allowance for uncollectible accounts (1995 - \$18; 1994 - \$26)	1,153	1,044
Inventories, less allowance for obsolescence (1995 - \$250; 1994 - \$179)	589	678
Deferred income taxes	357	325
Other current assets	137	132
	-----	-----
Total current assets	3,137	2,956
EQUIPMENT AND PROPERTY		
Flight equipment, at cost	13,396	13,439
Less accumulated depreciation	3,544	3,435
	-----	-----
	9,852	10,004
Other equipment and property, at cost	4,204	4,046
Less accumulated depreciation	2,240	2,030
	-----	-----
	1,964	2,016
	-----	-----
	11,816	12,020
EQUIPMENT AND PROPERTY UNDER CAPITAL LEASES		
Flight equipment	2,368	2,508
Other equipment and property	256	268
	-----	-----
	2,624	2,776
Less accumulated amortization	875	898
	-----	-----
	1,749	1,878
OTHER ASSETS		
Route acquisition costs, less accumulated amortization (1995 - \$153; 1994 - \$124)	1,003	1,032
Airport operating and gate lease rights, less accumulated amortization (1995 - \$104; 1994 - \$86)	364	382
Prepaid pension cost	268	99
Other	1,219	1,119
	-----	-----
	2,854	2,632
	-----	-----
TOTAL ASSETS	\$ 19,556	\$ 19,486
	=====	=====

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION  
 CONSOLIDATED BALANCE SHEET  
 (in millions, except shares and par value)

	December 31,	
	1995	1994
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 817	\$ 920
Accrued salaries and wages	729	619
Accrued liabilities	1,331	1,004
Air traffic liability	1,466	1,473
Current maturities of long-term debt	228	590
Current obligations under capital leases	122	128
<b>Total current liabilities</b>	<b>4,693</b>	<b>4,734</b>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	<b>4,983</b>	<b>5,603</b>
<b>OBLIGATIONS UNDER CAPITAL LEASES, LESS CURRENT OBLIGATIONS</b>	<b>2,069</b>	<b>2,275</b>
<b>OTHER LIABILITIES AND CREDITS</b>		
Deferred income taxes	446	279
Deferred gains	696	733
Postretirement benefits	1,439	1,254
Other liabilities and deferred credits	1,510	1,228
	<b>4,091</b>	<b>3,494</b>
<b>COMMITMENTS, LEASES AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Convertible preferred stock:		
20,000,000 shares authorized, 159,000 shares issued and outstanding	78	78
Common stock - \$1 par value; shares authorized: 150,000,000; shares issued and outstanding: 1995 - 76,400,000; 1994 - 75,900,000	76	76
Additional paid-in capital	2,239	2,212
Other	(91)	(242)
Retained earnings	1,418	1,256
	<b>3,720</b>	<b>3,380</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 19,556</b>	<b>\$ 19,486</b>

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION  
 CONSOLIDATED STATEMENT OF CASH FLOWS  
 (in millions)

	Year Ended December 31,		
	1995	1994	1993
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Net earnings (loss)	\$ 167	\$ 228	\$ (110)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,259	1,250	1,223
Deferred income taxes	50	145	(30)
Provision for restructuring costs	533	278	-
Provisions for losses	41	25	196
Change in assets and liabilities:			
Decrease (increase) in receivables	(109)	(135)	37
Increase in inventories	(11)	(19)	(27)
Increase (decrease) in accounts payable and accrued liabilities	441	(216)	34
Increase (decrease) in air traffic liability	(7)	13	(64)
Other, net	(179)	40	118
Net cash provided by operating activities	2,185	1,609	1,377
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Capital expenditures	(928)	(1,114)	(2,080)
Net decrease (increase) in short-term investments	(65)	(239)	290
Investment in Canadian Airlines International, Ltd.	-	(177)	-
Other, net	68	67	36
Net cash used for investing activities	(925)	(1,463)	(1,754)
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from:			
Issuance of long-term debt	184	146	730
Sale-leaseback transactions	-	280	-
Issuance of convertible preferred stock	-	-	1,081
Net short-term borrowings (repayments) with maturities of 90 days or less	-	-	(351)
Other short-term borrowings	-	200	-
Payments on other short-term borrowings	-	(200)	(29)
Payments on long-term debt and capital lease obligations	(1,401)	(549)	(1,069)
Payment of preferred stock dividends	(5)	(66)	(49)
Other, net	21	3	82
Net cash provided by (used for) financing activities	(1,201)	(186)	395
Net increase (decrease) in cash	59	(40)	18
Cash at beginning of year	23	63	45
Cash at end of year	\$ 82	\$ 23	\$ 63

The accompanying notes are an integral part of these financial statements.

## AMR CORPORATION

## CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(in millions, except shares and per share amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Other	Retained Earnings	Total
Balance at January 1, 1993	\$ -	\$ 75	\$ 2,018	\$ -	\$ 1,256	\$ 3,349
Net loss	-	-	-	-	(110)	(110)
Sale of 2,200,000 shares	1,081	-	-	-	-	1,081
Preferred stock dividends (\$27.27 per share)	-	-	-	-	(60)	(60)
Issuance of 339,506 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	1	17	-	-	18
Other	-	-	-	-	(2)	(2)
Balance at December 31, 1993	1,081	76	2,035	-	1,084	4,276
Net earnings	-	-	-	-	228	228
Exchange of convertible debentures for 2,041,000 preferred shares	(1,003)	-	171	-	-	(832)
Preferred stock dividends (\$30.00 per share)	-	-	-	-	(56)	(56)
Issuance of 127,694 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	-	6	-	-	6
Adjustment for minimum pension liability, net of tax benefit of \$120	-	-	-	(199)	-	(199)
Unrealized loss on investments, net of tax benefit of \$18	-	-	-	(43)	-	(43)
Balance at December 31, 1994	78	76	2,212	(242)	1,256	3,380
Net earnings	-	-	-	-	167	167
Preferred stock dividends (\$30.00 per share)	-	-	-	-	(5)	(5)
Issuance of 507,826 shares pursuant to stock option, deferred stock and restricted stock incentive plans	-	-	27	-	-	27
Adjustment for minimum pension liability, net of tax benefit of \$120	-	-	-	198	-	198
Unrealized loss on investments, net of tax benefit of \$28	-	-	-	(47)	-	(47)
Balance at December 31, 1995	\$ 78	\$ 76	\$ 2,239	\$ (91)	\$ 1,418	\$ 3,720

The accompanying notes are an integral part of these financial statements.

## 1. SUMMARY OF ACCOUNTING POLICIES

**BASIS OF CONSOLIDATION** The consolidated financial statements include the accounts of AMR Corporation (AMR or the Company), its principal subsidiary, American Airlines, Inc. (American), and its other wholly-owned subsidiaries. All significant intercompany transactions have been eliminated. Certain amounts from prior years have been reclassified to conform with the 1995 presentation.

**USE OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**INVENTORIES** Spare parts, materials and supplies relating to flight equipment are carried at average cost and are expensed when used in operations. Allowances for obsolescence are provided, over the estimated useful life of the related aircraft and engines, for spare parts expected to be on hand at the date aircraft are retired from service. These allowances are based on management estimates, which are subject to change.

**EQUIPMENT AND PROPERTY** The provision for depreciation of operating equipment and property is computed on the straight-line method applied to each unit of property, except that spare assemblies are depreciated on a group basis. The depreciable lives and residual values used for the principal depreciable asset classifications are:

	Depreciable Life	Residual Value
	-----	-----
Boeing 727-200	21 years (1)	5%
DC-10-10	December 31, 1998 (2)	0%
DC-10-30	December 31, 1999 (2)	5%
Other jet aircraft	20 years	5%
Regional aircraft and engines	15-17 years	10%
Major rotatable parts, avionics and assemblies	Life of equipment to which applicable	10%
Improvements to leased flight equipment	Term of lease	None
Buildings and improvements (principally on leased land)	10-30 years or term of lease	None
Other equipment	3-20 years	None

(1) In 1991, American changed the estimated useful lives of its Boeing 727-200 aircraft and engines from a common retirement date of December 31, 1994, to projected retirement dates by aircraft, which results in an average depreciable life of approximately 21 years.

(2) Approximate common retirement date.

Equipment and property under capital leases are amortized over the term of the leases and such amortization is included in depreciation and amortization. Lease terms vary but are generally 10 to 25 years for aircraft and 7 to 40 years for other leased equipment and property.

**MAINTENANCE AND REPAIR COSTS** Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except engine overhaul costs incurred by AMR's regional carriers, which are accrued on the basis of hours flown.

## 1. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

**INTANGIBLE ASSETS** The Company continually evaluates intangible assets to determine whether current events and circumstances warrant adjustment of the carrying values or amortization periods.

Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities, airport take-off and landing slots and airport gate leasehold rights acquired, and are being amortized on a straight-line basis over 10 to 40 years.

**PASSENGER REVENUES** Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time transportation is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized. Actual results could differ from those estimates.

**ADVERTISING COSTS** The Company expenses the costs of advertising as incurred. Advertising expense was \$192 million, \$201 million and \$202 million for the years ended December 31, 1995, 1994 and 1993, respectively.

**FREQUENT FLYER PROGRAM** The estimated incremental cost of providing free travel awards is accrued when such award levels are reached. American sells mileage credits to companies participating in its frequent flyer program. A portion of the revenue from the sale of mileage credits is deferred and recognized over a period approximating the period during which the mileage credits are used.

**INCOME TAXES** AMR and its eligible subsidiaries file a consolidated federal income tax return. Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the income tax amounts.

**DEFERRED GAINS** Gains on the sale and leaseback of equipment and property are deferred and amortized over the terms of the related leases as a reduction of rent expense.

**STATEMENT OF CASH FLOWS** Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statement of cash flows.

**EARNINGS (LOSS) PER COMMON SHARE** Earnings (loss) per share computations are based upon the earnings (loss) applicable to common shares and the average number of shares of common stock outstanding and dilutive common stock equivalents (stock options, warrants and deferred stock) outstanding. The convertible subordinated debentures and the convertible preferred stock are not common stock equivalents. The number of shares used in the computations of primary and fully diluted earnings (loss) per common share for the years ended December 31, 1995, 1994 and 1993, was 76.8 million, 76.2 million and 76.0 million, respectively.

Information on the adjustment to the earnings per share computation for the year ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5.

**STOCK OPTIONS** The Company accounts for officer and key employee stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant.

## 2. INVESTMENTS

Short-term investments consisted of (in millions):

	December 31,	
	1995	1994
Overnight investments and time deposits	\$ 136	\$ 324
Corporate notes	457	246
Other debt securities	226	184
	-----	-----
	\$ 819	\$ 754
	=====	=====

Short-term investments at December 31, 1995, by contractual maturity included (in millions):

Due in one year or less	\$ 461
Due after one year through three years	278
Due after three years	80
	-----
	\$ 819
	=====

In addition, the Company has an investment in the cumulative mandatorily redeemable convertible preferred stock of Canadian Airlines International. This investment is recorded at its estimated fair value of \$55 million and \$137 million at December 31, 1995 and 1994, respectively. The unrealized loss on this investment was \$137 million and \$53 million at December 31, 1995 and 1994, respectively.

All investments were classified as available-for-sale and stated at fair value. Net unrealized gains and losses, net of deferred taxes, are reflected as an adjustment to stockholders' equity.

## 3. COMMITMENTS AND CONTINGENCIES

The Company has on order four Boeing 757-200 jet aircraft scheduled for delivery in 1996. Remaining payments for these aircraft and related equipment will be approximately \$100 million in 1996. In addition to these commitments for aircraft, the Company has authorized expenditures of approximately \$850 million for aircraft modifications, renovations of, and additions to, airport and office facilities and various other equipment and assets. AMR expects to spend approximately \$350 million of this amount in 1996.

In April 1995, American announced an agreement to sell 12 of its McDonnell Douglas MD-11 aircraft to Federal Express Corporation (FedEx), with delivery of the aircraft between 1996 and 1999. In addition, American has the option to sell its remaining seven MD-11 aircraft to FedEx with deliveries between 2000 and 2002. The carrying value of the 12 aircraft American has committed to sell was approximately \$837 million as of December 31, 1995. Included in depreciation expense are charges related to these aircraft which totaled approximately \$23 million for the year ended December 31, 1995.

AMR and American have included an event risk covenant in approximately \$330 million of debentures and approximately \$2.9 billion of lease agreements. The covenant permits the holders of such instruments to receive a higher rate of return (between 50 and 700 basis points above the stated rate) if a designated event, as defined, should occur and the credit rating of the debentures or the debt obligations underlying the lease agreements is downgraded below certain levels.

## 3. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Special facility revenue bonds have been issued by certain municipalities, primarily to purchase equipment and improve airport facilities which are leased by American. In certain cases, the bond issue proceeds were loaned to American and are included in long-term debt. Certain bonds have rates that are periodically reset and are remarketed by various agents. In certain circumstances, American may be required to purchase up to \$437 million of the special facility revenue bonds prior to maturity, in which case American has the right to resell the bonds or to use the bonds to offset its lease or debt obligations. American may borrow the purchase price of these bonds under standby letter-of-credit agreements. At American's option, these letters of credit are secured by funds held by bond trustees and by approximately \$429 million of short-term investments.

The Miami International Airport Authority is currently remediating various environmental conditions at the Miami International Airport (Airport) and funding the remediation costs through landing fee revenues. Some of the costs of the remediation effort may be borne by carriers currently operating at the Airport, including American, through increased landing fees since certain of the potentially responsible parties are no longer in business. The future increase in landing fees may be material but cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. The ultimate resolution is not, however, expected to have a significant impact on the financial position or the liquidity of AMR.

American's collective bargaining agreement with the Allied Pilots Association (APA) became amendable on August 31, 1994. In January 1996, the APA filed a petition with the National Mediation Board (NMB) to appoint a federal mediator. A mediator has been appointed, and initial meetings have been held between the APA and the NMB mediator and between American and the NMB mediator. Joint meetings began in March 1996. The outcome of these negotiations and the impact on the Company cannot be determined at this time.

## 4. LEASES

AMR's subsidiaries lease various types of equipment and property, including aircraft, passenger terminals, equipment and various other facilities. The future minimum lease payments required under capital leases, together with the present value of net minimum lease payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 1995, were (in millions):

Year Ending December 31,	Capital Leases	Operating Leases
	-----	-----
1996	\$ 248	\$ 879
1997	273	919
1998	268	926
1999	263	918
2000	328	874
2001 and subsequent	1,954	14,402
	-----	-----
	3,334 (1)	\$ 18,918 (2)
		=====
Less amount representing interest	1,143	
	-----	
Present value of net minimum lease payments	\$ 2,191	
	=====	

(1) Future minimum payments required under capital leases include \$205 million and \$203 million guaranteed by AMR and American, respectively, relating to special facility revenue bonds issued by municipalities.

(2) Future minimum payments required under operating leases include \$6.2 billion guaranteed by AMR relating to special facility revenue bonds issued by municipalities.

At December 31, 1995, the Company had 198 jet aircraft and 109 turboprop aircraft under operating leases, and 74 jet aircraft and 63 turboprop aircraft under capital leases.



## 4. LEASES (CONTINUED)

The aircraft leases can generally be renewed at rates based on fair market value at the end of the lease term for one to five years. Most aircraft leases have purchase options at or near the end of the lease term at fair market value, but generally not to exceed a stated percentage of the defined lessor's cost of the aircraft. Of the aircraft American has under operating leases, 15 Boeing 767-300 Extended Range aircraft are cancelable upon 30 days' notice during the initial 10-year lease term. At the end of that term in 1998, the leases can be renewed for periods ranging from 10 to 12 years.

Rent expense, excluding landing fees, was \$1.3 billion for 1995, 1994 and 1993.

## 5. INDEBTEDNESS

Long-term debt (excluding amounts maturing within one year) consisted of (in millions):

	December 31,	
	1995	1994
6.075% - 10.70% notes due through 2025	\$ 2,368	\$ 2,531
8.625% - 10.20% debentures due through 2021 (net of unamortized discount of \$8)	972	1,188
6.125% convertible subordinated debentures due 2024 (net of unamortized discount of \$187 at December 31, 1995)	834	832
Variable rate indebtedness due through 2024 (3.833% - 7.188% at December 31, 1995)	475	681
6.0% - 9.25% bonds due through 2031	275	280
Other	59	91
Long-term debt, less current maturities	\$ 4,983	\$ 5,603

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 1996 - \$228 million; 1997 - \$388 million; 1998 - \$432 million; 1999 - \$63 million; 2000 - \$57 million.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately \$1.3 billion.

In November 1994, AMR issued \$1.02 billion in par value of convertible subordinated debentures in exchange for 2.04 million shares of its outstanding convertible preferred stock with a carrying value of \$1.0 billion. Each \$1,000 debenture is convertible into common stock of AMR at a conversion price of \$79 per share, equivalent to 12.658 shares per \$1,000 debenture. As a result of the exchange, the Company recorded a \$171 million non-cash increase in additional paid-in capital, representing the difference in the fair value of the new debentures and the carrying value of the preferred shares exchanged. While this amount did not impact net earnings for the year ended December 31, 1994, it is included in the computation of earnings per share.

During 1995, AMR repurchased and retired prior to maturity \$378 million in face value of long-term debt, net of sinking fund balances. Cash from operations provided the funding for the repurchases and retirements. In addition, \$616 million in outstanding principal of certain debt and lease obligations was refinanced during 1995. These transactions resulted in an extraordinary loss of \$45 million (\$29 million after tax) for the year ended December 31, 1995.

During 1993, AMR repurchased and retired prior to maturity its zero coupon subordinated convertible notes due 2006 and certain other long-term debt with a total carrying value of \$802 million. The repurchases and retirements resulted in an extraordinary loss of \$21 million (\$14 million after tax) for the year ended December 31, 1993. Additional borrowings and cash from operations provided the funding for the repurchases and retirements.

## 5. INDEBTEDNESS (CONTINUED)

American has a \$1.0 billion credit facility agreement which expires in 1999. Interest on the agreement is calculated at floating rates based upon the London Interbank Offered Rate (LIBOR). At January 15, 1996, no borrowings were outstanding and \$1.0 billion was available under this facility.

Certain of AMR's debt agreements contain restrictive covenants, including a limitation on the declaration of dividends on shares of capital stock. At December 31, 1995, under the terms of such agreements, all of AMR's retained earnings were available for payment of dividends. Certain of American's debt and credit facility agreements also contain certain restrictive covenants, including a cash flow coverage test, a minimum net worth requirement and limitations on indebtedness and limitations on the declaration of dividends. Certain of these restrictions could affect AMR's ability to pay dividends. At December 31, 1995, under the most restrictive provisions of those agreements, approximately \$857 million of American's retained earnings were available for payment of dividends to AMR.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As part of the Company's risk management program, AMR uses a variety of financial instruments, including interest rate swaps, fuel swaps and currency exchange agreements. The Company does not hold or issue derivative financial instruments for trading purposes.

## NOTIONAL AMOUNTS AND CREDIT EXPOSURES OF DERIVATIVES

The notional amounts of derivative financial instruments summarized in the tables which follow do not represent amounts exchanged between the parties and, therefore, are not a measure of the Company's exposure resulting from its use of derivatives. The amounts exchanged are calculated based on the notional amounts and other terms of the instruments, which relate to interest rates, exchange rates or other indices.

The Company is exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. The credit exposure related to these financial instruments is represented by the fair value of contracts with a positive fair value at the reporting date, reduced by the effects of master netting agreements. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty. The Company also maintains industry-standard security agreements with the majority of its counterparties which may require the Company or the counterparty to post collateral if the value of these instruments falls below certain mark-to-market thresholds. As of December 31, 1995, no collateral was required under these agreements, and the Company does not expect to post collateral in the near future.

## INTEREST RATE RISK MANAGEMENT

American enters into interest rate swap contracts to effectively convert a portion of its fixed-rate obligations to floating-rate obligations. These agreements involve the exchange of amounts based on a floating interest rate for amounts based on fixed interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of interest expense related to the obligation. The related amount payable to or receivable from counterparties is included in current liabilities or assets. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest rate swap agreements are deferred as an adjustment to the carrying amount of the outstanding obligation and amortized as an adjustment to interest expense related to the obligation over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment. Because American's operating results tend to be better in economic cycles with relatively high interest rates and its capital investments tend to be financed with long-term fixed-rate instruments, interest rate swaps in which American pays the floating rate and receives the fixed rate are used to reduce the impact of economic cycles on American's net income.

## 6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table indicates the notional amounts and fair values of the Company's interest rate swap agreements (in millions):

	December 31,			
	1995		1994	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swap agreements	\$ 1,980	\$ 12	\$ 1,980	\$ (174)

The fair values represent the amount the Company would receive or pay to terminate the agreements at December 31, 1995 and 1994, respectively.

At December 31, 1995, the weighted average remaining life of the interest rate swap agreements in effect was 3.1 years. The weighted average floating rates and fixed rates on the contracts outstanding were:

	December 31,	
	1995	1994
Average floating rate	5.786%	5.720%
Average fixed rate	5.304%	5.207%

Floating rates are based primarily on LIBOR and may change significantly, affecting future cash flows. The net impact of the interest rate swap program on interest expense was an increase of \$18 million in 1995 and a decrease of \$14 million in 1994. The impact on the Company's weighted-average borrowing rate for the periods presented is immaterial.

## FUEL PRICE RISK MANAGEMENT

American enters into fuel swap contracts to protect against increases in jet fuel prices. Under the agreements, American receives or makes payments based on the difference between a fixed price and a variable price for certain fuel commodities. Gains and losses on fuel swap agreements are recognized as a component of fuel expense when the underlying fuel being hedged is used. At December 31, 1995, American had agreements with broker-dealers to exchange payments on approximately 295 million gallons of fuel products, which represents approximately 11 percent of its expected 1996 fuel needs. The Company does not expect the fuel price hedging program to have a material effect on liquidity. The fair value of the Company's fuel swap agreements at December 31, 1995, representing the amount the Company would receive to terminate the agreements, was immaterial.

## FOREIGN EXCHANGE RISK MANAGEMENT

To hedge against the risk of future currency exchange rate fluctuations on certain debt and lease obligations and related interest payable in foreign currencies, the Company has entered into various foreign currency exchange agreements. Changes in the value of the agreements due to exchange rate fluctuations are offset by changes in the value of the foreign currency denominated debt and lease obligations translated at the current exchange rate. Discounts or premiums are accreted or amortized as an adjustment to interest expense over the lives of the underlying debt or lease obligations. The related amounts due to or from counterparties are included in other liabilities or other assets. The net fair values of the Company's currency exchange agreements, representing the amount AMR would receive to terminate the agreements, were:

	December 31,			
	1995		1994	
	Notional Amount	Fair Value (in millions)	Notional Amount	Fair Value (in millions)
Swiss Francs	195 million	\$ 80	195 million	\$ 54
Japanese Yen	25.0 billion	28	25.6 billion	41

The Swiss Franc agreement carries an exchange rate of 1.63 Francs per U.S. dollar. The exchange rates on the Japanese Yen agreements range from 66.50 to 137.26 Yen per U.S. dollar.

To hedge against the risk of future exchange rate fluctuations on a portion of American's foreign cash flows, the Company entered into various currency put option agreements during 1995 on a number of foreign currencies. The option contracts are denominated in the same foreign currency in which the projected foreign cash flows are expected to be denominated. These contracts are designated and effective as hedges of probable quarterly foreign cash flows for various periods through September 30, 1998, which otherwise would expose the Company to foreign currency risk. Realized gains on the currency put option agreements are recognized as a component of passenger revenue. At December 31, 1995, the notional amount related to these options totaled approximately \$743 million and the fair value, representing the amount AMR would receive to terminate the agreements, totaled approximately \$16.5 million.

## FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values of the Company's long-term debt were estimated using quoted market prices, where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts and fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	1995		1994	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.075% - 10.70% notes	\$ 2,454	\$ 2,750	\$ 2,778	\$ 2,692
8.625% - 10.20% debentures	973	1,135	1,188	1,117
6.125% convertible subordinated debentures	834	1,036	832	826
Variable rate indebtedness	601	601	1,005	1,005
6.0% - 9.25% bonds	275	341	280	342
Other	74	80	110	95
	\$ 5,211	\$ 5,943	\$ 6,193	\$ 6,077

## 7. INCOME TAXES

The significant components of the income tax provision (benefit) were (in millions):

	Year Ended December 31,		
	1995	1994	1993
Current	\$ 112	\$ (3)	\$ 13
Deferred	50	217	268
Benefit of operating loss carryforwards	-	(72)	(298)
	\$ 162	\$ 142	\$ (17)

The income tax provision (benefit) includes a federal income tax provision of \$133 million and \$108 million for the years ended December 31, 1995 and 1994, respectively, and a federal income tax benefit of \$30 million for the year ended December 31, 1993.

The income tax provision (benefit) differed from amounts computed at the statutory federal income tax rate as follows (in millions):

	Year Ended December 31,		
	1995	1994	1993
Statutory income tax provision (benefit)	\$ 125	\$ 130	\$ (40)
Meal expense	22	21	9
State income tax provision (benefit), net	11	15	4
Amortization	3	7	4
Rate difference on net operating loss carryback	-	(16)	-
Other, net	1	(15)	6
Income tax provision (benefit)	\$ 162	\$ 142	\$ (17)

## 7. INCOME TAXES (CONTINUED)

The components of AMR's deferred tax assets and liabilities were (in millions):

	December 31,	
	1995	1994
Deferred tax assets:		
Postretirement benefits other than pensions	\$ 504	\$ 439
Gains from lease transactions	253	269
Alternative minimum tax credit carryforwards	443	348
Operating loss carryforwards	718	719
Other	780	687
Valuation allowance	(12)	(18)
Total deferred tax assets	2,686	2,444
Deferred tax liabilities:		
Accelerated depreciation and amortization	(2,443)	(2,191)
Pensions	(65)	(5)
Other	(267)	(202)
Total deferred tax liabilities	(2,775)	(2,398)
Net deferred tax asset (liability)	\$ (89)	\$ 46

At December 31, 1995, AMR had available for federal income tax purposes approximately \$443 million of alternative minimum tax credit carryforwards available for an indefinite period, and approximately \$2.1 billion of net operating loss carryforwards for regular tax purposes which expire as follows: 2007 - \$851 million; 2008 - \$838 million; and 2009 - \$363 million.

## 8. PREFERRED STOCK

In 1993, AMR issued 2.2 million shares of 6% Series A cumulative convertible preferred stock, resulting in net proceeds of approximately \$1.1 billion. At the holder's option, each preferred share is convertible into 6.3492 shares of common stock at any time. At the Company's option after February 1, 1996, the preferred shares are redeemable at specified redemption prices. In 1994, AMR exchanged \$1.02 billion in face value of newly issued 6.125% convertible subordinated debentures due 2024 for 2.04 million of the preferred shares. See Note 5 for a more detailed description of the debentures.

## 9. STOCK AWARDS AND OPTIONS

Under the 1988 Long Term Incentive Plan (1988 Plan), as amended in 1994, officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights and/or other stock-based awards. The total number of common shares authorized for distribution under the 1988 Plan is 7,200,000 shares. In the event that additional shares of the Company's common stock are issued, 7.65 percent of such newly issued shares will be allocated to the 1988 Plan, provided that the maximum number of shares which may be allocated to the 1988 Plan may not exceed the total number of authorized shares as of December 31, 1987. The 1988 Plan will terminate no later than May 18, 1998. Options granted are exercisable at the market value of the stock upon grant, generally becoming exercisable in equal annual installments over one to five years following the date of grant and expiring 10 years from the date of grant. Stock appreciation rights may be granted in tandem with options awarded. As of January 1, 1996, all outstanding stock appreciation rights were canceled, while the underlying stock options remain in effect.

Stock option activity was:

	Year Ended December 31,		
	1995	1994	1993
Outstanding at January 1	2,404,010	2,107,950	1,991,100
Granted	440,600	409,400	448,500
Exercised(1)	(390,510)	(41,600)	(208,910)
Canceled(2)	(131,320)	(71,740)	(122,740)
Outstanding at December 31	2,322,780	2,404,010	2,107,950

(1) At prices ranging from \$39.6875 to \$66.75 in 1995; \$39.6875 to \$64.1875 in 1994; and \$39.6875 to \$65.75 in 1993.

(2) Includes 20,500 and 21,000 options canceled upon exercise of stock appreciation rights for 1995 and 1993, respectively.

The aggregate purchase price of outstanding options, number of exercisable options outstanding and stock awards available for grant were:

	December 31,		
	1995	1994	1993
Aggregate purchase price (in millions)	\$ 146	\$ 144	\$ 127
Exercisable options outstanding	1,195,580	1,282,790	963,450
Stock awards available for grant	2,549,116	3,239,948	1,229,781

## 9. STOCK AWARDS AND OPTIONS (CONTINUED)

Shares of deferred stock are awarded at no cost to officers and key employees under the 1988 Plan's Career Equity Program and will be issued upon the individual's retirement from AMR or, in certain circumstances, will vest on a pro rata basis. Deferred stock activity was:

	Year Ended December 31,		
	1995	1994	1993
Outstanding at January 1	1,496,803	1,510,860	1,526,053
Granted	120,300	88,800	144,300
Issued	(116,016)	(56,625)	(84,321)
Canceled	(77,029)	(46,232)	(75,172)
Outstanding at December 31	1,424,058	1,496,803	1,510,860

AMR has a restricted stock incentive plan, under which officers and key employees were awarded shares of its common stock at no cost. At December 31, 1993, all 250,000 shares authorized for issuance in connection with the plan had been granted. Vesting of the shares occurs generally over a five-year period.

A performance share plan was implemented in 1993 under the terms of which shares of deferred stock are awarded at no cost to officers and key employees under the 1988 Plan. The shares vest over a three-year performance period based upon AMR's ratio of operating cash flow to adjusted total assets. Performance share activity was:

	Year Ended December 31,		
	1995	1994	1993
Outstanding at January 1	508,330	246,650	-
Granted	340,991	271,800	246,650
Issued	-	-	-
Canceled	(24,910)	(10,120)	-
Outstanding at December 31	824,411	508,330	246,650

There were 21.0 million shares of AMR's common stock at December 31, 1995 reserved for the issuance of stock upon the conversion of convertible preferred stock and convertible subordinated debentures, the exercise of options and the issuance of restricted stock and deferred stock.



## 10. RETIREMENT BENEFITS

Substantially all employees of American and employees of certain other subsidiaries are eligible to participate in pension plans. The defined benefit plans provide benefits for participating employees based on years of service and average compensation for a specified period of time before retirement. Airline pilots and flight engineers also participate in defined contribution plans for which Company contributions are determined as a percentage of participant compensation.

Total costs for all pension plans were (in millions):

	Year Ended December 31,		
	1995	1994	1993
Defined benefit plans:			
Service cost - benefits earned during the period	\$ 165	\$ 204	\$ 167
Interest cost on projected benefit obligation	323	292	285
Loss (return) on assets	(1,288)	232	(638)
Net amortization and deferral	1,008	(541)	356
Net periodic pension cost for defined benefit plans	208	187	170
Defined contribution plans	124	119	118
Early retirement programs(1)	220	154	-
Total	\$ 552	\$ 460	\$ 288

- (1) In late 1995 and 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits", AMR recognized additional pension expense of \$220 million and \$154 million associated with these programs in 1995 and 1994, respectively. Of these amounts, \$118 million and \$120 million were for special termination benefits and \$102 million and \$34 million were for the actuarial losses resulting from the early retirements for 1995 and 1994, respectively.

## 10. RETIREMENT BENEFITS (CONTINUED)

The funded status and actuarial present value of benefit obligations of the defined benefit plans were (in millions):

	December 31,			
	1995		1994	
	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation in Excess of Assets	Plans with Assets in Excess of Accumulated Benefit Obligation	Plans with Accumulated Benefit Obligation in Excess of Assets
Vested benefit obligation	\$ 4,145	\$ 42	\$ 1,063	\$ 2,118
Accumulated benefit obligation	\$ 4,279	\$ 46	\$ 1,113	\$ 2,175
Effect of projected future salary increases	728	20	251	308
Projected benefit obligation	5,007	66	1,364	2,483
Plan assets at fair value	4,545	6	1,161	2,144
Plan assets less than projected benefit obligation	(462)	(60)	(203)	(339)
Unrecognized net loss	703	19	223	719
Unrecognized prior service cost (benefit)	14	9	47	(46)
Unrecognized transition asset	(45)	(1)	(14)	(44)
Adjustment to record minimum pension liability	-	(12)	-	(329)
Prepaid (accrued) pension cost(1)	\$ 210	\$ (45)	\$ 53	\$ (39)

(1) AMR's funding policy is to make contributions equal to, or in excess of, the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

Plan assets consist primarily of domestic and foreign government and corporate debt securities, marketable equity securities, and money market and mutual fund shares, of which approximately \$119 million and \$141 million of plan assets at December 31, 1995 and 1994, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

The projected benefit obligation was calculated using weighted average discount rates of 7.25% and 8.75% at December 31, 1995 and 1994, respectively; rates of increase for compensation of 4.20% and 4.40% at December 31, 1995 and 1994, respectively; and the 1983 Group Annuity Mortality Table. The weighted average expected long-term rate of return on assets was 9.50% in 1995 and 1994, and 10.50% in 1993. The vested benefit obligation and plan assets at fair value at December 31, 1995, for plans whose benefits are guaranteed by the Pension Benefit Guaranty Corporation were \$4.1 billion and \$4.5 billion, respectively.

## 10. RETIREMENT BENEFITS (CONTINUED)

In addition to pension benefits, other postretirement benefits, including certain health care and life insurance benefits, are also provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Substantially all employees of American and employees of certain other subsidiaries may become eligible for these benefits if they satisfy eligibility requirements during their working lives.

Certain employee groups make contributions toward funding a portion of their retiree health care benefits during their working lives. AMR funds benefits as incurred and began, effective January 1993, to match employee prefunding.

Net other postretirement benefit cost was (in millions):

	Year Ended December 31,		
	1995	1994	1993
Service cost - benefits earned during the period	\$ 48	\$ 62	\$ 47
Interest cost on accumulated other postretirement benefit obligation	101	87	87
Return on assets	(2)	(1)	-
Net amortization and deferral	(6)	(4)	(4)
Net other postretirement benefit cost	\$ 141	\$ 144	\$ 130

In addition to net other postretirement benefit cost, in late 1995 and 1994, AMR offered early retirement programs to select groups of employees as part of its restructuring efforts. In accordance with Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," AMR recognized additional other postretirement benefit expense of \$93 million and \$71 million associated with these programs in 1995 and 1994, respectively. Of these amounts, \$26 million and \$43 million were for special termination benefits and \$67 million and \$28 million were for the net actuarial losses resulting from the early retirements for 1995 and 1994, respectively.

The funded status of the plan, reconciled to the accrued other postretirement benefit cost recognized in AMR's balance sheet, was (in millions):

	December 31,	
	1995	1994
Retirees	\$ 705	\$ 542
Fully eligible active plan participants	176	207
Other active plan participants	554	429
Accumulated other postretirement benefit obligation	1,435	1,178
Plan assets at fair value	28	14
Accumulated other postretirement benefit obligation in excess of plan assets	1,407	1,164
Unrecognized net loss	(29)	-
Unrecognized prior service benefit	61	90
Accrued other postretirement benefit cost	\$ 1,439	\$ 1,254

## 10. RETIREMENT BENEFITS (CONTINUED)

Plan assets consist primarily of shares of a mutual fund managed by a subsidiary of AMR.

For 1995 and 1994, future benefit costs were estimated assuming per capita cost of covered medical benefits would increase at an eight and nine percent annual rate, respectively, decreasing gradually to a four percent annual growth rate in 2000 and thereafter. A one percent increase in this annual trend rate would have increased the accumulated other postretirement benefit obligation at December 31, 1995, by approximately \$128 million and 1995 other postretirement benefit cost by approximately \$18 million. The weighted average discount rate used in estimating the accumulated other postretirement benefit obligation was 7.25% and 8.75% at December 31, 1995 and 1994, respectively.

## 11. RESTRUCTURING COSTS

In 1995 and 1994, the Company recorded \$533 million and \$278 million, respectively, for restructuring costs which included (in millions):

	Year Ended December 31,	
	1995	1994
Special termination benefits:		
Pension	\$ 118	\$ 120
Other postretirement benefits	26	43
Other termination benefits	19	-
Actuarial losses:		
Pension	102	34
Other postretirement benefits	67	28
Total cost of early retirement programs	332	225
Provisions for aircraft impairment and retirement	193	-
Severance	-	28
Other	8	25
	\$ 533	\$ 278

In 1995, approximately 2,100 mechanics and fleet service clerks and 300 flight attendants elected early retirement under programs offered in conjunction with renegotiated union labor contracts, and the majority of these employees will leave the Company's workforce during 1996. The Company recorded restructuring costs of \$332 million in 1995 related to these early retirement programs. A large portion of the funding for the programs was done in 1995. The remaining cash payments associated with these programs will be expended as required for funding the appropriate pension and other postretirement benefit plans in future years.

## 11. RESTRUCTURING COSTS (CONTINUED)

The aircraft portion of the 1995 restructuring costs includes a \$145 million provision related to the writedown of certain McDonnell Douglas DC-10 aircraft. Effective January 1, 1995, AMR adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In 1995, the Company evaluated its fleet operating plan with respect to the DC-10-10 fleet and, as a result, believes that the estimated future cash flows expected to be generated by these aircraft will not be sufficient to recover their net book value. Management estimated the undiscounted future cash flows utilizing models used by the Company in making fleet and scheduling decisions. As a result of this analysis, the Company determined that a writedown of the DC-10-10 aircraft to the net present value of their estimated discounted future cash flows was warranted, which resulted in a \$112 million charge. In addition, the Company recorded a \$33 million charge to reflect a diminution in the estimated market value of certain DC-10 aircraft previously grounded by the Company. No cash costs have been incurred or are expected as a result of these DC-10 writedowns. The writedowns are expected to reduce 1996 depreciation expense by approximately \$19 million.

Also included in the aircraft restructuring costs is a \$48 million charge related to the planned early retirement in 1996 of certain turboprop aircraft operated by AMR's regional carriers. The charge relates primarily to future lease commitments on these aircraft past the dates they will be removed from service and writedown of related inventory to its estimated fair value. Cash payments on the leases will occur over the remaining lease terms.

In 1994, approximately 1,700 agents and 600 management employees elected early retirement under programs offered to select groups of employees and left the Company's workforce during 1995. The Company recorded restructuring costs of \$225 million in 1994 related to these early retirement programs. A large portion of the funding for these programs was done in 1994. The remaining cash payments associated with these programs will be expended as required for funding the appropriate pension and other postretirement benefit plans in future years.

The \$28 million severance provision recorded in 1994 was for additional workforce reductions affecting approximately 2,300 agent and management personnel as a result of scheduled service reductions and improved administrative efficiencies. Cash outlays for severance payments in 1995 totaled approximately \$22 million, with the remaining \$6 million expected to occur during 1996.

The remaining \$25 million included in the 1994 restructuring costs represents provisions for excess leased facilities and other restructuring activities. Cash outlays are estimated to be approximately \$18 million, of which approximately \$3 million occurred in 1995.

## 12. REVENUE AND OTHER EXPENSE ITEMS

During 1994, the Company changed its estimate of the usage patterns of miles awarded by participating companies in American's AAdvantage frequent flyer program. The positive impact of the change in estimate on passenger revenues for 1994 was \$59 million. Passenger revenues for 1993 include a \$115 million positive adjustment resulting from a change in estimate relating to certain earned passenger revenues.

Miscellaneous - net in 1995 includes a \$41 million charge related to the loss of an aircraft operated by American. Miscellaneous - net in 1994 includes a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle, Inc. Miscellaneous - net in 1993 includes a provision of \$71 million for losses associated with a reservation system project and resolution of related litigation. Also included in 1993 is a \$125 million charge related to the retirement of certain McDonnell Douglas DC-10 aircraft.

## 13. FOREIGN OPERATIONS

American conducts operations in various foreign countries. American's operating revenues from foreign operations were (in millions):

	Year Ended December 31,		
	1995	1994	1993
Latin America	\$ 2,316	\$ 2,134	\$ 1,888
Europe	2,059	1,839	1,659
Pacific	373	347	362
Foreign operating revenues	\$ 4,748	\$ 4,320	\$ 3,909

## 14. SEGMENT INFORMATION

AMR's operations fall within three industry segments: the Airline Group, The SABRE Group, and the Management Services Group. For a description of each of these groups, refer to Management's Discussion and Analysis on pages 15 and 16.

The following table presents selected financial data by industry segment (in millions):

	December 31,		
	1995	1994	1993
<b>Airline Group:</b>			
Total revenues	\$15,501	\$14,895	\$14,785
Intergroup revenues	-	-	-
Operating income	564	614	401
Depreciation and amortization expense	1,070	1,057	1,035
Restructuring costs	533	272	-
Capital expenditures, including route acquisition costs	747	934	1,892
Identifiable assets	18,299	18,162	18,130
<b>The SABRE Group:</b>			
Total revenues	1,624	1,463	1,302
Intergroup revenues	625	631	592
Operating income	382	348	252
Depreciation and amortization expense	172	175	171
Restructuring costs	-	6	-
Capital expenditures	170	172	179
Identifiable assets	587	578	549
<b>Management Services Group:</b>			
Total revenues	534	518	421
Intergroup revenues	124	108	100
Operating income	69	44	37
Depreciation and amortization expense	17	18	17
Capital expenditures	11	8	9
Identifiable assets	313	374	211

Identifiable assets are gross assets used by a business segment, including an allocated portion of assets used jointly by more than one business segment. General corporate and other assets not allocated to business segments were \$357 million, \$372 million and \$436 million at December 31, 1995, 1994 and 1993, respectively, and consist primarily of income tax assets.

## 15. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information and non-cash activities  
(in millions):

	Year Ended December 31,		
	1995	1994	1993
Cash payments (refunds) for:			
Interest (net of interest capitalized)	\$ 685	\$ 609	\$ 584
Income taxes	(36)	(21)	(32)
Financing activities not affecting cash:			
Exchange of convertible debentures for preferred stock	\$ -	\$ 1,003	\$ -
Capital lease obligations incurred	-	280	21

## 16. QUARTERLY FINANCIAL DATA (UNAUDITED)

Unaudited summarized financial data by quarter for 1995 and 1994 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1995				
Operating revenues	\$ 3,970	\$ 4,307	\$ 4,445	\$ 4,188
Operating income (loss)	252	482	521	(240)
Earnings (loss) before extraordinary loss	38	192	235	(269)
Net earnings (loss)	38	179	231	(281)
Earnings (loss) per common share:				
Primary				
Before extraordinary loss	0.48	2.48	3.01	(3.54)
Net earnings (loss)	0.48	2.31	2.96	(3.69)
Fully diluted				
Before extraordinary loss	0.48	2.23	2.68	(3.54)
Net earnings (loss)	0.48	2.08	2.64	(3.69)
1994				
Operating revenues	\$ 3,808	\$ 4,101	\$ 4,233	\$ 3,995
Operating income (loss)	159	401	489	(43)
Net earnings (loss)	(7)	153	205	(123)
Earnings (loss) per common share(1):				
Primary				
Before effect of preferred stock exchange	(0.30)	1.77	2.47	(1.70)
Net earnings (loss)	(0.30)	1.77	2.47	0.55
Fully diluted				
Before effect of preferred stock exchange	(0.30)	1.68	2.27	(1.70)
Net earnings (loss)	(0.30)	1.68	2.27	0.55

(1) Information on the adjustment to the earnings per share computation for the three months ended December 31, 1994, for the effect of the preferred stock exchange is included in Note 5.

Results for the fourth quarter of 1995 include \$533 million in restructuring costs, primarily representing the cost of early retirement programs for Airline Group employees and provisions for the writedown of certain DC-10 aircraft and the planned retirement of certain turboprop aircraft. Results for the fourth quarter of 1995 also include a \$41 million charge related to the loss of an aircraft operated by American.

Results for the fourth quarter of 1994 include \$278 million in restructuring costs, primarily representing the cost of early retirement programs and severance for Airline Group employees. Results for the fourth quarter of 1994 also include a \$25 million charge related to the loss of two regional aircraft operated by subsidiaries of AMR Eagle, Inc. During the second quarter of 1994, the Company changed its estimate of the usage patterns of miles awarded by participating companies in American's AAdvantage frequent flyer program. The positive impact of the change in estimate on revenues for the second, third and fourth quarters of 1994 was \$35 million, \$14 million, and \$10 million, respectively, as compared to the same quarters in 1993.



## ITEM 9. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 15, 1996. Information concerning the executive officers is included in Part I of this report on page 12.

## ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 15, 1996.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 15, 1996.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 15, 1996.

## PART IV

## ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) (1) The financial statements listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (2) The schedules listed in the accompanying index to financial statements and schedules are filed as part of this report.
- (3) Exhibits required to be filed by Item 601 of Regulation S-K. (Where the amount of securities authorized to be issued under any of AMR's long-term debt agreements does not exceed 10 percent of AMR's assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, AMR hereby agrees to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.)

## EXHIBIT

- 3(a) Composite of the Certificate of Incorporation of AMR, incorporated by reference to Exhibit 3(a) to AMR's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 3(b) Amended Bylaws of AMR, incorporated by reference to Exhibit 3(b) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.

- 10(a) Purchase Agreement, dated as of February 12, 1979, between American and the Boeing Company, relating to the purchase of Boeing Model 767-323 aircraft, incorporated by reference to Exhibit 10(b)(3) to American's Registration Statement No. 2-76709.
- 10(b) Description of American's Split Dollar Insurance Program, dated December 28, 1977, incorporated by reference to Exhibit 10(c)(1) to American's Registration Statement No. 2-76709.
- 10(c) American's 1992 Incentive Compensation Plan incorporated by reference to Exhibit 10(c) to AMR's report on Form 10-K for the year ended December 31, 1991, file marker 1-8400.
- 10(d) 1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(d) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 10(e) 1979 American Airlines (AMR) Stock Option Plan, as amended, incorporated by reference to Exhibit 10(e) to American's report on Form 10-K for the year ended December 31, 1982, file number 1-8400.
- 10(f) Form of Stock Option Agreement for Corporate Officers under the 1979 American Airlines (AMR) Stock Option Plan, incorporated by reference to Exhibit 10(c)(5) to American's Registration Statement No. 2-76709.
- 10(g) Form of Stock Option Agreement under the 1974 and 1979 American Airlines (AMR) Stock Option Plans, incorporated by reference to Exhibit 10(c)(6) to American's Registration Statement No. 2-76709.
- 10(h) Deferred Compensation Agreement, dated April 14, 1973, as amended March 1, 1975, between American and Robert L. Crandall, incorporated by reference to Exhibit 10(c)(7) to American's Registration Statement No. 2-76709.
- 10(i) Deferred Compensation Agreement, dated October 18, 1972, as amended March 1, 1975, between American and Gene E. Overbeck, incorporated by reference to Exhibit 10(c)(9) to American's Registration Statement No. 2-76709.
- 10(j) Deferred Compensation Agreement, dated June 3, 1970, between American and Francis H. Burr, incorporated by reference to Exhibit 11(d) to American's Registration Statement No. 2-39380.
- 10(k) Description of informal arrangement relating to deferral of payment of directors' fees, incorporated by reference to Exhibit 10(c)(11) to American's Registration Statement No. 2-76709.
- 10(l) Purchase Agreement, dated as of February 29, 1984, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 10(l) to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400.
- 10(m) Purchase Agreement, dated as of June 27, 1983, between American and the McDonnell Douglas Corporation, relative to the purchase of McDonnell Douglas Super 80 aircraft, incorporated by reference to Exhibit 4(a)(8) to American's Registration Statement No. 2-84905.

- 10(n) AMR Corporation Restricted Stock Incentive Plan, adopted May 15, 1985, incorporated by reference to Exhibit 10(n) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(o) AMR Corporation Preferred Stock Purchase Rights Agreement, adopted February 13, 1986, incorporated by reference to Exhibit 10(o) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(p) Form of Executive's Termination Benefits Agreement incorporated by reference to Exhibit 10(p) to AMR's report on Form 10-K for the year ended December 31, 1985, file number 1-8400.
- 10(q) Amendment, dated June 4, 1986, to Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(q) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(r) Acquisition Agreement, dated as of March 1, 1987, between American and Airbus Industrie relative to the lease of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(r) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(s) Acquisition Agreement, dated as of March 1, 1987, between American and the Boeing Company relative to the lease of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(s) to AMR's report on Form 10-K for the year ended December 31, 1986, file number 1-8400.
- 10(t) AMR Corporation 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(t) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(u) Acquisition Agreement, dated as of July 21, 1988, between American and the Boeing Company relative to the purchase of Boeing Model 757-223 aircraft, incorporated by reference to Exhibit 10(u) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(v) Acquisition Agreement, dated as of February 4, 1989, among American and Delta Airlines, Inc. and others relative to operation of a computerized reservations system incorporated by reference to Exhibit 10(v) to AMR's report on Form 10-K for the year ended December 31, 1988, file number 1-8400.
- 10(w) Purchase Agreement, dated as of May 5, 1989, between American and the Boeing Company relative to the purchase of Boeing 757-223 aircraft, incorporated by reference to Exhibit 10(w) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(x) Purchase Agreement, dated as of June 9, 1989, between American and Fokker Aircraft U. S. A., Inc. relative to the purchase of Fokker 100 aircraft, incorporated by reference to Exhibit 10(x) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

- 10(y) Agreement for Sale and Purchase, dated as of June 12, 1989, between AMR Leasing Corporation and SAAB Aircraft of America, Inc. relative to the purchase of Saab 340B aircraft, incorporated by reference to Exhibit 10(y) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(z) Purchase Agreement, dated as of June 23, 1989, between American and the Boeing Company relative to the purchase of Boeing 767-323ER aircraft, incorporated by reference to Exhibit 10(z) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(aa) Lease Agreement, dated as of June 29, 1989, between AMR Leasing Corporation and British Aerospace, Inc. relative to the lease of Jetstream Model 3201 aircraft, incorporated by reference to Exhibit 10(aa) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(bb) Purchase Agreement, dated as of August 3, 1989, between American and the McDonnell Douglas Corporation relative to the purchase of MD-11 aircraft, incorporated by reference to Exhibit 10(bb) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(cc) Amendment, dated as of August 3, 1989, to the Purchase Agreement in Exhibit 10(l) above, incorporated by reference to Exhibit 10(cc) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(dd) Amendment, dated as of August 11, 1989, to AMR's Preferred Stock Purchase Rights Agreement in Exhibit 10(o) above, incorporated by reference to Exhibit 10(dd) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ee) Purchase Agreement, dated as of October 25, 1989, between American and AVSA, S. A. R. L. relative to the purchase of Airbus A300-600R aircraft, incorporated by reference to Exhibit 10(ee) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ff) Amendment, dated as of November 16, 1989, to Employment Agreement among AMR, American Airlines and Robert L. Crandall, incorporated by reference to Exhibit 10(ff) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(gg) Directors Stock Equivalent Purchase Plan, incorporated by reference to Exhibit 10(gg) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(hh) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10(hh) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ii) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Thomas S. Carroll, incorporated by reference to Exhibit 10(ii) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.

- 10(jj) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Antonio Luis Ferre, incorporated by reference to Exhibit 10(jj) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(kk) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and John D. Leitch, incorporated by reference to Exhibit 10(kk) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(ll) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(ll) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(mm) Deferred Compensation Agreement, dated as of January 31, 1990, between AMR and Edward O. Vetter, incorporated by reference to Exhibit 10(mm) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(nn) Amendment, dated as of February 1, 1990, to the Deferred Compensation Agreement, dated December 19, 1984, between AMR and Charles H. Pistor, Jr., incorporated by reference to Exhibit 10(nn) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(oo) Management Severance Allowance, dated as of February 23, 1990, for levels 1-4 employees of American Airlines, Inc., incorporated by reference to Exhibit 10(oo) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(pp) Management Severance Allowance, dated as of February 23, 1990, for level 5 and above employees of American Airlines, Inc., incorporated by reference to Exhibit 10(pp) to AMR's report on Form 10-K for the year ended December 31, 1989, file number 1-8400.
- 10(qq) Purchase Agreement, dated as of October 25, 1990, between AMR Leasing Corporation and Avions de Transport Regional relative to the purchase of ATR 42 and Super ATR aircraft, incorporated by reference to Exhibit 10(qq) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(rr) Form of Stock Option Agreement for Corporate Officers under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(rr) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(ss) Form of Career Equity Program Deferred Stock Award Agreement under the AMR 1988 Long-Term Incentive Plan, incorporated by reference to Exhibit 10(ss) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(tt) Amendment, dated as of December 3, 1990, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(tt) to AMR's report on Form 10-K for the year ended December 31, 1990, file number 1-8400.
- 10(uu) Amendment, dated as of May 1, 1992, to Employment Agreement among AMR, American Airlines and Robert L. Crandall incorporated by reference to Exhibit 10(uu) to AMR's report on Form 10-Q for the period ended June 30, 1992, file number 1-8400.
- 10(vv) Irrevocable Executive Trust Agreement, dated as of May 1, 1992, between AMR and Wachovia Bank of North Carolina N.A.

- 10(ww) Deferred Compensation Agreement, dated as of December 23, 1992, between AMR and Howard P. Allen.
- 10(xx) Deferred Compensation Agreement, dated as of February 5, 1993, between AMR and Charles T. Fisher, III.
- 10(yy) Deferred Compensation Agreement, dated as of February 10, 1993, between AMR and Edward O. Vetter.
- 10(zz) Deferred Compensation Agreement, dated as of March 8, 1993, between AMR and John D. Leitch.
- 10(aaa) Amendment No. 2 to the Rights Agreement, dated as of February 13, 1986, between AMR Corporation and First Chicago Trust Company of New York.
- 10(bbb) Form of Guaranty to Career Equity Program under the AMR 1988 Long-Term Incentive Plan.
- 10(ccc) Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(ddd) Second Amendment, dated as of July 26, 1993, to Career Equity Program Deferred Stock Award Agreements.
- 10(eee) Deferred Compensation Agreement, dated as of February 10, 1994, between AMR and Charles T. Fisher, III.
- 10(fff) Deferred Compensation Agreement, dated as of February 11, 1994, between AMR and Howard P. Allen.
- 10(ggg) American Airlines, Inc. 1995 Incentive Compensation Plan for Officers and Key Employees.
- 10(hhh) American Airlines , Inc. 1995 Employee Profit Sharing Plan.
- 10(iii) Amendment to AMR's 1988 Long-term Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit A to AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(jjj) Directors Stock Incentive Plan dated May 18, 1994, incorporated by reference to Exhibit B to AMR's definitive proxy statement with respect to the annual meeting of stockholders held on May 18, 1994.
- 10(kkk) Performance Share Program for the years 1993 to 1995 under the 1988 Long-term Incentive Program.
- 10(lll) Performance Share Program for the years 1994 to 1996 under the 1988 Long-term Incentive Program.

- 10(mmm) American Airlines, Inc. Supplemental Executive Retirement Program dated November 16, 1994.
- 10(nnn) Current form of Career Equity Program Agreement.
- 10(ooo) Performance Share Program for the years 1995 to 1997 under the 1988 Long-term Incentive Program.
- 10(ppp) SABRE Group Performance Share Program for the years 1995 to 1997 under the 1988 Long-term Incentive Program.
- 10(qqq) American Airlines, Inc. 1996 Incentive Compensation Plan for Officers and Key Employees.
- 10(rrr) Aircraft Sales Agreement by and between American Airlines, Inc. and Federal Express Corporation, dated April 7, 1995.
- 10(sss) Deferred Compensation Agreement, dated as of December 27, 1995, between AMR and Howard P. Allen.
- 10(ttt) Deferred Compensation Agreement, dated as of February 7, 1996, between AMR and Armando M. Codina.
- 10(uuu) Deferred Compensation Agreement, dated as of February 9, 1996, between AMR and Charles T. Fisher, III.
- 10(vvv) Deferred Compensation Agreement, dated as of February 23, 1996, between AMR and Charles H. Pistor, Jr.
- 11(a) Computation of primary loss per share for the years ended December 31, 1995, 1994 and 1993.
- 11(b) Computation of loss per share assuming full dilution for the years ended December 31, 1995, 1994 and 1993.
- 19 The 1974 and 1979 American Airlines (AMR) Stock Option plans as amended March 16, 1983, incorporated by reference to Exhibit 19 to AMR's report on Form 10-K for the year ended December 31, 1983, file number 1-8400. Refer to Exhibits 10(d) and 10(e).
- 22 Significant subsidiaries of the registrant.
- 23 Consent of Independent Auditors appears on page 64 hereof.

(b) Reports on Form 8-K:

None.

AMR CORPORATION  
INDEX TO FINANCIAL STATEMENTS AND SCHEDULES  
COVERED BY REPORT OF INDEPENDENT AUDITORS  
[ITEM 14(A)]

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FINANCIAL STATEMENTS	
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All other schedules are omitted since the required information is included in the financial statements or notes thereto, or since the required information is either not present or not present in sufficient amounts.



## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements (Form S-8 No. 2-68366), (Form S-8 No. 33-60725), (Form S-8 No. 33-60727), (Form S-3 No. 33-42027), (Form S-3 No. 33-46325), (Form S-3 No. 33-52121), and (Form S-4 No. 33-55191) of AMR Corporation, and in the related Prospectuses, of our report dated January 15, 1996, with respect to the consolidated financial statements and schedules of AMR Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 1995.

ERNST & YOUNG LLP

Dallas, Texas  
March 20, 1996

AMR CORPORATION  
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)  
 YEAR ENDED DECEMBER 31, 1995  
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	OTHER OPERATING EXPENSES	CHARGED TO		NET WRITE- OFF	SALES, RETIREMENTS AND TRANSFERS	BALANCE AT END OF YEAR
			DEPREC. AND AMORT.	RESTRUCT COSTS			
Allowance for uncollectible accounts	\$ 26	\$17	\$ -	\$ -	\$ (25)	\$ -	\$ 18
Allowance for obsolescence of inventories	179	-	38	18	-	15	250

AMR CORPORATION  
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)  
 YEAR ENDED DECEMBER 31, 1994  
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	OTHER OPERATING EXPENSES	CHARGED TO			SALES, RETIREMENTS AND TRANSFERS	BALANCE AT END OF YEAR
			DEPREC. AND AMORT.	MISC.- NET	NET WRITE- OFF		
Allowance for uncollectible accounts	\$ 33	\$ 20	\$ -	\$ -	\$ (27)	\$ -	\$ 26
Allowance for obsolescence of inventories	168	-	29	-	-	(18)	179
Reserve for anticipated loss on fleet retirement	57	-	-	4	(32)	-	29
Reserve for anticipated loss on reservation project	158	-	-	-	(153)	-	5

AMR CORPORATION  
 SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES  
 (DEDUCTED FROM ASSET TO WHICH APPLICABLE)  
 YEAR ENDED DECEMBER 31, 1993  
 (IN MILLIONS)

	BALANCE AT BEGINNING OF YEAR	OTHER OPERATING EXPENSES	CHARGED TO			SALES, RETIREMENTS AND TRANSFERS	BALANCE AT END OF YEAR
			DEPREC. AND AMORT.	MISC.- NET	NET WRITE- OFF		
Allowance for uncollectible accounts	\$ 32	\$ 22	\$ -	\$ -	\$ (21)	\$ -	\$ 33
Allowance for obsolescence of inventories	133	-	11	-	-	24	168
Reserve for anticipated loss on fleet retirement	26	-	-	125	(82)	(12) (a)	57
Reserve for anticipated loss on reservation project	132	-	-	71	(45)	-	158

(a) Transfer to Allowance for obsolescence of inventories.

PART I - EXHIBIT 11 (A) AMR CORPORATION  
 COMPUTATION OF PRIMARY EARNINGS (LOSS) PER SHARE  
 (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1995	1994	1993
NET EARNINGS (LOSS)	\$167	\$228	\$ (110)
Preferred stock dividends	(5)	(56)	(60)
	-----	-----	-----
Increase in additional paid-in capital from preferred stock exchange	162	172	(170)
	-----	-----	-----
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$162	\$343	\$ (170)
	=====	=====	=====
SHARES, AS ADJUSTED:			
Average number of shares outstanding	76	76	76
Add shares issued upon assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	3	-	1
Less assumed treasury shares repurchased	(2)	-	(1)
	-----	-----	-----
SHARES, AS ADJUSTED	77	76	76
	=====	=====	=====
Primary earnings (loss) per share	\$2.11	\$4.51	\$ (2.23)
	=====	=====	=====

(B) AMR CORPORATION  
 COMPUTATION OF EARNINGS (LOSS) PER SHARE  
 ASSUMING FULL DILUTION  
 (IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	Year Ended December 31,		
	1995	1994	1993
NET EARNINGS (LOSS)	\$ 167	\$ 228	\$ (110)
Preferred stock dividends	(5)	(56)	(60)
	-----	-----	-----
	162	172	(170)
Increase in additional paid-in capital from preferred stock exchange	-	171	-
	-----	-----	-----
EARNINGS (LOSS) APPLICABLE TO COMMON SHARES	\$ 162	\$ 343	\$ (170)
	=====	=====	=====
SHARES, AS ADJUSTED:			
Average number of shares outstanding	76	76	76
Add shares issued upon assumed exercise of dilutive options, stock appreciation rights and warrants and shares assumed issued for deferred stock granted	3	-	1
Less assumed treasury shares repurchased	(2)	-	(1)
	-----	-----	-----
SHARES, AS ADJUSTED	77	76	76
	=====	=====	=====
Earnings (loss) per share assuming full dilution	\$ 2.11	\$ 4.51	\$ (2.23)
	=====	=====	=====

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMR CORPORATION

/s/ Robert L. Crandall

Robert L. Crandall  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Gerard J. Arpey

Gerard J. Arpey  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: March 20, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted:

Directors:

/s/ Howard P. Allen

Howard P. Allen

/s/ Dee J. Kelly

Dee J. Kelly

/s/ David L. Boren

David L. Boren  
Edward A. Brennan

/s/ Ann D. McLaughlin

Ann D. McLaughlin

/s/ Edward A. Brennan

Edward A. Brennan

/s/ Charles H. Pistor, Jr.

Charles H. Pistor, Jr.

/s/ Armando M. Codina

Armando M. Codina

/s/ Joe M. Rodgers

Joe M. Rodgers

/s/ Christopher F. Edley

Christopher F. Edley

/s/ Maurice Segall

Maurice Segall

/s/ Charles T. Fisher, III

Charles T. Fisher, III

/s/ Eugene F. Williams, Jr.

Eugene F. Williams, Jr.

/s/ Earl G. Graves

Earl G. Graves

Date: March 20, 1996

## INDEX TO EXHIBIT

EXHIBIT NUMBER -----	DESCRIPTION -----
10(ooo)	Performance Share Program for the years 1995 to 1997 under the 1988 Long-term Incentive Program.
10(ppp)	SABRE Group Performance Share Program for the years 1995 to 1997 under the 1988 Long-term Incentive Program.
10(qqq)	American Airlines, Inc. 1996 Incentive Compensation Plan for Officers and Key Employees.
10(rrr)	Aircraft Sales Agreement by and between American Airlines, Inc. and Federal Express Corporation, dated April 7, 1995.
10(sss)	Deferred Compensation Agreement, dated as of December 27, 1995, between AMR and Howard P. Allen.
10(ttt)	Deferred Compensation Agreement, dated as of February 7, 1996, between AMR and Armando M. Codina.
10(uuu)	Deferred Compensation Agreement, dated as of February 9, 1996, between AMR and Charles T. Fisher, III.
10(vvv)	Deferred Compensation Agreement, dated as of February 23, 1996, between AMR and Charles H. Pistor, Jr.
23	Consent of Independent Auditors appears on Page 64 hereof.



PERFORMANCE SHARE PROGRAM  
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of October 4, 1995, by and between AMR Corporation, a Delaware corporation (the "Corporation"), and ((FI)). ((MI)). ((NAME)) (the "Employee"), employee number ((EMP)).

WHEREAS, the stockholders of the Corporation approved the 1988 Long Term Incentive Plan (the "1988 Plan") at the Corporation's annual meeting held on May 18, 1988; and

WHEREAS, pursuant to the Performance Share Program (the "Program") adopted by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Program grant to the Employee of Deferred Stock (subject to the terms of the 1988 Plan and this Agreement), as an inducement for the Employee to remain an employee of the Corporation (or a Subsidiary or Affiliate thereof), and to retain and motivate such Employee during such employment.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award. The Employee is hereby granted as of October 4, 1995, (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions hereinafter set forth, with respect to ((SHARES)) shares of Common Stock, \$1.00 par value, of the Corporation ("Stock"). The shares of Stock covered by the Award shall vest in accordance with Section 2.

2. Vesting. (a) The Award will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event of the termination of Employee's employment with the Corporation (or a Subsidiary or Affiliate thereof) prior to the end of three year measurement period set forth in Schedule A (the "Measurement Period") due to the Employee's death, Disability, Retirement or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a prorata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 90 days following the end of the Measurement Period. The prorata share will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 1995 through the month of the Early Termination, inclusive.

(c) In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) for Cause, or if the Employee terminates his employment with the Corporation (or any Subsidiary or Affiliate thereof) the Award shall be forfeited in its entirety.

(d) In the event of a Change in Control or Potential Change in Control of the Corporation, the Award shall vest in accordance with the 1988 Plan.

3. Elective Deferrals. At any time at least 12 months prior to the end of the Measurement Period, the Employee may elect in writing, subject to Board approval, to voluntarily defer the receipt of the Stock for a specified additional period beyond the end of the Measurement Period (the "Elective Deferral Period"). Any Stock deferred pursuant to this Section 3 shall be issued to the Employee within 60 days after the end of the Elective Deferral Period. In the event of the death of the Employee during the Elective Deferral Period, the Stock so deferred shall be issued to the Employee's designated Beneficiary (or to the Employee's estate, in the absence of an effective beneficiary designation) within 60 days after the Corporation receives written notification of death.

4. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Board.

5. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Agreement. If this Award is assumed or a new award is substituted therefore in any corporate reorganization, employment by such assuming or substituting corporation or by a parent corporation or subsidiary or affiliate thereof shall be considered for all purposes of this Award to be employment by the Corporation.

6. Securities Law Requirements. The Corporation shall not be required to issue Stock pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.

The Board may require the Employee to furnish to the Corporation, prior to the issuance of the Stock in connection with this Award, an agreement, in such form as the Board may from time to time deem appropriate, in which the Employee represents that the shares acquired by him under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

7. Incorporation of 1988 Plan Provisions. This Agreement is made pursuant to the 1988 Plan and is subject to all of the terms and provisions of the 1988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1988 Plan.

IN WITNESS HEREOF, the Employee and the Corporation have executed this Performance Share Grant as of the day and year first above written.

EMPLOYEE

AMR CORPORATION

- - - - -

By: \_\_\_\_\_  
Charles D. MarLett  
Corporate Secretary

## Schedule A

The Award hereunder is granted contingent upon the Corporation's attainment of predetermined cash flow objectives (the "Objectives") over a three year period beginning January 1, 1995 and ending December 31, 1997 (the "Measurement Period"). The Objectives will be determined by the Corporation's cumulative operating cash flow to net assets over the Measurement Period, as determined by the General Auditor of American Airlines, Inc. and as verified by the Corporation's independent public accountants. The amount, if any, of the Award to be paid following the Measurement Period will be dependent upon the actual Objective for the Measurement Period and the Corporation's standing with respect to the Objective relative to four competitors (United, Delta, Southwest and USAir, or such substitute as may be designated by the Board or any committee thereof).

AMR Relative Standing Comparative Airlines -----	Percent of Award Earned -----				
1st	75%	100%	125%	150%	175%
2nd	50%	75%	100%	125%	150%
3rd	25%	50%	75%	100%	125%
4th	0%	25%	50%	75%	100%
5th	0%	0%	0%	0%	0%
Objective Attained	Less Than 5.25%	5.25%-	6.75%-	8.25%	Equal to or Greater Than 9.25%
-----		6.749%	8.249%	9.249%	-----

SABRE GROUP  
PERFORMANCE SHARE PROGRAM  
DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of ((DATE)) by and between AMR Corporation, a Delaware corporation (the "Corporation"), and ((NAME)) (the "Employee"), employee number ((EN)).

WHEREAS, the stockholders of the Corporation approved the 1988 Long Term Incentive Plan (the "1988 Plan") at the Corporation's annual meeting held on May 18, 1988; and

WHEREAS, pursuant to the SABRE Group Long-Term Incentive Plan (the "Program") approved by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Program grant to the Employee of Deferred Stock (subject to the terms of the 1988 Plan and this Agreement), as an inducement for the Employee to remain an employee of the Corporation (or a Subsidiary or Affiliate thereof), and to retain and motivate such Employee during such employment.

NOW, THEREFORE, the Corporation and the Employee hereby agree as follows:

1. Grant of Award. The Employee is hereby granted as of ((Date)), (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions hereinafter set forth, with respect to ((PS)) shares of Common Stock, \$1.00 par value, of the Corporation ("Stock"). The shares of Stock covered by the Award shall vest in accordance with Section 2.

2. Vesting. (a) The Award will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event of the termination of Employee's employment with the Corporation (or a Subsidiary or Affiliate thereof) prior to the end of three year measurement period set forth in Schedule A (the "Measurement Period") due to the Employee's death, Disability, Retirement or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a prorata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate) within 90 days following the end of the Measurement Period. The prorata share will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 1995 through the month of the Early Termination, inclusive.

(c) In the event of the termination of Employee's employment with the Corporation (or any Subsidiary or Affiliate thereof) for Cause, or if the Employee terminates his employment with the Corporation (or any Subsidiary or Affiliate thereof) the Award shall be forfeited in its entirety.

(d) In the event of a Change in Control or Potential Change in Control of the Corporation, the Award shall vest in accordance with the 1988 Plan. In the event The SABRE Group is the subject of a restructuring event (where "restructuring event" will include, but not be limited to, a spin-off, sale (in whole or in part), reorganization, or public offering), this agreement and the benefits conferred hereunder are subject to termination or modification, either on a retroactive or prospective basis, at the sole discretion of the AMR Incentive Compensation Committee.

3. Elective Deferrals. At any time at least 12 months prior to the end of the Measurement Period, the Employee may elect in writing, subject to Board approval, to voluntarily defer the receipt of the Stock for a specified additional period beyond the end of the Measurement Period (the "Elective Deferral Period"). Any Stock deferred pursuant to this Section 3 shall be issued to the Employee within 60 days after the end of the Elective Deferral Period. In the event of the death of the Employee during the Elective Deferral Period, the Stock so deferred shall be issued to the Employee's designated Beneficiary (or to the Employee's estate, in the absence of an effective beneficiary designation) within 60 days after the Corporation receives written notification of death.

4. Transfer Restrictions. This Award is non-transferable otherwise than by will or by the laws of descent and distribution, and may not otherwise be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt by the Employee (or the Employee's successor in interest after the Employee's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the Board.

5. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Employee. No contract or right of employment shall be implied by this Agreement. If this Award is assumed or a new award is substituted therefore in any corporate reorganization, employment by such assuming or substituting corporation or by a parent corporation or subsidiary or affiliate thereof shall be considered for all purposes of this Award to be employment by the Corporation.

6. Securities Law Requirements. The Corporation shall not be required to issue Stock pursuant to this Award unless and until (a) such shares have been duly listed upon each stock exchange on which the Corporation's Stock is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such shares is then effective.

The Board may require the Employee to furnish to the Corporation, prior to the issuance of the Stock in connection with this Award, an agreement, in such form as the Board may from time to time deem appropriate, in which the Employee represents that the shares acquired by him under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

7. Incorporation of 1988 Plan Provisions. This Agreement is made pursuant to the 1988 Plan and is subject to all of the terms and provisions of the 1988 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1988 Plan.

EMPLOYEE

AMR CORPORATION

- - - - -

By:

-----

Charles D. MarLett  
Corporate Secretary

## Schedule A

The Award hereunder is granted contingent upon The SABRE Group's attainment of predetermined Total Shareholder Return (TSR) objectives (the "Objectives") over a three year period beginning January 1, 1995 and ending December 31, 1997 (the "Measurement Period"). The Objectives will be verified by the Corporation's General Auditor. The amount, if any, of the Award to be paid following the Measurement Period will be dependent upon the actual Objective for the Measurement Period.

Objective (SABRE Group)	Percentage of Award Earned	Percentage of Award Earned
Three-Year TSR)	Formula	
-----	-----	-----
Less Than 6.3%	0%	0%
6.3%	50%	50%
6.3 - 16.0%	$(0.175 + (5.155 * \text{TSR1})) * 100$	51-100%
16.1 - 22.0%	$(-0.333 + (8.333 * \text{TSR1})) * 100$	101-150%
22.1 - 46.5%	$(0.159 + (6.098 * \text{TSR1})) * 100$	151-299%
Greater than or Equal to 46.6%	300%	300%

---

TSR expressed as a decimal



## AMERICAN AIRLINES, INC.

1996 INCENTIVE COMPENSATION PLAN  
FOR OFFICERS AND KEY EMPLOYEES

## Purpose

The purpose of the 1996 American Airlines Incentive Compensation Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of American Airlines, Inc. ("American"), to achieve the highest level of individual performance, and to meet or exceed specified goals which will contribute to the success of American.

## Definitions

"AMR" is defined as AMR Corporation.

"Committee" is defined as the Compensation/Nominating Committee of the AMR Board of Directors.

"Fund" is defined as the incentive compensation fund, if any, accumulated in accordance with this Plan.

"Cash Flow Return on Gross Assets" or "CFROGA" is defined as Net Cash Flow divided by Gross Assets, stated as a percentage.

"Net Cash Flow" is defined as the sum of AMR's net income available to common, non cash items, net interest expense net of tax and preferred dividends, less the sum of net income available to common, non cash items, net interest expense net of tax and preferred dividends attributable to AMR subsidiaries other than American and to those divisions or subsidiaries of American included in the reporting segment "The SABRE Group." For purposes of such calculation, the Committee may include or exclude from Net Cash Flow special or non-recurring gains or losses at its discretion.

"Gross Assets" is defined as AMR's total gross assets less cash and short-term investments, plus the Capitalized Value of Operating Leases, less total gross assets less cash and short-term investments, plus the Capitalized Value of Operating Leases attributable to AMR subsidiaries other than American and to those divisions or subsidiaries of American included in the reporting segment "The SABRE Group."

"Capitalized Value of Operating Leases" is defined as the present value, at inception, of aircraft operating lease rental payments.

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Board as a participating employer under the Plan, provided that AMR directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity.

"Set Aside CFROGA" is defined as 6.7%.

"Set Aside" is defined as gross assets multiplied by the Set Aside CFROGA.

"Target Award" is defined as the award (stated as a percentage of salary) for an eligible participant when Target CFROGA is achieved; subject, however, to adjustment by the Committee or senior management, as the case may be, based upon the participant's individual performance.

#### Eligibility for Participation

In order to be eligible to participate in the Plan, an individual must be an officer or key employee (as designated by American's Chairman and CEO) of American. Additionally, the individual must have been employed by American or an Affiliate as an officer or key employee for at least three consecutive months during the Plan year. The three months service requirement may be waived in cases of mandatory retirement prior to completing three months of service.

During a Plan year, individuals with less than twelve months eligibility in the Plan may be eligible to participate in the Plan on a pro rata basis, at the discretion of the Committee. In addition, the Committee, in its discretion, may permit participation by officers and key employees of Affiliates who have been so employed by the Affiliate for at least three consecutive months during the Plan year.

Notwithstanding the foregoing, however, an officer or key employee will not be eligible to participate in the Plan if such officer or key employee is, at the same time, eligible to participate in a commission, incentive, profit sharing or other bonus compensation program sponsored by American or an Affiliate, unless the Committee otherwise decides.

In order to receive an award under the Plan, an individual must satisfy the aforementioned eligibility requirements and must be an employee of American or an Affiliate at the time an award under the Plan is paid. If at the time awards are paid under the Plan, an individual has retired from American or an Affiliate, is disabled, or has died, the award which the individual otherwise would have received under the Plan but for such retirement, disability, or death may be paid to the individual, or his/her estate in the event of death, at the discretion of the Committee.

## The Incentive Compensation Fund

- (a) As CFROGA exceeds the Set Aside CFROGA, the Fund will begin to accumulate.
- (b) Target CFROGA will vary from 7.4% - 7.8% depending upon CFROGA rank among the Comparison Airlines. At target CFROGA, the Fund will accumulate to a size that will allow Target Awards for all eligible participants.
- (c) Maximum Payout CFROGA will vary from 9.0% to 10.2% depending on CFROGA rank among the comparison airlines. At Maximum Payout CFROGA, the Fund will accumulate to a size that will allow 210% of Target Awards for all eligible participants.
- (d) Once Set Aside CFROGA has been attained, the Fund will accumulate on a linear basis such that at Target CFROGA, the Fund size equals 100% of Target Awards. Following the attainment of Target CFROGA, the Fund will accumulate on a linear basis such that maximum Awards are funded at Maximum Payout CFROGA.

American's		-- CFROGA --			
Competitive Rank	Set Aside	Target	Max Payout	Comparison Airlines	
----	-----	-----	-----	-----	
1	6.7%	7.4%	9.0%	Delta	
2	6.7%	7.5%	9.3%	United	
3	6.7%	7.6%	9.6%	USAir	
4	6.7%	7.7%	9.9%	Southwest	
5	6.7%	7.8%	10.2%		

## Allocation of Individual Awards

Individual awards for officers of American under the Plan will be determined by the Committee based upon each participant's performance. Individual awards for key employees of American will be determined by the senior management of American based upon each participant's performance. Unless the Committee or senior management, as the case may be, decides otherwise, an award made under the Plan, in combination with any other award made under an incentive, commission, profit sharing or other bonus compensation program sponsored by American or an Affiliate may not, in the aggregate, exceed 100% of the participant's base salary. At the discretion of the Committee the Fund may not be fully distributed. In addition, the aggregate of all awards paid hereunder will

not exceed the lesser of 2.1 times the target fund or 50% of total base salaries of all participants.

## Administration

The Committee shall have authority to administer and interpret the Plan, establish administrative rules, approve eligible participants, and take any other action necessary for the proper operation of the Plan. In computing the Cash Flow Return on Gross Assets of the Comparison Airlines, the Committee may include or exclude special or non-recurring items. Notwithstanding anything to the contrary contained herein, no awards will be made under the Plan unless awards are also made under the 1996 American Airlines General Profit Sharing Plan, the 1996 Pilot Variable Compensation Plan for members of the Allied Pilots Association, and the 1996 TWU Profit Sharing Plan for members of the Transport Workers Union. The amount, if any, of the Fund shall be computed by the General Auditor of American based on a certification of CFROGA by American's independent auditors. A summary of awards under the Plan shall be provided to the Board of Directors at the first regular meeting following determination of the awards.

## Method of Payment

The Committee will determine the method of payment of awards. Awards shall be paid as soon as practicable after audited financial statements for the year 1996 are available. Individuals, except retirees, may elect to defer their awards into a 401(k) plan established by American or AMR or into a deferred compensation program, if any, administered by American or AMR.

## General

Neither this Plan nor any action taken hereunder shall be construed as giving any employee or participant the right to be retained in the employ of American or an Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits hereunder, other than the right to receive payment of such incentive compensation as may have been expressly awarded by the Committee.

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American to any unauthorized party and, (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or after such employment is terminated, and (iii) not to solicit any current employees of American or any subsidiaries of AMR Corporation to join the employee at his or her new place of employment after his or her employment with American is terminated.

The Board of Directors may amend, suspend, or terminate the plan at any time.

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AIRCRAFT SALES AGREEMENT

BY AND BETWEEN

AMERICAN AIRLINES, INC.

AND

FEDERAL EXPRESS CORPORATION

DATED APRIL 7, 1995

=====

SALE OF TWELVE MCDONNELL DOUGLAS MODEL MD-11 AIRCRAFT

GRANT OF OPTIONS ON SEVEN MCDONNELL DOUGLAS MODEL MD-11 AIRCRAFT

=====

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\*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

## AIRCRAFT SALES AGREEMENT

This AIRCRAFT SALES AGREEMENT (the "Agreement") is made on April 7, 1995 by and between AMERICAN AIRLINES, INC., a Delaware corporation ("American") and FEDERAL EXPRESS CORPORATION, a Delaware corporation ("FedEx").

## RECITALS

1. American owns twelve (12) McDonnell Douglas Model MD-11 aircraft that American desires to sell. American has agreed to sell to FedEx and FedEx has agreed to buy from American twelve (12) of its McDonnell Douglas Model MD-11 aircraft. In addition, FedEx has agreed to grant to American put options to sell to FedEx up to seven (7) additional McDonnell Douglas Model MD-11 aircraft.

2. American and FedEx desire to document the terms and conditions for the sale and purchase of the Firm Aircraft, the Put Options with respect to the Put Option Aircraft and the Purchase Options with respect to the Put Option Aircraft, each as defined below.

FOR AND IN CONSIDERATION of the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt of which is hereby acknowledged FedEx and American (each a "Party" and together the "Parties") agree as follows:

ARTICLE 1  
DEFINITIONS; CONSTRUCTION

Section 1.01. Primary Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms shall have the meanings set forth below:

"Affiliate" shall mean any person, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with American or FedEx, as the case may be.

"Aircraft" shall mean any or all of the nineteen (19) McDonnell Douglas Model MD-11 aircraft, the U.S. Registration Numbers and Manufacturer's Serial Numbers of which are listed on Exhibit A, each such aircraft consisting of an Airframe, three Engines and the Gear, the APU and any and all Parts installed therein or thereon at Delivery.

"Aircraft Delivery Certificate" shall mean a tender and acceptance certificate, in the form of Exhibit B, executed by FedEx and American concurrently with the Delivery of each Aircraft.

"Aircraft Records" shall mean that portion of the Data listed under the caption "RECORDS" in Exhibit D.

"Airframe" or "Airframes" shall mean one or more, as the case may be, of the McDonnell Douglas Model MD-11 airframes bearing one of the Manufacturer's Serial Numbers set forth in Exhibit A.

"Airworthiness Directive" or "Airworthiness Directives" shall mean one or more of the airworthiness directives prescribed in Part 39 of the FAR or any successor regulation thereto to the extent such airworthiness directives apply to the Aircraft other than the Passenger Parts.

"Airworthy" shall mean the condition of an Aircraft (1) which includes the existence of a validly issued, current individual aircraft FAA Certificate of Airworthiness with respect to the Aircraft and which satisfies all requirements for the effectiveness of such FAA Certificate of Airworthiness, (2) which complies with: (A) the MD-11 Type Design Data Certificate, including all applicable supplemental type certificates which have been incorporated on the Aircraft; (B) subject to the nondiscrimination covenant of American in Section 3.06(a)(ii), all applicable FAA Airworthiness Directives which are required to be complied with by the Scheduled Delivery Date of such Aircraft and the requirements for maintaining data substantiating the status and method of compliance for each such Airworthiness Directive; and (C) the Aircraft records requirements of FAR Section 121.380; and (3) in which such Aircraft's structure, systems and components are functioning in accordance with their intended use as set forth in FAA-approved documentation, including, but not limited to, any applicable original manufacturer's manuals, technical standard orders, parts manufacturing approval certificates or American engineering specification orders, provided, however, that clauses (1), (2) and (3) above are subject in all respects to any discrepancies or deviations of such Aircraft from, or failures of such Aircraft to comply with, the foregoing standards which are solely the result of the removal of the Passenger Parts from the Aircraft as contemplated by Sections 3.02 and 3.06(a)(x).

"American ESM" shall mean the American Airlines MD-11 Engineering Specification Maintenance (ESM) Program as in effect on the Delivery Date of the Aircraft to which the standards in such program are being applied.

"American Program" shall mean American's FAA-approved Maintenance Program for the Airframes and the Engines as in effect from time to time, including, without limitation, the American ESM. When used in Section 3.06 and Exhibits L, M, N and O (whether expressly used therein or whether used in the definition of

any other defined term appearing therein), references to the American Program shall be to the American Program as in effect on the Delivery Date of the Aircraft to which the standards in such Section 3.06 and such exhibits are being applied.

"American Serviceable Tag" shall mean a document containing appropriate entries detailing conformity to type design of the Spare Parts, and, if applicable, the maintenance certification of repair, which is properly executed in accordance with the American's General Maintenance Policy and Procedures Program. The American Serviceable Tags will be acceptable to FedEx when signed by an FAA-certified individual or accompanied by a certificate of repair or a certificate signifying conformity to type design and specifying that the Spare Parts are serviceable. The affixing of an American Serviceable Tag to a Spare Part shall signify that the Spare Part is in a serviceable condition for operation on American's fleet of McDonnell Douglas MD-11 aircraft and complies with applicable manufacturer's service bulletins, Airworthiness Directives, and the aircraft records requirements of FAR Section 121.380.

"AMR Rate" shall mean [ \* ] .

"APU" shall mean [ \* ] .

"Average Unit Price" shall mean American's average unit price for any Spare Parts as shown on the books of American as of January 20, 1995.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which banking institutions in Ft. Worth, Texas, New York, New York or Memphis, Tennessee are authorized or required by law to be closed.

"C Check" shall mean any C check of a McDonnell Douglas Model MD-11 airframe as prescribed by the American Program.

"Change Designation" shall mean a notice in the form set forth in Exhibit F exercising the right to substitute Airframes set forth in Section 2.04.

"Citibank Prime" shall mean the rate of interest announced by Citibank, N.A. from time to time as its prime lending rate to its most credit worthy commercial customers, which rate shall not necessarily be its lowest lending rate.

"Data" shall mean all of the manuals, documents, drawings, charts, records  
\*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

and other written materials described in Exhibit D, on whatever medium, and any successor, supplemental, modifying, amending or replacement manuals, documents, drawings, charts, records and other written materials, on whatever medium, all of which shall be current with the latest revisions available with respect thereto at the time such Data is delivered to FedEx.

"Delayed Delivery Engine" or "Delayed Delivery Engines" shall mean one or more, as the case may be, of the Engine or Engines which (i) are conveyed with an Aircraft, but which are not installed on the Aircraft at Delivery, (ii) which American will deliver within ninety (90) days after the Delivery of such Aircraft and (iii) which, at the time of the Delivery of the Aircraft, American expects to be and which, upon its delivery by American to FedEx, must be in the condition required by Section 3.06 for Engines upon delivery to FedEx.

"Delivery" shall mean, with respect to any Aircraft, the occurrence of all the following events, which events are to be performed in accordance with this Agreement: (a) tender of the Aircraft by American to FedEx as evidenced by American's execution and delivery to FedEx of an Aircraft Delivery Certificate with respect to such Aircraft, (b) acceptance by FedEx of the Aircraft, as evidenced by FedEx's execution and re-delivery of such Aircraft Delivery Certificate to American, (c) sale by transfer of title of the Aircraft by American to FedEx as evidenced by delivery to FedEx of the executed FAA Bill of Sale and the executed Warranty Bill of Sale, and (d) payment by FedEx to American of the Purchase Price for the Aircraft.

"Delivery Condition" shall mean the condition that an Aircraft must be in at the time it is tendered by American to FedEx for Delivery as prescribed by Section 3.06.

"Delivery Date" shall mean any date on which the Delivery of an Aircraft is complete.

"Deposits" shall mean the cash deposits made by FedEx with American pursuant to Section 2.06.

"Designation" shall mean a written notice in the form set forth in Exhibit E designating a particular Airframe for delivery on a Scheduled Delivery Date, either in connection with the sale of the Firm Aircraft, the exercise of a Put Option, or the exercise of a Purchase Option.

"Direct Maintenance Costs" shall mean, with respect to a particular maintenance bill of work, all direct labor costs, the aggregate Average Unit Price of all materials and the cost of all outside services, less any warranty payments and reimbursements.

"Engine" or "Engines" shall mean one or more, as the case may be, General Electric CF6-80C2D1F aircraft engines to be conveyed to FedEx under this Agreement as a part of an Aircraft, including Replacement Engines and Delayed Delivery Engines, but excluding Non-Conforming Engines.

"Engine Designation" shall mean a written notice in the form set forth in Exhibit H designating the Engines to be conveyed by American to FedEx as a part of a Firm Aircraft, a Put Option Aircraft or a Purchase Option Aircraft.

"Engine Heavy Maintenance" or "EHM" shall mean that engine maintenance build level in which there is complete refurbishment of all modules in a General Electric CF6-80C2D1F aircraft engine in accordance with the "Detailed Program Requirements" listed in American's Engineering Specification 6-3/DH/JP contained in American's GE-CF6-80C2 Engine Manual or in any successor engineering specification.

"Engine Maintenance" shall mean a HSC, HSM or EHM.

"Engine Records" shall mean that portion of the Data relating to the Engines and the Spare Engines, including that portion of the Data set forth under the caption "ENGINE RECORDS" in Exhibit D.

"Engine Lease Agreement" shall mean an engine lease agreement substantially in the form attached hereto as Exhibit S.

"Event of Default" shall mean, as to American, any of the events of default set forth in Section 12.01 and, as to FedEx, any of the events of default set forth in Section 12.02.

"Excusable Delay" shall mean, subject to the time limitations set forth in Section 9.02, any delay in the timely discharge and performance by a Party of its obligations and duties under this Agreement to the extent such delay shall be the result of (i) the occurrence of a Force Majeure Event with respect to the Party whose performance is delayed, (ii) the fault of the other Party, whether such fault arises from the failure of the other Party to discharge and perform its obligations and duties hereunder or otherwise, (iii) any other event that excuses as a matter of applicable law a Party's timely performance of its contractual obligations and duties or (iv) with respect to American only, any damage to, partial destruction of, total loss of, or substantially complete or complete destruction of an Aircraft.

"FAA" shall mean the United States Federal Aviation Administration or any successor agency thereto.



"FAR" shall mean the United States Federal Aviation Regulations, 14 C.F.R Section 1 et seq., as promulgated pursuant to Title 49 Section 40101 et seq. of the United States Code, and any successor statute thereto, as such regulations are in effect from time to time.

"FAA Bill of Sale" shall mean a Federal Aviation Administration Bill of Sale (AC Form 8050-2 or any successor form thereto) conveying title to the Aircraft to FedEx.

"Firm Aircraft" shall mean any or all of the Aircraft to be sold by American to FedEx pursuant to Section 2.01.

"First Interval Items" shall mean those maintenance significant items set forth in pages 52-1 through 52-2 (as revised on April 21, 1993), pages 53-1 through 53-44 (as revised on February 8, 1995), pages 54-1 through 54-6 (as revised through December 21, 1994), pages 55-1 through 55-12 (as revised on February 2, 1994) and pages 57-1 through 57- 21 (as revised on February 8, 1995) of the American ESM which are required to be accomplished for the first time sixty (60) months after the delivery of an Airframe to American by the Manufacturer.

"Force Majeure Event" shall mean any act of God, action or regulation of any governmental authority, fire, weather, flood, earthquake, accident, mechanical or electrical failure other than with respect to an Aircraft being delivered, act of the public enemy, war, civil disturbance, rebellion, insurrection, work stoppage, work slow down, other labor or work action, labor dispute, restraint of government or other cause or event beyond the control of the Party claiming the benefit of the occurrence of any such force majeure.

"Gear" shall mean one or more, as the case may be, of the nose, center, left and right landing gears on any Airframe.

"Hot Section/Compressor Maintenance" or "HSC" shall mean the engine maintenance build level in which there is refurbishment of the HPT Rotor, HPT 1st Stage Nozzle Assembly, the 2nd Stage Nozzle Assembly and the HPC Rotor as described in the American Program.

"Hot Section Maintenance" or "HSM" shall mean the engine maintenance build level in which there is refurbishment of the HPT Rotor, HPT 1st Stage Nozzle Assembly, and the 2nd Stage Nozzle Assembly as described in the American Program.

"Lien" shall mean any mortgage, pledge, security interest, lien, claim, encumbrance or other charge or rights of others of any kind on property.

"Life Limited Part" or "Life Limited Parts" shall mean one or more, as the case may be, Parts which must be removed from an Engine, a Spare Engine, an APU or a Spare APU upon having been in such Engine, Spare Engine, APU or Spare APU for the maximum permissible calendar time, flight cycles or flight hours specified for such Part by its manufacturer.

"Manufacturer" shall mean McDonnell Douglas Corporation as to the Airframes and General Electric Corporation as to the Engines.

"MD-11 Spare Part" or "MD-11 Spare Parts" shall mean any or all Parts listed on the Spares List.

"More Restrictive" shall mean that measure of the interval between maintenance events for an Airframe, Engine, Gear or APU or of the useful life or the interval between maintenance events of a Part which yields the lowest percentage of such interval remaining until the next such required maintenance event or the lowest percentage of such useful life, as applicable.

"Non-Conforming Engine" or "Non-Conforming Engines" shall mean one or more, as the case may be, General Electric C6F-80C2D1F engines installed on an Aircraft which do not meet the delivery conditions for Engines set forth in Section 3.06, but which are otherwise in a condition suitable for the purpose of permitting ferry flights of the Aircraft on which such engines are installed to the facilities of one or more third party vendors for conversion of such Aircraft to a cargo configuration or for transition maintenance for such Aircraft.

"Part" or "Parts" shall mean any item or items of avionics, appliances, parts, furnishings, instruments, accessories and equipment suitable for installation and use on an Aircraft.

"Passenger Parts" shall mean any Parts installed in the passenger cabin of an Aircraft that relate to the passenger configuration of such Aircraft, but excluding any Part in the passenger cabin of an Aircraft which is necessary for the Aircraft to be modified into FedEx's freighter configuration, including, without limitation, the forward starboard lavatory, the slide rafts on the R1, R4, L1 and L4 doors and the forward starboard galley installed on such Aircraft.

"Power Assurance Run Test" shall mean a power assurance run test on an Engine conducted in accordance with the procedures in Test No. 6 in Chapter 71-00-00-5-1 of the McDonnell Douglas Aircraft Maintenance Manual pertaining to McDonnell Douglas Model MD-11 aircraft.

"Purchase Option" and "Purchase Options" shall have the meanings set forth in Section 2.03.

"Purchase Option Aircraft" shall mean any Put Option Aircraft as to which FedEx has delivered a Purchase Option Exercise.

"Purchase Option Exercise" shall mean a written notice given by FedEx to American exercising a Purchase Option as to any Put Option Aircraft, which notice shall be in the form attached hereto as Exhibit K.

"Purchase Option Notice" shall mean a written notice, in the form attached hereto as Exhibit J, given by American to FedEx notifying FedEx of American's intent to offer for sale, or to otherwise permanently transfer possession of, any of the Put Option Aircraft other than pursuant to the Put Options or any agreements entered into by American pursuant to which American has granted a security interest in the Aircraft in connection with the financing of the Aircraft.

"Purchase Price" shall mean, as applicable, the purchase price of a Firm Aircraft on a Scheduled Delivery Date as set forth in Section 2.01, of a Put Option Aircraft on a Scheduled Delivery Date as set forth in Section 2.02 and of a Purchase Option Aircraft applicable for the month of the Delivery of the Purchase Option Aircraft as set forth in Section 2.03, as adjusted in accordance with Section 3.07.

"Put Option" and "Put Options" shall have the meanings set forth in Section 2.02.

"Put Option Aircraft" shall mean any or all of the Aircraft as to which FedEx has granted to American options to sell such Aircraft to FedEx pursuant to Section 2.02.

"Put Option Exercise" shall mean a written notice given by American to FedEx exercising a Put Option as to any Put Option Aircraft, which notice shall be in the form attached hereto as Exhibit I.

"Replacement Engine" or "Replacement Engines" shall mean one or more, as the case may be, General Electric C6F- 80C2D1F engines to be conveyed by American to FedEx in the stead of a Delayed Delivery Engine pursuant to Section 3.03, each of which engines meets the delivery condition requirements of Section 3.06 with respect to Engines.

"Scheduled Delivery Date" shall mean a date on which an Aircraft is to be delivered as set forth in Section 2.01 as to the Firm Aircraft, and Section 2.02 as to the Put Option Aircraft and Section 2.03 as to any Purchase Option Aircraft or, as to any of the Aircraft, such other date as the Parties may agree in writing.

"Second Interval Items" shall mean those maintenance significant items set forth in pages 52-1 through 52-2 (as revised on April 21, 1993), pages 53-1 through 53-44 (as revised on February 8, 1995), pages 54-1 through 54-6 (as revised through

December 21, 1994), pages 55-1 through 55-12 (as revised on February 2, 1994) and pages 57-1 through 57-21 (as revised on February 8, 1995) of the American ESM which are required to be accomplished for the first time ninety (90) months after the delivery of an Airframe to American by the Manufacturer.

"Shop Findings Report" shall mean a report stating the root cause of the failure of a Part and the materials used in returning such Part to a serviceable condition which is executed by an authorized repairman, all in accordance with the American Program.

"Spare APU" and "Spare APU's" shall mean one or more, as the case may be, of the five (5) APU's owned by American which are not installed on an Aircraft, which APU's shall include a shipping stand.

"Spare Engine" and "Spare Engines" shall mean one or more, as the case may be, of the ten (10) General Electric CF6-80C2D1F engines owned by American that are not installed on the Aircraft. Each such engine shall be in a wing or tail quick engine change configuration and shall include an engine shipping stand suitable for such engines.

"Spares List" shall mean the list of Parts dated as of January 20, 1995 which American is delivering to FedEx pursuant to Section 4.01.

"Spare Part" and "Spare Parts" shall mean any or all of the MD-11 Spare Parts and the Spare APU's, the Spare Engines and the Spare Thrust Reversers.

"Spares Purchase Price" shall mean the purchase price paid or to be paid for Spare Parts or portions thereof pursuant to Article 4.

"Spare Thrust Reversers" shall mean one or more, as the case may be, of the three (3) pairs of thrust reverser assemblies usable on the Engines of the Aircraft which are not installed on an Aircraft.

"Warranty Bill of Sale" shall mean a warranty bill of sale conveying title to an Aircraft to FedEx, which warranty bill of sale shall be in the form attached hereto as Exhibit C.

Any defined term used in this Agreement and not expressly defined herein shall have the meaning ascribed to it in the FAR if such term is expressly defined in the FAR or, if not expressly defined in the FAR, such term shall have the meaning customarily ascribed to it in the aircraft industry.

Section 1.02. Rules of Construction. The words "hereof," "herein," "hereunder," "hereto" and other words of similar import refer to this Agreement in its entirety.

The terms "agree" and "agreements" contained herein are intended to include and mean "covenant" and "covenants".

All references in this Agreement to articles, sections, subsections and other subdivisions refer to corresponding articles, sections, subsections and other subdivisions of this Agreement unless otherwise expressly provided. All references in this Agreement to exhibits shall refer to the exhibits to this Agreement unless otherwise provided.

The article and section headings in this Agreement have been inserted solely for convenience and shall not be considered in construing this Agreement.

ARTICLE 2  
PURCHASE OF AIRCRAFT

Section 2.01. Firm Aircraft, Purchase Prices and Delivery Dates. On the terms and subject to the conditions set forth herein, American agrees to sell to FedEx, and FedEx agrees to purchase from American, the Firm Aircraft, with one Firm Aircraft to be so sold and purchased on each Scheduled Delivery Date as set forth below. The Purchase Price of each Firm Aircraft to be delivered on each Scheduled Delivery Date and the latest date by which a Designation as to a Scheduled Delivery Date may be given are as set forth in the following table:

DELIVERY NUMBER	LATEST DESIGNATION DATE -----	SCHEDULED DELIVERY DATE -----	PURCHASE PRICE -----
1	7-May-95	17-Jan-96	\$
2	12-June-95	12-June-96	\$
3	16-Oct-95	16-Oct-96	\$
4	12-Feb-96	12-Feb-97	\$
5	11-June-96	11-June-97	\$
6	15-Oct-96	15-Oct-97	\$
7	14-Jan-97	14-Jan-98	\$
8	17-June-97	17-June-98	\$
9	14-Oct-97	14-Oct-98	\$
10	17-Feb-98	17-Feb-99	\$
11	16-June-98	16-June-99	\$
12	13-Oct-98	13-Oct-99	\$

Subject to Section 3.05(d), if due to the loss or, in American's sole discretion, substantially complete destruction of one or more Aircraft, American tenders to \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

FedEx for Delivery pursuant to this Agreement fewer than twelve (12) Firm Aircraft, then on or before October 13, 1999 or such later date as the Parties agree will be the Scheduled Delivery Date for the twelfth (12th) Firm Aircraft, American will pay to FedEx \$[\* ] for each Firm Aircraft fewer than twelve (12) that American delivers to FedEx. American will make such payment by a wire transfer of immediately available funds.

Section 2.02. Put Options. (a) FedEx hereby grants to American seven (7) options (the "Put Options" and each a "Put Option"), each of which shall give American the right to sell one Aircraft to FedEx on each of the Scheduled Delivery Dates set forth in the table in Section 2.02(c). Upon American's exercise of each Put Option, FedEx shall purchase one Aircraft on the terms and subject to the conditions set forth herein.

(b) A Put Option will be exercisable as to an Aircraft by American giving to FedEx a Put Option Exercise on any date not later than the "Latest Exercise Date" as set forth in Section 2.02(c).

(c) The latest date by which a Put Option may be exercised (each a "Latest Exercise Date"), the latest date by which a Designation for a Scheduled Delivery Date may be given, the Scheduled Delivery Dates for the Put Option Aircraft and the Purchase Price of each Put Option Aircraft are as set forth in the following table:

DELIVERY NUMBER	LATEST EXERCISE DATE	LATEST DESIGNATION DATE	SCHEDULED DELIVERY DATE	PURCHASE PRICE
13			15-Feb-00	\$
14			14-June-00	\$
15			11-Oct-00	\$
16	*	*	14-Feb-01	\$ *
17			12-June-01	\$
18			16-Oct-01	\$
19			12-Feb-02	\$

(d) American and FedEx intend the exercise of the Put Options to be sequential and consistent with the schedule set forth above. If American fails to give FedEx a Put Option Exercise exercising a particular Put Option on or before the Latest Exercise Date for such Put Option, that Put Option will expire. If a Put Option expires, the remaining Put Options may be cancelled by FedEx giving to

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American written notice of such cancellation on or before the earlier of (i) the next following Latest Exercise Date set forth in Section 2.02(c) and (ii) the seventh (7th) day next following the day on which FedEx receives a written notice from American that FedEx has the right to cancel the remaining Put Options. If FedEx fails to give American timely written notice of the cancellation of the remaining, unexercised Put Options, the remaining, unexercised Put Options will remain in full force and effect. The failure of American to give to FedEx any notice that FedEx may cancel the remaining, unexercised Put Options shall not be a breach, default or Event of Default under the terms of this Agreement.

Section 2.03. Purchase Options. (a) If American intends to offer any Put Option Aircraft not designated as a Firm Aircraft for sale to a third party, FedEx shall have the right, but not the obligation, to purchase such Put Option Aircraft from American on the terms and subject to the conditions set forth in this Section 2.03 (the "Purchase Options" and each, a "Purchase Option"). American shall give FedEx a Purchase Option Notice before American makes an offer to sell any or all of the Put Option Aircraft to any third party. FedEx may exercise the Purchase Options as to any or all of the Put Option Aircraft stated in a Purchase Option Notice by giving American a Purchase Option Exercise within fourteen (14) days after its receipt of the Purchase Option Notice. The failure of FedEx to give American a Purchase Option Exercise within [ \* ] of its receipt of the Purchase Option Notice will entitle American to sell the Put Option Aircraft to any person or persons free of the Purchase Options, but such failure shall not be a breach by FedEx of, or a default or an Event of Default under, the terms of this Agreement. If FedEx does not exercise a Purchase Option as to a particular Put Option Aircraft, (i) American may offer for sale and may sell such Put Option Aircraft in such manner, at such time or times, for such price or prices and on such other terms and subject to such conditions as American, in its sole discretion, deems acceptable and (ii) American may nevertheless exercise the remaining, unexpired Put Options in accordance with the terms and subject to the conditions set forth in Section 2.02 without regard to any prior Purchase Option Notice. American will provide a Designation with respect to any Purchase Option Aircraft on or before the later to occur of (i) one year prior to the Scheduled Delivery Date and (ii) the thirtieth (30th) day after its receipt of a Purchase Option Exercise.

(b) The Purchase Price for any Purchase Option Aircraft which is tendered by American for Delivery and which FedEx is obligated to purchase in or before January, 1996, shall be \$[ \* ]. The Purchase Price for any Purchase Option Aircraft which is tendered by American for Delivery and which FedEx is obligated

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to purchase in any month thereafter shall be decreased by the amount of \$[ \* ] for each month after [ \* ] to, but excluding, the month in which such tender for Delivery occurs.

(c) The Scheduled Delivery Date of the Purchase Option Aircraft to be sold to FedEx by American pursuant to FedEx's exercise of a Purchase Option shall be the date or dates specified by American in the Purchase Option Notice as the Scheduled Delivery Date or Scheduled Delivery Dates of the Purchase Option Aircraft; provided, however, that no such Scheduled Delivery Date shall be less than [ \* ] after the date of the Purchase Option Notice specifying such Scheduled Delivery Date.

(d) If American sells one or more Purchase Option Aircraft to FedEx pursuant to FedEx's exercise of one or more Purchase Options or sells any Put Option Aircraft as to which FedEx does not exercise a Purchase Option after a Purchase Option Notice is given, the number of Put Options that American can exercise shall be reduced by a number equal to the number of Purchase Option Aircraft and/or Put Option Aircraft so sold. Any Put Options terminated by any such reduction shall be terminated in the reverse order of the Scheduled Delivery Dates to which the Put Options relate. The remaining Put Options shall remain in full force and effect.

(e) If one or more Put Options expire or are terminated for any reason, American may dispose of an equivalent number of Aircraft free of the Purchase Options at any time thereafter and an equivalent number of Purchase Options will terminate simultaneously and automatically. Upon such expiration or termination, the terminated Purchase Options shall be without further force and effect, provided, however, that any such termination of Purchase Options shall not affect any prior exercise of any Purchase Option with respect to any Aircraft. American shall have the right to sell or otherwise dispose of such number of the Put Option Aircraft as to which Purchase Options are reduced free of the Purchase Options and the provisions of this Agreement and may determine which Put Option Aircraft are so free of the Purchase Options in its sole discretion.

Section 2.04. Designation and Substitution of Airframes and Engines. (a) American will designate an Airframe from among all the Airframes as a Firm Aircraft, a Put Option Aircraft, or a Purchase Option Aircraft for Delivery on a Scheduled Delivery Date in accordance with Section 2.01, Section 2.02 and Section 2.03, respectively, by giving FedEx a Designation on or before the latest date for giving such Designation specified in the applicable such section. Each Airframe to \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.



be designated by American to be part of a Firm Aircraft, a Put Option Aircraft or a Purchase Option Aircraft to be delivered on any Scheduled Delivery Date as to which a Designation is given will be chosen by American in its sole discretion. American shall have the right as a result of operational considerations to substitute a different Airframe for a previously designated Airframe for delivery on a Scheduled Delivery Date by delivering a Change Designation (i) on any date before the [ \* ] prior to such Scheduled Delivery Date or (ii) if such designation of a different Airframe for delivery on such Scheduled Delivery Date would not cause a material delay in the conversion of such different Airframe from a passenger configuration to a cargo configuration, on any date before the [ \* ] prior to the original Scheduled Delivery Date, provided in either instance that, within [ \* ] after its receipt of FedEx's invoice setting forth in detail the nature and amount of such costs, American reimburses FedEx for any incremental engineering costs, incremental transition maintenance costs and incremental modification costs incurred by FedEx solely as the result of the substitution of the Airframe.

(b) No later than [ \* ] prior to the Scheduled Delivery Date for an Aircraft, American shall designate to FedEx the three Engines to be conveyed to FedEx as part of such Aircraft to be delivered on such Scheduled Delivery Date by giving FedEx a completed Engine Designation. After designating such Engines, American will use its commercially reasonable efforts to avoid substituting other Engines for such designated Engines, but may do so upon written notice to FedEx, which notice shall be given by American as soon as practicable after it determines to substitute Engines. Each Engine to be designated by American to be a part of a Firm Aircraft, a Put Option Aircraft or a Purchase Option Aircraft to be delivered on the various Scheduled Delivery Dates as to which Designations are given will be chosen by American in its sole discretion.

Section 2.05. Payment of Purchase Price. Each Purchase Price and each Spares Purchase Price payable to American by FedEx shall be net of any and all taxes, recording expenses, assessments, duties and similar governmental charges and fees charged on or with respect to the sale of the Aircraft, any and all of which amounts shall be paid by FedEx, subject, however, to the provisions of Section 3.01. The Purchase Price for each Aircraft shall be paid on the Delivery Date for such Aircraft, net of any applicable Deposit and the interest calculated at the AMR Rate. The Spares Purchase Price for any Spare Parts purchased pursuant to Article 4 shall be paid on the date the Spare Parts being sold to FedEx are delivered by American to FedEx. The Purchase Prices, the Spares Purchase Prices and any Deposits shall be paid by FedEx in United States Dollars by wire transfer of \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

immediately available funds to American's account at Chase Manhattan Bank in New York, New York, ABA No. 021000021 Account 910-1-019884, Reference, as applicable, Aircraft N[Insert Relevant FAA Registration Number] or MD-11 Spare Parts.

Section 2.06. Deposits. FedEx will pay to American on the Business Day next following the date of execution of this Agreement a cash deposit in the amount of \$[ \* ] for each Firm Aircraft. FedEx will pay to American within the ten-day period next following the date on which each Put Option is exercised, a cash deposit of \$[\* ] in respect of the Put Option Aircraft as to which such Put Option is exercised. FedEx will pay to American upon the Business Day next following the exercise of any Purchase Option, a cash deposit of \$[ \* ] in respect of each Purchase Option Aircraft. [ \* ]. If American shall fail to perform its obligation to deliver an Aircraft in accordance with this Agreement, American will return to FedEx, upon FedEx's written request, any Deposits made with respect to such Aircraft, with interest thereon calculated at a rate equal to the AMR Rate. The Deposit applicable to a particular Aircraft, with an amount of interest thereon calculated at the AMR Rate, will be applied to the payment of the Purchase Price of such Aircraft on the Delivery Date. Neither the retention of any Deposit by American in connection with the failure of FedEx to perform its obligations under this Agreement nor the return of any Deposit by American in connection with the failure of American to perform its obligations under this Agreement shall be the exclusive remedy of the non-defaulting Party in connection with any such default. Except as set forth above, American shall be entitled to retain any interest earned on the Deposits.

ARTICLE 3  
AIRCRAFT DELIVERY, TITLE, RISK OF LOSS

Section 3.01. Delivery. American shall deliver each Firm Aircraft and any Put Option Aircraft as to which a Put Option is exercised and each Purchase Option Aircraft to FedEx on the Scheduled Delivery Date for each such Aircraft pursuant to the procedures set forth in this Article 3. American shall tender each Aircraft required to be delivered to FedEx under this Agreement by delivering an Aircraft Delivery Certificate (completed as to the tender related portion thereof) to FedEx with respect to such Aircraft. Delivery of each Aircraft shall be made at (i) \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

Dallas/Fort Worth International Airport ("DFW"), (ii) at the option of American, at an airport in the State of Nevada if American so advises FedEx at least seven (7) days prior to the Scheduled Delivery Date for such Aircraft or (iii) at such other location on FedEx's route system as American designates in writing to FedEx at least ninety (90) days prior to the Scheduled Delivery Date and to which FedEx consents, such consents not to be unreasonably withheld. If any Scheduled Delivery Date is not a Business Day, the Aircraft to be delivered shall be delivered and accepted on the Business Day next preceding the Scheduled Delivery Date.

Section 3.02. Inspection, Flight Checks and Discrepancies. (a) FedEx shall have access to each Aircraft no later than [ \* ] prior to the Scheduled Delivery Date for such Aircraft at American's maintenance facility at the Tulsa International Airport in Tulsa, Oklahoma ("TUL"). At such time, FedEx shall have the right to: (i) conduct all ground inspections reasonably necessary to determine whether the Aircraft is in Delivery Condition, including, but not limited to, engine borescopes conducted in accordance with Exhibit R, (ii) functionally ground and flight check such Aircraft in accordance with the requirements and procedures contained in the McDonnell Douglas Model MD-11 Production Flight Procedure Manual (the "MDAC PFFM") applicable to aircraft that are completing a C Check and (iii) conduct on each Engine being delivered (other than a Non-Conforming Engine) a Power Assurance Run Test to ensure that the exhaust gas temperature margin for such Engine conforms to the requirements of Section 3.06(i)(B)(4). Subject to Section 3.02(b), any such checks or test flights shall be of a reasonable duration. In determining if an Aircraft is in Delivery Condition, if there are differences in the tolerances stated in the MDAC PFFM and the American Program, the more lenient tolerances will apply.

(b) The initial flight test of an Aircraft shall not be more than [ \* ] in duration. American will permit at least [ \* ] of FedEx to observe any functional flight check of an Aircraft made in conjunction with the Delivery of such Aircraft. During the functional flight check, American shall provide a pilot who shall function as pilot-in-command and who shall maintain operational control and responsibility for the Aircraft. FedEx shall provide a pilot who shall occupy a pilot's seat (left or right, at the discretion of the pilot-in-command). FedEx's pilot shall physically exercise the flight controls in such phases of flight as necessary to verify the functional operation of the Aircraft. Insurance for all functional flight checks shall be provided by American, at its sole expense under its existing insurance policies, provided, however, that any FedEx personnel who are to be present on such Aircraft during any such flight shall execute and \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

deliver to American prior to such flight a release and waiver of liability containing terms and conditions reasonably satisfactory to American. American shall provide the fuel necessary for such flight check.

(c) Upon completion of functional ground and flight check of an Aircraft, American shall, at American's expense and in accordance with the applicable criteria set forth in the American Program: (i) correct and/or clear any items noted in the Aircraft's log book by American and which remain un-cleared or un-corrected at the Scheduled Delivery Date and (ii) correct and/or clear any discrepancies of the Aircraft from the Delivery Condition otherwise noted during the functional ground and flight checks of such Aircraft. If an additional flight check is required to demonstrate that a discrepancy from the Delivery Condition for such Aircraft has been corrected, such additional flight check shall be conducted in the manner set forth in Section 3.02(a) and (b). Any additional flight check made to inspect the correction of any discrepancy of such Aircraft from the required Delivery Condition previously noted shall be limited to the time necessary to inspect such discrepancy. If additional discrepancies from the Delivery Condition are noted during a subsequent flight check (or the original discrepancy is not satisfactorily corrected), American shall correct the discrepancy from the Delivery Condition noted during the subsequent flight check. Notwithstanding the foregoing, American shall not be required to correct or clear any items or discrepancies of the Aircraft from Delivery Condition that are (x) cosmetic in nature, (y) related solely to any Passenger Parts or (z) which the Parties agree in writing in the Aircraft Delivery Certificate to correct and/or clear after the Delivery of the Aircraft.

(d) Upon completion of the items in Sections 3.02(a) through 3.02(c) on an Aircraft, FedEx shall execute and deliver to American the Aircraft Delivery Certificate for such Aircraft pursuant to which FedEx shall certify that it has accepted the Aircraft and that the Aircraft is in the Delivery Condition, except to the extent that (i) any remaining discrepancies of the Aircraft from the Delivery Condition are noted by the Parties in such Aircraft Delivery Certificate or (ii) the failure of the Aircraft to meet Delivery Condition requires an Adjustment (as defined below). Thereafter, American shall not change or alter the configuration or operate such Aircraft for any reason prior to Delivery (except as necessary to ferry such Aircraft to any other location at which Delivery will occur) without the prior written consent of FedEx.

Section 3.03. [ \*

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Section 3.04. Delivery Procedure. At the time of Delivery of each Aircraft:

- (i) FedEx shall execute and deliver to American the Aircraft Delivery Certificate as provided in Section 3.02(d);
- (ii) American shall execute and deliver to FedEx the FAA Bill of Sale and the Warranty Bill of Sale;
- (iii) FedEx shall pay American the Purchase Price in accordance with Section 2.05, net of the Deposit applicable to the Aircraft being delivered and the interest accrued on such Deposit at the AMR Rate;
- (iv) Subject to the provisions of Section 6.01, American shall deliver to FedEx the Data with respect to such Aircraft;
- (v) American shall execute and deliver to FedEx an assignment of any warranties with respect to the Aircraft that are assignable by American by their terms and without the payment by American to the grantor of the warranty of more than a nominal amount;
- (vi) Concurrently with the delivery of the Warranty Bill of Sale described in clause (ii) above, American shall cause the FAA Bill of Sale executed by American to be filed and recorded with the FAA Aircraft Registry in Oklahoma City, Oklahoma and FedEx shall cause an Application for Registration of the Aircraft to be filed with the FAA Aircraft Registry. FedEx shall be responsible for all costs of filing or recording of the FAA Bill of Sale, the Application for Registration of the Aircraft and any such other acceptance certificates, delivery receipts and any other documents as shall be agreed to by the Parties as appropriate for the sale, purchase and Delivery of such Aircraft;
- (vii) At the time and upon completion of Delivery of each Aircraft, Messrs. Daugherty, Fowler & Peregrin, special FAA counsel to FedEx, shall confirm to FedEx that such counsel will furnish FedEx its opinion, addressed to FedEx, to the effect that: (A) the FAA Bill of Sale with respect to the Aircraft being delivered by American to FedEx and the FAA Application for Registration relating thereto have been duly filed with the FAA; (B) legal title to such Aircraft is vested in FedEx or its designee, and (C) such Aircraft, including the Engines conveyed to FedEx in connection with such Aircraft, is free and clear of all Liens, other than Liens arising by, through or under FedEx or its designee, if any, that has taken title to the Aircraft. Such opinion may be subject to the type of assumptions and qualifications regularly included by experienced FAA counsel in similar opinions; and
- (viii) If a Non-Conforming Engine which is not conveyed to FedEx pursuant to Section 3.03(d) is installed on the Aircraft at the Delivery Date, each of American

and FedEx shall execute and deliver the Engine Lease Agreements with respect to such Non-Conforming Engine and applicable Delayed Delivery Engine.

Section 3.05. Delayed Delivery. (a) If FedEx is obligated to accept delivery of and purchase an Aircraft tendered by American for delivery on a Scheduled Delivery Date, which Aircraft is in Delivery Condition and FedEx fails to accept such Aircraft for delivery in accordance with this Agreement, unless such failure is an Excusable Delay, FedEx will [\*

] If American is unable to deliver an Aircraft on a Scheduled Delivery Date, unless such delay is an Excusable Delay (other than one arising as a result of a Force Majeure Event involving any work stoppage, work slow down, other labor or work action or labor dispute, if and to the extent such Excusable Delay exceeds four (4) weeks in duration), [\*

] The payment of any such amounts shall not be the exclusive remedy of American if FedEx fails to accept delivery of an Aircraft on a Scheduled Delivery Date other than in circumstances constituting an Excusable Delay nor the exclusive remedy of FedEx if American fails to deliver an Aircraft on a Scheduled Delivery Date other than in circumstances constituting an Excusable Delay.

(b) Notwithstanding the foregoing, with respect to non-excusable delays resulting from American's actions or omissions, American shall not be required to pay interest on the Purchase Price of any Aircraft as set forth above if (i) delivery of such Aircraft is delayed for [\* ] or less and (ii) the aggregate number of days for which deliveries of all the Aircraft have been delayed [\* ] If, as to non-excusable delays resulting from American's actions or omissions, the number of days by which any delivery of an Aircraft is delayed exceeds [\* ] or the number of days by which all deliveries of Aircraft are delayed exceeds [\*

] in the aggregate, interest (computed as provided above) on the Purchase Price of the Aircraft as to which a delay in excess of [\* ] occurs (less the amount of applicable Deposit) or the aggregate Purchase Prices of the Aircraft as to which aggregate delays in excess of [\* ] occur (less the amount of applicable Deposit) shall be paid by American to FedEx as provided above for each day for which deliveries of the Aircraft by American are delayed. Notwithstanding the foregoing, with respect to non-excusable delays resulting from FedEx's actions or omissions, FedEx shall not be required to pay interest on the Purchase Price of any Aircraft as set forth above if (i) its acceptance

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of an Aircraft is delayed for [ \* ] or less and (ii) the aggregate number of days for which FedEx's acceptances of all the Aircraft are delayed does not exceed [ \* ] If, as to non-excusable delays resulting from FedEx's actions or omissions, the number of days by which any delivery of an Aircraft is delayed exceeds [ \* ] or the number of days by which all deliveries of Aircraft are delayed exceeds [ \* ] in the aggregate, interest (computed as provided above) on the Purchase Price of the Aircraft as to which the delay in excess of [ \* ] occurs or the aggregate Purchase Prices of the Aircraft as to which aggregate delays in excess of [ \* ] occur shall be paid by FedEx to American as provided for above for each day for which the acceptances of the Aircraft by FedEx are delayed.

(c) If an Aircraft which has been designated for delivery to FedEx on a particular Scheduled Delivery Date sustains any damage or is partially destroyed and such damage or partial destruction can be repaired or restored and such Aircraft can be tendered for Delivery on the date (the "Partial Casualty Delivery Date") that is the later to occur of (i) the Scheduled Delivery Date with respect to such Aircraft or (ii) the date which is [ \* ] after the occurrence of such damage or partial destruction, as promptly as practicable after the occurrence of the damage or destruction of such Aircraft, American shall notify FedEx in writing of such occurrence and whether American elects (i) at American's sole cost and expense, to repair or restore the damaged or partially destroyed Aircraft so that it will be in Delivery Condition or (ii) to substitute another Aircraft, if any, for the damaged Aircraft. Any repair required by damage to or partial destruction of the Aircraft shall not (i) impose any restrictions on the FAA-certified limitations, performance or operation as set forth in the Manufacturer's FAA-approved Airplane Flight Manual for the Aircraft or (ii) materially impair the fuel mileage performance of the Aircraft or (iii) increase the empty weight of the Aircraft by more than [ \* ] pounds.

(d) If, before the Delivery Date of any Committed Delivery (as defined below), one or more Aircraft (each a "Casualty Aircraft") are lost or, in American's sole judgment, substantially completely destroyed, or if American determines, in its sole judgment, that repairing any substantial damage to any Aircraft would be uneconomical, then American shall designate or re-designate other Aircraft, if any, pursuant to Section 2.04 (without regard to the times for taking actions set forth in such Section 2.04, but subject to Section 9.02) in order to deliver an Aircraft to FedEx for each Committed Delivery (as defined below) by the later to occur of (i) the Scheduled Delivery Date for each Committed Delivery or (ii) the date which is [ \* ] after the occurrence of the loss or substantially complete destruction of

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such Aircraft (the "Casualty Delivery Date"); provided, however, that notwithstanding any such designation, one Committed Delivery per each such Casualty Aircraft shall automatically terminate in reverse chronological order of Scheduled Delivery Dates. If a Committed Delivery is terminated under this Section 3.05(d), American and FedEx shall have no further obligation to sell or purchase any Aircraft with respect to such Committed Delivery or sell or purchase any Spare Parts associated with such cancelled Committed Delivery. For purposes of this Section 3.05(d), the term "Committed Delivery" shall mean a commitment to sell and deliver any Firm Aircraft or any Aircraft as to which a Put Option has been properly exercised, whether or not a particular Aircraft had been designated for such delivery.

Section 3.06. Delivery Condition. (a) At the time of the tender of an Aircraft by American to FedEx in connection with its Delivery, the Aircraft shall be in the following condition:

(i) The Aircraft shall meet the following standards:

(A) the Airframe of such Aircraft shall have:

(1) [ \* ] of the number of flight hours or calendar time, whichever is More Restrictive, between C Checks as prescribed by the American ESM remaining until its next C Check is required to be performed;

(2) [ \* ] of the interval in days prescribed by the American ESM as the time between accomplishment of the First Interval Items remaining until the date on which such items are required to be next performed; and

(3) [ \* ] of the interval in days prescribed by the American ESM as the time between accomplishment of the Second Interval Items remaining until the date on which such items are required to be next performed.

(B) Each Engine conveyed with the Airframe shall have:

(1) not more than [ \* ] flight cycles since the latest to occur of a HSM, HSC or EHM as prescribed by the American Program;

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(2) not more than [ \* ] flight cycles since the last high pressure compressor refurbishment as prescribed by the American Program;

(3) on its Life-Limited Parts, as specified by the Manufacturer's Engine Overhaul Manual, not more than the total flight cycles on the highest flight cycle Airframe (whether or not previously delivered to FedEx); and

(4) an exhaust gas temperature ("EGT") margin of not less than [ \* ] degrees Celsius as determined by a Power Assurance Run Test conducted as described in Section 3.02(a) in connection with the acceptance of the Aircraft by FedEx and an EGT margin of not less than [ \* ] degrees Celsius at its last test cell run immediately following the latest Engine Maintenance to be accomplished.

(C) each Gear installed on such Aircraft shall have [ \* ] of the calendar time or flight cycles, whichever is More Restrictive, between major overhauls as prescribed by the American Program for such Gear remaining until the next scheduled overhaul for such Gear ("Gear Half Time"); and

(D) the APU installed on such Aircraft shall have remaining at Delivery, [ \* ] of the total flight cycles or hours, whichever is More Restrictive, in the service life of the parts in such APU which are life limited, as specified by the manufacturer of such APU ("APU Time Limit").

[ \*

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(ii) The Airframe, each Engine conveyed to FedEx along with the Aircraft, each Gear, the APU installed on such Aircraft and all other life-limited parts comprising part of the Aircraft shall have been maintained by American on a non-discriminatory basis with all other McDonnell Douglas Model MD-11 aircraft then in operation by American.

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(iii) No Engine being transferred with the Aircraft shall be subject to any reduced inspection intervals or reduced calendar time, flight hours or flight cycles restrictions that require the removal of the Engine from an aircraft upon reaching such calendar time, flight hour, or flight cycle thresholds. The results of any engine borescope inspection conducted on an Engine pursuant to Section 3.02(a) shall indicate that such Engine is within the serviceable limits prescribed by the McDonnell Douglas Aircraft Maintenance Manual Chapter 72-00-07.

(iv) The Aircraft, each Engine conveyed to FedEx at the time of the Delivery of the Aircraft, each Gear and the APU shall be in compliance with American's Part 121 Maintenance Program, the Aircraft shall be Airworthy and the Aircraft Records relating to such Aircraft, Engines, Gear and APU shall be in compliance with American's Part 121 Maintenance Program and the applicable Federal Aviation Regulations requiring the maintenance of such Aircraft Records. At the Scheduled Delivery Date, no deferred or carryover maintenance items shall exist with respect to the Aircraft, and all temporary repairs to the Aircraft shall have been made permanent.

(v) The delivery of any Engine or other General Electric CF6-80C2D1F engine installed on an Aircraft upon its Delivery shall be subject in all respects to Section 3.03.

(vi) The Aircraft shall be registered on the United States Federal Aviation Administration aircraft registry.

(vii) The Aircraft shall be in a configuration which complies with American's operating specifications for McDonnell Douglas Model MD-11 aircraft at such time, except to the extent that any discrepancies or deviations from such operating specifications shall result from the removal of Passenger Parts from the Aircraft.

(viii) The Aircraft (including the Engines to which title is conveyed therewith) shall be free of all Liens.

(ix) Prior to the delivery of the Aircraft, American shall have painted over or stripped from the Aircraft any insignia, trademark or tradename on the Aircraft identifying the Aircraft as an American aircraft.

(x) American may, at its sole option and expense, deliver an Aircraft after removing from such Aircraft any Passenger Parts. Any Passenger Parts removed from an Aircraft by American in accordance with the foregoing provisions shall be "AS IS" and may be retained by American, along with the

Aircraft Records and other Data relating thereto, as its property, free of any Lien of FedEx.

(b) EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE AIRCRAFT SHALL BE DELIVERED BY AMERICAN AND ACCEPTED BY FEDEX "WHERE IS", "AS IS" AND "WITH ALL FAULTS".

(c) American shall not be responsible for compliance with any Airworthiness Directive outstanding with respect to any Aircraft on the Scheduled Delivery Date for such Aircraft if the final date for compliance with such Airworthiness Directive is after such date, provided that American shall not discriminate against any of the Firm Aircraft or Put Option Aircraft in connection with its compliance with Airworthiness Directives applicable to the McDonnell Douglas Model MD-11 aircraft in its fleet. American will require any lessee of an Aircraft that may be delivered to FedEx to comply with any Airworthiness Directive applicable to such leased Aircraft in the same manner as American complies with such Airworthiness Directive with respect to the Aircraft in its fleet. With respect to any Aircraft delivered by American to FedEx, American shall not have complied with or terminated any Airworthiness Directive applicable to McDonnell Douglas Model MD-11 airframes and the accessories thereto or General Electric CF6-80C2D1F engines by the use of FAA-approved alternative means of compliance, unless FedEx expressly approves compliance with or termination of such Airworthiness Directive by such alternative means or FedEx's then current FAA-approved maintenance program permits compliance with or termination of such Airworthiness Directive by such alternative means of compliance.

Section 3.07. Adjustments to Purchase Price for Delivery Condition. [ \*  
]

\*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

Section 3.08. Aircraft Delivery Certificate; Engine Delivery Certificate. Subject to any discrepancies from the Delivery Condition expressly noted by the Parties in the applicable Aircraft Delivery Certificate, FedEx's execution and delivery of an Aircraft Delivery Certificate with respect to an Aircraft as to which a Delivery occurs shall be a binding acknowledgment and agreement by FedEx that the Aircraft delivered was in the Delivery Condition upon its Delivery to FedEx. Subject to any discrepancies from the delivery conditions set forth in Section 3.06 that are applicable solely to Engines that are expressly noted by the Parties in the applicable Engine Delivery Certificate, FedEx's execution and delivery of an Engine Delivery Certificate with respect to an Engine or Spare Engine which is delivered to FedEx by American shall be a binding acknowledgment and agreement by FedEx that such Engine or Spare Engine, as the case may be, was in the condition required by Section 3.06 upon its delivery to FedEx by American.

Section 3.09. Liability. FEDEX HEREBY RELEASES AMERICAN FROM AND AMERICAN SHALL NOT BE LIABLE FOR ANY DEFECT, KNOWN OR UNKNOWN, LATENT OR PATENT, IN SUCH AIRCRAFT, THE ENGINES, ANY PART OR COMPONENT OF SUCH AIRCRAFT AND ANY SPARE PART DELIVERED TO IT ON SUCH DELIVERY DATE OR ANY OTHER DATE OR, EXCEPT AS EXPRESSLY SET FORTH HEREIN WITH RESPECT TO THE AIRCRAFT RECORDS AND/OR THE DATA, THE DATA, AND, EXCEPT AS EXPRESSLY AGREED BY THE PARTIES, ANY DELAYED DELIVERY OF ANY AIRCRAFT, ANY DELAYED DELIVERY ENGINE OR ANY SPARE PART, AND FOR ANY ACTUAL, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUSTAINED BY FEDEX AS A RESULT OF ANY SUCH DEFECT OR DELAYED DELIVERY, INCLUDING, WITHOUT LIMITATION, LOSS OF REVENUE, LOSS OF USE OF THE AIRCRAFT, THE ENGINES, THE SPARE PART, OR THE DATA OR ANY INTERRUPTION IN FEDEX'S BUSINESS RESULTING FROM OR OCCASIONED BY FEDEX'S INABILITY TO USE THE AIRCRAFT, THE ENGINES OR, EXCEPT AS EXPRESSLY SET FORTH HEREIN, WITH RESPECT TO THE AIRCRAFT RECORDS, ENGINE RECORDS AND/OR THE DATA, THE DATA.

Section 3.10. Title and Risk of Loss. (a) Concurrently with each Delivery of an Aircraft but not prior thereto, title to, and risk of loss of, damage to or destruction of such Aircraft (other than to or for any Non-Conforming Engine installed on such Aircraft, title to which American is not conveying to FedEx) shall pass from American to FedEx. FedEx shall not, by virtue of this Agreement



(including, without limitation, as a result of the payment of any Deposit, the previous Delivery of another Aircraft or the delivery of any Spare Part by American to FedEx pursuant to this Agreement, or the designation or identification by American of any particular Aircraft as a Firm Aircraft, a Put Option Aircraft or the Aircraft to be delivered by American to FedEx on a particular Scheduled Delivery Date) acquire any insurable or other ownership interest in an Aircraft prior to the Delivery of such Aircraft by American to FedEx in accordance with the terms of this Agreement.

(b) Title to, and risk of loss of, damage to and destruction of each Delayed Delivery Engine and each Replacement Engine delivered to FedEx by American shall pass to FedEx upon the delivery of such Delayed Delivery Engine or Replacement Engine to FedEx by American. Notwithstanding the foregoing, the risk of loss of, damage to or destruction of (i) any Non-Conforming Engine to which FedEx holds title shall be as set forth in Section 3.03(d) and (ii) any other Non-Conforming Engine and any Delayed Delivery Engine shall be governed by any applicable Engine Lease Agreement. Upon Delivery of an Aircraft, FedEx shall take title to any fuel on board of the Aircraft at no additional cost to FedEx.

ARTICLE 4  
SPARE PARTS

Section 4.01. MD-11 Spare Parts List. (a) On the date of execution of this Agreement, American will provide FedEx with the Spares List which will be a list of rotatable spare parts that American held in its inventory as of January 20, 1995 and that are unique to McDonnell Douglas Model MD-11 aircraft or that can be used on the McDonnell Douglas Model MD-11 and Model DC-10 aircraft but no other aircraft within American's fleet. The Spares List will set forth for each type of MD-11 Spare Part, American's and the manufacturer's part numbers for each type of MD-11 Spare Part, the quantity of each type of MD-11 Spare Part held by American at the date on which the Spares List is delivered and the Average Unit Price for each type of MD-11 Spare Part. The Spares List will be provided via electronic storage media mutually acceptable to American and FedEx. American will also provide FedEx with a hard copy of the Spares List.

Section 4.02. MD-11 Spare Parts Purchase Obligation. (a) On each date on which FedEx is obligated to accept delivery of a Firm Aircraft pursuant to this Agreement, American will sell to FedEx, and FedEx will purchase from American, MD-11 Spare Parts having an average, aggregate Average Unit Price of \$[ \* ] for each Firm Aircraft as to which Delivery occurs or which FedEx is obligated to \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

purchase; provided, however, that so long as the Delivery of three Aircraft occurs in each of the years from 1996 through 1999 (i) the aggregate Average Unit Prices of MD-11 Spare Parts that shall be sold by American to FedEx, and purchased by FedEx from American, in each year from 1996 through 1999 shall be \$[ \* ]. On each date on which FedEx is obligated to accept delivery of a Put Option Aircraft pursuant to the exercise of a Put Option or a Purchase Option Aircraft, American will sell to FedEx, and FedEx will purchase from American, MD-11 Spare Parts having an aggregate Average Unit Price of \$[ \* ] for each of the first eighteen (18) Aircraft and \$[ \* ] for the nineteenth (19th) Aircraft as to which Delivery occurs or which FedEx is obligated to purchase.

(b) If the MD-11 Spare Parts are being purchased in conjunction with the purchase by FedEx of a Firm Aircraft or an Aircraft as to which American has exercised a Put Option, the Spares Purchase Price for such MD-11 Spare Parts shall be as set forth in Section 1 of Exhibit Q. If the MD-11 Spare Parts are being purchased in conjunction with the purchase by FedEx of any Purchase Option Aircraft, the Spares Purchase Price for such MD-11 Spare Parts shall be determined by reference to Section 2 of Exhibit Q. FedEx will pay to American the Spares Purchase Price for the portion of the MD-11 Spare Parts being purchased on the date such MD-11 Spare Parts are delivered to FedEx by American.

(c) The MD-11 Spare Parts that American will sell to FedEx and FedEx will purchase from American in any lot of MD-11 Spare Parts pursuant to the first sentence of Section 4.02(a) will be a pro rata portion of each type of MD-11 Spare Part, based on a total of nineteen Aircraft. If the number of a particular type of MD-11 Spare Parts held by American on any Delivery Date does not permit the mix of MD-11 Spare Parts sold to FedEx in each such lot to be a perfectly pro rata portion of all of the various types of MD-11 Spare Parts, American and FedEx shall cooperate to set the mix of MD-11 Spare Parts so that the inventories of MD-11 Spare Parts of American and FedEx shall be as nearly pro rata as possible at all times. If for operational reasons American or FedEx shall desire to change the mix of MD-11 Spare Parts that American would deliver on any date, American and FedEx shall attempt in good faith, but shall not be obligated, to effect such change in the mix of MD-11 Spare Parts in order to accommodate each other's operational requirements. If American and FedEx shall change such a mix of MD-11 Spare Parts in any lot of MD-11 Spare Parts delivered to FedEx by American, the mix of MD-11 Spare Parts delivered to FedEx in the next lot shall contain such MD-11 Spare Parts as are necessary to cause compliance with requirements of the first two sentences of this Section 4.02(c) once such MD-11 Spare Parts are purchased by and delivered to FedEx. \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

## Section 4.03. Spare Engine, Spare APU and Spare Thrust

Reverser Purchase Obligation. (a) (i) American will sell to FedEx, and FedEx will purchase from American, on the dates and for the Spares Purchase Prices set forth in or determined as set forth in Exhibit Q, the Spare Engines set forth in Exhibit Q. If FedEx desires to change the quick engine change configuration of any Spare Engine delivered by American to FedEx, American shall provide to FedEx in exchange for conveyance by FedEx to American of the Parts removed from the Spare Engine in question, the Parts necessary to change the quick engine change configuration of such Spare Engine to a tail configuration or a wing configuration, as the case may be, if American has the necessary parts in its inventory of spare Parts and such spare Parts are determined by American, in good faith, to be surplus to its needs. If American delivers any such spare Parts to FedEx, FedEx shall deliver to American any of the Parts removed from such Spare Engine in connection with the change in the configuration of such Spare Engine. Upon its delivery by American to FedEx, each of the first five (5) Spare Engines delivered by American to FedEx will be in the condition an Engine is required by Section 3.06(a)(i)(B), 3.06(a)(iii) and 3.06(a)(iv) to be in upon its delivery by American to FedEx, and FedEx shall have the right to conduct an engine borescope on each such Spare Engine delivered in accordance with Exhibit R. The Spares Purchase Price for each of the first five (5) Spare Engines shall be adjusted in accordance with Exhibit M.

(ii) American will, at its sole option, either (A) deliver each Spare Engine to be sold to and purchased by FedEx on one of the last five (5) Spare Engine delivery dates set forth in Exhibit Q (each a "Last Group Engine" and collectively, the "Last Group Engines") without such Last Group Engine having been operated on wing since its last EHM, in which case the Spares Purchase Price for such Last Group Engine shall be adjusted in accordance with Exhibit M, or (B) if any such Last Group Engine does not comply with the standard in clause (A) of this sentence, adjust the Spares Purchase Price of such Last Group Engine in accordance with the adjustment formula set forth in Exhibit T; provided, however, that the obligation set forth in clause (A) of this sentence shall be reduced as to and no longer apply to one (1) such Last Group Engine for each Spare Engine among the first five (5) Spare Engines delivered by American to FedEx that is delivered without having been operated on wing since its last EHM. Upon delivery of any Last Group Engine to which the obligation set forth in clause (A) of the first sentence of this Section 4.03(a)(ii) no longer applies, the Spares Purchase Price of such Last Group Engine shall be adjusted in accordance with Exhibit M (instead of Exhibit T). Each Last Group Engine delivered will be in the condition required by Section 3.06(a)(iii) and Section 3.06(a)(iv), and FedEx shall have the right to conduct an engine borescope on each such Last Group Engine delivered in accordance with Exhibit R. At the time of delivery of any Last Group Engine whose Spares Purchase Price is adjusted in accordance with clause (B) of the foregoing sentence, American will issue to

FedEx a credit memorandum for [ \* ] of the cost of an EHM (the "EHM Credit") on a General Electric CF6-80C2D1F engine operated by FedEx which was acquired from American (a "Purchased Engine"). The EHM Credit will be redeemable by FedEx at any time during the [ \* ] period commencing on the date it is issued to pay a portion of the cost of the EHM performed on a Purchased Engine. Subject to the foregoing sentence, if any Last Group Engine does not comply with the standard in clause (A) of the first sentence of this Subsection 4.03(a)(ii), FedEx must use an EHM Credit, if one is available to it, to pay a portion of the cost of an EHM on such Last Group Engine to be accomplished by American when such Last Group Engine next requires an EHM. FedEx may apply two EHM Credits previously issued to it to the payment of the cost of the EHM on such engine. The cost of an EHM on an engine against which an EHM Credit may be applied shall be the cost of an EHM as set forth in Table A to Exhibit M for the year in which the EHM on such engine is accomplished. The costs set forth in Table A to Exhibit M do not include the cost of any Life Limited Parts replaced during an EHM. To use an EHM Credit, FedEx must deliver its engine to American at TUL or such other location to which American and FedEx mutually agree. Upon delivery of the engine to American's maintenance facility, American will perform the EHM work on the engine and provide the materials required in performing the EHM, other than Life Limited Parts. American will invoice FedEx for the balance of the cost of an EHM not covered by the application of the EHM Credit, including, without limitation, the cost of the Life Limited Parts replaced, within 30 days of the completion of the EHM. FedEx will pay the amount of American's invoice promptly after receipt of such invoice. FedEx will be responsible for the costs of packing and shipping the engines to and from American's maintenance facility for such an EHM.

(b) American will sell to FedEx, and FedEx will purchase from American, on the dates and for the Spares Purchase Prices set forth in or determined as set forth in Exhibit Q, the Spare APU's set forth in Exhibit Q. Upon its delivery by American to FedEx, such Spare APU's will (i) be in serviceable condition with an American Serviceable Tag attached to it and (ii) will not have been installed on an aircraft subsequent to the Spare APU's last accomplished APU C&R (as defined below) or APU EHM (as defined below), which APU C&R or APU EHM shall have been accomplished through an American repair shop or a FAA-approved third party repair facility. "APU C&R" shall mean a check and repair of a Spare APU involving disassembly only to the extent required to correct malfunctions and/or obvious visual damage. "APU EHM" shall mean the complete disassembly and refurbishment of the LP Compressor and LP Turbine sections, HP Compressor and HP Turbine sections of a Spare APU and the check & repair of the gearbox and all components of the Spare APU. \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

(c) American will sell to FedEx, and FedEx will purchase from American, on the date and for the Spares Purchase Prices set forth in or determined as set forth in Exhibit Q, the Spare Thrust Reversers as set forth in Exhibit Q. Upon its delivery by American to FedEx, each Spare Thrust Reverser will (i) be in serviceable condition with an American Serviceable Tag attached to it and (ii) will not have been installed on an aircraft subsequent to the Spare Thrust Reversers' last accomplished Reverser C&R (as defined below) or RHM (as defined below), which Reverser C&R or RHM shall have been accomplished through an American repair shop or a FAA-approved third party repair facility. "Reverser C&R" shall mean a check and repair of the Spare Thrust Reverser involving a complete tap check of the translating cowl and core cowl for delamination, an overall check of the unit for external damage, excessive wear or binding, a check of the flexdrive shaft cores and casings for condition, a check of the condition of the ballscrew actuators, rig of actuator/translating cowl system, and check of all latches and forward latch ring. "RHM" shall mean the maintenance build level involving the disassembly to the extent necessary to accomplish all the required checks and reconditioning of a Spare Thrust Reverser as specified in the American Program in which all components will be checked and repaired and sent to their appropriate repair sources for repair processing.

Section 4.04. Effect of Expiration of Put Options on Certain Spare Parts Purchase Obligations. If (i) any Put Option expires as to a Put Option Aircraft or (ii) FedEx does not exercise a Purchase Option as to a Put Option Aircraft which has a Scheduled Delivery Date on which a Spare Engine, Spare APU or Spare Thrust Reversers is to be sold to FedEx, American will have no obligation to sell, and FedEx will have no obligation to purchase, such Spare Parts otherwise to be sold and purchased by the Parties on such Scheduled Delivery Date. If any remaining Put Options are not cancelled by FedEx in accordance with Section 2.02(d) after American fails to exercise a Put Option, the Scheduled Delivery Date on which each of the remaining, unpurchased Spare Engines, Spare APU's or Spare Thrust Reversers are to be sold by American to FedEx, and purchased by FedEx from American as set forth in Exhibit Q (an "Original Sale Date") shall be changed to be the Scheduled Delivery Date for a Put Option Aircraft as set forth in Exhibit Q next scheduled to occur after the Original Sale Date of each such Spare Engine, Spare APU or Spare Thrust Reversers (a "Modified Sale Date") and the obligation of American to sell and of FedEx to purchase the Spare Engines, Spare APU's and/or Spare Thrust Reversers on the last remaining, uncancelled Scheduled Delivery Date for a Put Option Aircraft as set forth in Exhibit Q shall be terminated and without further force or effect. If American shall sell, and FedEx shall be obligated to purchase, a Put Option Aircraft on the Modified Sale Date for any Spare Engine, Spare APU or Spare Thrust Reversers, American shall sell such Spare Part or Spare Parts scheduled to be sold and purchased by the Parties on such Modified Sale Date for the Spares Purchase Price or Spares Purchase Prices, as the case may

be, on the Modified Sale Date as set forth in or determined in accordance with Exhibit Q.

Section 4.05. Designation of MD-11 Spare Parts to be Acquired and Delivery. At least [ \* ] days prior to the proposed date for the delivery of a lot of MD-11 Spares to be purchased by FedEx from American, FedEx shall notify American in writing of the date on which it will take delivery of such MD-11 Spare Parts, any particular mix of MD-11 Spare Parts that it desires to have in such lot of MD-11 Spare Parts and the destination within the forty- eight (48) contiguous United States to which the MD-11 Spare Parts are to be shipped. As to any other Spare Parts, [ \*

] days prior to the proposed date of delivery FedEx shall give American written notice of the destination within the United States to which such Spare Parts are to be shipped. American shall ship all of the Spare Parts to Memphis, Tennessee, unless it is mutually agreed in writing that any or all of the Spare Parts will be shipped to another destination within the forty-eight (48) contiguous United States.

Section 4.06. MD-11 Spare Parts Documentation. At the time of delivery of the MD-11 Spare Parts sold by American to FedEx, the MD-11 Spare Parts delivered will, to the best of American's then current knowledge, be free and clear of all Liens and will be serviceable condition. Such MD-11 Spare Parts will be packaged in accordance with ATA 300 specifications and be accompanied by an American Serviceable Tag. Any Spare Parts delivered to FedEx may be in a form modified by American in order to comply with applicable FAR's, Airworthiness Directives, manufacturer's service bulletins and recommendations for modification by the respective manufacturers of such Spare Parts. In addition, any Spare Parts delivered to FedEx by American shall be in compliance with any outstanding Airworthiness Directives and service bulletins required to be complied with or terminated on or before the delivery date of such Spare Parts. Upon FedEx's request at the time of the delivery of a particular MD-11 Spare Part, American will also provide FedEx with the last Shop Findings Report which American has in its records with respect to that MD-11 Spare Part if American regularly creates and retains Shop Findings Reports for such type of MD-11 Spare Part pursuant to the American Program. FedEx will not be required to accept any Spare Part tendered by American for sale to FedEx that does not meet the applicable requirements of FAR Section 43.9. American will make no representations or warranties with respect to the Spare Parts sold to FedEx pursuant to this provision other than that such Spare Parts are free and clear of all Liens and are serviceable. Subject to Section 7.01, American will assign any manufacturer's warranties that it owns and that are assignable by American without the consent or approval of the manufacturer (with the payment of no more than nominal consideration) in connection with the Spare \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

Parts at the time the Spare Parts are sold to FedEx. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH IN THIS AGREEMENT, THE SPARE PARTS SHALL BE DELIVERED BY AMERICAN AND ACCEPTED BY FEDEX "WHERE IS", "AS IS" AND "WITH ALL FAULTS".

ARTICLE 5  
REPRESENTATIONS AND WARRANTIES

Section 5.01. American's Representations and Warranties.

(a) American hereby represents and warrants to FedEx as follows:

(i) Organization and Existence. American is a corporation validly existing, duly organized and in good standing under the laws of the State of Delaware and is qualified to do business as a foreign corporation and is in good standing as such in the State of Texas.

(ii) Due Authorization. American has all requisite corporate power and authority to execute and enter into this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement by American and the performance by American of its obligations hereunder have been duly authorized by all necessary corporate action, do not contravene any law, statute, rule, regulation, ordinance, writ, decree, judgment or injunction applicable to American, or result in the violation of, the breach of, or a default or event of default under any indenture, agreement, mortgage, contract, agreement, other instrument or document, or any contractual restriction to which American is a party, which is binding on it, which affects American or by which its assets are bound or affected to the extent that the contravention, violation or breach thereof or the occurrence of a default or event of default thereunder would have a material adverse effect on the ability of American to satisfy its obligations hereunder, and do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its assets.

(iii) Approvals. Except for the necessary approvals under the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended, all authorizations, consents, approvals, waivers and other actions required by, and all notices to and filings required to be made with, all governmental authorities and regulatory bodies for the due execution, delivery and performance by American of this Agreement or the consummation of the transactions contemplated by this Agreement have been obtained.

(iv) Enforceability. This Agreement constitutes the legally valid and binding obligation of American, enforceable against American in accordance

with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or other laws affecting creditors' rights generally or general equitable principles, whether applied in a court of law or in a proceeding at equity.

(b) With respect to any Aircraft being delivered, American hereby represents and warrants to FedEx that upon Delivery of such Aircraft:

(i) Except as expressly agreed to in writing by FedEx or as expressly permitted in this Agreement, the Aircraft shall be in the Delivery Condition;

(ii) American shall have full power and lawful authority to convey its ownership interest in the Aircraft to FedEx; and

(iii) upon execution, filing and recordation with the FAA of the FAA Bill of Sale and delivery of the Warranty Bill of Sale to FedEx, FedEx shall have received good legal and beneficial title to the Aircraft, including the Engines conveyed to FedEx in connection with such Aircraft, free and clear of all Liens, other than Liens arising by, through or under FedEx or any designee of FedEx that has taken title to the Aircraft.

Section 5.02. No Warranties. EXCEPT FOR WARRANTIES OF TITLE AND ANY ASSIGNED MANUFACTURERS' WARRANTIES AND EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN WITH RESPECT TO THE AIRCRAFT RECORDS, THE AIRCRAFT, THE ENGINES, THE SPARE PARTS AND THE DATA SHALL BE PURCHASED "WHERE IS", "AS IS" AND "WITH ALL FAULTS" AND WITHOUT WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER WITH RESPECT TO ANY AIRCRAFT, THE ENGINES, THE SPARE PARTS OR DATA INCLUDING, BUT NOT LIMITED TO: ANY OBLIGATION OR LIABILITY IN NEGLIGENCE, STRICT LIABILITY OR TORT; AIRWORTHINESS; THE CONDITION, DESIGN, QUALITY OR CAPACITY OF THE AIRCRAFT OR THE DATA OR THEIR FITNESS FOR ANY PARTICULAR PURPOSE; COMPLIANCE OF THE AIRCRAFT, THE ENGINES, THE SPARE PARTS OR THE DATA WITH THE REQUIREMENTS OF ANY LAW, ORDER, RULE, REGULATION, SPECIFICATION OR CONTRACT PERTAINING THERETO; PATENT INFRINGEMENT; OR ABSENCE FROM KNOWN, PATENT OR LATENT DEFECTS. EXCEPT FOR WARRANTIES OF TITLE, AMERICAN SHALL NOT BE DEEMED TO MAKE OR HAVE MADE AND DISCLAIM, AND FEDEX SHALL ACKNOWLEDGE AND CONFIRM THAT AMERICAN HAS NOT MADE ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, CONCERNING THE AIRCRAFT, THE DATA, ANY ENGINE, ANY PART OR ANY COMPONENT, OR ANY SPARE PART INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE.



AMERICAN IS NOT A MANUFACTURER OR A DEALER IN AIRCRAFT AND FEDEX HEREBY ACKNOWLEDGES AND CONFIRMS TO AMERICAN THAT EACH AIRCRAFT IS OF A MAKE, SIZE, DESIGN AND CAPACITY DESIRED BY FEDEX AND IS A USED AIRCRAFT.

EXCEPT FOR THE EXPRESS WARRANTIES OF TITLE GIVEN BY AMERICAN OR MANUFACTURER'S WARRANTIES, FEDEX IRREVOCABLY AND UNCONDITIONALLY WAIVES THE BENEFIT OF ANY WARRANTY OR REPRESENTATION AMERICAN MAY BE DEEMED TO MAKE OR HAVE MADE AND ALL RIGHTS AND REMEDIES IT MAY HAVE AGAINST AMERICAN RELATING TO ANY OTHER REPRESENTATIONS AND WARRANTIES MADE BY AMERICAN, IF ANY, WHETHER THE REMEDIES ARISE BY LAW OR OTHERWISE, OR ARISE IN CONNECTION WITH ANY DAMAGES SUSTAINED BY FEDEX, INCLUDING, WITHOUT LIMITATION, ANY ACTUAL, INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES, INCLUDING WITHOUT LIMITATION, AS A RESULT OF ANY LOSS OF USE OF THE AIRCRAFT, THE ENGINES, ANY SPARE PART OR THE DATA OR ANY INTERRUPTION IN FEDEX'S BUSINESS RESULTING FROM OR OCCASIONED BY FEDEX'S INABILITY TO USE THE AIRCRAFT, THE ENGINES, ANY SPARE PART OR THE DATA.

Section 5.03. FedEx's Representations. FedEx hereby represents and warrants to American as follows:

(i) Organization and Existence. FedEx is a corporation validly existing, duly organized and in good standing under the laws of the State of Delaware and is qualified to do business as a foreign corporation and is in good standing as such in the State of Texas.

(ii) Due Authorization. FedEx has all requisite corporate power and authority to execute and enter into this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement by FedEx and the performance by FedEx of its obligations hereunder have been duly authorized by all necessary corporate action, do not contravene any law, statute, rule, regulation, ordinance, writ, decree, judgment or injunction applicable to FedEx, or result in the violation of, the breach of or a default or event of default under any indenture, agreement, mortgage, contract, agreement, other instrument or document, or any contractual restriction to which FedEx is a party, which is binding on it, which affects FedEx or by which its assets are bound or affected to the extent that the contravention, violation or breach thereof or the occurrence of a default or event of default thereunder would have a material adverse effect on the ability of FedEx to satisfy its obligations hereunder, and do not result in or require the creation of any lien, security interest or other charge or encumbrance upon or with respect to any of its assets.

(iii) Approvals. Except for the necessary approvals under the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976, as amended, all authorizations, consents, approvals, waivers and other actions required by, and all notices to and filings required to be made with, all governmental authorities and regulatory bodies for the due execution, delivery and performance by FedEx of this Agreement or the consummation of the transactions contemplated by this Agreement have been obtained.

(iv) Enforceability. This Agreement constitutes the legally valid and binding obligation of FedEx, enforceable against FedEx in accordance with its respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, insolvency, fraudulent conveyance or transfer, moratorium or other laws affecting creditors' rights generally or general equitable principles whether applied in a court of law or in a proceeding at equity.

(v) Use of Aircraft Acquired pursuant to Purchase Option. Any Purchase Option Aircraft acquired by FedEx pursuant to an exercise of a Purchase Option will be converted into a cargo configuration. FedEx intends to operate any such Purchase Option Aircraft in its air freight business.

#### ARTICLE 6 DOCUMENTATION

Section 6.01. Availability of Documentation. FedEx may, upon giving American [ \* ] review Aircraft and Engine specific historical engineering, operational and maintenance records, manuals and documentation forming a part of the Data and specific to the next Aircraft to be delivered. Such review will occur during the [ \* ] period prior to the Scheduled Delivery Date for such Aircraft at American's Tulsa, Oklahoma Maintenance and Engineering Center. Such review shall be done during normal working hours and shall not unreasonably interfere with the business operations of American at such site.

Section 6.02. Technical Data and Documents. (a) American shall provide to FedEx all Data applicable to each Aircraft, Engine and Spare Engine on or before the Delivery Date with respect to such Aircraft, provided, however, that any Aircraft Records or Engine Records generated within the [ \* ]

\*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

immediately prior to the Delivery Date may be delivered to FedEx within the [ \* ] next following the Delivery Date of the relevant Aircraft to FedEx. If FedEx shall need any other information pertaining to the Aircraft or an Engine thereon after the delivery of the Aircraft Records or Engine Records, as the case may be, during the [ \* ] period immediately after the delivery of the Aircraft Records, upon FedEx's written request, American will search its records for such information. If such information is found, American shall deliver such information to FedEx at American's expense. American shall not be required to create any records regarding the Aircraft, any Engine or any Part that American is not required to retain in its records by the FAA under the American Program. If American is normally required by the FAA under the American Program to retain a particular Aircraft Record or Engine Record respecting an Aircraft or any Part thereof, but during the [ \* ]

] period immediately after delivery of the Aircraft Records or Engine Records, as the case may be, such Aircraft Record or Engine Record or a part of such Aircraft Record or Engine Record is found to be missing, incomplete or in error with respect to any Aircraft delivered to FedEx, American will, at its sole option, either create an accurate and complete reconstruction of such Aircraft Record or Engine Record, replace the Part or Parts on the Aircraft as to which the missing, incomplete or erroneous Aircraft Record or Engine Record relates or take such other corrective action as shall permit FedEx to operate the Aircraft in accordance with its then current operations specifications, as approved by the FAA primary maintenance inspector assigned to FedEx.

(b) At the Delivery Date of any Aircraft, the Aircraft Records and/or Engine Records relating to the Aircraft and Engines delivered to FedEx by American as provided above shall be, to the best of American's knowledge, accurate and complete in accordance with the aircraft records requirements of FAR 121.380 at the time of the delivery of such Aircraft Records and/or Engine Records to FedEx. To the extent any such Aircraft Record or Engine Record is not accurate or complete, FedEx's sole remedy shall be to cause American, at its sole option and expense, to research and correct such inaccurate or incomplete Aircraft Record or Engine Record, replace the Part or Parts on the Aircraft as to which the missing, incomplete or erroneous Aircraft Record or Engine Record relates, or take such other corrective action as shall permit FedEx to operate the Aircraft in accordance with its then current operations specifications, as approved by the FAA primary maintenance inspector assigned to FedEx.

(c) If the FAA changes the regulations or issues national policy guidance related to existing regulations pertaining to any documentation required to \*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

substantiate Airworthiness Directive compliance, American shall provide to FedEx, to the extent it is available, all such required documentation not previously delivered for any previously delivered Aircraft, Engine, Gear or APU.

(d) Except as noted in Exhibit D, American shall provide to FedEx (i) one legible, reproducible copy of each item of Data that is not related to any particular Aircraft (which shall be delivered on the Delivery Date for the first Firm Aircraft) and the subsequent revisions thereto occurring prior to the last Delivery Date (each of which revisions shall be delivered on the Delivery Date next following the date on which the revision is issued), (ii) one legible, reproducible copy of any item of Data (other than the Aircraft Records) related to each Aircraft that is delivered to FedEx by American and (iii) originals (or if an original copy is not available, one legible reproducible copy) of the Aircraft Records with respect to each Aircraft that is delivered to FedEx by American. All items of Data delivered shall be in hard copy except as noted in Exhibit D. If American does not have hard copy, the Data shall be provided on microfilm or by other agreed medium. At FedEx's request, all manufacturer's manual revision services for the Aircraft, if any, shall be transferred to FedEx.

(e) When Data are forwarded to FedEx, American shall include a list of those items using the reference numbers in Exhibit D.

All Data not delivered with an Aircraft shall be forwarded to:

Federal Express Corporation  
Tchulahoma Administration Building  
3101 Tchulahoma Road  
Memphis, Tennessee 38118  
Attn: Manager, Fleet Development

ARTICLE 7  
ASSIGNMENT OF WARRANTIES, SERVICE LIFE POLICIES  
AND PATENT INDEMNITIES

Section 7.01. Assignment of Warranties. At Delivery of each Aircraft, an Assignment of Assignable Manufacturer's Warranties in the form of Exhibit G shall be executed by American and delivered to FedEx pursuant to which American will assign to FedEx, effective upon Delivery of such Aircraft, all of American's interests in any and all existing and assignable warranties, service life policies and patent indemnities of manufacturers and maintenance and overhaul providers relating to such Aircraft. Further, upon FedEx's request, American shall (i) give written notice to any such manufacturers and maintenance and overhaul providers of the assignment of such warranties, service life polices and patent indemnities to FedEx,

and (ii) at FedEx's expense, take all such actions as may be reasonably requested by FedEx in assisting FedEx in the enforcement of its rights pursuant to this Article 7. Notwithstanding the foregoing, to the extent American may assign any warranty, service life policy and patent indemnity only with the consent of the provider of such, American will use its commercially reasonable efforts to obtain any required consent to such an assignment, provided, however, that American shall not be required to make any payment, give up any rights or make any other concession to any provider in order to obtain any such consent. In connection with the assignment of the Aircraft Support Services provisions of Exhibit C to the Purchase Agreement by and between the Manufacturer of the Airframes and American, dated August 3, 1989, as amended and supplemented (the "MD-11 Purchase Agreement"), FedEx agrees to be bound by the terms and provisions of Article 13 of, and Exhibit C to, the MD-11 Purchase Agreement, copies of which have been provided to FedEx.

ARTICLE 8  
PAYMENT OF TAXES

Section 8.01. Payment of Taxes by FedEx. (a) The Purchase Price of an Aircraft and the Spares Purchase Prices do not include the amount of any sales, use, withholding, transfer or excise taxes whatsoever. Except as provided in Section 8.01(b) and Section 8.02 hereof, any and all taxes, excises, duties and assessments whatsoever (including any related penalty, interest or other additions to tax) arising out of the sale, transfer or delivery of the Aircraft or the Spare Parts under this Agreement, or the ownership, possession, condition, maintenance, use, operation or disposition of the Aircraft after Delivery or any Spare Parts after their delivery to FedEx, in any manner levied, assessed or imposed by any government or subdivision or agency thereof having jurisdiction, shall be the sole responsibility and liability of FedEx and FedEx shall indemnify and hold American harmless from any and all such taxes, excises, duties and assessments whatsoever. American and FedEx will cooperate in good faith and take such reasonable actions as are practicable to minimize or, if possible, eliminate any such taxes, excises, duties or assessments.

(b) The indemnity provided for in Section 8.01(a) shall not extend to any of the following:

(i) taxes based upon, measured by or with respect to the net income, gross receipts in the nature of an income tax not in the nature of a transfer tax, items of tax preference or minimum tax or excess profits, capital, franchise, net worth or conduct of business or other similarly-based taxes of American;

(ii) any penalty, interest or other additions to taxes related to taxes imposed on American that would not have been imposed, but for the willful misconduct or gross negligence of American; or

(iii) taxes, excises, duties or assessments imposed by the State of  
 [. \* ]

(c) With respect to any tax which FedEx has assumed responsibility for under this Article 8, FedEx shall either (i) pay (x) at the Delivery Date for an Aircraft, (y) at the delivery date of any Engine sold to FedEx and not conveyed by American to FedEx at the Delivery Date for an Aircraft, or (z) at the delivery date for any Spare Parts sold by American to FedEx, all sales or other similar taxes payable with respect to the sale and/or purchase of such Aircraft, Engines or Spare Parts, respectively, or (ii) provide to American an exemption certificate, resale certificate, or other evidence reasonably acceptable to American that the sale and purchase of any Aircraft, Engine or Spare Part is exempt from any such tax. Other evidence includes, but is not limited to, a letter specifying the applicable taxing authority's statute, regulation, rule or case law authority providing for such exemption; provided, however, that acceptance of such certificates or other evidence by American shall not constitute willful misconduct or gross negligence by American for failure to collect taxes determined to be due.

(d) If any tax, excise, duty or assessment described in this Section 8.01 for which FedEx has assumed the responsibility for payment pursuant to this Article 8 is levied, assessed or imposed upon American, American shall promptly give FedEx notice of such levy, assessment or imposition, whereupon FedEx shall promptly pay and discharge the same or, if permitted by law, may contest or protest such liability before payment. If American fails to notify FedEx, FedEx will be relieved of its indemnity obligations under this Section 8.01 with respect to that tax to the extent such failure materially adversely impacts FedEx. Upon the written request and at the sole expense of FedEx, American shall reasonably cooperate with FedEx in contesting or protesting the validity or application of any such tax (including, but limited to, permitting FedEx to proceed in American's name if required or permitted by law, provided, in each case, that such contest does not involve, or can be separated from, the contest of any tax or other issues unrelated to the transactions described in this Agreement). If proceeding in American's name, FedEx must first receive a power of attorney from American which American may not unreasonably withhold, and, further, any retention of outside counsel to assist FedEx must be mutually agreed upon by FedEx and American. In lieu of permitting FedEx to proceed using American's name, American may, if permitted by law, assign its claim to FedEx as the real party in interest with respect to such claim. FedEx also shall have the right to participate in any contest conducted by American with respect to a tax or other charge indemnifiable under this Article 8, including, without limitation, the right to attend conferences with the taxing authority and the right to review submissions to the taxing authority or any court to the extent,

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\*Blank space contained confidential information which has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934.

but only to the extent, such contest does not involve, or can be separated from, the contest of any tax or issues unrelated to the transactions contemplated in this Agreement. In the event American shall receive a refund of all or any part of such tax, excise, duty or assessment (including a refund of interest and penalties, if any, in connection therewith) which FedEx has paid and discharged, the amount of such refund shall promptly be remitted to FedEx by American, less any expenses of American associated with contesting and/or protesting the validity or application thereof which have not been previously reimbursed by FedEx.

Section 8.02. Tax Consequences of Certain Deliveries. (a) If the delivery of the Aircraft at any destination other than one in [ \* ] or [ \* ] would result in an increased state, federal or local sales, transfer or similar tax being payable by FedEx in connection with the delivery of the Aircraft, FedEx may, in its sole discretion, withhold its consent to take the Delivery of such Aircraft in that state unless American agrees to indemnify FedEx for any such increased tax.

(b) If the delivery of the Aircraft to FedEx in [ \* ] results in any sales, transfer or similar tax being imposed on FedEx with respect to such Aircraft as a result of the tender of the Aircraft in [ \* ], American will agree to indemnify FedEx or provide FedEx with a written statement from the taxing authority in [ \* ] that such sale is exempt from tax in [ \* ] and that, if the exemption is lost, American will indemnify FedEx for any tax due unless the loss was due to the negligence or willful misconduct of FedEx.

(c) If any Spare Parts are delivered to FedEx at a location other than Tennessee, American shall indemnify FedEx for any (or an increased) federal, state or local sales, transfer or similar tax imposed on FedEx with respect to such Spare Parts unless such other delivery location was mutually agreed upon or was chosen at the request of FedEx in which case FedEx shall indemnify American if the delivery of any of the Spare Parts to FedEx would result in any or any increased federal, state or local sales, transfer or similar tax to American. If the delivery of any Spares Parts to FedEx would result in any (or an increased) federal, state or local sale, transfer or similar tax to American or FedEx, as the case may be, American and FedEx will choose a jurisdiction on FedEx's route system within the contiguous forty-eight (48) United States in which to make such delivery or re-delivery to minimize such tax or eliminate such tax, if possible.

(d) If the delivery of a Delayed Delivery Engine or Replacement Engine by American to FedEx or the re-delivery of a Non-Conforming Engine to American by FedEx at the location of the Aircraft on which the Delayed Delivery Engine or Replacement Engine will be installed results in any (or an increased) federal,

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foreign, state or local sales, transfer or similar tax being imposed on FedEx, American will indemnify FedEx for the tax or the increased amount of the tax to the extent, but only to the extent, that FedEx would not have been responsible for the payment of an equivalent amount of tax if the Delayed Delivery Engine or Replacement Engine had been installed on the Aircraft at the time of the Delivery of such Aircraft.

Section 8.03. After-Tax Basis. Any payment of an indemnity pursuant to this Article 8 shall be made on a basis such that any payment received or deemed to have been received by an indemnified party shall be supplemented by a further payment to such party so that the sum of the two payments, after deduction of all taxes resulting from the receipt or accrual of such payments, shall be equal to the payment received or deemed to have been received.

ARTICLE 9  
EXCUSABLE DELAY

Section 9.01. Excusable Delay. (a) Subject to Section 3.05, neither Party shall be responsible to the other Party for any Excusable Delay in the discharge and performance of its respective obligations and duties under this Agreement or for any delay or failure in the discharge and performance of its respective obligations and duties under this Agreement as a result of the action or omission of the other Party.

Section 9.02. Time Limits on Excusable Delays. Notwithstanding the provisions of Section 3.05, if an Excusable Delay shall have caused the delay of the Delivery of an Aircraft on a Scheduled Delivery Date (i) until a date after the Partial Casualty Delivery Date as to any Aircraft described in Section 3.05(c), (ii) until a date after the Casualty Delivery Date, as to any substitute Aircraft as described in Section 3.05(d) or (iii) for a period of more than twenty-eight (28) consecutive days after the Scheduled Delivery Date in every other instance, the Party not claiming the right to delay performance of its obligations shall have the right (x) to terminate its obligations with respect to the Delivery of such Aircraft at any time prior to the Delivery of such Aircraft or a substitute Aircraft therefor or (y) to permit the other Party to complete its performance in connection with the Delivery of such Aircraft. If a Party chooses to terminate its obligations with respect to the Delivery of an Aircraft or a substitute Aircraft therefor, the Party claiming the Excusable Delay shall have no further obligation with respect to the Delivery of the Aircraft as to which the Excusable Delay occurred. To the extent an Excusable Delay relates to the performance of any obligation other than one respecting the Delivery of an Aircraft, such delay shall be an Excusable Delay for a period not to exceed twenty- eight (28) consecutive days from the date that performance was due.

ARTICLE 10  
INDEMNIFICATION



Section 10.01. FedEx's Indemnification. After the Delivery of an Aircraft, Engines or Spare Parts to FedEx, FedEx shall defend, indemnify and hold harmless American, its Affiliates and each of their respective directors, officers, employees, independent contractors who are individuals, and permitted assignees (collectively the "American Indemnitees") from and against all claims, demands, suits, causes of action, obligations, liabilities, damages, losses and judgments, costs and expenses, WHETHER OR NOT ARISING FROM THE NEGLIGENCE OF SUCH INDEMNIFIED PARTIES, asserted against any of them by reason of injury or death of any person, or by reason of loss of or damage to property, including such Aircraft, Engines and Spare Parts, arising out of or in any manner connected with any of the Aircraft, Engines and Spare Parts, including, without limitation, the purchase, sale, ownership, possession, use, operation, flight testing (if the event giving rise to the American Indemnitees' right to indemnity involves the Aircraft and occurs while a pilot who is an employee or an agent of FedEx is in control of the Aircraft being flight tested), storage, maintenance, financing, sale, lease or sublease of any Aircraft, Engine or Spare Part.

Section 10.02. American's Indemnification. American agrees to defend, indemnify and hold harmless FedEx, its Affiliates, and each of their respective directors, officers, employees, independent contractors who are individuals and permitted assignees from and against all claims, demands, suits, causes of action, obligations, liabilities, damages, losses and judgments, costs and expenses, asserted against any of them by reason of any claim adverse to FedEx's title to the Aircraft by any party claiming by or through American.

ARTICLE 11  
INSURANCE

Section 11.01. Liability Insurance. Commencing with the delivery of the first Aircraft to FedEx, FedEx shall maintain until the [ \* ] anniversary of the Delivery Date of each Aircraft, with insurance carriers reasonably acceptable to American, comprehensive airline liability insurance in an amount not less than USD \$[ \* ] which shall: include aircraft liability, cargo liability, and comprehensive general liability insurance; insure, inter alia, FedEx's indemnification obligations to the American Indemnitees; and name the American Indemnitees as additional insureds. The insurers shall waive any right of subrogation, set-off or counterclaim against the American Indemnitees as to the coverage of the American Indemnitees, breaches of representations and warranties

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by FedEx. In the event of cancellation of or material change in the policy, such insurance shall continue in force for the benefit of the American Indemniteses for at least thirty (30) days after written notice to American.

Section 11.02. Hull Insurance. If FedEx, or any successor to FedEx's interest in the Aircraft, maintains hull insurance on the Aircraft, FedEx shall require its, or its successor's, hull insurers to waive any and all rights of subrogation, set-off, counterclaim and deduction, whether by attachment or otherwise, which they may have against the American Indemniteses, for any loss, damage or destruction of the Aircraft.

Section 11.03. Insurance Certificates. Upon Delivery, FedEx shall furnish American with insurance certificates from certifying (a) that the policies of insurance required by this Article 11 are in full force and effect (together with required waivers of subrogation) and (b) that American shall be given thirty (30) days' prior written notice by the insurers in the event of either cancellation or material change in coverage or cancellation of the waivers of subrogation, except in the event of war risk coverage, in which case the notice period shall be seven (7) days or such other period as shall be customary in the insurance market.

ARTICLE 12  
DEFAULT AND REMEDIES

Section 12.01. American Events of Default. The following events shall constitute Events of Default as to American:

(a) American shall fail to deliver the Aircraft in accordance with the terms and conditions of this Agreement;

(b) American shall fail to perform any other covenant of American contained in this Agreement, and such failure is not cured within [ \* ] after written notice of such default is given by FedEx to American or, if such failure cannot be cured within [ \* ] is not cured within [ \* ]

after receipt of such notice if American promptly commences taking and diligently pursues all necessary actions to cure such failure;

(c) If any representation or warranty made by American herein or made in any statement or certificate furnished or required hereunder or in connection with the execution and delivery of this Agreement, proves untrue in any material adverse respect;

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(d) If American shall file a voluntary petition in bankruptcy, shall be adjudicated as bankrupt or insolvent, shall file any petition or answer seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, shall seek or consent to or acquiesce in the appointment of any trustee, shall make any general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

(e) If a petition shall be filed against American seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statutes, law or regulation, and shall remain undismissed or unstayed for an aggregate of [ \* ] (whether or not consecutive), or if any trustee, receiver or liquidator of either Party is appointed, which appointment shall remain unvacated or unstayed for an aggregate of [ \* ] (whether or not consecutive).

Section 12.02. FedEx Events of Default. The following events shall constitute Events of Default as to FedEx:

(a) FedEx shall fail to accept delivery and pay the Purchase Price for any Aircraft tendered by American for delivery to FedEx in accordance with this Agreement;

(b) FedEx shall fail to perform any other covenant of FedEx contained in this Agreement and such failure is not cured within [ \* ] after written notice of such default is given by American to FedEx or, if such failure cannot be cured within [ \* ] is not cured within [ \* ] after receipt of such notice if FedEx promptly commences taking and diligently pursues all necessary actions to cure such failure;

(c) If any representation or warranty made by FedEx herein or made in any statement or certificate furnished or required hereunder or in connection with the execution and delivery of this Agreement proves untrue in any material adverse respect;

(d) If FedEx shall file a voluntary petition in bankruptcy, shall be adjudicated as bankrupt or insolvent, shall file any petition or answer seeking any reorganization, composition, readjustment, liquidation or similar relief for itself under any present or future statute, law or regulation, shall seek or consent to or acquiesce in the appointment of any trustee, shall make any general assignment for

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the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

(e) If a petition shall be filed against FedEx seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future statutes, law or regulation, and shall remain undismissed or unstayed for an aggregate of [ \* ] (whether or not consecutive), or if any trustee, receiver or liquidator of either party is appointed, which appointment shall remain unvacated or unstayed for an aggregate of [ \* ] (whether or not consecutive).

Section 12.03. Remedies. (a) Subject in all respects to Article 13, upon the occurrence of an Event of Default by American, FedEx (i) shall, at its option, be relieved from its obligation to accept delivery of and pay the Purchase Price for the Aircraft or to purchase any Spare Parts from American, (ii) may, at its option, terminate this Agreement and have the Deposits returned to it to the extent they have not been previously applied to the Purchase Price of an Aircraft, together with any interest thereon calculated at the AMR Rate, and (iii) shall have all other rights and remedies available to it at law and in equity, including, but not limited to, the equitable remedy of specific performance.

(b) Subject in all respects to Article 13, upon the occurrence of an Event of Default by FedEx, American (i) shall retain the Deposits and the interest thereon relating to the Aircraft, (ii) may, at its option, be relieved from its obligation to deliver any Aircraft or sell any Spare Parts to FedEx, (iii) may, at its option, terminate this Agreement and (iv) shall have all other rights and remedies available to it at law and in equity, including, but not limited to, the equitable remedy of specific performance.

Section 12.04. Limitation of Damages. NEITHER PARTY SHALL HAVE ANY LIABILITY FOR ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES SUSTAINED BY THE OTHER PARTY ARISING OUT OF THE FIRST PARTY'S DEFAULT UNDER THE TERMS OF THIS AGREEMENT. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY REMEDIES IT MAY HAVE AS A RESULT OF ITS INCURRENCE OF ANY INDIRECT, SPECIAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR EXEMPLARY DAMAGES ARISING OUT OF A DEFAULT BY THE OTHER PARTY UNDER THIS AGREEMENT.

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ARTICLE 13  
DISPUTE RESOLUTION

Section 13.01. Dispute Resolution. American and FedEx desire to resolve any dispute or alleged dispute that may arise in connection with the interpretation of any provision in this Agreement or the performance by either of them of their obligations under this Agreement (a "Dispute") without resort to the courts. If any Dispute shall arise, American and FedEx agree to follow the procedure set forth in this Article 13 (the "ADR Procedure") to resolve such Dispute.

Section 13.02. Notice of Dispute. The Party believing a Dispute to exist shall give the other Party written notice that the Dispute exists. Such notice shall set forth in reasonable detail the facts alleged to give rise to such Dispute, the provision or provisions of this Agreement giving rise to the obligations implicated in the Dispute, the nature of any default claimed to exist with respect to this Agreement and a statement of the manner in which such Party believes the Dispute should be resolved. Within five (5) Business Days after such notice is given the Party receiving such notice shall respond in writing to the Party giving the notice. Such response (the "Response") shall state whether the responding Party believes such Dispute exists, set forth its view of the facts alleged to give rise to the Dispute and, if the responding Party agrees that a Dispute exists, indicate what action the responding Party believes should be taken with respect to the claim that a Dispute exists.

Section 13.03. Dispute Resolution Through Negotiation. If the Parties do not agree as to the action to be taken in resolution of the Dispute, American and FedEx shall have a meeting no later than the fifth (5th) Business Day following the date on which the Response is given. Such meeting shall be held in the offices of the Party receiving the original notice of the Dispute unless the Parties agree to meet elsewhere. Each of the Parties shall have in attendance at such meeting an executive who shall have the authority to make decisions and bind the Party he or she represents to any agreement that may be made by the Parties at such meeting (a "Company Representative"), as well as such other persons as the Parties may desire. At the meeting, the Parties shall negotiate in good faith in an attempt to agree if a Dispute exists, upon the exact nature of any Dispute agreed to exist, the manner in which any such Dispute should be resolved and the date by which the resolution of any such Dispute should be effected. If a resolution of such Dispute is not reached at the initial meeting, before adjourning the meeting, the Parties shall determine if an additional meeting or meetings should be held to negotiate further a resolution of the Dispute. If American and FedEx determine an additional meeting should be held, they shall agree to the time and place of such meeting. Any agreement as to the resolution of such Dispute reached during such negotiations shall be evidenced by a written agreement setting forth in reasonable detail the actions that the Parties agree will be taken to resolve or remedy the Dispute.

Section 13.04. Dispute Resolution Through Mediation. If American and FedEx cannot resolve the Dispute pursuant to the procedure set forth in Section 13.03 above (the "Negotiation Procedure") within ten (10) Business Days after the first

meeting held by the Parties pursuant to the Negotiation Procedure, American and FedEx shall mediate the Dispute through a panel of three mediators (the "Mediation Panel"). The Mediation Panel shall be appointed within ten (10) Business Days after the date on which the Parties determine that they cannot resolve the Dispute (the "Determination Date"). The Mediation Panel shall consist of a professional mediator appointed by American, a professional mediator appointed by FedEx and a professional mediator appointed by the two mediators appointed by American and FedEx. When possible, each mediator shall be familiar with the aircraft industry. The mediation shall take place on the fifteenth (15th) Business Day after the Determination Date or such earlier date as the Parties and the Mediation Panel may agree. Each Party shall prepare and submit to the Mediation Panel at least two (2) Business Days before the mediation occurs, written submissions setting forth their respective positions with respect to the Dispute. Each Party shall send a Company Representative and such other persons, including professional advisors, as they desire to such mediation. The Parties agree to work in good faith to reach an agreement settling the Dispute at the mediation. Any agreement as to the resolution of such Dispute reached during such mediation shall be evidenced by a written agreement setting forth in reasonable detail the actions that the Parties agree will be taken to resolve the Dispute. The mediation shall be deemed unsuccessful if so declared by the Mediation Panel.

Section 13.05. Dispute Resolution Through Arbitration. American and FedEx agree that if they cannot resolve the Dispute pursuant to the Negotiation Procedure or mediation as described in Section 13.04 above (the "Mediation") within ten (10) Business Days after the commencement of the first meeting of the Parties with the Mediation Panel, they will submit the Dispute to binding arbitration (the "Arbitration") pursuant to the New York Arbitration Statute and the American Arbitration Association's (the "AAA") Commercial Arbitration Rules as in effect at the time of the submission of the Dispute to the AAA (the "CAR"). American and FedEx shall submit the Dispute to the AAA for binding arbitration within five (5) Business Days after the unsuccessful conclusion of the Mediation Process. The arbitration shall take place (i) in Dallas, Texas or such other place as American, FedEx and the arbitrators assigned to the case shall agree and (ii) on such date and at such time as the arbitrators shall establish. The Dispute shall be arbitrated by a panel of three arbitrators (the "Panel") who shall, if possible, each be experienced in the aircraft industry and who shall be chosen in accordance with the CAR. The Panel shall issue a reasoned decision and award of damages, specific performance or injunction. American and FedEx agree to abide by and perform any award rendered by the Panel. American and FedEx intend that the Dispute will be resolved by application of the laws of the State of New York and that the Panel's authority to make any award in the arbitration of the Dispute shall be based on and limited by the laws of the State of New York, the terms and conditions of this Agreement and the CAR. The Panel's determination of facts shall be final and binding on American and FedEx if there is substantial evidence in the record of such arbitration to support such determination, it being the intention of the Parties

that the standard for any judicial review of the findings or award of the Panel be the same standard as applies in the case of appeals to actions of administrative agencies in the State of New York. Judgment on the award in the arbitration may be entered by any court having jurisdiction of the Dispute. Subject to the CAR, the Parties will endeavor in good faith to conclude the arbitration by no later than thirty (30) Business Days after it commences.

Section 13.06. Forbearance During Resolution Process. American and FedEx agree to forbear from pursuing any remedy under this Agreement or otherwise available under law, including the institution of any lawsuit, while the ADR Procedure is in operation with respect to any Dispute.

Section 13.07. Limitation of Remedies. American and FedEx agree that, notwithstanding anything to the contrary herein, in the laws of the State of New York, Tennessee or Texas or the CAR, the result of any agreement reached by them in the Mediation or any award made by the Arbitration Panel in the Arbitration shall be consistent with the terms and conditions of this Agreement and that any award shall be only a remedy that would be available to a Party to this Agreement as a result of a breach of this Agreement had the ADR Procedure not been in effect. IN NO EVENT SHALL THE PANEL AWARD ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, SPECIAL, EXEMPLARY OR OTHER THAN DIRECT DAMAGES.

Section 13.08. Expenses. Each of American and FedEx shall pay its own out-of-pocket expenses in connection with the conduct of the ADR Procedure as to any Dispute. The costs and expenses of any Mediation, other than American's and FedEx's out-of-pocket expenses in connection therewith, shall be borne equally by American and FedEx. The costs and expenses of any Arbitration, other than American's and FedEx's out-of-pocket expenses in connection therewith, shall be payable in accordance with the CAR.

ARTICLE 14  
CONDITIONS

Section 14.01. Conditions to FedEx's Obligations. The obligation of FedEx to accept any Aircraft and purchase any Spare Parts from American shall be subject to the following conditions precedent:

(a) compliance by American with all applicable laws and regulations of all jurisdictions which are applicable to the transactions contemplated hereby, including, without limitation, the Hart-Scott-Rodino Anti-Trust Improvements Act of 1974, as amended;

(b) receipt by FedEx of all necessary licenses, permits, approvals, consents, waivers and authorities which are applicable to the transactions contemplated hereby;

(c) receipt by FedEx of a satisfactory opinion of counsel to American, which opinion may be rendered by in-house counsel, regarding due authorization, no conflicts with organization documents, agreements and instruments to which American is a party or its assets are bound or any court order, and enforceability of this Agreement and any ancillary agreements, and such other matters as may be reasonably requested. In such opinion, such counsel may assume that the documents, agreements and instruments are governed by Texas law and render their opinions based solely on the federal laws of the United States, the corporate laws of the State of Delaware and the laws of the State of Texas. Such opinion may be subject to the type of assumptions and qualifications regularly included by experienced corporate counsel in similar opinions;

(d) the execution of this Agreement and consummation of the transactions contemplated by it shall not breach, or result in a default under, any document, agreement, statute, treaty, regulation or other regulatory directive, foreign or domestic, binding upon American or any of its respective Affiliates;

(e) FedEx shall not be unable to perform its obligations with respect to one or more of the Aircraft as the result of the occurrence of a Force Majeure Event or other Excusable Delay (other than a Force Majeure Event or other Excusable Delay which is a result of the fault, act or omission of American);

(f) the Aircraft shall be in Delivery Condition; and

(g) the approval of this Agreement and the performance of the transactions contemplated by this Agreement by FedEx's board of directors.

Section 14.02. Conditions to American's Obligations. The obligation of American to deliver any Aircraft and sell any Spare Parts to FedEx shall be subject to the following conditions precedent:

(a) compliance by FedEx with all applicable laws and regulations of all jurisdictions which are applicable to the transactions contemplated hereby, including, without limitation, the Hart-Scott-Rodino Anti-Trust Improvements Act of 1974, as amended;

(b) receipt by American of all necessary licenses, permits, approvals, consents, waivers, and authorities which are applicable to the transactions contemplated hereby;



(c) receipt by American of a satisfactory opinion of counsel to FedEx, which opinion may be rendered by in-house counsel, regarding due authorization, no conflicts with organizational documents, agreements and instruments to which FedEx is a party or its assets are bound or any court order, and enforceability of this Agreement and any ancillary agreements, and such other matters as may be reasonably requested. In such opinion, such counsel may assume that the documents, agreements and instruments are governed by Tennessee law and render their opinions based solely on the federal laws of the United States, the corporate laws of the State of Delaware and the laws of the State of Tennessee. Such opinion may be subject to the type of assumptions and qualifications regularly included by experienced corporate counsel in similar opinions;

(d) the execution of this Agreement and consummation of the transactions contemplated by it shall not breach, or result in a default under, any document, agreement, statute, treaty, regulation or other regulatory directive, foreign or domestic, binding upon FedEx or any of its Affiliates;

(e) American shall not be unable to perform its obligations with respect to one or more of the Aircraft as the result of the occurrence of a Force Majeure Event, other Excusable Delay or the fault of FedEx; and

(f) the approval of this Agreement and the performance of the transactions contemplated hereby by American's Chairman of the Board, Chief Executive Officer and President.

ARTICLE 15  
CONFIDENTIALITY

Section 15.01. Confidentiality Obligations. (a) Each of American and FedEx agrees to keep the economic terms of this Agreement confidential and not to disclose, transfer, use or otherwise make available such information to any third party without the prior written consent of the other Party. Each of American and FedEx agrees to exercise care that is at least equal to the care it uses to protect the confidentiality of its own confidential and proprietary information of similar importance to prevent the disclosure to outside parties or unauthorized use of such information. Notwithstanding the above, American and FedEx may disclose confidential information to their respective officers, directors, employees and/or tax, legal and other professional advisors who are informed of the confidential nature of the information and of the restrictions on disclosure and use of the information as set forth herein and may disclose confidential information as required by law (including, but not limited to, pursuant to a request by the Internal Revenue

Service or a state taxing authority for information). In the event of a breach of or a default under the terms of this Section 15.01, the non-breaching Party shall be entitled to pursue and seek all legal and equitable remedies available to it, including the equitable remedies of specific performance and injunction, which remedies shall not be deemed exclusive, but shall be cumulative. If either of the Parties desire to make a press release, information release or otherwise provide information to any third party for release to the news media with respect to the transactions contemplated by this Agreement, subject to its obligations under applicable securities laws, the Party desiring to make the release or provide the information shall provide the text of such release or information to the other Party for its review at least three (3) Business Days in advance of the proposed distribution of the release or information. Subject to legal requirements and other legally compelled disclosures, each Party shall obtain the prior written consent of the other Party to release of any such news or press release or information and the text of any written or oral statement or any release of information to be provided to the news media and the timing of the distribution of such information.

(b) FedEx understands that certain of the information that may be provided to FedEx by American concerning the Airframes is the subject of a confidentiality agreement between American and the Manufacturer of the Airframes (the "Manufacturer Confidentiality Agreement"). FedEx agrees for the benefit of American and the Manufacturer of the Airframes (i) to be bound by the terms and conditions of the Manufacturer Confidentiality Agreement, (ii) that FedEx's use, possession and dissemination of such information to any person shall be subject to and governed by the Manufacturer Confidentiality Agreement and (iii) that the Manufacturer of the Airframes shall be a third party beneficiary of this Section 15.01(b) and entitled to enforce its respective rights under the Manufacturer Confidentiality Agreement against FedEx as if it were a party to this Agreement.

#### ARTICLE 16 FURTHER ASSURANCES

Section 16.01. Further Assurances. (a) American recognizes that in the course of (i) the conversion of the Aircraft from a passenger configuration to a cargo configuration and (ii) the transition of the Aircraft from the American Program to FedEx's FAA-approved maintenance program, issues will arise in which American may possess information and expertise regarding the Aircraft that FedEx would find useful, Aircraft Records or Engine Records that may be necessary to the transition of the Aircraft to FedEx's maintenance program, and other knowledge that will be useful to FedEx in connection with such activities. Subject to any restrictions on the disclosure of confidential information and consistent with the protection of its confidential information and proprietary information, including, without limitation, any trade secrets, American agrees to cooperate with FedEx and to assist FedEx by providing such confidential, proprietary and trade secret

information pursuant to a mutually acceptable non-disclosure agreement and any non-confidential information regarding the Aircraft that American may possess which would be helpful to FedEx in achieving its goals. American also agrees to meet with representatives of FedEx and the FAA at mutually agreeable times and locations to discuss the Aircraft and American's maintenance of the Aircraft. In no event shall the assistance to be provided by American to FedEx require the incurrence by American of more than nominal expense.

(b) American will provide to FedEx a supplemental type certificate (a "STC") and the substantiating data covering any modification of an Aircraft that is delivered to FedEx by American pursuant to this Agreement if that modification is designed by American. FedEx may use such STC to make the same modification covered by the STC to any other McDonnell Douglas Model MD-11 aircraft owned and operated by FedEx. American will not charge FedEx for the use of such a STC by FedEx on any of FedEx's McDonnell Douglas Model MD-11 aircraft. AMERICAN SHALL NOT BE DEEMED TO MAKE OR HAVE MADE AND DISCLAIMS, AND FEDEX SHALL ACKNOWLEDGE AND CONFIRM THAT AMERICAN HAS NOT MADE, ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, OR THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT OR OTHER RIGHT OF ANY THIRD PARTY CONCERNING ANY STC OR ANY MODIFICATION COVERED BY ANY STC.

ARTICLE 17  
MISCELLANEOUS

Section 17.01. Notices. Unless otherwise specified in writing by the affected Party, all notices, approvals, requests, consents and other communications given pursuant to this Agreement shall be in writing and shall be deemed effective when received if hand-delivered, sent by facsimile (which facsimile shall be confirmed by the executed counterpart thereof being sent by another means for giving notice specified herein), Federal Express priority service (except for notices sent relating to defaults or Events of Default under this Agreement or with respect to the Put Options or the Purchase Options, which may be sent by any courier that provides a written confirmation of delivery), or sent by United States certified or registered mail, addressed as follows:

If to American: American Airlines, Inc.  
4333 Amon Carter Boulevard, MD 5566  
Fort Worth, Texas 76155  
Attention: Vice President Corporate and Fleet Planning  
Telephone No. (817) 967-1227  
Facsimile No. (817) 967-2199

If to FedEx: Federal Express Corporation  
2005 Corporate Avenue  
Memphis, Tennessee 38132  
Attention: Vice President, Fleet  
Development and Acquisitions  
Telephone No. (901) 395-3830  
Facsimile No. (901) 395-3828

Section 17.02. Exhibits. All exhibits described in this Agreement shall be deemed to be incorporated and made a part of this Agreement, except that if there is any inconsistency between this Agreement and the provisions of any Exhibit, the provisions of this Agreement shall control.

Section 17.03. Assignments. This Agreement, and American's rights and obligations hereunder, shall not be assignable or delegable by American without the prior written consent of FedEx, which consent may be withheld in FedEx's sole discretion; provided, however, that American may assign its rights and delegate its obligations under this Agreement to another Affiliate of AMR Corporation without FedEx's consent so long as American shall remain primarily liable for the obligations under this Agreement, with such continuing obligations to be evidenced by such agreements and instruments as FedEx may reasonably request. American acknowledges and agrees that FedEx, one of FedEx's subsidiaries or a financial institution or other entity may be designated by FedEx as the contracting party with American hereunder and that this Agreement may be assigned by FedEx to any of such said entities without restriction and upon written notice to American so long as FedEx shall remain primarily liable for its obligations under this Agreement, with such continuing obligations to be evidenced by such agreements and instruments as American may reasonably request.

Section 17.04. No Offset. The amounts payable by either Party to the other Party under this Agreement shall be absolute and unconditional and shall not be subject to any abatement, reduction, set off, defense, counterclaim or recoupment of or by the Party obligated to make such payment as a result of any claim, cause of action or other rights that such Party may have against the other Party.

Section 17.05. Binding Effect. This Agreement and the rights and obligations of the Parties hereunder, shall be binding upon and inure to the benefit of each of the Parties, their respective permitted successors, assigns and legal representatives.

Section 17.06. Applicable Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York, without regard to the laws of conflict of laws of the State of New York.

Section 17.07. Entire Agreement. This Agreement shall constitute the entire agreement between the Parties with respect to the transactions contemplated herein and shall not in any manner be supplemented, amended or modified except by a written instrument executed on behalf of each of the Parties by their duly authorized representatives.

Section 17.08. Expenses. Each of the Parties hereto shall be responsible for its own costs and expenses incurred in connection with the negotiation, preparation and execution of this Agreement.

Section 17.09. Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed shall be deemed to be an original and which, taken together, shall constitute one and the same instrument.

Section 17.10. Brokers' Commissions. Each of FedEx and American represent to the other Party that each has negotiated this Agreement directly with the other and that no brokers are entitled to a commission as a result of their actions. FedEx and American agree to indemnify and hold one another harmless from and against all claims, demands, liabilities, damages, losses or judgments which may be suffered by the other and which arise out of the actions of or employment by the other with any agent or broker.

Section 17.11. No Remedy Exclusive. Except as expressly set forth herein, no remedy herein conferred upon or reserved to a Party herein is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and in addition to every other remedy given under this Agreement or now or hereafter existing at law, in equity or by statute. Except as expressly set forth herein, no delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle a Party to exercise any remedy reserved to it in this Agreement, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

Section 17.12. Severability. If any provision of this Agreement or any application of any provision of this Agreement to any person or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other persons or circumstances shall not be affected by the invalidity or unenforceability of the provision generally or as to any person or circumstance. The other provisions of this Agreement shall be enforced to the greatest extent permitted by applicable law and in a manner to give effect to the intent of the Parties to the greatest extent possible.

Section 17.13. Survival of Provisions. The rights, benefits and obligations of the Parties under Section 3.09, Section 3.10, Article 5, Article 8, Article 10, Article

11, Article 12 and Article 13 shall survive the completion of performance of this Agreement and its termination or expiration and continue in full force and effect thereafter in accordance with their respective terms.

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, American and FedEx do hereby execute this Agreement on the day and year first above written.

FEDERAL EXPRESS CORPORATION

By: /S/ James R. Parker  
Name: James R. Parker  
Title: Vice President-Fleet Development &  
Acquisitions

AMERICAN AIRLINES, INC.

By: /S/ Jeffery M. Jackson  
Name: Jeffery M. Jackson  
Title: VicePresident-Corporate & Fleet Planning

EXHIBIT A  
 TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
 FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
 AMERICAN AIRLINES, INC. ("AMERICAN")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

AIRCRAFT SUBJECT TO AIRCRAFT PURCHASE AGREEMENT

The McDonnell Douglas Model MD-11 aircraft bearing the U.S. Registration Numbers, Manufacturer's Serial Numbers, American Nose Numbers and American Fuselage or Line Numbers set forth below are the Aircraft subject to the Agreement.

REGISTRATION NUMBER	MANUFACTURER'S SERIAL NUMBER	NOSE NUMBER	FUSELAGE OR LINE NUMBER
N1750B	48419	1AA	450
N1751A	48420	1AB	451
N1752K	48421	1AC	452
N1753	48487	1AD	469
N1754	48489	1AE	492
N1755	48490	1AF	499
N1756	48491	1AG	503
N1757A	48505	1AH	462
N1758B	48527	1AJ	504
N1759	48481	1AK	482
N1760A	48550	1AM	526
N1761R	48551	1AN	527
N1762B	48552	1AP	530
N1763	48553	1AR	531
N1764B	48554	1AS	535
N1765B	48596	1AT	537
N1766A	48597	1AU	540
N1767A	48598	1AV	550
N1768D	48436	1AL	483



EXHIBIT B  
TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

AIRCRAFT  
DELIVERY CERTIFICATE

This Aircraft Delivery Certificate is given by American Airlines, Inc. ("American") and Federal Express Corporation ("FedEx") pursuant to the Agreement. Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

TENDER OF THE AIRCRAFT BY AMERICAN.

American hereby tenders to FedEx for Delivery pursuant to the terms and subject to the conditions of the Agreement, the McDonnell Douglas Model MD-11 Aircraft described below:

Registration Number: N \_\_\_\_\_  
Manufacturer's Serial Number: \_\_\_\_\_  
American Fuselage or Line Number: \_\_\_\_\_  
American Nose Number: \_\_\_\_\_,

along with three (3) General Electric Company CF6-80C2D1F engines, bearing Manufacturer's Serial Numbers:

Position (1) \_\_\_\_\_

Position (2) \_\_\_\_\_

Position (3) \_\_\_\_\_,

(the "Delivered Aircraft") with the operating times and cycles as accumulated on the Aircraft up to the time of Delivery and the EGT margins as of the last test cell run accomplished immediately following the latest Engine Maintenance accomplished on each such Engine as described on

Attachment 1 hereto and made a part hereof, together with the Aircraft Records, listed on Attachment 2 hereto and made a part hereof. American hereby restates and confirms each of its representations and warranties set forth in Section 5.01 of the Agreement.

As of the date of this Certificate, (i) the high-time and high-cycle highest flight cycle Airframe not yet delivered by American to FedEx is the Airframe bearing U.S. Registration No. \_\_\_\_\_, and Manufacturer's Serial No. \_\_\_\_\_ and Nose No. \_\_\_\_\_, and (ii) such Airframe \_\_\_\_\_ flight hours and had \_\_\_\_\_ flight cycles since it was new.

Tender of the Aircraft is made by American at \_\_\_\_\_, at \_\_\_\_\_/a.m./p.m. \_\_\_\_\_ time, on this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTANCE OF THE AIRCRAFT BY FEDEX.

FEDERAL EXPRESS CORPORATION ("FedEx") hereby accepts and acknowledges receipt of the Delivered Aircraft from American, in accordance with the terms and conditions of the Agreement, at \_\_\_\_\_, at \_\_\_\_\_/a.m./p.m. \_\_\_\_\_ time, on \_\_\_\_\_, \_\_\_\_\_, together with the Aircraft Records listed in Attachment 2 hereto and made a part hereof.

By its execution and delivery of this Certificate, FedEx hereby (i) restates and confirms each of its representations and warranties set forth in Section 5.03 of the Agreement and (ii) acknowledges and agrees that upon delivery by American to FedEx, except as to those

discrepancies expressly set forth in Attachment 1 and Attachment 3 to this certificate, the Delivered Aircraft was in Delivery Condition.

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

DISCREPANCIES FROM DELIVERY CONDITION.

American and FedEx hereby agree that the remaining discrepancy or discrepancies of the Delivered Aircraft from the Delivery Condition, if any, and the manner of, and deadline for, the correction of any such discrepancy or discrepancies are as set forth in Attachment 3 hereto.

Dated: \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTACHMENT 1 TO AIRCRAFT DELIVERY CERTIFICATE

AIRCRAFT HOURS AND CYCLES

AS OF \_\_\_\_\_, \_\_\_\_\_

MCDONNELL DOUGLAS MODEL MD-11 AIRCRAFT

REGISTRATION NUMBER: N \_\_\_\_\_; FUSELAGE OR LINE NUMBER \_\_\_\_\_;  
 MANUFACTURER'S SERIAL NUMBER \_\_\_\_\_ AND NOSE NUMBER \_\_\_\_\_.

A. AIRFRAME:

	TOTAL SINCE NEWDELIVERY	TO NEXT C CHECK	TO FIRST INTERVAL ITEMS	TO SECOND INTERVAL ITEMS
FLIGHT HOURS	_____	_____	_____	_____
FLIGHT CYCLES	_____	_____	_____	_____
CALENDAR TIME	_____	_____	_____	_____

B. GENERAL ELECTRIC COMPANY CF6-80C2D1F ENGINES:

ENGINE POSITION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL FLIGHT HOURS SINCE NEW	TOTAL CYCLES SINCE LAST HSM	TOTAL CYCLES SINCE LAST HSC	TOTAL CYCLES SINCE LAST EHM
1	_____	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____	_____

The EGT margin of each of the Engines after (i) its last test cell run accomplished immediately following the latest Engine Maintenance accomplished on such Engine and (ii) the Power Assurance Run Test conducted pursuant to Section 3.02(a) of the Agreement was as follows:

ENGINE POSITION -----	EGT MARGIN FOLLOWING LAST TEST CELL RUN -----	EGT MARGIN FOLLOWING POWER ASSURANCE RUN TEST -----
No. 1	_____ degrees Celsius	_____ degrees Celsius
No. 2	_____ degrees Celsius	_____ degrees Celsius
No. 3	_____ degrees Celsius	_____ degrees Celsius

The flight cycles or flight hours remaining to the limitation on each life limited part in each Engine are as set forth in Annex 1 to this Attachment 1 to the Aircraft Delivery Certificate.

C. LANDING GEAR

POSITION -----	MANUFACTURER'S SERIAL NUMBER -----	TOTAL FLIGHT CYCLES SINCE NEW -----	TOTAL DAYS SINCE NEW -----	TOTAL CYCLES TO NEXT OVERHAUL -----	TOTAL DAYS TO NEXT OVERHAUL -----
Nose	_____	_____	_____	_____	_____
Left Main	_____	_____	_____	_____	_____
Center Main	_____	_____	_____	_____	_____
Right Main	_____	_____	_____	_____	_____

D. AUXILIARY POWER UNIT

APU INSTALLED IN THE DELIVERED AIRCRAFT:

MANUFACTURER'S SERIAL NUMBER	_____
NUMBER OF FLIGHT CYCLES SINCE NEW	_____
NUMBER OF FLIGHT HOURS SINCE NEW	_____

LIFE LIMITED PARTS CONTAINED IN SUCH APU:

PART DESCRIPTION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL FLIGHT HOURS SINCE NEW	NUMBER OF CYCLES OR HOURS TO FIRST LIFE LIMITED PART LIMITATION
First Stage Low Pressure Compressor	_____	_____	_____	_____
Second Stage Low Pressure Compressor	_____	_____	_____	_____
Third Stage Low Pressure Compressor	_____	_____	_____	_____
High Pressure Turbine	_____	_____	_____	_____
First Stage Low Pressure Turbine	_____	_____	_____	_____
Second Stage Low Pressure Turbine	_____	_____	_____	_____

Dated: \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX 1 TO ATTACHMENT 1 TO AIRCRAFT  
DELIVERY CERTIFICATE

FLIGHT CYCLES AND FLIGHT HOURS  
REMAINING ON LIFE LIMITED PARTS ON  
ENGINES

PART DESCRIPTION	ENGINE NO. 1 FLIGHT HOURS OR CYCLES	ENGINE NO. 2 FLIGHT HOURS OR CYCLES	ENGINE NO. 3 FLIGHT HOURS OR CYCLES
FAN ROTOR PARTS			
-----			
Disk, Fan Rotor Stage 1	_____	_____	_____
Spool, Fan Rotor Stages 2-5	_____	_____	_____
Fan, Forward Shaft	_____	_____	_____
Fan, Mid-Shaft	_____	_____	_____
HIGH PRESSURE COMPRESSOR ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3-9	_____	_____	_____
Disk, Stage 10	_____	_____	_____
Spool/Shaft	_____	_____	_____
CDP Seal Disk	_____	_____	_____
HIGH PRESSURE TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Spacer/Impeller	_____	_____	_____
Vane, -Ring Diffuser	_____	_____	_____
LOW PRESSURE TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3	_____	_____	_____
Disk, Stage 4	_____	_____	_____
Disk, Stage 5	_____	_____	_____
Shaft, LPTR	_____	_____	_____

## ATTACHMENT 2 TO AIRCRAFT DELIVERY CERTIFICATE

AIRCRAFT RECORDS AND ENGINE RECORDS  
 DELIVERED WITH DELIVERED  
 AIRCRAFT

The following Aircraft Records (as defined in the Agreement) were delivered with the Delivered Aircraft:

## DRAWINGS/CHARTS:

1. Fuel Distribution Chart, Compass Correction Card, Major Avionic List, Drawings: FDM1062 or FDM1058, DDM1079 or DDM1080, FDM1063 or FDM1072

## RECORDS:

1. Aircraft Flight Log (includes Aircraft, Engines, Components) with required certification
2. Heavy Maintenance Checks - History Log
3. Deferred Items List (Damage Log and FMR)
4. Last Bill-of-Work Prior to Delivery
5. Report 182Y (with required certification):
  - Time-Control Components with 3500 Hrs. or less to go and calendar
6. Report 188Y (with required certification):
  - Time Control Components by Cycles to go
7. Report 190Y (with required certification):
  - Airframe Time Control Components by Aircraft and Position
  - Engine Item Time Control Components by Aircraft and Position
  - Airframe Calendar Control Components by Aircraft and Position
8. Report ET026 (with required certification):
  - Component Time Control Status by S/N of Parts
9. Report ET049 (with required certification):
  - Component Time - Special Item by RSPAM
10. AD Summary Report with certification per attached Appendix 1, including accomplishment documents for the last action taken and stating specific method of compliance and any alternate means of compliance, if any, including FAA approval
11. Report EC014:
  - Modification History by AD/FAR Number
12. Report EC014:
  - Modification History by AA Job Number and cross reference
13. Report EC015:
  - Modification History by Service Bulletin Number - Limited to AD/FAR
14. Report EC015:
  - Modification History by Service Bulletin Number
15. Report D065:
  - Engine Life Limited Parts/Life Limited Parts
16. Report D066 (with required certification):
  - Engine Time Monitored Parts (including tags and tear-down reports)
17. Report CML011:
  - Engine Condition Monitoring - Last Run Before Delivery
18. Weight and Balance Report
19. Landing Gear Records



20. Component Shop Records (including tags and tear-down reports)
21. APU Records
22. Engine Records
23. Aircraft Airframe Records
24. Accident Report or Accident-Free Certification Letter

## ENGINE RECORDS:

1. Aircraft Flight Log (includes Aircraft, Engines, Components) with certification per attached Appendix 1
2. Report 190Y (with required certification):
  - Engine Item Time Control Components by Aircraft and Position
3. Report D065 (with required certification):
  - Engine Life Limited Parts/Life Limited Parts
4. Airworthiness Directive Summary Report (with required certification)

## ATTACHMENT 3 TO AIRCRAFT DELIVERY CERTIFICATE

## DISCREPANCIES OF DELIVERED AIRCRAFT FROM DELIVERY CONDITION

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

The following remaining discrepancy or discrepancies from Delivery Condition exist with respect to the Delivered Aircraft (as defined in the Aircraft Delivery Certificate of which this Attachment 3 is a part):

B-10

American and FedEx have agreed that the foregoing discrepancy or discrepancies will be corrected in the following manner and by the following date or dates:

Dated: \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT C  
 TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
 FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
 AMERICAN AIRLINES, INC. ("AMERICAN")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

WARRANTY BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS:

THAT the undersigned, [INSERT TRANSFEROR'S CORPORATE NAME], a Delaware Corporation ("Transferor"), has the power and right to convey the legal and beneficial title to that:

[NOTE: INSERT THE FOLLOWING LANGUAGE IF THE WARRANTY BILL OF SALE RELATES TO AN AIRCRAFT:] [certain McDonnell Douglas MD-11 aircraft bearing Federal Aviation Administration Registration Number N \_\_\_\_\_ and Manufacturer's Serial Number \_\_\_\_\_, together with three (3) General Electric Company CF6-80C2D1F turbofan jet engines [installed thereon], bearing Manufacturer's Serial Numbers \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, together with all fixed equipment, parts, components and accessories installed on said aircraft and engines.]

[NOTE: INSERT THE FOLLOWING LANGUAGE IF THE WARRANTY BILL OF SALE RELATES TO A SPARE ENGINE, [\* \_\_\_\_\_], A REPLACEMENT ENGINE OR A DELAYED DELIVERY ENGINE:] [certain General Electric Company CF6-80C2D1F turbofan jet engine, bearing Manufacturer's Serial Number \_\_\_\_\_, together with all fixed equipment, parts, components and accessories installed on said engine.]

THAT for and in consideration of the sum of Ten Dollars (\$10) and other valuable consideration, Transferee does, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, grant, convey, transfer, bargain, sell, deliver and set over all of its rights, title and interests to and in the above described [aircraft, engines], [NOTE: INSERT THE FOREGOING WORD IF THE WARRANTY BILL OF SALE RELATES TO AN AIRCRAFT] [engine] [NOTE: INSERT THE FOREGOING IF THE WARRANTY BILL OF SALE RELATES TO AN ENGINE ALONE.], fixed equipment, parts, components and accessories unto [INSERT TRANSFEREE'S CORPORATE NAME], a Delaware corporation ("Transferee").

Transferor hereby warrants to Transferee, its successors and assigns, that there is hereby conveyed to Transferee title to the aforesaid [aircraft, engines] [NOTE: INSERT THE FOREGOING WORD IF THE WARRANTY BILL OF SALE RELATES TO AN AIRCRAFT], [engine,] [NOTE: INSERT THE FOREGOING IF THE WARRANTY BILL OF SALE RELATES TO AN ENGINE ALONE.] fixed equipment, parts, components and accessories free and clear of all liens, encumbrances and rights of others arising by, through or under Transferor and that it shall warrant and defend such title forever against all claims and demands whatsoever; and that this bill of sale is made and delivered pursuant to the provisions of the Aircraft Sales Agreement between Transferor and Transferee, dated April 7, 1995.

\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

IN WITNESS WHEREOF, Transferor has executed this Warranty Bill of Sale  
on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

[INSERT TRANSFEROR'S CORPORATE NAME]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT D  
 TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 AND  
 AMERICAN AIRLINES, INC. ("AMERICAN")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

DATA RELATING TO THE AIRCRAFT AND  
 ENGINES TO BE DELIVERED BY AMERICAN  
 TO FEDEX PURSUANT TO ARTICLE 6 OF THE  
 AGREEMENT

Originals or copies of the following items of Data will be supplied in accordance with Section 6.02(d) on the specified medium or on microfiche, microfilm, paper, disk or any then current medium or a combination of these media, with revision updates revised as of the applicable Delivery Dates. The required certifications for Aircraft time and cycles, life-limited parts, Airworthiness Directives and hard-time components for Airframes and Engines shall be signed by a manager or higher management personnel in the Airworthiness, Quality Assurance, Quality Control or Aircraft/Powerplant Records department of American. Any required certification of any item of Data shall be in the form attached as Appendix 1 to this Exhibit D.

MANUALS:

1. FAA Approved Aircraft Flight Manual
2. Aircraft Maintenance Manual (Microfilm)
3. Aircraft Overhaul Manual (Microfilm)
4. Aircraft Wiring Manual (Microfilm)
5. Aircraft Structure Repair Manual (Microfilm)
6. Aircraft Illustrated Parts Catalog (Microfilm)
7. Aircraft Weight and Balance Manual, Loading Manual, Basic & Supplement
8. McDonnell Douglas Procedure for Actual Weighing/Balancing of MD-11 Series Aircraft
9. Aircraft Minimum Equipment List & Configuration
10. McDonnell Douglas Aircraft Readiness Log
11. McDonnell Douglas Aircraft Detail Specification
12. CF6 Maintenance Manual (Microfilm-See Aircraft MM)
13. CF6 Overhaul Manual (Microfilm)
14. CF6 Illustrated Parts Catalog (Microfilm)
15. CF6 Service Bulletin (Microfilm)
16. Maintenance Check Manual (Microfilm)
17. Engineering Specification Maintenance Manual
18. AA Part Number versus Mfgr's Part Number (Fiche)

## DOCUMENTS:

1. Certificate of Airworthiness (on Aircraft)
2. Certificate of Registration (on Aircraft)
3. Sanitary Certificate (on Aircraft)
4. [Radio Station License (on Aircraft)]

## DRAWINGS/CHARTS:

1. Fuel Distribution Chart, Compass Correction Card, Major Avionic List, Drawings: FDM1062 or FDM1058, DDM1079 or DDM1080, FDM1063 or FDM1072

## RECORDS:

1. Aircraft Flight Log (includes Aircraft, Engines, Components) with certification per attached Appendix 1
2. Heavy Maintenance Checks - History Log
3. Deferred Items List (Damage Log and FMR)
4. Last Bill-of-Work Prior to Delivery
5. Report 182Y (with certification per attached Appendix 1):
  - Time-Control Components with 3500 Hrs. or less to go and calendar
6. Report 188Y (with certification per attached Appendix 1):
  - Time Control Components by Cycles to go
7. Report 190Y (with certification per attached Appendix 1):
  - Airframe Time Control Components by Aircraft and Position
  - Engine Item Time Control Components by Aircraft and Position
  - Airframe Calendar Control Components by Aircraft and Position
8. Report ET026 (with certification per attached Appendix 1):
  - Component Time Control Status by S/N of Parts
9. Report ET049 (with certification per attached Appendix 1):
  - Component Time - Special Item by RSPAM
10. AD Summary Report with certification per attached Appendix 1, including accomplishment documents for the last action taken and stating specific method of compliance and any alternate means of compliance, if any, including FAA approval
11. Report EC014:
  - Modification History by AD/FAR Number
12. Report EC014:
  - Modification History by AA Job Number and cross reference
13. Report EC015:
  - Modification History by Service Bulletin Number - Limited to AD/FAR
14. Report EC015:
  - Modification History by Service Bulletin Number
15. Report D065:
  - Engine Life Limited Parts/Life Limited Parts
16. Report D066 (with certification per attached Appendix 1):
  - Engine Time Monitored Parts (including tags and tear-down reports)
17. Report CML011:
  - Engine Condition Monitoring - Last Run Before Delivery
18. Weight and Balance Report
19. Landing Gear Records
20. Component Shop Records (including tags and tear-down reports)

21. APU Records
22. Engine Records
23. Aircraft Airframe Records
24. Accident Report or Accident-Free Certification Letter

## ENGINE RECORDS:

1. Aircraft Flight Log (includes Aircraft, Engines, Components) with certification per attached Appendix 1
2. Report 190Y (with certification per attached Appendix 1):
  - Engine Item Time Control Components by Aircraft and Position
3. Report D065 (with certification per attached Appendix 1):
  - Engine Life Limited Parts/Life Limited Parts
4. Airworthiness Directive Summary Report (with the certification per attached Appendix 1)



AIRCRAFT REGISTRATION NO. \_\_\_\_\_  
MANUFACTURER'S SERIAL NO. \_\_\_\_\_  
DATE: \_\_\_\_\_, \_\_\_\_\_

[TITLE]

I HEREBY CERTIFY THAT THIS IS A TRUE AND ACCURATE RECORD TO THE BEST OF MY KNOWLEDGE.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
TITLE

\_\_\_\_\_  
COMPANY NAME

AIR CARRIER  
\_\_\_\_\_  
COMPANY CERTIFICATE TYPE

AA4A025A  
\_\_\_\_\_  
COMPANY CERTIFICATE NUMBER

EXHIBIT E  
TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

DESIGNATION OF AN AIRFRAME FOR DELIVERY  
ON SCHEDULED DELIVERY DATE

Any capitalized term used herein shall have the meaning ascribed to it in the Agreement.

1. The Scheduled Delivery Date for which the Designated Airframe (as defined below) is being designated is \_\_\_\_\_.

2. The following are the identification numbers of the Airframe designated for delivery on the Scheduled Delivery Date set forth in Paragraph 1. above (the "Designated Airframe"):

FAA Registration Number: N \_\_\_\_\_  
Manufacturer's Serial Number: \_\_\_\_\_  
Nose Number: \_\_\_\_\_  
Fuselage or Line Number: \_\_\_\_\_

3. The total flight hours and flight cycles on the Designated Airframe since delivery of the Designated Airframe by the Manufacturer to American and the number of flight hours and flight cycles remaining on the Designated Airframe to certain C Checks as of the date and time of this Designation are as follows:

	TOTAL SINCE NEW	TO NEXT C CHECK	TO FIRST INTERVAL ITEMS	TO SECOND INTERVAL ITEMS
FLIGHT HOURS	_____	_____	_____	_____
FLIGHT CYCLES	_____	_____	_____	_____
CALENDAR TIME	_____	_____	_____	_____

4. The total flight hours and flight cycles remaining to the next major overhaul of each of the Gears that are installed on the Designated Airframe at the date and time of this Designation are as follows:

POSITION -----	MANUFACTURER'S SERIAL NUMBER -----	TOTAL FLIGHT CYCLES SINCE NEW -----	TOTAL DAYS SINCE NEW -----	TOTAL CYCLES TO NEXT OVERHAUL -----	TOTAL DAYS TO NEXT OVERHAUL -----
Nose	_____	_____	_____	_____	_____
Left Main	_____	_____	_____	_____	_____
Center Main	_____	_____	_____	_____	_____
Right Main	_____	_____	_____	_____	_____

5. The total flight hours or flight cycles since new for (x) the APU installed on the Designated Airframe and (y) the Life Limited Parts contained in such APU and the flight cycles or flight hours remaining to the first limit of the Life Limited Parts contained in the APU installed on the Designated Airframe at the date and time of this Designation are as follows:

APU INSTALLED ON THE DESIGNATED AIRFRAME:

MANUFACTURER'S SERIAL NUMBER \_\_\_\_\_  
 NUMBER OF FLIGHT CYCLES SINCE NEW \_\_\_\_\_  
 NUMBER OF FLIGHT HOURS SINCE NEW \_\_\_\_\_

LIFE LIMITED PARTS CONTAINED IN SUCH APU:

PART DESCRIPTION -----	MANUFACTURER'S SERIAL NUMBER -----	TOTAL FLIGHT CYCLES SINCE NEW -----	TOTAL FLIGHT HOURS SINCE NEW -----	NUMBER OF CYCLES OR HOURS TO FIRST LIFE LIMITED PART LIMITATION -----
First Stage Low Pressure Compressor	_____	_____	_____	_____
Second Stage Low Pressure Compressor	_____	_____	_____	_____
Third Stage Low Pressure Compressor	_____	_____	_____	_____
High Pressure Turbine	_____	_____	_____	_____
First Stage Low Pressure Turbine	_____	_____	_____	_____
Second Stage Low Pressure Turbine	_____	_____	_____	_____

6. The estimated usage of the Aircraft from the date of this Designation until the Scheduled Delivery Date is \_\_\_\_\_ flight cycles and \_\_\_\_\_ flight hours.

This Designation is made by American on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ at \_\_\_\_\_, [a.m.] [p.m.], \_\_\_\_\_ time.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT F  
 TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 AND  
 AMERICAN AIRLINES, INC. ("AMERICAN")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

DESIGNATION OF A SUBSTITUTE AIRFRAME FOR  
 DELIVERY ON SCHEDULED DELIVERY  
 DATE

1. This Designation of a Substitute Airframe for delivery on a Scheduled Delivery Date (this "Change Designation") is being provided by American to FedEx in order to designate an Airframe for delivery on the Scheduled Delivery Date indicated below in substitution for an Airframe previously designated by American for delivery to FedEx on such Scheduled Delivery Date (the "Previously Designated Airframe"). Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

2. The Scheduled Delivery Date for which the Previously Designated Airframe was to be delivered and for which the Substitute Airframe (as defined below) is now being designated for delivery and sale to FedEx is \_\_\_\_\_.

3. The following are the identification numbers of the Previously Designated Airframe:

FAA Registration Number: N \_\_\_\_\_  
 Manufacturer's Serial Number: \_\_\_\_\_  
 Nose Number: \_\_\_\_\_  
 Fuselage or Line Number: \_\_\_\_\_

4. The following are the identification numbers of the Airframe being substituted for the Previously Designated Airframe which is hereby designated for delivery on the Scheduled Delivery Date set forth in Paragraph 2. above in the stead of the Previously Designated Airframe (the "Substitute Airframe"):

FAA Registration Number: N \_\_\_\_\_  
 Manufacturer's Serial Number: \_\_\_\_\_  
 Nose Number: \_\_\_\_\_  
 Fuselage or Line Number: \_\_\_\_\_

5. The total flight hours and flight cycles on the Substitute Airframe since delivery of the Substitute Airframe by the Manufacturer to American and the number of flight hours and flight cycles remaining on the Substitute Airframe to the certain C Checks as of the date and time of this Change Designation are as follows:

	TOTAL SINCE NEW	TO NEXT C CHECK	TO FIRST INTERVAL ITEMS	TO SECOND INSPECTION ITEMS
FLIGHT HOURS	_____	_____	_____	_____
FLIGHT CYCLES	_____	_____	_____	_____
CALENDAR TIME	_____	_____	_____	_____

6. The total flight hours and flight cycles remaining to the next major overhaul of each of the Gears that are installed on the Substitute Airframe at the date and time of this Designation are as follows:

POSITION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL DAYS SINCE NEW	TOTAL CYCLES TO NEXT OVERHAUL	TOTAL DAYS TO NEXT OVERHAUL
Nose	_____	_____	_____	_____	_____
Left Main	_____	_____	_____	_____	_____
Center Main	_____	_____	_____	_____	_____
Right Main	_____	_____	_____	_____	_____

7. The total flight hours or flight cycles since new for (x) the APU installed on the Substitute Airframe and (y) the Life Limited Parts contained in such APU and the flight cycles or flight hours remaining to the first limit of the Life Limited Parts contained in the APU installed on the Substitute Airframe at the date and time of this Change Designation are as follows:

APU INSTALLED ON THE SUBSTITUTE AIRFRAME:

MANUFACTURER'S SERIAL NUMBER \_\_\_\_\_  
 NUMBER OF FLIGHT CYCLES SINCE NEW \_\_\_\_\_  
 NUMBER OF FLIGHT HOURS SINCE NEW \_\_\_\_\_

LIFE LIMITED PARTS CONTAINED IN SUCH APU:

PART DESCRIPTION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL FLIGHT HOURS SINCE NEW	NUMBER OF CYCLES OR HOURS TO FIRST LIFE LIMITED PART LIMITATION
First Stage Low Pressure Compressor	_____	_____	_____	_____
Second Stage Low Pressure Compressor	_____	_____	_____	_____
Third Stage Low Pressure Compressor	_____	_____	_____	_____
High Pressure Turbine	_____	_____	_____	_____
First Stage Low Pressure Turbine	_____	_____	_____	_____
Second Stage Low Pressure Turbine	_____	_____	_____	_____

This Change Designation is made by American on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ at \_\_\_\_\_, [a.m.] [p.m.], \_\_\_\_\_ time.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
 Name: \_\_\_\_\_  
 Title: \_\_\_\_\_

EXHIBIT G  
TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

FORM OF  
ASSIGNMENT OF ASSIGNABLE MANUFACTURER'S WARRANTIES

In connection with delivery of the Aircraft described in Annex A hereto, including the Engines conveyed therewith (the "Aircraft") by American Airlines, Inc. ("American") to Federal Express Corporation ("FedEx"), American hereby assigns and conveys to FedEx, its successors, assigns and legal representatives, all of American's right, title and interest in and to any and all of the manufacturer's, vendor's and other warranties relating to the Aircraft, including the Engines conveyed therewith (but not with respect to any Non-Conforming Engine) to the extent, but only to the extent, that such warranties are assignable without consent of the grantor of any such warranty or the payment of consideration to the grantor of any such warranty (the "Warranties") and all rights to enforce, exercise any rights with respect to or retain any recovery or benefit with respect to the Warranties, except to the extent that such rights and recoveries relate to work completed or to be completed by American or any of its affiliates in connection with its performance of its obligations under the Aircraft Sales Agreement between FedEx and American dated April 7, 1995 (the "Agreement") prior to or in connection with the Delivery (as defined in the Agreement) of the Aircraft. Notwithstanding the foregoing, American does not assign or convey to FedEx any outstanding claims or rights, whether liquidated or contingent, or know or unknown, that it may have against the grantor of any of the Warranties arising prior to the tender of the Aircraft by American for Delivery pursuant to the Agreement.

Dated : \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



ANNEX A TO ASSIGNMENT OF ASSIGNABLE  
MANUFACTURER'S WARRANTIES

One McDonnell Douglas Model MD-11 Aircraft described below:

Registration Number: N \_\_\_\_\_  
Manufacturer's Serial Number: \_\_\_\_\_  
American Fuselage or Line Number: \_\_\_\_\_  
American Nose Number: \_\_\_\_\_,

along with three (3) General Electric Company CF6-80C2D1F engines, bearing  
Manufacturer's Serial Numbers:

Position (1) \_\_\_\_\_

Position (2) \_\_\_\_\_

Position (3) \_\_\_\_\_

EXHIBIT H  
 TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 AND  
 AMERICAN AIRLINES, INC. ("AMERICAN")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

DESIGNATION OF ENGINES FOR CONVEYANCE ON SCHEDULED DELIVERY DATE

Any capitalized term used in this Designation of Engines for conveyance on a Scheduled Delivery Date shall have the meaning ascribed to it in the Agreement unless expressly defined herein.

1. The Scheduled Delivery Date for which the Designated Airframe (as defined below) is being designated is \_\_\_\_\_.

2. The following are the identification numbers of the Airframe designated for delivery on the Scheduled Delivery Date set forth in Paragraph 1. above (the "Designated Airframe"):

FAA Registration Number: N \_\_\_\_\_ Nose Number: \_\_\_\_\_  
 Manufacturer's Serial No.: \_\_\_\_\_ Fuselage or Line Number: \_\_\_\_\_

3. The following are the Engines to be conveyed with the Designated Airframe on the Scheduled Delivery Date set forth in Paragraph 1. above (the "Designated Engines"):

GENERAL ELECTRIC COMPANY CF6-80C2D1F ENGINES:

ENGINE POSITION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL FLIGHT HOURS SINCE NEW	TOTAL CYCLES SINCE LAST HSM	TOTAL CYCLES SINCE LAST HSC	TOTAL CYCLES SINCE LAST EHM
1	_____	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____	_____

4. The flight cycles or flight hours remaining to the limitation on each life limited part in each Engine are as set forth in Annex 1 to this Designation of Engines for Delivery on Scheduled Delivery Date.

5. The EGT margin of each of the Designated Engines after (i) its last test cell run accomplished immediately following the latest Engine Maintenance accomplished on each such Designated Engine and (ii) the Power Assurance Run Test conducted pursuant to Section 3.02(a) of the Agreement was as follows:

ENGINE POSITION	EGT MARGIN FOLLOWING LAST TEST CELL RUN	EGT MARGIN FOLLOWING POWER ASSURANCE RUN TEST
No. 1	_____ degrees Celsius	_____ degrees Celsius
No. 2	_____ degrees Celsius	_____ degrees Celsius
No. 3	_____ degrees Celsius	_____ degrees Celsius

6. As of the date of this Engine Designation, (i) the highest flight cycle Airframe not yet delivered by American to FedEx is the Airframe bearing U.S. Registration No. \_\_\_\_\_ and Manufacturer's Serial No. \_\_\_\_\_ and (ii) such Airframe had \_\_\_\_\_ flight cycles since it was new.

This Engine Designation is made by American on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ at \_\_\_\_\_, [a.m.] [p.m.], \_\_\_\_\_ time.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX 1 TO  
 DESIGNATION OF ENGINES FOR DELIVERY ON SCHEDULED DELIVERY DATE

REMAINING FLIGHT CYCLES AND FLIGHT  
 HOURS REMAINING ON LIFE LIMITED PARTS  
 ON ENGINES

PART DESCRIPTION	ENGINE NO. 1 FLIGHT HOURS OR CYCLES	ENGINE NO. 2 FLIGHT HOURS OR CYCLES	ENGINE NO. 3 FLIGHT HOURS OR CYCLES
FAN ROTOR PARTS			
-----			
Disk, Fan Rotor Stage 1	_____	_____	_____
Spool, Fan Rotor Stages 2-5	_____	_____	_____
Fan, Forward Shaft	_____	_____	_____
Fan, Mid-Shaft	_____	_____	_____
HIGH PRESSURE			
COMPRESSOR ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3-9	_____	_____	_____
Disk, Stage 10	_____	_____	_____
Spool/Shaft	_____	_____	_____
CDP Seal Disk	_____	_____	_____
HIGH PRESSURE			
TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Spacer/Impeller	_____	_____	_____
Vane, -Ring Diffuser	_____	_____	_____
LOW PRESSURE			
TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3	_____	_____	_____
Disk, Stage 4	_____	_____	_____
Disk, Stage 5	_____	_____	_____
Shaft, LPTR	_____	_____	_____

EXHIBIT I  
TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PUT OPTION EXERCISE

1. This Put Option Exercise is provided by American to FedEx pursuant to Section 2.02(b) of the Agreement. Any capitalized term used in this Put Option Exercise shall have the meaning ascribed to it in the Agreement.

2. American hereby exercises a Put Option granted by FedEx as set forth in Section 2.02 of the Agreement for the sale of a Put Option Aircraft to FedEx with respect to the following Scheduled Delivery Date:

\_\_\_\_\_, \_\_\_\_\_. A Designation and an Engine Designation will be provided by American to FedEx in accordance with Section 2.04 of the Agreement designating the Airframe and the Engines that will be tendered by American to FedEx on such Scheduled Delivery Date.

This Put Option Exercise is made by American on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT J  
TO THE AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE OPTION NOTICE

1. Pursuant to Section 2.03(a) of the Agreement, American hereby notifies FedEx that American intends to offer for sale \_\_\_\_\_ [specify number of Put Option Aircraft] of the Put Option Aircraft. Any capitalized term used in this Purchase Option Notice shall have the meaning ascribed to it in the Agreement.

2. The Scheduled Delivery Dates for the Put Option Aircraft that American will be marketing are as follows:

- 1. \_\_\_\_\_, \_\_\_\_\_
- 2. \_\_\_\_\_, \_\_\_\_\_
- 3. \_\_\_\_\_, \_\_\_\_\_
- 4. \_\_\_\_\_, \_\_\_\_\_
- 5. \_\_\_\_\_, \_\_\_\_\_
- 6. \_\_\_\_\_, \_\_\_\_\_
- 7. \_\_\_\_\_, \_\_\_\_\_

Please be advised that pursuant to Section 2.03(a) of the Agreement, FedEx has a period of fourteen (14) days after its receipt of this Purchase Option Notice in which to exercise its Purchase Option under the terms of the Agreement.

This Purchase Option Notice is given by American on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT K  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND AMERICAN AIRLINES, INC.  
("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE OPTION EXERCISE

1. This Purchase Option Exercise is provided by FedEx to American pursuant to Section 2.03(a) of the Agreement. Any capitalized term used in this Purchase Option Exercise shall have the meaning ascribed to it in the Agreement.

2. FedEx hereby exercises the Purchase Options granted by American as set forth in Section 2.03 of the Agreement for the purchase of \_\_\_\_\_ [specify number] Put Option Aircraft from American on the following Scheduled Delivery Date(s) as specified in American's Purchase Option Notice, dated \_\_\_\_\_, \_\_\_\_\_:

- 1. \_\_\_\_\_, \_\_\_\_\_
- 2. \_\_\_\_\_, \_\_\_\_\_
- 3. \_\_\_\_\_, \_\_\_\_\_
- 4. \_\_\_\_\_, \_\_\_\_\_
- 5. \_\_\_\_\_, \_\_\_\_\_
- 6. \_\_\_\_\_, \_\_\_\_\_
- 7. \_\_\_\_\_, \_\_\_\_\_

3. A Deposit of [\* \_\_\_\_\_] as required by Section 2.06 of the Agreement is hereby tendered with this Purchase Option Exercise with respect to each Purchase Option Aircraft.

4. FedEx hereby restates and confirms its representation and warranty to American in Section 5.03(v) of the Agreement.

\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

This Purchase Option Exercise is given by FedEx on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



EXHIBIT L  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND AMERICAN AIRLINES, INC.  
("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE PRICE ADJUSTMENT FORMULA -- AIRFRAME

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

[\*                    ]

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

I-2

## TABLE A TO EXHIBIT L

AMERICAN AIRLINES, INC.  
AIRFRAME MAINTENANCE

The following table sets forth the estimated maintenance cost for accomplishment of a C Check, First Interval Items and Second Interval Items in twelve-month periods noted below.

TWELVE-MONTH PERIOD ENDED MAY 31	C CHECK COST	FIRST INTERVAL ITEMS COST	SECOND INTERVAL ITEMS COST
*	*	*	*

\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT M  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND AMERICAN AIRLINES, INC.  
("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE PRICE ADJUSTMENT FORMULA -- ENGINES

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

[\*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

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[\*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

M-2

## TABLE A TO EXHIBIT M

AMERICAN AIRLINES, INC.  
ENGINE HEAVY MAINTENANCE

The following table sets forth the estimated maintenance cost for an HSM, HSC and EHM in the calendar years noted below.

CALENDAR YEAR	EHM	HSC	HSM
*	*	*	*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT N  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND AMERICAN AIRLINES, INC.  
("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE PRICE ADJUSTMENT FORMULA -- GEAR

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

[\*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

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[\*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

N-2



EXHIBIT O  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX")  
AND AMERICAN AIRLINES, INC.  
("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PURCHASE PRICE ADJUSTMENT FORMULA -- APU

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

[\* ]

\*

[\* ]

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT P  
to that certain  
Aircraft Sales Agreement between  
Federal Express Corporation ("FedEx") and  
American Airlines, Inc. ("American")  
Dated April 7, 1995 (the "Agreement")

ENGINE  
DELIVERY CERTIFICATE

This Engine Delivery Certificate is given by American Airlines, Inc. ("American") and Federal Express Corporation ("FedEx") pursuant to the Agreement. Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

TENDER OF EACH ENGINE.

\_\_\_\_\_ ("Tenderor") hereby tenders to \_\_\_\_\_ ("Recipient") for delivery pursuant to the terms and subject to the conditions of the Agreement, \_\_\_\_\_ [specify number of engines] General Electric Company CF6-80C2D1F engines, bearing Manufacturer's Serial Number(s):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(each a "Delivered Engine" and collectively, if applicable, the "Delivered Engines") with (i) if American is the Tenderor, the operating times and cycles as accumulated on each Engine up to the time of Delivery as described on Attachment 1A hereto and made a part hereof or (ii) if FedEx is the Tenderor, the operating times and cycles as accumulated on each Engine from the time FedEx took delivery of the Delivered Engine or Delivered Engines, as the case may be, from American up to the time of delivery of such Delivered Engine or Delivered Engines, as the case may be, pursuant to this Engine Delivery Certificate described on Attachment 1B hereto and made a part hereof, at \_\_\_\_\_/a.m./p.m. \_\_\_\_\_ time, on \_\_\_\_\_, \_\_\_\_\_, together with any Data, listed on Attachment 2 hereto and made a part hereof. Tenderor hereby restates and confirms each of its representations and warranties set forth in Article 5 of the Agreement.

Tender of each Engine is made by \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

[AMERICAN AIRLINES, INC.]  
[FEDERAL EXPRESS CORPORATION]

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ACCEPTANCE OF EACH ENGINE.

Recipient hereby accepts and acknowledges receipt of each Delivered Engine from Tenderor in accordance with the terms and conditions of the Agreement, which Delivered Engine or Delivered Engines has or have, as the case may be, the operating times and flight cycles as accumulated on the Aircraft up to the time of delivery as described on Attachment 1 hereto and made a part hereof, at \_\_\_\_\_, at \_\_\_\_\_/a.m./p.m. \_\_\_\_\_ time, on \_\_\_\_\_, \_\_\_\_\_, together with the Data listed in Attachment 2 hereto and made a part hereof. Recipient hereby restates and confirms each of its representations set forth in Article 5 of the Agreement.

If it is FedEx which is executing the Acceptance portion of this Engine Delivery Certificate and accepting a Delayed Delivery Engine or Replacement Engine, by its execution and delivery of this Certificate, FedEx hereby acknowledges and agrees that upon delivery by American to FedEx, except as to those discrepancies expressly set forth in Attachment 1 to this certificate, the Delivered Engine met the requirements for the condition of the Engines upon delivery as set forth in the Agreement.

Acceptance of each Delivered Engine is made by \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

[FEDERAL EXPRESS CORPORATION]  
[AMERICAN AIRLINES, INC.]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

HIGHEST FLIGHT CYCLE AIRFRAME CERTIFICATION.

As of the date of this Certificate, (i) the highest flight cycle Airframe not yet delivered by American to FedEx is the Airframe bearing U.S. Registration No. \_\_\_\_\_ and Manufacturer's Serial No. \_\_\_\_\_ and (ii) such Airframe has \_\_\_\_\_ flight cycles since it was new.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTACHMENT 1A TO ENGINE DELIVERY CERTIFICATE

ENGINE INFORMATION  
AS OF \_\_\_\_\_, \_\_\_\_\_

GENERAL ELECTRIC COMPANY CF6-80C2D1F ENGINES:

ENGINE POSITION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES SINCE NEW	TOTAL FLIGHT HOURS SINCE NEW	TOTAL CYCLES SINCE LAST HSM	TOTAL CYCLES SINCE LAST HSC	TOTAL CYCLES SINCE LAST EHM
1	_____	_____	_____	_____	_____	_____
2	_____	_____	_____	_____	_____	_____
3	_____	_____	_____	_____	_____	_____

The EGT margin of each of the Delivered Engines after (i) its last test cell run accomplished immediately following the latest Engine Maintenance accomplished with respect to each such Delivered Engine and (ii) the Power Assurance Run Test conducted pursuant to Section 3.02(a) of the Agreement was as follows:

ENGINE POSITION	EGT MARGIN FOLLOWING LAST TEST CELL RUN	EGT MARGIN FOLLOWING POWER ASSURANCE RUN TEST
No. 1	_____ degrees Celsius	_____ degrees Celsius
No. 2	_____ degrees Celsius	_____ degrees Celsius
No. 3	_____ degrees Celsius	_____ degrees Celsius

The flight cycles or flight hours remaining to the limitation on each life limited part in each Engine are as set forth in Annex 1 to this Attachment 1 to the Engine Aircraft Delivery Certificate.

Dated: \_\_\_\_\_, \_\_\_\_\_.

AMERICAN AIRLINES, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX 1 TO ATTACHMENT 1A TO  
ENGINE DELIVERY CERTIFICATE

REMAINING FLIGHT CYCLES AND FLIGHT  
HOURS REMAINING ON LIFE LIMITED PARTS ON ENGINES

PART DESCRIPTION	ENGINE NO. 1 FLIGHT HOURS OR CYCLES	ENGINE NO. 2 FLIGHT HOURS OR CYCLES	ENGINE NO. 3 FLIGHT HOURS OR CYCLES
FAN ROTOR PARTS			
-----			
Disk, Fan Rotor Stage 1	_____	_____	_____
Spool, Fan Rotor Stages 2-5	_____	_____	_____
Fan, Forward Shaft	_____	_____	_____
Fan, Mid-Shaft	_____	_____	_____
HIGH PRESSURE			
COMPRESSOR ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3-9	_____	_____	_____
Disk, Stage 10	_____	_____	_____
Spool/Shaft	_____	_____	_____
CDP Seal Disk	_____	_____	_____
HIGH PRESSURE			
TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Spacer/Impeller	_____	_____	_____
Vane, -Ring Diffuser	_____	_____	_____
LOW PRESSURE			
TURBINE ROTOR PARTS			
-----			
Disk, Stage 1	_____	_____	_____
Disk, Stage 2	_____	_____	_____
Disk, Stage 3	_____	_____	_____
Disk, Stage 4	_____	_____	_____
Disk, Stage 5	_____	_____	_____
Shaft, LPTR	_____	_____	_____

ATTACHMENT 1B TO ENGINE DELIVERY CERTIFICATE

ENGINE FLIGHT CYCLES AND FLIGHT HOURS  
AS OF \_\_\_\_\_, \_\_\_\_\_

GENERAL ELECTRIC COMPANY CF6-80C2D1F ENGINES:

ENGINE POSITION	MANUFACTURER'S SERIAL NUMBER	TOTAL FLIGHT CYCLES ACCUMULATED WHILE IN FEDEX'S CONTROL	TOTAL FLIGHT HOURS ACCUMULATED WHILE IN FEDEX'S CONTROL
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____

Dated: \_\_\_\_\_, \_\_\_\_\_.

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## ATTACHMENT 2 TO ENGINE DELIVERY CERTIFICATE

ENGINE RECORDS DELIVERED  
WITH DELIVERED ENGINE

1. Aircraft Flight Log (includes Aircraft, Engines, Components) with required certification
2. Report 190Y (with required certification ):
  - Engine Item Time Control Components by Aircraft and Position
3. Report D065 (with required certification):
  - Engine Life Limited Parts/Life Limited Parts
4. Airworthiness Directive Summary Report (with required certification)



EXHIBIT Q TO AIRCRAFT SALES AGREEMENT BETWEEN  
 AMERICAN AIRLINES, INC. ("AMERICAN:") AND  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

SECTION 1--MD -11 SPARE PARTS PURCHASE DATES,  
 PURCHASE OBLIGATIONS, AND DELIVERY OBLIGATIONS TO BE  
 PURCHASED IN CONJUNCTION WITH DELIVERIES  
 OF FIRM AIRCRAFT AND PUT OPTION AIRCRAFT SOLD PURSUANT TO THE PUT OPTIONS

SCHEDULED DATE OR YEAR FOR THE PURCHASE OF THE MD-11 SPARE PARTS -----	MD-11 SPARE PARTS PERCENTAGE -----	AVERAGE UNIT PRICE OF MD-11 SPARE PARTS TO BE PURCHASED -----	SPARES PURCHASE PRICE TO BE PAID FOR MD-11 SPARE PARTS TO BE PURCHASED -----	NUMBER OF SPARE APU'S SCHEDULED TO BE PURCHASED -----	SPARES PURCHASE PRICE OF A SPARE APU PURCHASED ON THE DATE SHOWN* -----	SPARE THRUST REVERSERS SCHEDULE TO BE PURCHASED -----	SPARES PURCHASE PRICE OF A PAIR OF SPARE THRUST REVERSERS PURCHASED ON THE DATE SHOWN* -----
*	*	*	*	*	*	*	*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT Q TO AIRCRAFT SALES AGREEMENT BETWEEN  
 AMERICAN AIRLINES, INC. ("AMERICAN") AND  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

SECTION 2--MD -11 SPARE PARTS PURCHASE DATES, PURCHASE OBLIGATIONS, AND  
 DELIVERY OBLIGATIONS TO BE PURCHASED IN CONJUNCTION WITH DELIVERIES OF  
 PURCHASE OPTION AIRCRAFT SOLD PURSUANT TO THE PURCHASE OPTIONS

Any capitalized term used herein shall have the meaning ascribed to it  
 in the Agreement unless expressly defined herein.

[\*

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MONTH AND YEAR	MD-11 SPARE PARTS PERCENTAGE	MONTH AND YEAR	MD-11 SPARE PARTS PERCENTAGE	MONTH AND YEAR	MD-11 SPARE PARTS PERCENTAGE
-----	-----	-----	-----	-----	-----
*	*	*	*	*	*

\*Blank space contained information which has been filed separately with the  
 Securities and Exchange Commission pursuant to rule 24b-2 under the Securities  
 Exchange Act of 1934.

EXHIBIT Q TO AIRCRAFT SALES AGREEMENT BETWEEN  
 AMERICAN AIRLINES, INC. ("AMERICAN") AND  
 FEDERAL EXPRESS CORPORATION ("FEDEX")  
 DATED APRIL 7, 1995 (THE "AGREEMENT")

SECTION 3-- SPARE ENGINE PURCHASE DATES AND PURCHASE PRICES

Any capitalized term used herein shall have the meaning ascribed to it in the Agreement unless expressly defined herein.

The dates on which FedEx shall purchase from American and American shall sell the Spare Engines to FedEx in conjunction with the sale of the Firm Aircraft and the Spares Purchase Price for each such Spare Engine are as follows:

SPARE ENGINE PURCHASE DATE	SPARE PURCHASE PRICE FOR SPARE ENGINE
-----	-----
*	*

In the event that all the Put Option Aircraft are purchased pursuant to an exercise of the Put Options by American or the Purchase Options by FedEx, FedEx will purchase from American and American will sell to FedEx on the following Spare Engines on the following dates:

ORIGINAL SALE DATE	SPARE PURCHASE PRICE FOR SPARE ENGINE
-----	-----
*	*

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT R  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

PROCEDURES FOR ENGINE BORESCOPE INSPECTIONS CONDUCTED PURSUANT TO  
SECTION 3.02(A) OF THE AGREEMENT

The borescope inspections of Engines to be conducted by FedEx pursuant to Section 3.02(a) of the Agreement shall be conducted in accordance with the procedures set forth in the following Maintenance Work Cards that are set forth in Section 7 (Maintenance Visits, Power Plant Inspect) of the American MD-11 Maintenance Check Manual, copies of which have been previously provided to FedEx by American (the "Work Cards"). Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

CARD NO 4419 ENGINE #1		CARD NO. 4429 ENGINE #2		CARD NO. 4439 ENGINE #3	
CARD PAGE NO.	REVISION DATE	CARD PAGE NO.	REVISION DATE.	CARD PAGE NO.	REVISION DATE.
1	February 8, 1995	1	February 8, 1995	1	February 8, 1995
2	April 21, 1993	2	April 21, 1993	2	April 21, 1993
3	May 4, 1994	3	May 4, 1994	3	May 4, 1994
4	January 19, 1994	4	April 21, 1993	4	April 21, 1993
5	January 19, 1994	5	January 19, 1994	5	January 19, 1994
6	August 19, 1992	6	Sept. 30, 1992	6	Sept. 30, 1992
7	January 19, 1994	7	January 19, 1994	7	January 19, 1994
8	August 19, 1992	8	August 19, 1992	8	August 19, 1992
9	October 6, 1993	9	August 19, 1992	9	Sept. 1, 1994
10	January 19, 1994	10	August 19, 1992	10	August 19, 1992
11	April 10, 1991	11	January 19, 1994	11	January 19, 1994
12	April 10, 1991	12	April 10, 1991	12	April 10, 1991
13	January 19, 1994	13	April 10, 1991	13	April 10, 1991
14	March 25, 1992	14	January 19, 1994	14	January 19, 1994
15	January 19, 1994	15	March 25, 1992	15	March 25, 1992
16	April 10, 1991	16	January 19, 1994	16	January 19, 1994
		17	April 10, 1991	17	April 10, 1994

The procedures set forth in the Work Cards shall not be revised for purposes of determining the procedures to be followed by FedEx in conducting borescope inspections pursuant to Section 3.02(a) of the Agreement with respect to any Engine even if the Work Cards are subsequently revised by American.

EXHIBIT S  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

FORM OF [\* ] AGREEMENT

\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

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\*Blank space contained information which has been filed separately with the Securities and Exchange Commission pursuant to rule 24b-2 under the Securities Exchange Act of 1934.

EXHIBIT T  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

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## TABLE A TO EXHIBIT T

AMERICAN AIRLINES, INC.  
ENGINE HEAVY MAINTENANCE

The following table sets forth the estimated maintenance cost for an HSM, HSC and EHM in the years noted below.

YEAR ----	EHM ---	HSC ---	HSM ---
*	*	*	*

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EXHIBIT U  
TO THAT CERTAIN  
AIRCRAFT SALES AGREEMENT BETWEEN  
FEDERAL EXPRESS CORPORATION ("FEDEX") AND  
AMERICAN AIRLINES, INC. ("AMERICAN")  
DATED APRIL 7, 1995 (THE "AGREEMENT")

CERTIFICATE OF HIGH-HOUR AND HIGH-CYCLE AIRFRAME

This Certificate of High-Hour and High-Cycle Airframe is given by Federal Express Corporation ("FedEx") pursuant to the Agreement. Any capitalized term used herein and not expressly defined herein shall have the meaning ascribed to it in the Agreement.

FedEx hereby certifies that as of the date of this Certificate, (i) the highest flight cycle Airframe delivered to FedEx by American and accepted by FedEx pursuant to the Agreement was the Airframe bearing U.S. Registration No. \_\_\_\_\_ and Manufacturer's Serial No. \_\_\_\_\_ and (ii) such Airframe had \_\_\_\_\_ flight cycles since it was new. In making the determination and certification of the number of flight hours and flight cycles on such Airframe, FedEx is relying, without investigation, on the information concerning the number of flight hours and flight cycles on the Airframe on its Delivery Date contained in the Aircraft Delivery Certificate that American delivered to FedEx in connection with the Delivery of the Aircraft of which the Airframe identified above is a part.

Dated: \_\_\_\_\_

FEDERAL EXPRESS CORPORATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

December 27, 1995

Mr. Howard P. Allen  
Southern California Edison Company  
2244 Walnut Grove Avenue  
Room 428  
Rosemead, CA 91770

Dear Howard:

I'm in receipt of your election to defer the 1996 retainer and meeting fees.

I assume that you want the deferral to be in accordance with the October 6, 1995 letter between AMR and you. That letter governs the payout of the amounts you have deferred to date (see attached -- generally, it's a ten year payout, beginning on December 31, 1996). If I'm correct, please sign below and return the original of this letter to me.

If there are questions, please call.

Very truly yours,

Charles D. Marlett  
Corporate Secretary

Attachment  
Agreed:

Howard P. Allen

Date

February 7, 1996

Mr. Armando M. Codina  
Chairman  
Codina Group, Inc.  
Two Alhambra Plaza, PH2  
Coral Gables, FL 33134

Dear Armando:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees:

1. All directors' fees and retainers payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation ("AMR") and American Airlines, Inc. for the period beginning on January 1, 1996, and ending on December 31, 1996, shall be paid to you on a deferred basis as set forth below.

2. Interest shall be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid inclusive of the aggregate amount of interest accrued shall be paid to you in one lump sum on the first business day of January 2006.

4. AMR's obligation to make payments pursuant to paragraph 3 hereof shall not be released or modified by reason of your death: In the event of your death prior to the first business day of January 2006, the amount deferred and all interest accrued thereon shall be made to Margarita M. Codina.

February 9, 1996

Mr. Charles T. Fisher, III  
Renaissance Center  
Tower 100  
Suite 2412  
Detroit, Michigan 48243

Dear Chick:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees:

1. All directors' fees and retainers payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation ("AMR") and American Airlines, Inc. for the period beginning on and after January 1, 1996, and ending upon December 31, 1996, shall be paid to you on a deferred basis as set forth below.

2. Interest shall be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid on a deferred basis plus the aggregate amount of interest accrued thereon and to accrue on the portion unpaid from time to time shall be paid to you in four installments as follows:

a) on January 1, 2001, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

b) on January 1, 2002, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;



February 23, 1996

Mr. Charles H. Pistor, Jr.  
Intersolve Group, Inc.  
3811 Turtle Creek Boulevard  
Suite 300  
Dallas, Texas 75219

Dear Charlie:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees:

1. All directors' fees and retainers payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation ("AMR") and American Airlines, Inc. for the period beginning on and after January 1, 1996, and ending upon December 31, 1996, shall be paid to you on a deferred basis as set forth below.

2. Interest shall be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid on a deferred basis plus the aggregate amount of interest accrued thereon and to accrue on the portion unpaid from time to time shall be paid to you in four installments as follows:

a) on January 1, 2000, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

b) on January 1, 2001, 25% of the deferred fees and 25% of the interest accrued through December 31 of the immediately preceding year;

YEAR	DEC-31-1995	JAN-01-1995	DEC-31-1995
			82
		819	
		1,171	
		18	
		589	
		3,137	
		6,659	20,224
		19,556	
	4,693		0
			2,315
	78		0
			1,327
19,556			0
	16,910		0
			0
		15,362	
		533	
		0	
		684	
		358	
		162	
	196		
		0	
		(29)	
			0
		167	
		2.11	
		2.11	