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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
For fiscal year ended December 31, 2002.

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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
9.00% Debentures due 2016	New York Stock Exchange
7.875% Public Income Notes due 2039	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 o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 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. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No o

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 28, 2002, was approximately $2.6 billion. As of March 31, 2003, 156,363,115 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 21, 2003.

PART I

ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's operations fall almost entirely in the airline industry. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. (through a wholly owned subsidiary, TWA Airlines LLC (TWA LLC)) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, Inc., including TWA LLC (collectively, American), is the largest scheduled passenger airline in the world. At the end of 2002, American provided scheduled jet service to more than 152 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system.

In addition, AMR Eagle Holding Corporation (AMR Eagle), a wholly-owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle"—American Eagle Airlines, Inc. and Executive Airlines, Inc. (Executive) (collectively the American Eagle carriers). In addition, American contracts with three independently owned regional airlines which do business as the "AmericanConnection" (the AmericanConnection carriers). The American Eagle carriers and the AmericanConnection carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

AMR Investment Services, Inc. (AMR Investment), a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of assets of AMR's defined benefit and defined contribution plans, as well as its short-term investments. It serves as manager of the American AAdvantage Funds, a family of mutual funds with both institutional and retail shareholders, and provides customized fixed income portfolio management services. As of December 31, 2002, AMR Investment was responsible for management of approximately $29.6 billion in assets, including direct management of approximately $17.0 billion in short-term fixed income investments. The Company is actively pursuing a possible sale of AMR Investment.

A. Recent Events

The past two years have had a large impact on the Company's finances. The Company incurred aggregate operating losses of $3.3 billion and $2.5 billion for the years ended December 31, 2002 and 2001, respectively. These losses reflect, among other things, the substantial decrease in the Company's revenues which began in early 2001. On reduced capacity since the events of September 11, 2001, the Company's revenues for the year ended December 31, 2002 were down 8.8 percent, with American's revenue per available seat mile down 7.2 percent on a capacity decrease of 1.4 percent, compared to the year ended December 31, 2001, which included the results of TWA LLC beginning on April 10, 2001.

Revenues

This revenue decrease has been driven by a number of factors, some of which the Company believes will persist indefinitely and others permanently, including:

- *A steep fall-off in the demand for air travel, particularly business travel,* primarily caused by the continuing weakness of the U.S. economy and growing use of travel substitutes such as audio, video, and web conferencing. Because the Company has in recent years tailored its network, product, schedule and pricing strategies to the business travel market, reduced demand for business travel has affected the Company more than most other carriers. In addition, the war in Iraq has had a significant adverse impact on international and domestic revenues and future bookings. This adverse impact is expected to continue for the duration of the war and for an unknown period of time thereafter; however, the Company cannot reasonably predict the extent of such impact.

- *Reduced pricing power,* resulting mainly from greater cost sensitivity on the part of travelers, especially business travelers, and increasing competition from low-cost carriers (LCCs). The percentage of the Company's routes on which it competes with carriers having substantially lower operating costs has grown significantly over the past decade, and the Company now competes with LCCs on over 80% of its domestic routes. LCCs generally operate with costs per available seat mile that are substantially lower than the Company's, and pursue a strategy of offering low fares that the Company must match or lose traffic. At the same time, the continuous increase in pricing transparency resulting from use of the Internet has enabled cost-conscious customers to more easily obtain the lowest fare on any given route. In addition, the Company must now compete with carriers that are reorganizing under the protection of Chapter 11 of the Bankruptcy Code. Historically, air carriers involved in reorganizations have undertaken substantial fare discounting to maintain cash flows and to enhance customer loyalty. Recent attempts at fare increases by the Company have generally not been successful, and fare sales (including fare sales initiated by carriers in reorganization) have been significant and widespread.

- *The terrorist attacks of September 11, 2001* accelerated and exacerbated the trend of decreased demand and reduced industry revenues. Following September 11, flights to, from and within the United States were not permitted to resume until September 13, 2001 (except for Washington Reagan Airport, which partially reopened on October 4, 2001). When flights resumed, demand dropped sharply from already reduced levels, due in part to fears of further attacks and inconvenience to travelers caused by increased government-imposed safety measures.

- *American's international route network* is directed to providing service to the U.K. (including London Heathrow), Latin America and the Caribbean, where demand has been weak compared to continental Europe and the Pacific. In addition, routes to San Juan, Puerto Rico, which are included in the Company's domestic results, have been particularly impacted by an increase in industry capacity and competition from new LCC service.

- *Security service fees* imposed by the Aviation and Transportation Security Act increased the cost of travel to the passenger, thereby dampening the Company's ability to otherwise raise fares.

Costs

In reaction to this harsh revenue environment, the Company has taken numerous steps to reduce its costs:

- Following the terrorist attacks of September 11, 2001, in the third quarter of 2001 the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In connection with this schedule reduction, the Company eliminated approximately 20,000 jobs. However, beginning in the fourth quarter of 2001, in response to increasing demand, the Company began increasing its operating schedule from the significantly reduced schedule it flew immediately following the events of September 11, 2001. The trend towards increasing demand abated in the second quarter of 2002.

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In response to the lingering effects of the terrorist attacks and the continuing economic downturn, on August 13, 2002, the Company announced a series of initiatives to reduce its costs, reduce capacity, simplify its aircraft fleet, and enhance productivity. These initiatives included, among other things, the de-peaking of the Company's Dallas/Fort Worth International Airport hub (following the de-peaking of its Chicago hub), gradually phasing out operation of its Fokker aircraft fleet, and reducing capacity in the fourth quarter of 2002. In addition, the Company eliminated an additional 7,000 jobs to better align its workforce with the planned capacity reductions, fleet simplification and hub restructuring.

Despite the Company's on-going efforts to reduce its costs, the Company faces increased costs attributable to factors largely beyond its control, including:

- Escalating fuel prices, which show no immediate signs of decreasing, in part due to the war in Iraq and domestic turmoil in Venezuela, Nigeria or other oil producing regions. American's average cost per gallon of fuel has risen from 66.5 cents in February 2002 to 91.0 cents in February 2003.

- After the terrorists attacks of September 11, 2001 and continuing to the present, aviation insurers have significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons (other than employees or passengers) for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, the insurance carriers significantly increased the premiums for such limited coverage, as well as for aviation insurance in general. However, the U.S. government has provided commercial war-risk insurance until June 13, 2003 covering losses to employees, passengers, third parties and aircraft. The Company believes this insurance coverage will be extended beyond June 13, 2003 because the Homeland Security Act provides for this insurance to remain in place until August 31, 2003. In addition, the Secretary of Transportation may extend the policy until December 31, 2003, at his discretion.

- The Company has borne significantly increased security costs, mainly due to security measures imposed by the U.S. government following the terrorist attacks of September 11, 2001.

- On April 11-12, 2003, the Senate and House agreed to aviation-related assistance provisions in supplemental appropriations legislation to fund the war in Iraq. The legislation is expected to be signed by President Bush on April 14, 2003. The new law would authorize payment of (i) $100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) $2.3 billion to reimburse air carriers for increased security costs which shall be distributed in proportion to amounts each has paid or collected as of the date of enactment in passenger security and air carrier security fees to the Transportation Security Administration. In addition, the new law would suspend the collection of the passenger security fee from June 1, 2003 until October 1, 2003, and extend war-risk insurance through September 30, 2004. The Company is not able to estimate its portion of this compensation at this time.

The net effect of all of the above factors is that the Company's recent financial results are unsustainable. Given the severity of the Company's financial situation and the Company's belief that a permanent shift has occurred in the airline revenue environment, the Company continues to review its business model, particularly with a view towards identifying significant cost reductions. The Company believes that it must quickly reduce its annual operating costs by at least $4 billion in order to become competitive and sustain its operations. The Company has made progress in identifying more than $2 billion in annual operating cost reductions via initiatives involving: (i) scheduling efficiencies, including de-peaking certain of its hubs as referred to above, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. Even with these initiatives, however, a large shortfall of approximately $2 billion remains between identified annual cost reductions and needed cost reductions.

Labor Agreements

In February 2003, American asked its labor leaders and other employees for approximately $1.8 billion in permanent, annual savings through a combination of changes in wages, benefits and work rules. The requested $1.8 billion in savings is divided by work group as follows: $660 million—pilots, $620 million—Transportation Workers Union (TWU) represented employees, $340 million—flight attendants, $100 million—management and support staff, and $80 million—agents and representatives. On March 31, 2003, the Company reached agreements with the leaders of the three major unions representing American employees (the Labor Agreements) and announced changes in pay plans and benefits for non-unionized employees (including officers and other management) which will meet the targeted contributions. Of the approximately $1.8 billion in savings, approximately $1.0 billion are to be accomplished through wage and benefit reductions while the remaining approximately $.8 billion would be accomplished through changes in work rules which would result in additional job reductions. Wage reductions became effective on April 1, 2003 for officers and will become effective on May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will be phased in over time. In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of approximately 38 million shares of AMR stock in the form of stock options which will generally vest over a three year period (see Note 11 to the consolidated financial statements for additional information). Although these Labor Agreements enabled the Company to avoid an immediate filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code (a Chapter 11 filing), these Labor Agreements must still be ratified by the unions' memberships. At the time of the filing of this Form 10-K, the unions have put the Labor Agreements out for a ratification vote. It is anticipated that the official results of the voting will be formally announced on April 15, 2003. A group of pilots filed a lawsuit on April 14, 2003 contesting the union ratification process. The U.S. District Court in Fort Worth, Texas denied the request for a temporary restraining order. Failure of one or more of the unions to ratify its Labor Agreement would likely lead the Company to initiate a Chapter 11 filing.

In addition, the Company continues to negotiate concessions from its vendors, lessors and suppliers; however, the Company cannot reliably predict whether it will obtain the necessary concessions or for what amount. In return for concessions, the Company plans to deliver shares of AMR common stock to its vendors, lessors and other creditors.

Even if the Labor Agreements are ratified and the Company obtains concessions from its vendors, lessors and suppliers, the Company may nonetheless need to initiate a Chapter 11 filing because its financial condition will remain weak and its prospects uncertain. The fragility of the Company's financial condition is further illustrated by the going concern opinion of the Company's independent auditors (see page 47). Other negative factors include but are not limited to, the failure of the U. S. economy to soon begin a recovery, a prolonged war in Iraq, another terrorist attack, the failure of the Company to satisfy the liquidity requirement in certain of its credit agreements, or the inability of the Company to access the capital markets for additional financing.

B. Other Events

While the Company was still recovering from the terrorist attacks of September 11, 2001, American Airlines flight 587 crashed on November 12, 2001, shortly after take-off from John F. Kennedy International Airport en route to Santo Domingo in the Dominican Republic. In addition to the loss of all lives on board the aircraft, there were several fatalities and injuries to persons on the ground as well as property damage. The National Transportation Safety Board is currently investigating the accident and a cause has yet to be determined. As a result of the accident, claims have been filed against American. It is anticipated that these claims will be covered under American's insurance policy.

C. Competition

The domestic airline industry is fiercely competitive. Currently, any air 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 domestic non-stop routes, the Company faces competing service from at least one, and sometimes more than one, major domestic airline including: Alaska Airlines, America West Airlines, Continental Airlines (Continental), Delta, Northwest Airlines (Northwest), Southwest Airlines, United and US Airways, and their affiliated regional carriers. Competition is even greater between cities that require a connection, where all nine major airlines may compete via their respective hubs. The Company 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, in large part, by competition from other airlines. On over 80 percent of its domestic routes, the Company competes with airlines that have cost structures significantly lower than the Company's and can therefore operate profitably at lower fare levels.

The airline industry is characterized by substantial price competition. Fare discounting by competitors has historically had a negative effect on the Company's financial results because the Company is generally required to match competitors' fares to maintain passenger traffic. During recent years, a number of new LCCs have entered the domestic market and several major airlines, including the Company, implemented efforts to lower their cost structures. In addition, several air carriers have sought to reorganize under Chapter 11 of the United States Bankruptcy Code, including United and US Airways. (Effective March 31, 2003, US Airways emerged from its Chapter 11 restructuring.) Successful completion of such reorganizations has resulted or would result in significantly lower operating costs for the reorganized carriers derived from labor, supply, and financing contracts renegotiated under the protection of the Bankruptcy Code. Historically, air carriers involved in reorganizations have undertaken substantial fare discounting in order to maintain cash flows and enhance customer loyalty. Further fare reductions, domestic and international, may occur in the future. If fare reductions are not offset by increases in passenger traffic, changes in the mix of traffic that improve yields and/or cost reductions, the Company's operating results will be further negatively impacted. As discussed in Part A of Item 1, the Company has stated that its survival cannot be assured until labor and other costs are lowered significantly. See also Part E of Item 1.

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 five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United Air Lines (United) also have hub operations at DFW and Chicago O'Hare, respectively.

The American Eagle carriers increase the number of markets the Company serves by providing connections to American at American's hubs and certain other major airports. The American Eagle carriers serve smaller markets through Boston, DFW, Chicago, Miami, San Juan, Los Angeles, Raleigh Durham and New York's LaGuardia and John F. Kennedy International Airports. The AmericanConnection carriers provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide similar services at their major hubs.

In addition to its extensive domestic service, the Company provides international service to the Caribbean, the Bahamas, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 28 percent of the Company's total operating revenues in 2002 and 2001 and 30 percent of the Company's total operating revenues in 2000. Additional information about the Company's foreign operations is included in Note 16 to the consolidated financial statements.

The majority of the tickets for travel on American and American Eagle are sold by travel agents. On March 18, 2002, American announced that it would no longer pay base commissions on tickets issued by travel agents in the United States, Puerto Rico, and Canada. As discussed in Item 3 Legal Proceedings, the Company is subject to legal challenges related to these changes. Previously, domestic travel agents generally received a base commission of five percent of the price of the tickets they sold, capped at a maximum of $20 for a domestic roundtrip itinerary and $100 for an international roundtrip itinerary. American continues, however, to pay certain commissions to travel agents in connection with special revenue programs. American believes that other carriers also no longer pay base commissions on tickets issued by travel agents but pay certain commissions in connection with their own special revenue programs. Accordingly, airlines compete not only with respect to the price of the tickets sold but also with respect to the amount of special revenue program commissions paid.

The growing use of electronic distribution systems provides the Company with an opportunity to lower its distribution costs. However, the continuous increase in pricing transparency resulting from use of the Internet has enabled cost-conscious customers to more easily obtain the lowest fare on any given route. The Company continues to expand the capabilities of its Internet website—AA.com—and the use of electronic ticketing throughout the Company's network. In addition, the Company, along with United, Continental, Delta and Northwest, owns an interest in Orbitz, a travel planning website. Orbitz provides online access to airline, hotel, car rental and other travel services. The Company also has marketing agreements with other internet travel services.

International air transportation is subject to extensive government regulation. In providing international air transportation, the Company competes with foreign investor-owned carriers, state-owned carriers and U.S. airlines that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations. The Company'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 U.S. Department of Transportation (DOT) and/or 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 policies could result in the alteration or termination of such agreements, diminish the value of such route authorities, or otherwise adversely affect the Company's international operations. Bilateral agreements between the U.S. and various foreign countries served by the Company are subject to renegotiation. In addition, at some foreign airports, an air carrier needs slots (landing and take-off authorizations) before the air carrier can introduce new service or increase existing service. The availability of such slots is not assured and the inability of the Company to obtain and retain needed slots could therefore inhibit its efforts to compete in certain markets.

The major U.S. air carriers have some advantage over foreign competitors in their ability to generate traffic from their extensive domestic route systems. In many cases, however, foreign governments limit U.S. air carriers' rights to carry passengers beyond designated gateway cities in foreign countries. To improve access to each other's markets, various U.S. and foreign air carriers—including American—have established marketing relationships with other airlines and rail companies. American currently has marketing relationships with Aer Lingus, Air Pacific, Air Tahiti Nui, Alaska Airlines, British Airways, Cathay Pacific, China

Eastern Airlines, EL AL, EVA Air, Finnair, Gulf Air, Hawaiian Airlines, Iberia, Japan Airlines, LanChile, LOT Polish Airlines, Qantas Airways, SN Brussels, SNCF, Southern Winds, Swiss International Air Lines, TACA Group, the TAM Group, TAP Air Portugal, Thalys, Trans States, and Turkish Airlines. American Eagle has codesharing programs with Continental, Delta, Midwest Express and Northwest, in addition to codesharing with some of American's codeshare partners. In the coming years, the Company expects to develop these programs further and to evaluate new alliances with other carriers.

American is also a founding member of the **one**world alliance, which includes Aer Lingus, British Airways, Cathay Pacific, Finnair, LanChile, Iberia, and Qantas. The **one**world alliance links the networks of the member carriers to enhance customer service and smooth connections to the destinations served by the alliance, including linking the carriers' frequent flyer programs and access to the carriers' airport lounge facilities. Several of American's major competitors are members of marketing/operational alliances that enjoy antitrust immunity. To the extent that American and British Airways, the largest members of the **one**world alliance, are restricted in their relationship because they lack antitrust immunity, the carriers could be at a competitive disadvantage vis-a-vis other alliances that have antitrust immunity. On November 18, 2002, American and British Airways submitted an application with the DOT for approval of certain codeshare services as permitted under the existing bilateral agreement between the United States and the United Kingdom. On April 9, 2003, the DOT issued an order tentatively giving American and British Airways permission to codeshare on a wide number of flights beyond the carriers' gateways in the United Kingdom and the United States. The ruling provides a comment period until April 21, 2003. The carriers plan to begin codesharing as soon as possible if the order is made final.

The Company believes that it has several advantages relative to its competition. It operates a fleet that is 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, its More Room Throughout Coach program and its superior service also give it a competitive advantage. However, as discussed in Part A of Item 1 of this Report, these competitive advantages are not sufficient in the short-term to overcome the economic difficulties currently facing the Company.

D. Regulation

General The Airline Deregulation Act of 1978, as amended, 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. The DOT maintains jurisdiction over the approval of international codeshare agreements, international route authorities and certain consumer protection and unfair competition matters, such as advertising, denied boarding compensation and baggage liability.

The FAA regulates flying operations generally, including establishing personnel, aircraft and security standards. As part of that oversight, the FAA has implemented a number of requirements that the Company is incorporating into its maintenance programs. These matters relate to, among other things, modifications to improve cockpit security on all fleet-types, enhanced ground proximity warning systems, McDonnell Douglas MD-80 metal-mylar insulation replacement, McDonnell Douglas MD-80 main landing gear piston improvements, Boeing 757 and Boeing 767 pylon improvements, Boeing 737 elevator and rudder improvements, inspections to monitor Airbus A300 vertical stabilizers and Airbus A300 structural improvements. Based on its current implementation schedule, the Company expects to be in compliance with the applicable requirements within the required time periods.

The Department of Justice (DOJ) 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 (NMB) certain regulatory functions with respect to disputes between airlines and labor unions relating to union representation and collective bargaining agreements. In addition, as a result of its international operations and alliances with international carriers, the Company is subject to the jurisdiction and regulations of various foreign agencies.

In November 2001, the Aviation and Transportation Security Act (ATSA) was enacted. The ATSA created a new government agency, the Transportation Security Administration (TSA), which is part of the DOT and is responsible for aviation security. The ATSA mandates that the TSA provide for the screening of all passengers and property, including U.S. mail, cargo, carry-on and checked baggage, and other articles that will be carried aboard a passenger aircraft. The ATSA required all checked baggage to be screened by December 31, 2002. The TSA assumed most passenger screening functions in February 2002, largely by contracting with private-sector security providers. The TSA has since replaced these contractors with its own federal employees. The ATSA also provides for increased security on in cockpits of aircraft and requires federal air marshals to be present on certain flights.

Effective February 1, 2002, the ATSA imposed a $2.50 per enplanement security service fee ($5 one-way maximum fee) which is being collected by the air carriers and submitted to the government to pay for these enhanced security measures. Additionally, for the years 2002, 2003 and 2004, air carriers are required to submit to the government an amount equal to what the air carriers paid for screening passengers and property in 2000. After 2004, this fee may be assessed based on the air carrier's market share. See Part A of Item 1 for a discussion of recent legislation which would provide for the suspension of the passenger security service fee from June 1, 2003 until October 1, 2003.

In addition, the ATSA requires air carriers to honor tickets for suspended service on other air carriers that are insolvent or have declared bankruptcy within 18 months of the passage of the ATSA. To be eligible, a passenger must make arrangements with the air carrier within 60 days after the date on which the passenger's air transportation was suspended. This feature of the ATSA could have a significant impact on the Company. For example, if the Company is not reimbursed for honoring such tickets, the impact could be adverse.

As described in Item 3—Legal Proceedings, the Antitrust Division of the DOJ and several purported classes of private parties are pursuing litigation alleging that American and American Eagle violated federal antitrust laws when competing with new air carriers. In April 2001, the U.S. District Court for the District of Kansas granted American's motion for summary judgment and dismissed the government's case. The DOJ has appealed and in September 2002 oral arguments were heard before the 10^{th} Circuit Court of Appeals. The private lawsuits have been stayed pending the outcome of the DOJ's appeal. Adverse court decisions could impose restrictions on the Company's ability to respond to competitors, or could result in awards of substantial money damages to private parties, in which case the Company's business could be adversely impacted.

Airline 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 sometimes subject to the jurisdiction of the governments of the foreign countries which the Company serves. While air carriers are required to file and adhere to international fare and rate tariffs, substantial commissions, overrides and discounts to travel agents, brokers and wholesalers characterize many international markets.

Legislation (sometimes referred to as the "Passengers' Bill of Rights") has been discussed in various legislatures (including the Congress). This legislation could, if enacted: (i) place various limitations on airline fares and/or (ii) affect operating practices such as baggage handling and overbooking. Effective December 15, 1999, the Company, as well as other domestic airlines, implemented a Customer Service Plan to address a number of service goals, including, but not limited to, goals relating to: (i) lowest fare availability, (ii) delays, cancellations and diversion events, (iii) baggage delivery and liability, (iv) guaranteed fares, (v) ticket refunds, (vi) accommodation of customers with special needs, (vii) essential customer needs during extraordinary delays, (viii) flight oversales, (ix) Frequent Flyer Program—AAdvantage, (x) other travel policies, (xi) service with domestic codeshare partners, and (xii) handling of customer issues. In February 2001, the DOT Inspector General issued a report on the various air carriers' performance of their Customer Service Plans. The report included a number of recommendations which could limit the Company's flexibility with respect to various operational practices. In February 2001, a bill proposing an "Airline Customer Service Improvement Act" was introduced in the U.S. Senate. In addition, other items of legislation have been introduced that would limit hub concentration, reallocate slots at certain airports and impose higher landing fees at certain hours. To the extent legislation is enacted that would inhibit the Company's flexibility with respect to fares, its revenue management system, its operations or other aspects of its customer service operations, the Company's financial results could be adversely affected.

Airport Access In 1968, the FAA issued a rule designating New York John F. Kennedy, New York LaGuardia, Washington National (now Washington Reagan), Chicago O'Hare and Newark airports as high-density traffic airports. Newark was subsequently removed from the high-density airport classification. The high-density rule limits the number of Instrument Flight Rule operations—take-offs and landings—permitted per hour and requires that a slot support each operation. In April 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (Air 21 Act) was enacted which: (i) eliminates slot restrictions at New York John F. Kennedy and New York LaGuardia airports in 2007, (ii) shrank Chicago O'Hare's slot day from 0645 - 2114 hours to 1445 - 2014 hours starting July 2001, and (iii) eliminated Chicago O'Hare slots in July 2002. The Company does not expect the elimination of these slot restrictions to have a material adverse impact on the Company's operations or its financial condition, results of operations or cash flows.

Currently, the FAA permits the purchasing, selling, leasing or transferring of slots except those slots designated as international, essential air service or Air 21 Act. Trading of any slot is permitted subject to certain parameters. Most foreign airports, including London Heathrow, a major European destination for American, also have slot allocations. Most foreign authorities do not permit the purchasing, selling or leasing of slots.

Although the Company is constrained by slots, it 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. However, there is no assurance that the Company will be able to obtain slots for these purposes in the future because, among other factors, domestic 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.

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 nighttime curfews. The ANCA generally requires FAA approval of local noise restrictions on aircraft. While the Company has had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, the Company'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) at the Operating Industries, Inc. Superfund Site in California. Along with numerous other PRPs at the Operating Industries Site, American has signed a series of partial consent decrees and a final consent decree with respect to the cleanup of contamination at that location. American is participating with other PRPs in a Joint Defense Group and has signed an EPA Consent Decree along with other group members. The decree will enable American to resolve its past and present liabilities at the Site in exchange for a one-time, lump-sum settlement payment. The Company expects the decree to become final in 2003 after completion of a public notice and comment period.

The EPA identified American as a PRP at the Mattiace Petrochemical Superfund Site located near Glen Cove, NY. American's alleged volumetric contributions are substantial when compared with those of other PRPs. American is participating with other PRPs in a Joint Defense Group that is actively conducting settlement negotiations with the EPA and the State of New York. The Joint Defense Group seeks a settlement on behalf of its members that will enable American to resolve its past and present liabilities at the Site in exchange for a one-time, lump-sum settlement payment.

American, along with most other tenants at the San Francisco International Airport (SFIA), 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. SFIA is also seeking to recover its past costs related to the contamination from the tenants.

Miami-Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American and AMR Eagle have been named PRPs for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American, in an attempt to recover its past and future cleanup costs (Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs 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 Company is vigorously defending the lawsuit.

In 1999, American was ordered by the New York State Department of Environmental Conservation (NYSDEC) to conduct remediation of environmental contamination located at Terminals 8 and 9 at New York's John F. Kennedy International Airport (JFK). In 2002, American began negotiating an order with

NYSDEC for the remediation of a JFK off-terminal hangar facility. American is seeking to recover a portion of the remediation costs from previous users of the Terminals 8 and 9 premises.

Also in 1999, the Company entered a plea agreement with the U.S. Government with respect to a one count indictment relating to the storage of hazardous materials. As part of the plea agreement, the Company was placed on probation for three years and adopted a comprehensive compliance program. The probation period ended in 2002.

In 1996, American and Executive, along with other tenants at the Luis Munoz Marin International Airport in San Juan, Puerto Rico were notified by the Port Authority that it considered them potentially responsible for environmental contamination at the airport. Since 1996, no further action has been taken against American or Executive.

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

The Company does not expect these matters, individually or collectively, to have a material impact on its financial condition, results of operations or cash flows.

E. Labor

The airline business is labor intensive. Wages, salaries and benefits represented approximately 41 percent of the Company's consolidated operating expenses for the year ended December 31, 2002. The Company's average equivalent number of employees for the year ended December 31, 2002 was 109,600.

Because of, among other things, the continuing adverse economic climate, increased competition from LCCs, the continuing threat of terrorist actions and the war in Iraq, the airline industry, including American, continues to be in severe distress. This has already caused two major carriers, United Air Lines, and USAirways, to file for protection under Chapter 11 of the Bankruptcy Code. Through the Chapter 11 process, USAirways has reached permanent agreements with their unions and United has reached temporary agreements with their unions changing the rates of pay, benefits, and work rules applicable to their unionized employees. (Effective March 31, 2003, US Airways emerged from Chapter 11 reorganization.) Those changes give those carriers a significant cost advantage, as compared to American and their other competitors. All of these factors make it crucial that American dramatically and quickly reduce its costs to remain competitive. American has made a large number of business changes which will reduce its annual costs by more than $2 billion. However, it believes that at least an additional $2 billion in cost reductions must occur and that most of that must come from long-term labor cost reductions. In February 2003, American asked its labor leaders and employees for approximately $1.8 billion in permanent, annual savings through a combination of changes in wages, benefits and work rules. On March 31, 2003, the Company reached agreements with the leaders of the three major unions representing American employees and announced changes in pay plans and benefits for non-unionized employees (including officers and other management) which will meet the targeted contributions. Of the approximately $1.8 billion in savings, approximately $1.0 billion are to be accomplished through wage and benefit reductions while the remaining approximately $.8 billion would be accomplished through changes in work rules which would result in additional job reductions. Wage reductions became effective on April 1, 2003 for officers and will become effective on May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will be phased in over time. In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of approximately 38 million shares of AMR stock in the form of stock options which will generally vest over a three year period (see Note 11 to the consolidated financial statements for additional information). Although these Labor Agreements enabled the Company to avoid an immediate filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code (a Chapter 11 filing), these Labor Agreements must still be ratified by the unions' memberships. At the time of the filing of this Form 10-K, the unions have put the Labor Agreements out for a ratification vote. It is anticipated that the official results of the voting will be formally announced on April 15, 2003. A group of pilots filed a lawsuit on April 14, 2003 contesting the union ratification process. The U.S. District Court in Fort Worth, Texas denied the request for a temporary restraining order. Failure of one or more of the unions to ratify its Labor Agreement would likely lead the Company to initiate a Chapter 11 filing. See Labor Agreements in Part A of Item 1 for a discussion of other factors that may adversely affect the Company.

The majority of the Company's employees are represented by labor unions and covered by collective bargaining agreements. The Company's relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among the Company and these organizations generally 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 in the manner described in the agreement. 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 declare at some 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 by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of workers to replace strikers.

American reached a new contract with the Association of Professional Flight Attendants (APFA) during 2001. The new contract becomes amendable on November 30, 2004.

American reached new agreements with the TWU during 2001 concerning the eight employee groups represented by the TWU. The new agreements become amendable on March 1, 2004.

The APA agreement became amendable August 31, 2001.

However, if the Labor Agreements discussed above and in Part A of Item 1 are ratified, the new APFA, TWU and APA agreements will not become amendable until 2009.

A provision in the scope clause of American's current contract with the APA limits the number of available seat miles (ASMs) and block hours that may be flown under American's marketing code (AA) by American's regional carrier partners when American pilots are on furlough (the ASM cap). To ensure that American remained in compliance with the ASM cap, American and American Eagle took several steps in 2002 to reduce the number of ASMs flown by American's commuter air carriers. As one of those measures, AMR Eagle signed a letter of intent to sell Executive Airlines, its San Juan-based subsidiary. In December 2002, American and the APA began discussions on the contract limitations found in the scope clause. The APA agreed that American would have temporary relief from compliance with the ASM cap while those discussions continued. That relief, coupled with other actions taken by American and American Eagle, will enable American Eagle to defer the sale until later in 2003.

Another provision in the current APA contract limits to 67 the total number of regional jets with more than 44 seats that can be flown under the AA code by American's regional carrier partners. As AMR Eagle continues to accept previously-ordered Bombardier and Embraer regional jets this cap would be reached in early 2003. To ensure that American remains in compliance with the 67-aircraft cap, AMR Eagle has reached an agreement to dispose of 14 Embraer ERJ-145 aircraft from its fleet. The Company expects that these aircraft will be acquired by Trans States Airlines, an AmericanConnection carrier, which will operate these aircraft under the Trans States Airlines marketing code (AX) at its St. Louis hub.

If the Labor Agreement reached with the APA on March 31, 2003 is ratified, the provisions in the APA contract described in the immediately preceding two paragraphs will be modified to give the Company more flexibility with its American Eagle operations.

The Air Line Pilots Association (ALPA), which represents American Eagle pilots, reached agreement with American Eagle effective September 1, 1997, to have all of the pilots of the Eagle carriers covered by a single collective bargaining agreement. This agreement lasts until October 31, 2013. The agreement provides to the parties the right to seek limited changes in 2000, 2004, 2008 and 2012. If the parties are unable to agree on the limited changes, they also agreed that the issues would be resolved by interest arbitration, without the exercise of self-help (such as a strike). ALPA and American Eagle negotiated a tentative agreement in 2000, but that agreement failed in ratification. Thereafter, the parties participated in interest arbitration. The interest arbitration panel determined the limited changes which should be made and these changes were appropriately effected.

The Association of Flight Attendants (AFA), which represents the flight attendants of the Eagle carriers, reached agreement with American Eagle effective March 2, 1998, to have all flight attendants of the American Eagle carriers covered by a single contract. The agreement became amendable on September 2, 2001. However, the parties agreed to commence negotiations over amendments to the agreement in March 2001. The parties are still engaged in direct negotiations. The other union employees at the American Eagle carriers are covered by separate agreements with the TWU which were effective April 28, 1998, and are amendable April 28, 2003. American Eagle and the TWU have already commenced negotiations.

The non-union employees formerly with TWA LLC have largely been integrated into the Company's work force. The integration of unionized employees from TWA LLC who had to be integrated into unionized groups at American has been more complex. The Company first engaged facilitators to work with American's and TWA LLC's unions in attempting to reach integration agreements acceptable to all unions from both carriers. Unfortunately, those discussions were unable to produce agreements acceptable to the relevant unions at both carriers. American thereafter had separate discussions with the unions at American. It reached integration agreements with the APA (with respect to pilot integration) and the APFA (with respect to flight attendant integration). American and the TWU participated in arbitration, which process resolved certain unionized ground employee integration issues in late February and early March 2002. In early April, 2002, the NMB declared American and TWA LLC a single carrier for labor relations purposes and designated American's incumbent unions as the collective bargaining representatives of the relevant work groups at both American and TWA LLC. Since American's unions thereafter represented the relevant employees at both carriers, the integration mechanisms reached with the unions at American could then begin to be applied. The integration of the unionized work groups is occurring in accordance with those mechanisms.

F. Fuel

The Company's operations are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 2000 through 2002 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Percent of AMR's Operating Expenses
2000	3,197	2,495	78.1	13.6
2001	3,461	2,888*	81.4*	13.5
2002	3,345	2,562*	76.2*	12.4

* The amounts for 2002 and 2001 reflect the January 1, 2001 adoption of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133); the 2000 amounts do not. See a further discussion of the impact of SFAS 133 to the Company in Note 9 to the consolidated financial statements.

The impact of fuel price changes on the Company and its competitors is dependent upon various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices, which has had the effect of reducing the Company's average cost per gallon. During 2002, 2001 and 2000, the Company's fuel hedging program reduced the Company's fuel expense by approximately $4 million, $29 million and $545 million, respectively. To reduce the impact of potential fuel price increases in 2003, as of December 31, 2002, the Company had hedged approximately 32 percent of its estimated 2003 fuel requirements. Based on projected fuel usage, the Company estimates that a 10 percent increase in the price per gallon of fuel as of December 31, 2002 would result in an increase to aircraft fuel expense of approximately $205 million in 2003, net of fuel hedge instruments outstanding at December 31, 2002. The decline in the Company's credit rating, as discussed in Liquidity and Capital Resources of Item 7, has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future. Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, any potential benefit of lower fuel prices may be offset by increased fare competition and lower revenues for all air carriers.

While the Company does not currently 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. In the event there is an outbreak of hostilities or other conflicts in oil producing areas or elsewhere, such as the war in Iraq or domestic turmoil, as recently seen in Venezuela and Nigeria, there could be reductions in the production and/or importation of crude oil and/or significant increases in the cost of fuel. If there were major reductions in the availability of jet fuel or significant increases in its cost, the Company's business, as well as that of the entire industry, would be adversely affected.

Additional information regarding the Company's fuel program is included in Item 7(A)—Quantitative and Qualitative Disclosures about Market Risk and in Note 9 to the consolidated financial statements.

G. 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 using services of other program participants, including bank credit card issuers, hotels and car rental and phone service companies. American sells mileage credits and related services 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, 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 capacity controlled seating. Miles do not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American uses the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. 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. These estimates are generally updated based upon the Company's 12-month historical average of such costs. 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.

Revenue earned from selling AAdvantage miles to other companies participating in American's frequent flyer program is recognized in two components. The first component represents the revenue for air transportation sold and is valued at current market rates. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized immediately.

At December 31, 2002 and 2001, American estimated that approximately 9.3 million and 8.7 million free travel awards, respectively, were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, 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 are not expected to ever be redeemed for free travel on American. The resulting liability was approximately $1.2 billion and $1.1 billion, representing 16.2 percent and 14.9 percent of AMR's total current liabilities, at December 31, 2002 and 2001, respectively.

The number of free travel awards used for travel on American and American Eagle in 2002 was 3.5 million, representing approximately 8.1 percent of passengers boarded. Comparatively, the number of free travel awards used for travel on American and American Eagle (excluding TWA LLC) was 2.7 million in 2001 and 2.8 million in 2000, representing approximately 7.4 percent of total passengers boarded in 2001 and 7 percent in 2000 (excluding TWA LLC). The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

H. Other Matters

Seasonality and Other Factors The Company'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.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fears of terrorism or war, 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, 2002 is included in Note 18 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 the Company.

Insurance The Company 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.

As a result of the September 11, 2001 events, aviation insurers have significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, they significantly increased the premiums for such coverage as well as for aviation insurance in general.

The U.S. government has provided commercial war-risk insurance for U.S. based airlines until June 13, 2003 covering losses to employees, passengers, third parties and aircraft. The Company believes this insurance coverage will be extended beyond June 13, 2003 because the Homeland Security Act provides for this insurance to remain in place until August 31, 2003. In addition, the Secretary of Transportation may extend the policy until December 31, 2003, at his discretion. See Part A of Item 1 for a discussion of recent legislation which would provide for the extension of war-risk insurance through September 30, 2004.

In the event the commercial insurance carriers further reduce the amount of insurance coverage available to the Company or significantly increase the cost of aviation insurance, or if the Government fails to renew the war-risk insurance that it provides, the Company's operations and/or financial position and results of operations would be materially adversely affected.

Other Government Matters In time of war or during an unlimited national emergency or civil defense emergency, American and other air carriers can be required to provide airlift services to the Air Mobility Command under the Civil Reserve Air Fleet program (CRAF). The Air Mobility Command, which runs CRAF, has activated stage one of CRAF as part of the U.S. government's build-up for military action in Iraq and has notified American that it requires five airplanes including three 777s and two 767-300s with crews. American has been planning for the potential activation of stage one of CRAF and is having no problems meeting its current CRAF obligations. If the Air Mobility Command activates stage two of CRAF, American will be obligated to provide up to 18 additional aircraft. In the event the Company has to provide a substantial amount of additional services, its operations could be adversely impacted.

Available Information The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 available free of charge on its website, www.amrcorp.com, as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission.

ITEM 2. PROPERTIES

Flight Equipment

Owned and leased aircraft operated by the Company at December 31, 2002 included:

Equipment Type	Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Average Age (Years)
American Airlines Aircraft*						
Airbus A300-600R	178/250/251	10	—	24	34	13
Boeing 737-800	134	67	—	10	77	3
Boeing 757-200	168/176	84	9	58	151	8
Boeing 767-200	160	8	—	—	8	20
Boeing 767-200 Extended Range	158	9	12	—	21	17
Boeing 767-300 Extended Range	190/213/228	31	7	11	49	10
Boeing 777-200 Extended Range	223/236/245	43	—	—	43	2
Fokker 100	87	70	—	4	74	10
McDonnell Douglas MD-80	129/131	146	42	174	362	14
Total		468	70	281	819	11
AMR Eagle Aircraft						
ATR 42	46	19	—	7	26	12
Bombardier CRJ-700	70	8	—	—	8	1
Embraer 135	37	40	—	—	40	3
Embraer 140	44	43	—	—	43	1
Embraer 145	50	50	—	—	50	3
Super ATR	64/66	40	—	2	42	8
Saab 340B	34	13	39	—	52	11
Saab 340B Plus	34	—	—	25	25	7
Total		213	39	34	286	7

* American Airlines aircraft totals include 27 Boeing 757-200s and 103 McDonnell Douglas MD-80s that were formerly TWA aircraft

In addition, the following owned and leased aircraft were not operated by the Company as of December 31, 2002: seven owned Boeing 727-200s, 14 operating leased Boeing 717-200s, 11 operating leased McDonnell Douglas DC-9s, six owned McDonnell Douglas DC-10-10s, four operating leased McDonnell Douglas MD-80s, eight operating leased Boeing 767-300s, six owned Embraer 145s and 16 capital leased and two owned Saab 340Bs.

Of the non-operating aircraft discussed above, five McDonnell Douglas DC-10-10 aircraft were being leased to Hawaiian Airlines, Inc. (Hawaiian) as of December 31, 2002 and six Embraer 145 aircraft are currently being leased to Trans States Airlines (Trans States). Upon termination of the lease agreement with Hawaiian, the Company has agreed to sell the remaining six McDonnell Douglas DC10-10 aircraft to FedEx Corporation in 2003. In addition, Trans States has agreed to acquire a total of 14 Embraer 145 aircraft from the Company, including the six non-operating Embraer 145s discussed above, in 2003. The Company is actively marketing its remaining non-operating aircraft and does not anticipate bringing these aircraft back into its operations.

Of the operating aircraft in the above table, 28 McDonnell Douglas MD-80s, eight Boeing 767-200s and six Boeing 767-200ERs will be placed in temporary storage beginning in 2003.

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms for leased aircraft and amortization relating to aircraft under capital leases, see Notes 1 and 7 to the consolidated financial statements.

Lease expirations for the leased aircraft included in the preceding table as of December 31, 2002, are:

Equipment Type	2003	2004	2005	2006	2007	2008 and Thereafter
American Airlines Aircraft						
Airbus A300-600R	—	—	—	—	—	24
Boeing 737-800	—	—	—	—	—	10

Boeing 757-200	1	13	—	—	15	38
Boeing 767-200 Extended Range	—	—	—	—	—	12
Boeing 767-300 Extended Range	—	5	—	2	—	11
Fokker 100	—	—	—	—	—	4
McDonnell Douglas MD-80	2	5	23	—	1	185
	3	23	23	2	16	284
AMR Eagle Aircraft						
ATR 42	7	—	—	—	—	—
Super ATR	—	2	—	—	—	—
Saab 340B	—	—	19	17	3	—
Saab 340B Plus	—	—	—	8	9	8
	7	2	19	25	12	8

Substantially all of the Company'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 amount. The Company does not intend to purchase or extend the lease term on any aircraft with lease expirations in 2003.

Ground Properties

The Company leases, or has built as leasehold improvements on leased property, most of its airport and terminal facilities; maintenance and training facilities in Fort Worth, Texas; its principal overhaul and maintenance bases at Tulsa International Airport (Tulsa, Oklahoma), Kansas City International Airport (Kansas City, Missouri) and Alliance Airport (Fort Worth, Texas); 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; the New York City Industrial Development Agency; and the Dallas/Fort Worth, Chicago O'Hare, Newark, San Juan, and Los Angeles airport authorities to provide funds for constructing, improving and modifying facilities and acquiring equipment which are or will be leased to the Company. The Company also uses 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 and 7 to the consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

On July 26, 1999, a class action lawsuit was filed, and in November 1999 an amended complaint was filed, against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, Airlines Reporting Corporation, and the Sabre Group Holdings, Inc. in the United States District Court for the Central District of California, Western Division (Westways World Travel, Inc. v. AMR Corp., et al.). The lawsuit alleges that requiring travel agencies to pay debit memos to American for violations of American's fare rules (by customers of the agencies): (1) breaches the Agent Reporting Agreement between American and AMR Eagle and the plaintiffs; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The as yet uncertified class includes all travel agencies who have been or will be required to pay money to American for debit memos for fare rules violations from July 26, 1995 to the present. The plaintiffs seek to enjoin American from enforcing the pricing rules in question and to recover the amounts paid for debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. A final adverse court decision could impose restrictions on the Company's relationships with travel agencies which, restrictions could have an adverse impact on the Company.

On May 13, 1999, the United States (through the Antitrust Division of the Department of Justice) sued AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in federal court in Wichita, Kansas (United States v. AMR Corporation, et al, No. 99-1180-JTM, United States District Court for the District of Kansas). The lawsuit alleges that American unlawfully monopolized or attempted to monopolize airline passenger service to and from Dallas/Fort Worth International Airport (DFW) by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. The Department of Justice seeks to enjoin American from engaging in the alleged improper conduct and to impose restraints on American to remedy the alleged effects of its past conduct. On April 27, 2001, the U.S. District Court for the District of Kansas granted American's motion for summary judgment. On June 26, 2001, the U.S. Department of Justice appealed the granting of American's motion for summary judgment (United States v. AMR Corporation, et al, No. 01-3203, United States District Court of Appeals for the Tenth Circuit), and on September 23, 2002, the parties presented oral arguments to the 10th Circuit Court of Appeals, which has not yet issued its decision. The Company intends to defend the lawsuit vigorously. A final adverse court decision imposing restrictions on the Company's ability to respond to competitors would have an adverse impact on the Company.

Between May 14, 1999 and June 7, 1999, seven class action lawsuits were filed against AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in the United States District Court in Wichita, Kansas seeking treble damages under federal and state antitrust laws, as well as injunctive relief and attorneys' fees (King v. AMR Corp., et al.; Smith v. AMR Corp., et al.; Team Electric v. AMR Corp., et al.; Warren v. AMR Corp., et al.; Whittier v. AMR Corp., et al.; Wright v. AMR Corp., et al.; and Youngdahl v. AMR Corp., et al.). Collectively, these lawsuits allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. Two of the suits (Smith and Wright) also allege that American unlawfully monopolized or attempted to monopolize airline passenger service to and from DFW by offering discounted fares to corporate purchasers, by offering a frequent flyer program, by imposing certain conditions on the use and availability of certain fares, and by offering override commissions to travel agents. The suits propose to certify several classes of consumers, the broadest of which is all persons who purchased tickets for air travel on American into or out of DFW from 1995 to the present. On November 10, 1999, the District Court stayed all of these actions pending developments in the case brought by the Department of Justice (see above description). As a result, to date no class has been certified. The Company intends to defend these lawsuits vigorously. One or more final adverse court decisions imposing restrictions on the Company's ability to respond to competitors or awarding substantial money damages would have an adverse impact on the Company.

On May 17, 2002, the named plaintiffs in Hall, et al. v. United Airlines, et al., pending in the United States District Court for the Eastern District of North Carolina, filed an amended complaint alleging that between 1995 and the present, American and over 15 other defendant airlines conspired to reduce commissions paid to U.S.-based travel agents in violation of Section 1 of the Sherman Act. The court granted class action certification to the plaintiff on September 17, 2002, defining the plaintiff class as all travel agents in the United States, Puerto Rico, and the United States Virgin Islands, who, at any time from October 1, 1997 to the present, issued tickets, miscellaneous change orders, or prepaid ticket advices for travel on any of the defendant airlines. The case is stayed as to US Airways and United Air Lines, since they filed for bankruptcy. American is vigorously defending the lawsuit. Defendant carriers filed a motion for summary judgment on December 10, 2002. Trial is set for September 02, 2003. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies or practices would have an adverse impact on the Company.

On April 26, 2002, six travel agencies filed Albany Travel Co., et al. v. Orbitz, LLC, et al., in the United States District Court for the Central District of California against American, United Air Lines, Delta Air Lines, and Orbitz, LLC, alleging that American and the other defendants: (i) conspired to prevent travel agents from acting as effective competitors in the distribution of airline tickets to passengers in violation of Section 1 of the Sherman Act; and (ii) conspired to monopolize the distribution of common carrier air travel between airports in the United States in violation of Section 2 of the Sherman Act. The named plaintiffs seek to certify a nationwide class of travel agents, but no class has yet been certified. American is vigorously defending the lawsuit. On November 25, 2002, the District Court stayed this case pending a judgment in Hall et. al. v. United Airlines, et. al. (see above description). A final adverse court decision awarding substantial money damages or placing restrictions on the Company's distribution practices would have an adverse impact on the Company.

On April 25, 2002, a collection of 38 Quebec travel agencies filed Voyages Montambault (1989), Inc. v. International Air Transport Association, et al., seeking a declaratory judgment of the Superior Court in Montreal, Canada that American and the other airline defendants owe a "fair and reasonable commission" to the agencies, and that American and the other airline defendants breached alleged contracts with these agencies by adopting policies of not paying base commissions. The defendants are the International Air Transport Association, the Air Transport Association, Air Canada, American, America West, Delta Air Lines, Grupo TACA, Northwest Airlines/KLM Airlines, United Air Lines, US Airways, and Continental Airlines. American is vigorously defending the lawsuit. A final adverse court decision granting declaratory relief could expose the Company to claims for substantial money damages or force the Company to pay agency commissions, either of which would have an adverse impact on the Company.

On May 13, 2002, the named plaintiffs in Always Travel, et. al. v. Air Canada, et. al., pending in the Federal Court of Canada, Trial Division, Montreal, filed a statement of claim alleging that between 1995 and the present, American, the other defendant airlines, and the International Air Transport Association conspired to reduce commissions paid to Canada-based travel agents in violation of Section 45 of the Competition Act of Canada. The named plaintiffs seek to certify a nationwide class of travel agents. Plaintiffs' motion for certification is set for hearing on September 2, 2003. American is vigorously defending the lawsuit. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies would have an adverse impact on the Company.

On August 14, 2002, a class action lawsuit was filed against American Airlines, Inc. in the United States District Court for the Central District of California, Western Division (All World Professional Travel Services, Inc. v. American Airlines, Inc.). The lawsuit alleges that requiring travel agencies to pay debit memos for refunding tickets after September 11, 2001: (1) breaches the Agent Reporting Agreement between American and plaintiff; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The as yet uncertified class includes all travel agencies who have or will be required to pay moneys to American for an "administrative service charge," "penalty fee," or other fee for processing refunds on behalf of passengers who were unable to use their tickets in the days immediately following the resumption of air carrier service after tragedies on September 11, 2001. The plaintiff seeks to enjoin American from collecting the debit memos and to recover the amounts paid for the debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. Although the Company believes that the litigation is without merit, an adverse court decision could impose restrictions on the Company's relationships with travel agencies which restrictions could have an adverse impact on the Company.

On August 19, 2002, a U.S. travel agency filed Power Travel International, Inc. v. American Airlines, Inc., et al., in New York state court against American, Continental Airlines, Delta Air Lines, JetBlue Airways, United Air Lines, and Northwest Airlines, alleging that American and the other defendants breached their contracts with the agency as well as the duty of good faith and fair dealing when these carriers at various times reduced base commissions to zero. The plaintiff seeks to certify a nationwide class of travel agents, but no class has yet been certified. The plaintiff dismissed JetBlue from the lawsuit, and the remaining defendants removed the lawsuit to the United States District Court for the Southern District of New York. The case is stayed as to United Air Lines, since it filed for bankruptcy. American is vigorously defending the lawsuit, and has filed a motion to dismiss it. A final adverse court decision awarding substantial money damages or forcing the Company to pay agency commissions would have an adverse impact on the Company.

Miami-Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American Airlines, Inc. and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American Airlines, Inc., in an attempt to recover its past and future cleanup costs (Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs 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 Company 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, 2002.

Executive Officers of the Registrant

The following information relates to the executive officers of AMR as of December 31, 2002 unless otherwise noted.

Donald J. Carty	Mr. Carty was elected Chairman and Chief Executive Officer of AMR and American in May

	1998. He served as President of American from March 1995 to April 2002. Prior to that, he served as Executive Vice President of AMR from October 1989 to March 1995. Except for two years service as President and CEO 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 56.
Gerard J. Arpey	Mr. Arpey was elected President and Chief Operating Officer of AMR and American in April 2002. He served as Executive Vice President — Operations of American from January 2000 to April 2002, Chief Financial Officer of AMR from 1995 through 2000 and Senior Vice President of American from 1992 to January 2000. Prior to that, he served in various management positions at American since 1982. Age 44.
Daniel P. Garton	Mr. Garton was elected Executive Vice President — Marketing in September 2002. He is also an Executive Vice President of AMR. He served as Executive Vice President — Customer Services of American from January 2000 to September 2002 and Senior Vice President — Customer Services of American from 1998 to January 2000. Prior to that, he served as President of AMR Eagle from 1995 to 1998. Except for two years service as Senior Vice President and CFO of Continental Airlines between 1993 and 1995, he has been with the Company in various management positions since 1984. Age 45.
Jeffrey C. Campbell	Mr. Campbell was elected Senior Vice President and Chief Financial Officer of AMR and American in June 2002. Prior to that, he served as a Vice President of American from 1998 to June 2002 and has served in various management positions of American since 1990. Age 42.
Anne H. McNamara	Ms. McNamara was elected Senior Vice President and General Counsel in 1988. She served as Vice President — Personnel Resources of American during 1988. She was elected Corporate Secretary of AMR in 1982 and of American in 1979 and held those positions through 1987. Prior to that, she served as an attorney since 1976. Age 55. Ms. McNamara retired in January 2003.
Gary F. Kennedy	Mr. Kennedy was elected Senior Vice President and General Counsel in January 2003. He served as Vice President — Corporate Real Estate of American from 1996 to January 2003. Prior to that, he served as an attorney and in various management positions at American since 1984. Age 47.
Charles D. MarLett	Mr. MarLett was elected Corporate Secretary in January 1988. He joined American as an attorney in June 1984. Age 48.

There are no family relationships among the executive officers of the Company named on the preceding page.

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.

PART II

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 31, 2003 was 13,000.

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

	2002		2001	
	High	Low	High	Low
Quarter Ended				
March 31	$ 29.05	$ 21.92	$ 43.75	$ 31.06
June 30	25.56	16.00	39.38	33.24
September 30	15.93	3.60	37.94	17.90
December 31	8.25	3.15	23.34	16.49

In March 2003, Standard and Poor's removed AMR's common stock from the S&P 500 index.

Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Holdings Corporation (Sabre) Class A Common Stock for each share of AMR stock owned by AMR's shareholders, thus distributing its entire ownership interest in Sabre. As such, Sabre has been treated as a discontinued operation in Item 6—Selected Consolidated Financial Data, Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8—Consolidated Financial Statements. In addition, the discussion in the other items of this Form 10-K relates primarily to American and AMR Eagle.

No cash dividends on common stock were declared for any period during 2002 or 2001. Payment of dividends is subject to various restrictions described in Note 8 to the consolidated financial statements.

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	21,048,048	$ 26.49	7,903,009**
Equity compensation plans not approved by security holders	9,794,719*	$ 17.59	***
Total	30,842,767	$ 23.66	7,903,009

* Represents the Pilot Stock Option Plan (see Note 11 to the consolidated financial statements for more information)

** Includes 2,624,863 shares available for future grant under the 1998 Long Term Incentive Plan, as amended, 1,230,104 shares of deferred stock available for issue under the Performance Share Program, 3,596,508 shares of deferred stock available for issue under the Career Equity Program and 451,534 shares available for issue under the 1994 Stock Incentive Plan for Directors (see Note 11 to the consolidated financial statements for more information)

*** In March 2003, the Compensation Committee of the AMR Board of Directors adopted the 2003 Employee Stock Incentive Plan to provide equity awards to employees in return for wage, benefit and work rule concessions. Awards will be granted only after the Labor Agreements are ratified. (see Exhibit 10.31 for a copy of this plan and Part A of Item 1 for a more complete discussion of the Labor Agreements).

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

	2002[1,2]	2001[3,4]	2000	1999	1998[6]
	(in millions, except per share amounts)				
Total operating revenues	$ 17,299	$ 18,963	$ 19,703	$ 17,730	$ 17,516
Operating income (loss)	(3,330)	(2,470)	1,381	1,156	1,988
Income (loss) from continuing operations before extraordinary loss and cumulative effect of accounting change[5]	(2,523)	(1,762)	779	656	1,114
Net earnings (loss)	(3,511)	(1,762)	813	985	1,314
Earnings (loss) per share from continuing operations before extraordinary loss and cumulative effect of accounting change:[5]					
Basic	(16.22)	(11.43)	5.20	4.30	6.60
Diluted	(16.22)	(11.43)	4.81	4.17	6.38
Net earnings (loss) per share:[5]					
Basic	(22.57)	(11.43)	5.43	6.46	7.78
Diluted	(22.57)	(11.43)	5.03	6.26	7.52
Total assets	30,267	32,841	26,213	24,374	21,455
Long-term debt, less current maturities	10,888	8,310	4,151	4,078	2,436
Obligations under capital leases, less current obligations	1,422	1,524	1,323	1,611	1,764
Obligation for postretirement benefits	2,654	2,538	1,706	1,669	1,598
Stockholders' equity[7]	957	5,373	7,176	6,858	6,698

1 Includes special charges and U.S. Government grant. For a further discussion of these items, see Note 3 to the consolidated financial statements.

2 Includes a one-time, non-cash charge, effective January 1, 2002, of $988 million, net of tax, to write-off all of AMR's goodwill. This charge resulted from the adoption of Statement of Financial Accounting Standards Board No. 142, "Goodwill and Other Intangible Assets" and is reflected as a cumulative effect of accounting change in the consolidated financial statements. For a further discussion of this item, see Note 4 to the consolidated financial statements.

3 On April 9, 2001, American (through its wholly owned subsidiary TWA Airlines LLC) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the 2001 financial information above includes the operating results of TWA LLC since the date of acquisition. See a further discussion of the TWA acquisition in Note 17 to the consolidated financial statements.

4 Includes asset impairment charges, the impact of the September 11, 2001 terrorist attacks and U.S. Government grant. For a further discussion of these items, see Note 3 to the consolidated financial statements.

5 Restated to reflect discontinued operations.

6 The earnings per share amounts reflect the stock split on June 9, 1998.

7 As of December 31, 2002, the Company recorded an additional minimum pension liability adjustment resulting in an after tax charge to stockholders' equity of approximately $1.0 billion. Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Holdings Corporation (Sabre) Class A Common Stock for each share of AMR stock owned by AMR's shareholders, thus distributing its entire ownership interest in Sabre. The dividend of AMR's entire ownership in Sabre's common stock resulted in a reduction to AMR's retained earnings equal to the carrying value of the Company's investment in Sabre on March 15, 2000, which approximated $581 million.

No cash dividends were declared on AMR's common shares during any of the periods above.

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 Corporation (AMR or the Company) was incorporated in October 1982. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, Trans World Airlines LLC (TWA LLC, a wholly owned subsidiary of American Airlines, Inc.) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC are included in the accompanying condensed consolidated financial statements for the year ended December 31, 2002 whereas for 2001 the results of TWA LLC are included only for the period April 10, 2001 through December 31, 2001. All references to American Airlines, Inc. include the operations of TWA LLC since April 10, 2001 (collectively, American) (see Note 17 to the consolidated financial statements). American is the largest scheduled passenger airline in the world. In addition, AMR Eagle Holding Corporation (AMR Eagle), a wholly owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle". AMR's operations fall almost entirely in the airline industry.

<u>Results of Operations</u>

AMR's net loss in 2002 was $3.5 billion, or $22.57 per share. AMR's net loss in 2001 was $1.8 billion, or $11.43 per share. The Company's 2002 results include a one-time, non-cash charge to record the cumulative effect of a change in accounting, effective January 1, 2002, of $988 million, or $6.35 per share, to write-off all of AMR's goodwill upon the adoption of Statement of Financial Accounting Standards Board No. 142 "Goodwill and Other Intangible Assets" (see Note 4 to the consolidated financial statements). The Company's 2002 results were adversely impacted by the continued economic slowdown and the residual effects of the September 11, 2001 terrorist attacks as discussed in Part A of Item 1. For a discussion of the events of September 11, 2001, see Note 3 to the consolidated financial statements.

REVENUES

2002 Compared to 2001 Although traffic has continued to increase on reduced capacity since the events of September 11, 2001, the Company's 2002 revenues and yields were down materially year-over-year. In addition to the residual effects of September 11, the Company's revenues continue to be negatively impacted by the economic slowdown, seen largely in business travel declines and changes in business traveler profiles; the geographic distribution of the Company's network; and reduced fares due in part to increased competition from low-cost carriers. The Company's revenues decreased approximately $1.7 billion, or 8.8 percent, to $17.3 billion.

American's passenger revenues decreased by 8.5 percent, or $1.3 billion, to $14.4 billion. System wide, passenger revenue yield per passenger mile decreased by 9.3 percent, or 1.22 cents, to 11.86 cents, driving American's revenue per available seat mile (RASM) down by 7.2 percent, or .65 cents, to 8.39 cents. In 2002, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations. American's domestic RASM decreased 8.8 percent, to 8.26 cents, on a capacity decrease of 1 percent to 125 billion available seat miles (ASMs). International RASM decreased to 8.72 cents, or 2.8 percent, on a capacity decrease of 7.2 percent to 47 billion ASMs. The decrease in international RASM was due to a 7.1 percent decrease in Latin American RASM, somewhat offset by a 6.5 percent and 0.3 percent increase in Pacific and European RASM, respectively. The decrease in international capacity was due to a 22.4 percent, 7.9 percent and 3.3 percent reduction in Pacific, European and Latin American ASMs, respectively. AMR Eagle's passenger revenues decreased $46 million, or 3.3 percent, to $1.3 billion. AMR Eagle's traffic increased 11 percent, or 409 million revenue passenger miles (RPMs), to 4.1 billion RPMs, while capacity increased 1.9 percent, or 121 million ASMs, to 6.6 billion ASMs. Similar to American, the decrease in AMR Eagle's revenues was due primarily to the continued impact of the September 11, 2001 terrorist attacks and the economic slowdown.

Cargo revenues decreased 15.3 percent, or $101 million, to $561 million primarily due to the economic slowdown and significant restrictions on cargo shipments for security reasons.

Other revenues decreased 15.5 percent, or $177 million, to $966 million due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

2001 Compared to 2000 The Company's 2001 revenues, yield, RPMs and ASMs were severely impacted by the September 11, 2001 terrorist attacks, the Company's reduced operating schedule, a worsening of the U.S. economy that had already been dampening the demand for travel both domestically and internationally prior to the September 11, 2001 events, business travel declines as a result of the September 11, 2001 attacks, and increased fare sale activity occurring subsequent to the September 11 attacks to encourage passengers to resume flying. The Company's revenues decreased approximately $740 million, or 3.8 percent, versus 2000. However, excluding TWA LLC's revenues for the period April 10, 2001 through December 31, 2001, the Company's revenues would have decreased approximately $2.6 billion versus 2000.

For comparability purposes, the following discussion does not combine American's and TWA's results of operations or related statistics for 2001. American's passenger revenues decreased by 14 percent, or $2.3 billion. In 2001, American derived approximately 68 percent of its passenger revenues from domestic operations and approximately 32 percent from international operations. American's domestic RASM decreased 11.3 percent, to 9.28 cents, on a capacity decrease of 5 percent to 104 billion ASMs. International RASM decreased to 9.07 cents, or 5.2 percent, on a capacity decrease of 4.9 percent. The decrease in international

RASM was led by an 11.8 percent and 10.8 percent decrease in Pacific and European RASM, respectively, slightly offset by a 0.9 percent increase in Latin American RASM. The decrease in international capacity was driven by a 6.5 percent and 4.7 percent reduction in Latin American and European ASMs, respectively, partially offset by an increase in Pacific capacity of 2.8 percent.

TWA LLC's passenger revenues were approximately $1.7 billion for the period April 10, 2001 through December 31, 2001. TWA LLC's RASM was 7.74 cents on capacity of 21.7 billion ASMs.

AMR Eagle's passenger revenues decreased $74 million, or 5.1 percent. AMR Eagle's traffic remained flat compared to 2000, at 3.7 billion RPMs, while capacity increased to 6.5 billion ASMs, or 3.4 percent. Similar to American, the decrease in AMR Eagle's revenues was due primarily to the September 11, 2001 terrorist attacks and a worsening of the U.S. economy that had already been dampening the demand for air travel prior to the events of September 11, 2001.

Cargo revenues decreased 8.2 percent, or $59 million, for the same reasons as noted above.

OPERATING EXPENSES

2002 Compared to 2001 The Company's operating expenses decreased 3.8 percent, or $804 million, to $20.6 billion. American's operating expenses per ASM decreased 1.5 percent to 11.14 cents, including the impact of special charges and U.S. Government grant of $625 million and $10 million, respectively, in 2002 and $1.2 billion and $827 million, respectively, in 2001. The decrease in operating expenses and operating expenses per ASM is largely due to cost savings initiatives implemented in late 2001 and 2002. Wages, salaries and benefits increased 4.5 percent, or $360 million, to $8.4 billion, reflecting (i) higher salaries, largely offset by a decrease in the average number of equivalent employees and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs. Aircraft fuel expense decreased 11.3 percent, or $326 million, to $2.6 billion, primarily due to a 3.3 percent decrease in the Company's fuel consumption and a 6.4 percent decrease in the Company's average price per gallon. Depreciation and amortization decreased $38 million, or 2.7 percent, to $1.4 billion due primarily to discontinuing amortization of goodwill and route acquisition costs in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets". Commissions, booking fees and credit card expense decreased 25.4 percent, or $384 million, to $1.1 billion, due primarily to an 8.1 percent decrease in passenger revenues and commission structure changes implemented in March 2002. Food service decreased 10.3 percent, or $80 million, to $698 million, due primarily to the Company's reduced operating schedule and reductions in the level of food service. Special charges for 2002 included approximately $658 million related to aircraft charges, $57 million in employee charges and $3 million in facility charges. Special charges for 2001 included approximately $1.2 billion related to aircraft charges, $115 million in facility charges, $71 million in employee charges and $43 million in other charges. U.S. Government grant includes a $10 million and $856 million benefit recognized for the reimbursement from the U.S. Government under the Air Transportation Safety and System Stabilization Act (the Act) for 2002 and 2001, respectively. See a further discussion of special charges and U.S. Government grant in Note 3 to the consolidated financial statements. Other operating expenses decreased 12.9 percent, or $389 million, to $2.6 billion, due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

2001 Compared to 2000 The Company's operating expenses increased 17 percent, or approximately $3.1 billion. However, excluding TWA LLC's expenses for the period April 10, 2001 through December 31, 2001, the Company's expenses would have increased approximately $888 million versus 2000. In addition to the specific explanations provided below, the significant decline in passenger traffic resulting from the terrorist acts of September 11, 2001 and resulting reduced operating schedule caused a favorable impact on certain passenger-related operating expenses, including aircraft fuel, other rentals and landing fees, commissions to agents and booking and credit card fees, and food service. American's cost per ASM increased 9.4 percent to 11.46 cents, excluding TWA LLC and including the impact of special charges and U.S. Government grant. The increase in American's cost per ASM was driven partially by a reduction in ASMs due to the Company's More Room Throughout Coach program. Removing the impact of this program, American's cost per ASM grew approximately 6.3 percent, excluding TWA LLC and including the impact of special charges and U.S. Government grant. Wages, salaries and benefits increased 18.4 percent, or $1.3 billion, and included approximately $920 million related to the addition of TWA. The remaining increase of approximately $329 million related primarily to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. During 2001, the Company recorded approximately $300 million in additional wages, salaries and benefits related primarily to the Company's new contracts with its flight attendants and Transport Workers Union work groups. This was mostly offset by a $328 million decrease in the provision for profit-sharing as compared to 2000. Aircraft fuel expense increased 15.8 percent, or $393 million, and included approximately $322 million related to the addition of TWA LLC. The remaining increase in aircraft fuel expense was due to a 4.2 percent increase in the Company's average price per gallon, partially offset by a 3.7 percent decrease in the Company's fuel consumption, excluding TWA LLC. Depreciation and amortization expense increased 16.8 percent, or $202 million, due primarily to the addition of new aircraft and an increase of approximately $88 million related to TWA. Commissions to agents and booking and credit card fees decreased 8.6 percent, or $142 million, and included approximately $174 million related to TWA LLC. The decrease in commissions, booking fees and credit card expense was due primarily to a 13.2 percent decrease in passenger revenues, excluding TWA LLC, and the benefit from commission structure changes implemented in 2000. Other rentals and landing fees increased $198 million, or 19.8 percent, and included approximately $130 million related to the addition of TWA LLC. The remaining increase of $68 million was due primarily to higher facilities rent and landing fees across the Company's system. Aircraft rentals increased $222 million, or 36.6 percent, due primarily to the addition of TWA LLC aircraft. Other operating expenses increased 11.4 percent, or $308 million, and included approximately $244 million related to TWA LLC. Special charges included approximately $1.2 billion related to aircraft charges, $115 million in facility exit costs, $71 million in employee charges and $43 million in other charges. U.S. Government grant included an $856 million benefit recognized for the reimbursement from the U.S. Government under the Act. See a further discussion of special charges and U.S. Government grant in Note 3 to the consolidated financial statements.

OTHER INCOME (EXPENSE)

Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous—net.

2002 Compared to 2001 Other expense increased $244 million, or 85.3 percent, to $530 million due primarily to the following: Interest income decreased $39 million, or 35.5 percent, to $71 million due primarily to decreases in interest rates. Interest expense increased $147 million, or 27.3 percent, to $685 million resulting primarily from the increase in the Company's long-term debt of approximately $2.6 billion. Interest capitalized decreased $58 million, or 40.3 percent, to $86 million due primarily to a decrease in purchase deposits for flight equipment.

2001 Compared to 2000 Interest income decreased $44 million, or 28.6 percent, resulting from lower investment balances throughout most of 2001. Interest expense increased $71 million, or 15.2 percent, resulting primarily from the increase in long-term debt of approximately $4.2 billion. Miscellaneous—net decreased $70 million due primarily to Miscellaneous—net in 2001 including a $45 million gain from the settlement of a legal matter related to the Company's

1999 labor disruption, offset by the write-down of certain investments held by the Company. This compares to Miscellaneous-net in 2000 including a $57 million gain on the sale of the Company's warrants to purchase 5.5 million shares of priceline.com Incorporated (priceline) common stock and a gain of approximately $41 million from the recovery of start-up expenses from the Canadian Airlines International Limited (Canadian) services agreement.

INCOME TAX PROVISION (BENEFIT)

2002 The effective tax rate for the year ended December 31, 2002 was impacted by a $57 million charge resulting from a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the previous law, allowing the Company to more quickly recover its NOLs. The extended NOL carryback did however result in the displacement of foreign tax credits taken in prior years. These credits are now expected to expire before being utilized by the Company, resulting in this charge.

OPERATING STATISTICS

The following table provides statistical information for American and AMR Eagle for the years ended December 31, 2002, 2001 and 2000.

	Year Ended December 31,		
	2002	2001[1]	2000
American Airlines			
Revenue passenger miles (millions)	121,747	120,606	116,594
Available seat miles (millions)	172,200	174,688	161,030
Cargo ton miles (millions)	2,007	2,130	2,280
Passenger load factor	70.7%	69.0%	72.4%
Breakeven load factor	91.0%	81.5%	65.9%
Passenger revenue yield per passenger mile (cents)	11.86	13.08	14.06
Passenger revenue per available seat mile (cents)	8.39	9.04	10.18
Cargo revenue yield per ton mile (cents)	27.73	30.80	31.31
Operating expenses per available seat mile (cents)	11.14	11.31	10.48
Fuel consumption (gallons, in millions)	3,163	3,294	3,045
Fuel price per gallon (cents)	76.0	81.3	77.9
Operating aircraft at year-end	819	881	717
AMR Eagle			
Revenue passenger miles (millions)	4,134	3,725	3,731
Available seat miles (millions)	6,592	6,471	6,256
Passenger load factor	62.7%	57.6%	59.6%
Operating aircraft at year-end	286	276	261

1 On April 9, 2001, TWA LLC (a wholly owned subsidiary of American) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the 2001 financial information above includes the operating results of TWA LLC since the date of acquisition. See a further discussion of the TWA acquisition in Note 17 to the consolidated financial statements.

Liquidity and Capital Resources

In response to the September 11, 2001 terrorist attacks, the Company initiated the following measures: reduced capacity by approximately 20 percent, grounded aircraft and deferred certain aircraft deliveries to future years, significantly reduced capital spending, closed facilities, reduced its workforce (see Note 3 to the consolidated financial statements for additional information) and implemented numerous other cost reduction initiatives.

In 2002, given, among other things: (i) the steep fall-off in demand for air travel, particularly business travel, caused by the continuing weakness of the U.S. economy, (ii) reduced pricing power, resulting mainly from greater cost sensitivity on the part of travelers, especially business travelers, and increasing competition from low cost carriers, and (iii) the residual effects of September 11, the Company announced a series of initiatives to further reduce its costs, simplify its aircraft fleet, and enhance productivity. These initiatives included, among other things, de-peaking of the Company's Dallas/Fort Worth International Airport hub (following the de-peaking of its Chicago hub); gradually phasing out operation of its Fokker aircraft fleet; and reducing capacity in the fourth quarter of 2002. In addition, the Company reduced its workforce to better align its workforce with the planned capacity reductions, fleet simplification, and hub restructurings. Despite the Company's on-going efforts to reduce its costs, many of its costs are attributable to factors largely beyond the Company's control, including (i) escalating fuel prices, (ii) increased insurance costs and (iii) increased security costs.

As discussed in Part A of Item 1, the Company's recent financial results are unsustainable. Given the severity of the Company's financial situation and the Company's belief that a permanent shift has occurred in the airline revenue environment, the Company continues to review its business model, particularly with a view towards identifying significant cost reductions. The Company believes that it must quickly reduce its annual operating costs by at least $4 billion in order to become competitive and sustain its operations. The Company has made progress in identifying more than $2 billion in annual operating cost reductions via initiatives involving: (i) scheduling efficiencies, including de-peaking certain of its hubs as referred to above, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. Even with these initiatives, however, a large shortfall of approximately $2 billion remains between identified annual cost reductions and needed cost reductions.

In February 2003, American asked its labor leaders and other employees for approximately $1.8 billion in permanent, annual savings through a combination of changes in wages, benefits and work rules. The requested $1.8 billion in savings is divided by work group as follows: $660 million—pilots, $620 million—Transportation Workers Union (TWU) represented employees, $340 million—flight attendants, $100 million—management and support staff, and $80 million—agents and representatives. On March 31, 2003, the Company reached agreements with the leaders of the three major unions representing American employees (the Labor Agreements) and announced changes in pay plans and benefits for non-unionized employees (including officers and other management) which will meet the targeted contributions. Of the approximately $1.8 billion in savings, approximately $1.0 billion are to be accomplished through wage and benefit reductions while the remaining approximately $.8 billion would be accomplished through changes in work rules which would result in additional job reductions. Wage reductions became effective on April 1, 2003 for officers and will become effective on May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will be phased in over time. In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of approximately 38 million shares of AMR stock in the form of stock options which will generally vest over a three year period (see Note 11 to the consolidated financial statements for additional information). Although these Labor Agreements enabled the Company to avoid an immediate filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code (a Chapter 11 filing), these Labor Agreements must still be ratified by the unions' memberships. At the time of the filing of this Form 10-K, the unions have put the Labor Agreements out for a ratification vote. It is anticipated that the official results of the voting will be formally announced on April 15, 2003. A group of pilots filed a lawsuit on April 14, 2003 contesting the union ratification process. The U.S. District Court in Fort Worth, Texas denied the request for a temporary restraining order. Failure of one or more of the unions to ratify its Labor Agreement would likely lead the Company to initiate a Chapter 11 filing.

In addition, the Company continues to negotiate concessions from its vendors, lessors and suppliers; however, the Company cannot reliably predict whether it will obtain the necessary concessions or for what amount. In return for concessions, the Company plans to deliver shares of AMR common stock to its vendors, lessors and other creditors.

Even if the Labor Agreements are ratified and the Company obtains concessions from its vendors, lessors and suppliers, the Company may nonetheless need to initiate a Chapter 11 filing because its financial condition will remain weak and its prospects uncertain. The fragility of the Company's financial condition is further illustrated by the going concern opinion of the Company's independent auditors (see page 47). Other negative factors include but are not limited to, the failure of the U. S. economy to soon begin a recovery, a prolonged war in Iraq, another terrorist attack, the failure of the Company to satisfy the liquidity requirement in certain of its credit agreements, or the inability of the Company to access the capital markets for additional financing.

During 2001 and 2002, the Company raised approximately $8.3 billion of funding to finance capital commitments and to fund operating losses. The Company expects that it will continue to need to raise significant additional financing in the near future to cover its liquidity needs, until such time as the cost initiatives discussed in the previous paragraphs become effective and the Company returns to profitability. The Company had approximately $2.0 billion in unrestricted cash and short-term investments as of December 31, 2002. The Company also had available possible future financing sources, including, but not limited to: (i) a limited amount of additional secured aircraft debt (as of December 31, 2002, the Company had Section 1110 eligible unencumbered aircraft with an estimated market value of approximately $670 million), (ii) sale-leaseback transactions of owned property, including aircraft and real estate, (iii) securitization of future operating receipts, and (iv) the potential sale of certain non-core assets (including the Company's interests in AMR Investments, as discussed in Item 1 and Worldspan, a computer reservations systems partnership). However, these financing sources may not be available to the Company in light of its financial condition. To the extent that the Company is unable to access capital markets and raise additional capital, the Company will be unable to fund its obligations and sustain its operations. In such an event, the Company will be forced to initiate a Chapter 11 filing.

On April 11-12, 2003, the Senate and House agreed to aviation-related assistance provisions in supplemental appropriations legislation to fund the war in Iraq. The legislation is expected to be signed by President Bush on April 14, 2003. The new law would authorize payment of (i) $100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) $2.3 billion to reimburse air carriers for increased security costs which shall be distributed in proportion to amounts each has paid or collected as of the date of enactment in passenger security and air carrier security fees to the Transportation Security Administration. In addition, the new law would suspend the collection of the passenger security fee from June 1, 2003 until October 1, 2003, and extend war-risk insurance through September 30, 2004. The Company is not able to estimate its portion of this compensation at this time.

In the first quarter of 2003, as a result of the Company's declining financial condition, the Company has made approximately $500 million in fuel prepayments, tax escrow deposits and credit card holdback deposits.

AMR and American's credit ratings are significantly below investment grade. In June 2002, Standard & Poor's downgraded the credit ratings of AMR and American, and the credit ratings of a number of other major airlines. The long-term credit ratings of AMR and American were removed from Standard & Poor's CreditWatch with negative implications and were given a negative outlook. In September 2002, Moody's downgraded the unsecured credit ratings of both AMR and American and maintained a negative outlook on these ratings. In January 2003, Standard & Poor's and Moody's placed the credit ratings of AMR and American on review for downgrade. In February 2003, Moody's further downgraded the senior implied rating for AMR, the senior unsecured ratings of both AMR and American and the ratings of most of American's secured debt. The Moody's ratings remain on review for possible downgrade. Also in February 2003, Standard & Poor's lowered its long-term corporate credit ratings for both AMR and American, lowered the senior secured and unsecured debt ratings of AMR, and lowered the secured debt rating of American. American's short-term rating was withdrawn. Ratings on most of American's non-enhanced equipment trust certificates were also lowered. In addition, Standard & Poor's revised the CreditWatch implications to developing from negative. In March 2003, Standard & Poor's further lowered its long-term corporate credit ratings for both AMR and American, lowered the senior secured and unsecured debt ratings of AMR, and lowered the secured debt rating of American. Ratings on most of American's non-enhanced equipment trust certificates were also lowered. These reductions have increased the Company's borrowing costs. Additional significant reductions in AMR's or American's credit ratings would further increase its borrowing or other costs and further restrict the availability of future financing. Also in March 2003, Standard & Poor's removed AMR's common stock from the S&P 500 index.

American has a fully drawn $834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, and (iii) modified the financial covenants applicable to subsequent periods and increased the applicable margin for advances under the facility. On May 15, 2003, American expects to be required to pledge an additional 30 (non-Section 1110 eligible) aircraft having an aggregate net book value as of March 31, 2003 of approximately $451 million. Pursuant to the modified financial covenants, American is required to maintain at least $1.0 billion of liquidity, consisting of unencumbered cash and short-term investments for the second quarter 2003 and beyond. At this point, it is uncertain whether the Company will be able to satisfy this liquidity requirement.

In addition, the required ratio of EBITDAR to fixed charges has been decreased until the period ending December 31, 2004, and the next test of such cash flow coverage ratio will not occur until March 31, 2004. The amendment also provided for a 50 basis points increase in the applicable margin over the London Interbank Offered Rate (LIBOR), resulting in an effective interest rate (as of March 31, 2003) of 4.73 percent. The interest rate will be reset again on September 17, 2003. At American's option, interest on the facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR.

The Company had $783 million in restricted cash and short-term investments as of December 31, 2002. These restricted assets relate primarily to collateral held to support standby letters of credit backing floating rate tax-exempt bonds, projected workers' compensation obligations and various other obligations. As of December 31, 2002, the collateral required to support the standby letters of credit backing the floating rate tax-exempt bonds exceeded the face value of the bonds. In the first quarter of 2003, the Company redeemed all $339 million of tax-exempt bonds that were backed by standby letters of credit secured by restricted cash and short-term investments. The redemption of these bonds resulted in an increase in the Company's unrestricted cash and short-term investments balances in 2003. See Note 5 to the consolidated financial statements for additional information regarding restricted cash and short-term investments.

Net cash used by operating activities in 2002 was $1.1 billion, compared to net cash provided by operating activities of $542 million and $3.1 billion in 2001 and 2000, respectively. The $1.7 billion decrease from 2001 to 2002 resulted primarily from an increase in the Company's net loss. Included in net cash used by operating activities of 2002 was approximately $658 million received by the Company as a result of the utilization of its 2001 NOL's.

Capital expenditures in 2002 totaled $1.9 billion, compared to $3.6 billion in 2001 and $3.7 billion in 2000. In 2002, American took delivery of three Boeing 777-200ERs and seven Boeing 757-200s. AMR Eagle took delivery of 28 Embraer 140s and seven Bombardier CRJ-700 aircraft. These expenditures were financed primarily through secured mortgage and debt agreements. Proceeds from the sale of equipment and property and other investments totaled $220 million, including the proceeds received upon the delivery of three McDonnell Douglas MD-11 aircraft to FedEx.

On April 9, 2001, TWA LLC purchased substantially all of the assets and assumed certain liabilities of TWA for approximately $742 million, which was funded from the Company's existing cash and short-term investments.

During 2002, American issued $617 million of enhanced equipment trust certificates secured by aircraft, with interest based on LIBOR plus a spread (0.62 percent) and maturities over various periods, with a final maturity in 2007. These obligations are insured by a third party. A $1 billion credit facility, established in late 2001 to serve as an immediate alternative for this financing, expired undrawn on September 30, 2002. Also during 2002, the Company entered into approximately $1.7 billion of various debt agreements secured by aircraft. Effective rates on these agreements are fixed or variable based on LIBOR plus a spread and mature over various periods of time through 2017. At December 31, 2002, the effective interest rates on these debt agreements and the enhanced equipment trust certificates described above ranged up to 5.94 percent.

In 2002, the Regional Airports Improvement Corporation and the New York City Industrial Development Agency issued facilities sublease revenue bonds at the Los Angeles International Airport and John F. Kennedy International Airport, respectively, to provide reimbursement to American for certain facility construction and other related costs. The Company has recorded the total amount of the issuances of $759 million (net of $38 million discount) as long-term debt on the consolidated balance sheet as of December 31, 2002. These obligations bear interest at fixed rates, with an average effective rate of 8.54 percent, and mature over various periods of time, with a final maturity in 2028. The Company has received approximately $672 million in reimbursements of certain facility construction and other related costs through December 31, 2002. Of the remaining $87 million of bond issuance proceeds not yet received, classified as Other assets on the consolidated balance sheet, $40 million are held by the trustee for reimbursement of future facility construction costs and will be available to the Company in the future, and $47 million are held in a debt service reserve fund.

As of December 31, 2002, the Company had commitments to acquire the following aircraft: two Boeing 777-200 ERs, nine Boeing 767-300ERs, 22 Embraer regional jets and 10 Bombardier CRJ-700s in 2003; an aggregate of 74 Embraer regional jets and seven Bombardier CRJ-700s in 2004 through 2006; and an aggregate of 47 Boeing 737-800s and nine Boeing 777-200ERs in 2006 through 2010. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $1.0 billion in 2003, $753 million in 2004, $694 million in 2005 and an aggregate of approximately $2.6 billion in 2006 through 2010. These commitments and cash flows reflect agreements the Company entered into with Boeing in November 2002 to defer 34 of its 2003 through 2005 deliveries to 2007 and beyond. In addition to these deferrals, Boeing Capital Corporation has agreed to provide backstop financing for all Boeing aircraft deliveries in 2003. In return, American has agreed to grant Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing. In addition, the Company has pre-arranged financing or backstop financing for all of its 2003 Embraer and Bombardier aircraft deliveries and a portion of its post 2003 deliveries. As a result, substantially all of the aircraft spending in 2003 is supported by committed financing.

In addition to these commitments for aircraft, the Company expects to spend approximately $400 million in 2003 for modifications to aircraft, renovations of—and additions to—airport and off-airport facilities, and the acquisition of various other equipment and assets.

The Company has contracted with two regional airlines, Chautauqua Airlines, Inc. (Chautauqua) and Trans States Airlines, Inc. (collectively the AmericanConnection carriers) to provide Embraer EMB-140/145 regional jet services under the brand "AmericanConnection". Under these arrangements, the Company pays the AmericanConnection carriers a fixed fee per block hour to operate the aircraft. The block hour fees are designed to cover the AmericanConnection carriers' fully allocated costs. Assumptions for highly volatile or uncontrollable costs such as fuel, landing fees, insurance, and aircraft ownership are trued up to actual values on a pass through basis. In addition to covering the cost of operations, the Company also pays a designed profit margin to the AmericanConnection carriers. In consideration for these payments, the Company retains all passenger and other revenues resulting from the operation of the AmericanConnection regional jets. Minimum payments under the contracts are $124 million in 2003, $69 million in 2004, $70 million in 2005 and $64 million in 2006. However, based on expected utilization, the Company expects to make payments of $164 million in 2003, $191 million in 2004, $192 million in 2005, $194 million in 2006 and $195 million in 2007. In addition, if the Company terminates the Chautauqua contract without cause, Chautauqua has the right to put its Embraer aircraft to the Company. If the Company were to terminate the Chautauqua contract without cause and Chautauqua were to exercise its put rights, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019.

The lessors under two of the Company's aircraft leases have exercised options that require the Company to purchase the related aircraft. Under the terms of the exercised put options, on or about May 27, 2003, the Company will be required to pay approximately $19 million to purchase the two aircraft subject to such leases.

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. The Company has not recorded a liability for any of these indemnities, as the likelihood of payment in each case is considered remote. These indemnities are discussed in the following paragraphs.

The Company's loan agreements and other LIBOR-based financing transactions (including certain leveraged aircraft leases) generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with, or credit extended by such lender related to the loan, (ii) any tax, duty, or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, the Company's loan agreements, derivative transactions and other financing arrangements typically contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law.

These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

The Company has general indemnity clauses in many of its airport and other real estate leases where the Company as lessee indemnifies the lessor (and related parties) against liabilities related to the Company's use of the leased property. Generally, these indemnifications cover liabilities resulting from the negligence of the indemnified parties, but not liabilities resulting from the gross negligence or willful misconduct of the indemnified parties. In addition, the Company provides environmental indemnities in many of these leases for contamination related to the Company's use of the leased property.

In certain transactions, including certain aircraft financing leases and loans and derivative transactions, the lessors, lenders and/or other parties have rights to terminate the transaction based on changes in foreign tax law, illegality or certain other events or circumstances. In such a case, the Company may be required to make a lump sum payment to terminate the relevant transaction.

In addition, in its aircraft financing agreements, the Company generally indemnifies the financing parties, trustees acting on their behalf and other related parties against liabilities (including certain taxes) resulting from the financing, manufacture, design, ownership, operation and maintenance of the aircraft regardless of whether these liabilities (or taxes) relate to the negligence of the indemnified parties.

The Company is not able to estimate the potential amount of any liability resulting from the indemnities discussed above.

Under certain contracts with third parties, the Company indemnifies the third party against legal liability arising out of an action by the third party, or certain other parties. The terms of these contracts vary and the potential exposure under these indemnities cannot be determined. Generally, the Company has liability insurance protecting the Company for its obligations it has undertaken under these indemnities.

The following table summarizes the Company's obligations and commitments as of December 31, 2002, to be paid in 2003 through 2007 (in millions):

Nature of commitment	2003	2004	2005	2006	2007
Operating lease payments for aircraft and facility obligations[1]	$ 1,521	$ 1,216	$ 1,158	$ 1,089	$ 1,038
Firm aircraft commitments[2]	1,027	753	694	668	684
Fee per block hour commitments[3]	164	191	192	194	195
Long-term debt[4]	713	540	1,348	1,071	978
Capital lease obligations	254	299	233	235	179
Other commitments[5]	175	158	158	158	158
Total obligations and commitments	$ 3,854	$ 3,157	$ 3,783	$ 3,415	$ 3,232

1 Certain special facility revenue bonds issued by municipalities—which are supported by operating leases executed by American—are guaranteed by AMR and American. See Note 7 to the consolidated financial statements for additional information.
2 Substantially all of the 2003 commitment is supported by committed financing.
3 Includes expected payments based on projected volumes rather than minimum required payments.
4 Excludes related interest amounts.
5 Includes noncancelable commitments to purchase goods or services, primarily information technology support.

In addition to the commitments summarized above, the Company is required to make contributions to its defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). However, due to uncertainties regarding significant assumptions involved in estimating future required contributions, such as pension plan benefit levels, interest rate levels and the amount and timing of asset returns, the Company is not able to reasonably estimate the amount of future required contributions beyond 2003. The Company's 2003 minimum required pension contributions are approximately $186 million.

AMR (principally American) historically operates with a working capital deficit as do most other airline companies. In addition, the Company has historically relied heavily on external financing to fund capital expenditures. More recently, the Company has also relied on external financing to fund operating losses.

As stated earlier, in the event the Company is unable to access sources of external financings, the Company will be unable to sustain it operations and will be forced to initiate a Chapter 11 filing.

Other Information

Environmental Matters Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity. Additional information is included in Part D of Item 1 and Note 6 to the consolidated financial statements.

Critical Accounting Policies and Estimates The preparation of the Company's 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. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates used by management in the preparation of the Company's financial statements: accounting for long-lived assets, passenger revenue, frequent flyer program, pensions and other postretirement benefits, and income taxes.

Long-lived assets—The Company has approximately $20 billion of long-lived assets as of December 31, 2002, including approximately $19 billion related to flight equipment and other fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives, salvage values and in 2002 and 2001, impairment charges. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. In this circumstance, the impairment charge is determined based upon the amount the net book value of the assets exceeds their estimated fair market value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values. Estimates regarding future length of service are most likely to affect the amount of the impairment charge. During 2001, the Company determined its Fokker 100, Saab 340 and ATR 42 aircraft and related rotables were impaired and recorded impairment charges of approximately $1.1 billion. In addition, during 2002, upon decisions to reduce the future service lives of these fleets, the Company determined its Fokker 100, Saab 340, and ATR 42 aircraft and related rotables were further impaired and recorded an asset impairment charge of approximately $330 million. See Notes 1 and 3 to the consolidated financial statements for additional information with respect to each of the policies and assumptions used by the Company which affect the recorded values of long-lived assets.

Passenger revenue—Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the industry's 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. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience. Due to changes in the Company's ticket refund policy and changes in the profile of customers, historical trends may not be representative of future results.

Frequent flyer program—The Company uses a number of estimates in accounting for its AAdvantage frequent flyer program. Additional information regarding the Company's AAdvantage frequent flyer program is included in Part G of Item 1 of this Report. Changes to the percentage of the amount of revenue deferred, deferred recognition period, cost per mile estimates or the minimum award level accrued could have a significant impact on the Company's revenues or incremental cost accrual in the year of the change as well as in future years.

Pensions and other postretirement benefits—The Company's pension and other postretirement benefit costs and liabilities are calculated using various actuarial assumptions and methodologies prescribed under Statements of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" and No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions". The Company uses certain assumptions including, but not limited to, the selection of the: (i) discount rate, (ii) expected return on plan assets, and (iii) expected health care cost trend rate. The discount rate assumption is based upon the review of high quality corporate bond rates, the change in these rates during the year, and year-end rate levels. The expected return on plan assets and health care cost trend rate are based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions.

As of December 31, 2002, the Company's pension discount rate was 6.75 percent, down from 7.50 percent as of December 31, 2001. The Company lowered its expected return on plan assets to 9 percent, effective as of January 1, 2003, compared with a rate of 9.25 percent and 9.50 percent for 2002 and 2001, respectively. As of December 31, 2002, the Company's expected health care costs trend rate was six percent in 2003, decreasing gradually to an ultimate rate of 4.5 percent by 2005 for pre-65 individuals and twelve percent in 2003, decreasing gradually to an ultimate rate of 4.5 percent by 2010 for post-65 individuals. The previously assumed health care cost trend rate was six percent in 2002, decreasing gradually to an ultimate rate of 4.5 percent by 2004.

The expected return on plan assets component of the Company's net periodic benefit cost is calculated based on the fair value of plan assets. The Company's target asset allocation is 40 percent longer duration corporate bonds, 25 percent U.S. value stocks, 20 percent international stocks, five percent emerging markets stocks and bonds and 10 percent alternative (private) investments. The Company monitors its actual asset allocation to ensure that it approximates its target allocation and believes that its long-term asset allocation will continue to approximate its target allocation. The Company's historical ten-year rate of return on plan assets, calculated using a geometric compounding of monthly returns, is approximately 10.5 percent.

The Company has an unrecognized net actuarial loss as, of December 31, 2002, of approximately $2.7 billion. The unrecognized net actuarial loss represents changes in the amount of the projected benefit obligation and plan assets resulting from changes in assumptions and actual experience differing from assumptions. The amortization of unrecognized net actuarial loss component of the Company's 2003 net periodic benefit cost is expected to be approximately $130 million.

The Company records an additional minimum pension liability when its accumulated benefit obligation exceeds the pension plans' assets in excess of amounts previously accrued for pension costs. As of December 31, 2002, the Company has recorded an additional minimum pension liability which resulted in a 2002 before tax charge to stockholders' equity of approximately $1.1 billion. An additional minimum pension liability is recorded as an increase to the pension liability, an increase to other assets (to the extent that a plan has unrecognized prior service costs) and a charge to stockholders' equity as a component of other comprehensive loss. See Note 12 to the consolidated financial statements for additional information regarding the Company's pension and other postretirement benefits.

Income Taxes—The Company accounts for income taxes in accordance with Financial Accounting Standards No. 109, "Accounting for Income Taxes". Accordingly, the Company records a deferred tax asset valuation allowance when it is more likely than not that some portion or all of its deferred tax assets will not be realized. The Company considers its historical earnings, trends, and outlook for future years in determining whether it is more likely than not that its deferred tax asset will not be realized. Although the Company was able to record a tax benefit for losses incurred in 2002, primarily to offset previously recorded deferred tax liabilities, the Company has determined that it is more likely than not that some portion of its deferred tax asset as of December 31, 2002 will not be realized. As a result, the Company has a deferred tax asset valuation allowance as of December 31, 2002 of $370 million, which resulted primarily from deferred tax assets recorded related to the Company's minimum pension liability, and as a result was established based on a charge directly to equity. However, in future periods, to the extent the Company experiences losses, the effect of the deferred tax asset valuation allowance will be to offset any tax benefit of such losses.

New Accounting Pronouncements In June 2002, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, and establishes that fair value is the objective for initial measurement of the liability. Prior to SFAS 146, a liability for costs associated with an exit or disposal activity was recognized as of the date of the commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 will affect the timing and recognition of certain costs associated with future exit or disposal activities.

In November 2002, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation 45). Interpretation 45 requires disclosures in interim and annual financial statements about obligations under certain guarantees issued by the Company. Furthermore, it requires recognition at the beginning of a guarantee of a liability for the fair value of the obligation undertaken in issuing the guarantee, with limited exceptions. The disclosure requirements are effective for this filing and are included in Note 6 to the consolidated financial statements. The initial recognition and initial measurement provisions are only applicable on a prospective basis for guarantees issued or modified after December 31, 2002.

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" (Interpretation 46). Interpretation 46 addresses consolidation of variable interest entities, as defined, previously generally referred to as special purpose entities, to which the usual condition for consolidation described in Accounting Research Bulletin No. 51, "Consolidated Financial Statements" does not apply. It requires the primary beneficiary of a variable interest entity to include the assets, liabilities, and results of the activities of the variable interest entity in its consolidated financial statements, as well as disclosure of information about the assets and liabilities, and the nature, purpose and activities of consolidated variable interest entities. In addition, Interpretation 46 requires disclosure of information about the nature, purpose and activities of unconsolidated variable interest entities in which the Company holds a significant variable interest. The provisions of Interpretation 46 are effective immediately for any variable interest entities acquired after January 31, 2003 and effective beginning in the third quarter of 2003 for all variable interest entities acquired before February 1, 2003. The Company is currently evaluating the impact of Interpretation 46.

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (SFAS 4), an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". SFAS 145 amends FASB Statement No. 13, "Accounting for Leases" (SFAS 13), to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and other related pronouncements that make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of SFAS 145 related to the rescission of SFAS 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in FASB Opinion 30 for classification as an extraordinary item must be reclassified. The provisions of SFAS 145 related to SFAS 13 are effective for transactions occurring after May 15, 2002. All other provisions SFAS 145 are effective for financial statements issued on or after May 15, 2002. SFAS 145 had no impact on the Company during 2002.

<u>Forward-Looking Information</u>

The preceding discussions under Business, Properties, Legal Proceedings and Management's Discussion and Analysis of Financial Condition and Results of Operations contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues and costs, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact of the events of September 11, 2001 and the impact of the results of operations for the past two years on the Company and the sufficiency of the Company's financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or assured. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expectations. The following risk factors, in addition to other possible risk factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements:

Labor Cost Reduction; Uncertainty of Future Collective Bargaining Agreements and Events The future of the Company cannot be assured until, among other things, ways are found to significantly reduce its labor and other costs. As discussed more fully in Part A of Item 1 ("Labor Agreements"), the Company reached agreements with the leaders of the three major unions representing American employees (the Labor Agreements) and announced changes in pay plans and benefits for non-unionized employees (including officers and other management) which will significantly reduce its labor costs. Although these Labor Agreements enabled the Company to avoid an immediate filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code (a Chapter 11 filing), these Labor Agreements must still be ratified by the unions' memberships. At the time of the filing of this Form 10-K, the unions have put the Labor Agreements out for a ratification vote. It is anticipated that the official results of the voting will be formally announced on April 15, 2003. A group of pilots filed a lawsuit on April 14, 2003 contesting the union ratification process. The U.S. District Court in Fort Worth, Texas denied the request for a temporary restraining order. Failure of one or more of the unions to ratify its Labor Agreement would likely lead the Company to initiate a Chapter 11 filing. See Part A of Item 1 for a discussion of other factors that may adversely affect the Company.

Economic and Other Conditions The airline industry is affected by changes in international, national, regional and local economic conditions, inflation, war or political instability (or the threat thereof), consumer preferences and spending patterns, demographic trends, disruptions to the air traffic control system, consumer perceptions of airline safety, costs of safety, security and environmental measures, and the weather.

Fuel Prices/Supply Due to the competitive nature of the airline industry, the Company is unlikely to be able to pass on any increased fuel prices to its customers by increasing fares. Moreover, to the extent there was a reduction in the supply of jet fuel, the Company's operations could be adversely impacted.

Competition in the Airline Industry Service over almost all of the Company's routes is highly competitive. The Company faces vigorous competition from major domestic airlines, national, regional, all-cargo and charter carriers, foreign air carriers, low-cost air carriers, and, particularly on shorter segments, ground transportation. Increasingly the Company faces significant competition from marketing/operational alliances formed by its competitors. To the extent those alliances can undertake activities that are not available to the Company, the Company's ability to effectively compete could be hindered. Pricing decisions are affected by competition from other airlines. Fare discounting by competitors has historically had a negative effect on the Company's financial results because the Company is generally required to match competitors' fares to maintain passenger traffic. No assurance can be given that any future fare reduction would be offset by increases in passenger traffic, a reduction in costs or changes in the mix of traffic that would improve yields. In addition, since September 11, 2001 several air carriers have sought to reorganize under Chapter 11 of the United States Bankruptcy Code, including United and US Airways. Successful completion of such reorganizations has resulted or would result in significantly lower operating costs derived from labor, supply, and financing contracts renegotiated under the protection of the Bankruptcy Code. Historically, air carriers involved in reorganizations have undertaken substantial fare discounting in order to maintain cash flows and enhance customer loyalty.

Changing Business Strategy The Company may change its business strategy in the future and may not pursue some of the goals stated herein.

Government Regulation Future results of the Company's operations may vary based upon any actions which the governmental agencies with jurisdiction over the Company's operations may take, including the granting and timing of certain governmental approvals (including foreign government approvals) needed for codesharing alliances and other arrangements with other airlines, restrictions on competitive practices (e.g., court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor), the adoption of regulations that impact customer service standards (e.g., new passenger security standards), and the adoption of more restrictive locally-imposed noise restrictions.

Military Involvement Prior to the war in Iraq, the increased threat of U.S. military involvement in overseas operations had a significant adverse impact on the Company's business, financial position (including access to capital markets) and results of operations and on the airline industry in general. Furthermore, since its beginning, the war in Iraq has had a significant adverse impact on international and domestic revenues and future bookings. This adverse impact is expected to continue for the duration of the war and for an uknown period of time thereafter; however, the Company cannot reasonably predict the extent of such impact.

Adverse Impact of Terrorist Attacks As described elsewhere in this Report, the events of September 11, 2001 had a material adverse impact on the Company. Among the effects experienced by the Company from the September 11, 2001 terrorist attacks were significant flight disruption costs caused by the FAA's imposed grounding of the U.S. airline industry's fleet, significantly increased security and other costs, a reduction in the availability of insurance coverage by insurance carriers, reduced load factors, and significantly reduced yields. The occurrence of another terrorist attack (whether domestic or international and whether against the Company or another entity) would again have a material adverse impact on the Company, its finances and/or its operations by further aggravating the aforementioned effects.

Uncertainty in International Operations The Company's current international activities and prospects could be adversely affected by factors such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks, taxation and changes in international government regulation of the Company's operations.

SARS In 2003, there has been an outbreak of Severe Acute Respiratory Syndrome (SARS). At the time of this 10-K filing, the outbreak has been largely concentrated in Asia, although cases have been confirmed in, among other locations, the United States and Canada. At this time SARS would primarily have an adverse impact on the Company's Pacific operations; however, the significant spread of SARS beyond Asia could have an adverse impact on all of the Company's operations.

Availability of Future Financing In the aftermath of the events of September 11, 2001, the Company raised substantial amounts of money to finance capital commitments and day-to-day operations. Although the Company has a limited amount of unencumbered assets (for example, as of December 31, 2002, the Company had Section 1110 eligible unencumbered aircraft with a market value of approximately $670 million) its ability to use those assets for financing activities is uncertain and these assets may not maintain their current market value. Thus, the Company's current access to capital markets is extremely limited. As noted elsewhere in this Report, credit ratings for the Company's debt instruments have been downgraded significantly below investment grade and remain on review for a further downgrade. These reductions have increased the Company's borrowing costs. To the extent the Company's credit ratings are further downgraded, the ability of the Company to access capital markets would be restricted further and/or the Company would have increased financing costs. To the extent that the Company is unable to access the capital markets for long-term capital spending requirements or short-term liquidity needs, the Company will be unable to fund its obligations and sustain its operations and will be forced to initiate a Chapter 11 filing.

ITEM 7(A). QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ. See Note 9 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by using jet fuel, heating oil, and crude swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2002 and 2001 cost per gallon of fuel. Based on projected 2003 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $205 million in 2003, net of fuel hedge instruments outstanding at December 31, 2002, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2002 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $169 million in 2002, net of fuel hedge instruments outstanding at December 31, 2001. The change in market risk is due primarily to the increase in fuel prices. As of December 31, 2002, the Company had hedged approximately 32 percent of its estimated 2003 fuel requirements, approximately 15 percent of its estimated 2004 fuel requirements, and approximately four percent of its estimated 2005 fuel requirements, compared to approximately 40 percent of its estimated 2002 fuel requirements, 21 percent of its estimated 2003 fuel requirements, and approximately five percent of its estimated 2004 fuel requirements hedged at December 31, 2001. The Company's credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. Previously, the Company used options to hedge a portion of its anticipated foreign currency-denominated ticket sales. After determining its foreign currency hedge program's impact was no longer materially beneficial, the Company discontinued entering into foreign currency hedges. The Company plans to periodically evaluate its foreign currency hedge position to determine whether its foreign currency hedge program should be reinstated. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2002 and 2001 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $65 million and $40 million for the years ending December 31, 2003 and 2002, respectively, net of hedge instruments outstanding at December 31, 2001, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2003 and 2002 foreign currency-denominated revenues and expenses as of December 31, 2002 and 2001.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company's largest exposure with respect to variable-rate debt comes from changes in the London Interbank Offered Rate (LIBOR). The Company has variable-rate debt instruments representing approximately 43 percent and 35 percent of its total long-term debt at December 31, 2002 and 2001, respectively, and interest rate swaps on notional amounts of approximately $138 million and $148 million, respectively, at December 31, 2002 and 2001. If the Company's interest rates average 10 percent more in 2003 than they did at December 31, 2002, the Company's interest expense would increase by approximately $15 million and interest income from cash and short-term investments would increase by approximately $5 million. In comparison, at December 31, 2001, the Company estimated that if interest rates averaged 10 percent more in 2002 than they did at December 31, 2001, the Company's interest expense would have increased by approximately $10 million and interest income from cash and short-term investments would have increased by approximately $9 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2002 and 2001.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately $395 million and $318 million as of December 31, 2002 and 2001, respectively. The change in market risk is due primarily to the increase in the Company's fixed-rate long-term debt during 2002. The fair values of the Company's long-term debt were estimated using quoted market prices or discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

Other In addition, the Company holds investments in certain other entities which are subject to market risk. However, the impact of such market risk on earnings is not significant due to the immateriality of the carrying value and the geographically diverse nature of these holdings.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

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, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, 2002 and 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in Note 2, the Company's recent history of significant losses, negative cash flows from operations, uncertainty regarding the Company's ability to reduce it's operating costs to offset the declines in its revenues, the potential failure of the Company to satisfy the liquidity requirements in certain of its credit agreements, and its diminishing financial resources, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

As discussed in Note 4 and Note 9 to the consolidated financial statements, effective January 1, 2002 the Company changed its method of accounting for its goodwill and other intangible assets as required by Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets," and effective January 1, 2001 the Company changed its method of accounting for its derivative and hedging activities as required by Statement of Financial Accounting Standards No. 133, "Accounting for derivative Instruments and Hedging Activities," as amended.

/s/ ERNST & YOUNG LLP

2121 San Jacinto
Dallas, Texas 75201
March 31, 2003

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

	Year Ended December 31,		
	2002	2001	2000
Revenues			
Passenger—American Airlines	$ 14,440	$ 15,780	$ 16,394
— AMR Eagle	1,332	1,378	1,452
Cargo	561	662	721
Other revenues	966	1,143	1,136
Total operating revenues	17,299	18,963	19,703
Expenses			
Wages, salaries and benefits	8,392	8,032	6,783
Aircraft fuel	2,562	2,888	2,495
Depreciation and amortization	1,366	1,404	1,202
Other rentals and landing fees	1,198	1,197	999
Commissions, booking fees and credit card expense	1,125	1,509	1,651
Maintenance, materials and repairs	1,108	1,165	1,095
Aircraft rentals	840	829	607
Food service	698	778	777
Other operating expenses	2,632	3,021	2,713
Special charges	718	1,466	—
U.S. Government grant	(10)	(856)	—
Total operating expenses	20,629	21,433	18,322
Operating Income (Loss)	(3,330)	(2,470)	1,381
Other Income (Expense)			
Interest income	71	110	154

Interest expense	(685)	(538)	(467)
Interest capitalized	86	144	151
Miscellaneous — net	(2)	(2)	68
	(530)	(286)	(94)
Income (Loss) From Continuing Operations Before Income Taxes, Extraordinary Loss and Cumulative Effect of Accounting Change	(3,860)	(2,756)	1,287
Income tax provision (benefit)	(1,337)	(994)	508
Income (Loss) From Continuing Operations Before Extraordinary Loss and Cumulative Effect of Accounting Change	(2,523)	(1,762)	779
Income From Discontinued Operations, Net of Applicable Income Taxes and Minority Interest	—	—	43
Income (Loss) Before Extraordinary Loss and Cumulative Effect of Accounting Change	(2,523)	(1,762)	822
Extraordinary Loss, Net of Applicable Income Taxes	—	—	(9)
Cumulative Effect of Accounting Change, Net of Applicable Income Taxes	(988)	—	—
Net Earnings (Loss)	$ (3,511)	$ (1,762)	$ 813

Continued on next page.

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

	Year Ended December 31,		
	2002	2001	2000
Earnings (Loss) Applicable to Common Shares	$ (3,511)	$ (1,762)	$ 813
Earnings (Loss) Per Share:			
Basic			
Income (loss) from continuing operations	$ (16.22)	$ (11.43)	$ 5.20
Discontinued operations	—	—	0.30
Extraordinary loss	—	—	(0.07)
Cumulative effect of accounting change	(6.35)	—	—
Net earnings (loss)	$ (22.57)	$ (11.43)	$ 5.43
Diluted			
Income (loss) from continuing operations	$ (16.22)	$ (11.43)	$ 4.81
Discontinued operations	—	—	0.27
Extraordinary loss	—	—	(0.05)
Cumulative effect of accounting change	(6.35)	—	—
Net earnings (loss)	$ (22.57)	$ (11.43)	$ 5.03

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

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

	December 31,	
	2002	2001
Assets		

Current Assets		
Cash	$ 104	$ 102
Short-term investments	1,846	2,386
Restricted cash and short-term investments	783	535
Receivables, less allowance for uncollectible accounts (2002—$66; 2001—$52)	858	1,162
Income tax receivable	623	252
Inventories, less allowance for obsolescence (2002—$450; 2001—$383)	627	822
Deferred income taxes	—	790
Other current assets	96	522
Total current assets	4,937	6,571
Equipment and Property		
Flight equipment, at cost	21,158	21,707
Less accumulated depreciation	6,117	6,727
	15,041	14,980
Purchase deposits for flight equipment	767	929
Other equipment and property, at cost	4,738	4,202
Less accumulated depreciation	2,288	2,123
	2,450	2,079
	18,258	17,988
Equipment and Property Under Capital Leases		
Flight equipment	2,245	2,658
Other equipment and property	165	163
	2,410	2,821
Less accumulated amortization	974	1,154
	1,436	1,667
Other Assets		
Route acquisition costs and airport operating and gate lease rights, less accumulated amortization (2002 — $257; 2001 — $229)	1,292	1,325
Goodwill	—	1,392
Other	4,344	3,898
	5,636	6,615
Total Assets	$ 30,267	$ 32,841

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

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

	December 31,	
	2002	2001
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,198	$ 1,785
Accrued salaries and wages	705	721
Accrued liabilities	1,855	1,471
Air traffic liability	2,614	2,763
Current maturities of long-term debt	713	556
Current obligations under capital leases	155	216
Total current liabilities	7,240	7,512
Long-Term Debt, Less Current Maturities	10,888	8,310

Obligations Under Capital Leases, Less Current Obligations	1,422	1,524
Other Liabilities and Credits		
Deferred income taxes	—	1,627
Deferred gains	487	520
Postretirement benefits	2,654	2,538
Other liabilities and deferred credits	6,619	5,437
	9,760	10,122
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock—20,000,000 shares authorized; None issued	—	—
Common stock—$1 par value; 750,000,000 shares authorized; 182,350,259 shares issued	182	182
Additional paid-in capital	2,795	2,865
Treasury shares at cost: 2002—26,260,620; 2001—27,794,380	(1,621)	(1,716)
Accumulated other comprehensive loss	(1,076)	(146)
Retained earnings	677	4,188
	957	5,373
Total Liabilities and Stockholders' Equity	$ 30,267	$ 32,841

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

AMR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2002	2001	2000
Cash Flow from Operating Activities:			
Income (loss) from continuing operations after extraordinary loss and cumulative effect of accounting change	$ (3,511)	$ (1,762)	$ 770
Adjustments to reconcile income (loss) from continuing operations after extraordinary loss and cumulative effect of accounting change to net cash (used) provided by operating activities:			
Depreciation	1,210	1,122	928
Amortization	156	282	274
Provisions for asset impairments	463	1,214	—
Goodwill impairment	988	—	—
Deferred income taxes	(845)	(731)	461
Additional tax refunds due to tax law change	371	—	—
Extraordinary loss on early extinguishment of debt	—	—	14
Change in assets and liabilities:			
Decrease (increase) in receivables	(66)	120	(169)
Decrease (increase) in inventories	48	(39)	(111)
Increase (decrease) in accounts payable and accrued liabilities	(32)	379	579
Increase (decrease) in air traffic liability	(154)	(276)	438
Increase (decrease) in other liabilities and deferred credits	188	165	(19)
Other, net	73	68	(23)
Net cash (used) provided by operating activities	(1,111)	542	3,142
Cash Flow from Investing Activities:			
Capital expenditures, including purchase deposits on flight equipment	(1,881)	(3,640)	(3,678)
Acquisition of Trans World Airlines, Inc.	—	(742)	—
Net (increase) decrease in short-term investments	540	(242)	(438)
Net increase in restricted cash and short-term investments	(248)	(535)	—
Proceeds from:			
Sale of equipment and property and other investments	220	401	332
Dividend from Sabre Holdings Corporation	—	—	559
Other	(24)	18	(50)

Net cash used for investing activities	(1,393)	(4,740)	(3,275)
Cash Flow from Financing Activities:			
Payments on long-term debt and capital lease obligations	(687)	(922)	(766)
Proceeds from:			
Issuance of long-term debt	3,099	4,744	836
Sale-leaseback transactions	91	352	—
Exercise of stock options	3	37	67
Net cash provided by financing activities	2,506	4,211	137
Net increase in cash	2	13	4
Cash at beginning of year	102	89	85
Cash at end of year	$ 104	$ 102	$ 89
Activities Not Affecting Cash			
Distribution of Sabre Holdings Corporation shares to AMR shareholders	$ —	$ —	$ 581

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

AMR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions, except share amounts)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2000	$ 182	$ 3,061	$ (2,101)	$ (2)	$ 5,718	$ 6,858
Net earnings	—	—	—	—	813	813
Adjustment for minimum pension liability	—	—	—	(8)	—	(8)
Unrealized gain on investments	—	—	—	7	—	7
Income tax effect	—	—	—	1	—	1
Total comprehensive income						813
Distribution of Sabre Holdings Corporation shares to AMR shareholders	—	—	—	—	(581)	(581)
Issuance of 3,817,892 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax of $11	—	(150)	236	—	—	86
Balance at December 31, 2000	182	2,911	(1,865)	(2)	5,950	7,176
Net loss	—	—	—	—	(1,762)	(1,762)
Adjustment for minimum pension liability	—	—	—	(161)	—	(161)
Changes in fair value of derivative financial instruments	—	—	—	(75)	—	(75)
Unrealized gain on investments	—	—	—	5	—	5
Income tax effect	—	—	—	87	—	87
Total comprehensive loss						(1,906)
Issuance of 2,421,838 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax of $58	—	(46)	149	—	—	103
Balance at December 31, 2001	182	2,865	(1,716)	(146)	4,188	5,373
Net loss	—	—	—	—	(3,511)	(3,511)
Adjustment for minimum pension liability	—	—	—	(1,122)	—	(1,122)
Changes in fair value of derivative financial instruments	—	—	—	143	—	143
Unrealized loss on investments	—	—	—	(6)	—	(6)
Income tax effect	—	—	—	55	—	55
Total comprehensive loss						(4,441)
Issuance of 1,533,760 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax of $2	—	(70)	95	—	—	25
Balance at December 31, 2002	$ 182	$ 2,795	$ (1,621)	$ (1,076)	$ 677	$ 957

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation The consolidated financial statements include the accounts of AMR Corporation (AMR or the Company) and its wholly owned subsidiaries, including its principal subsidiary American Airlines, Inc. (American). On April 9, 2001, American (through a wholly owned subsidiary, TWA Airlines LLC (TWA LLC)) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA). Accordingly, the operating results of TWA LLC since the date of acquisition have been included in the accompanying consolidated financial statements. All significant intercompany transactions have been eliminated. The results of operations, cash flows and net assets for Sabre Holdings Corporation (Sabre) for 2000 have been reflected in the consolidated financial statements as discontinued operations. Unless specifically indicated otherwise, the information in the footnotes relates to the continuing operations of AMR. Certain amounts from prior years have been reclassified to conform with the 2002 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.

Restricted Cash and Short-term Investments The Company has restricted cash and short-term investments related primarily to collateral held to support standby letters of credit backing floating rate tax exempt bonds, projected workers' compensation obligations and various other obligations.

Inventories Spare parts, materials and supplies relating to flight equipment are carried at average acquisition cost and are expensed when incurred 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, plus allowances for spare parts currently identified as excess. 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 major rotable parts, avionics and assemblies are depreciated on a group basis. The depreciable lives used for the principal depreciable asset classifications are:

	Depreciable Life
Fokker 100 aircraft	2004[1]
ATR 42 aircraft	2008[1]
Saab 340 aircraft	2007[1]
Other American jet aircraft and engines	20-30 years
Other regional aircraft and engines	16-20 years
Major rotable parts, avionics and assemblies	Life of equipment to which applicable
Improvements to leased flight equipment	Term of lease
Buildings and improvements (principally on leased land)	10-30 years or term of lease
Furniture, fixtures and other equipment	3-10 years
Capitalized software	3-10 years

1 Approximate final aircraft retirement date.

1. Summary of Accounting Policies (Continued)

Residual values for aircraft, engines, major rotable parts, avionics and assemblies are generally five to 10 percent, except when a guaranteed residual value or other agreements exist to better estimate the residual value.

Equipment and property under capital leases are amortized over the term of the leases or, in the case of certain aircraft, over their expected useful lives, and such amortization is included in depreciation and amortization. Lease terms vary but are generally 10 to 25 years for aircraft and seven 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 Eagle Holding Corporation (AMR Eagle) and costs incurred for maintenance and repair under power by the hour maintenance contract agreements, which are accrued on the basis of hours flown.

Intangible Assets Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities (including international airport take-off and landing slots), airport take-off and landing slots and airport gate leasehold rights acquired. Indefinite-lived intangible assets (route acquisition costs) are tested for impairment annually on December 31, rather than amortized, in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value.

Passenger Revenue Passenger ticket sales are initially recorded as a component of air traffic liability. Revenue derived from ticket sales is recognized at the time service 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. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience.

Advertising Costs The Company expenses the costs of advertising as incurred. Advertising expense was $161 million, $202 million and $221 million for the years ended December 31, 2002, 2001 and 2000, 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 and related services to companies participating in its frequent flyer program. The portion of the revenue related to the sale of mileage credits, representing the revenue for air transportation sold, is valued at current market rates and is deferred over 28 months, which approximates the expected period over which the mileage credits are used. The remaining portion of the revenue, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized upon sale as the related services have been provided.

Statements of Cash Flows Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statements of cash flows.

Measurement of Asset Impairments In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. The impairment charge is determined based upon the amount the net book value of the assets exceeds their estimated fair market value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair market value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values.

Employee Accruals The Company estimates the amount of potential retroactive pay expected to be provided upon finalization of a labor agreement for work groups working under contracts that have become amendable. These estimates are based upon management's expectation of the most likely outcome of the contract negotiations.

Stock Options The Company accounts for its stock-based compensation plans 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. The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". As required by SFAS 123, pro forma information regarding income (loss) from continuing operations before extraordinary loss and cumulative effect of accounting change and earnings (loss) per share from continuing operations before extraordinary loss and cumulative effect of accounting change have been determined as if the Company had accounted for its employee stock options and awards granted subsequent to December 31, 1994 using the fair value method prescribed by SFAS 123. The fair value for the stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2002, 2001 and 2000: risk-free interest rates ranging from 4.30% to 6.15%; dividend yields of 0%; expected stock volatility ranging from 43.5% to 45.2%; and expected life of the options of 4.5 years and 1.5 years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The following table illustrates the effect on net earnings (loss) and earnings per share amounts if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation (in millions, except per share amounts):

	Year Ended December 31,		
	2002	2001	2000
Net Earnings (Loss), as reported	$ (3,511)	$ (1,762)	$ 813
Add: Stock-based employee compensation expense included in reported net earnings (loss), net of tax	5	14	32
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of tax	(36)	(31)	(39)
Pro forma net earnings (loss)	$ (3,542)	$ (1,779)	$ 806
Earnings (loss) per share:			
Basic—as reported	$ (22.57)	$ (11.43)	$ 5.43
Basic—pro forma	$ (22.77)	$ (11.54)	$ 5.38
Diluted—as reported	$ (22.57)	$ (11.43)	$ 5.03
Diluted—pro forma	$ (22.77)	$ (11.54)	$ 4.98

New Accounting Pronouncements In June 2002, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, and establishes that fair value is the objective for initial measurement of the liability. Prior to SFAS 146, a liability for costs associated with an exit or disposal activity was recognized as of the date of the commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 will affect the timing and recognition of certain costs associated with future exit or disposal activities.

In November 2002, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation 45). Interpretation 45 requires disclosures in interim and annual financial statements about obligations under certain guarantees issued by the Company. Furthermore, it requires recognition at the beginning of a guarantee of a liability for the fair value of the obligation undertaken in issuing the guarantee, with limited exceptions including: 1) a parent's guarantee of a subsidiary's debt to a third party, and 2) a subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent. The disclosure requirements are effective for this filing and are included in Note 6 to the consolidated financial statements. The initial recognition and initial measurement provisions are only applicable on a prospective basis for guarantees issued or modified after December 31, 2002.

In January 2003, the Financial Accounting Standards Board issued Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" (Interpretation 46). Interpretation 46 addresses consolidation of variable interest entities, as defined, previously generally referred to as special purpose entities, to which the usual condition for consolidation described in Accounting Research Bulletin No. 51, "Consolidated Financial Statements" does not apply. It requires the primary beneficiary of a variable interest entity to include the assets, liabilities, and results of the activities of the variable interest entity in its consolidated financial statements, as well as disclosure of information about the assets and liabilities, and the nature, purpose and activities of consolidated variable interest entities. In addition, Interpretation 46 requires disclosure of information about the nature, purpose and activities of unconsolidated variable interest entities in which the Company holds a significant variable interest. The provisions of Interpretation 46 are effective immediately for any variable interest entities acquired after January 31, 2003 and effective beginning in the third quarter of 2003 for all variable interest entities acquired before February 1, 2003. The Company is currently evaluating the impact of Interpretation 46.

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (SFAS 145). SFAS 145 rescinds FASB Statement No. 4, "Reporting Gains and Losses from Extinguishment of Debt" (SFAS 4), and an amendment of that Statement, FASB Statement No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and FASB Statement No. 44, "Accounting for Intangible Assets of Motor Carriers". SFAS 145 amends FASB Statement No. 13, "Accounting for Leases" (SFAS 13), to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and other related pronouncements that make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The provisions of SFAS 145 related to the rescission of SFAS 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods that does not meet the criteria in FASB Opinion 30 for classification as an extraordinary item must be reclassified. The provisions of SFAS 145 related to SFAS 13 are effective for transactions occurring after May 15, 2002. All other provisions SFAS 145 are effective for financial statements issued on or after May 15, 2002. SFAS 145 had no impact on the Company during 2002.

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2. Recent Events and Liquidity

The Company's recent financial results are unsustainable. Given the severity of the Company's financial situation and the Company's belief that a permanent shift has occurred in the airline revenue environment, the Company continues to review its business model, particularly with a view towards identifying significant cost reductions. The Company believes that it must quickly reduce its annual operating costs by at least $4 billion in order to become competitive and sustain its operations. The Company has made progress in identifying more than $2 billion in annual operating cost reductions via initiatives involving: (i) scheduling efficiencies, including de-peaking certain of its hubs as referred to above, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. Even with these initiatives, however, a large shortfall of approximately $2 billion remains between identified annual cost reductions and needed cost reductions.

In February 2003, American asked its labor leaders and other employees for approximately $1.8 billion in permanent, annual savings through a combination of changes in wages, benefits and work rules. The requested $1.8 billion in savings is divided by work group as follows: $660 million—pilots, $620 million—Transportation Workers Union (TWU) represented employees, $340 million—flight attendants, $100 million—management and support staff, and $80 million—agents and representatives. On March 31, 2003, the Company reached agreements with the leaders of the three major unions representing American employees (the Labor Agreements) and announced changes in pay plans and benefits for non-unionized employees (including officers and other management) which will meet the targeted contributions. Of the approximately $1.8 billion in savings, approximately $1.0 billion are to be accomplished through wage and benefit reductions while the remaining approximately $.8 billion would be accomplished through changes in work rules which would result in additional job reductions. Wage reductions became effective on April 1, 2003 for officers and will become effective on May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will be phased in over time. In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of approximately 38 million shares of AMR stock in the form of stock options which will generally vest over a three year period (see Note 11 for additional information). Although these Labor Agreements enabled the Company to avoid an immediate filing of a petition for relief under Chapter 11 of the U.S. Bankruptcy Code (a Chapter 11 filing), these Labor Agreements must still be ratified by the unions' memberships. At the time of the filing of this Form 10-K, the unions have put the Labor Agreements out for a ratification vote. It is anticipated that the official results of the voting will be formally announced on April 15, 2003. A group of pilots filed a lawsuit on April 14, 2003 contesting the union ratification process. The U.S. District Court in Fort Worth, Texas denied the request for a temporary restraining order. Failure of one or more of the unions to ratify its Labor Agreement would likely lead the Company to initiate a Chapter 11 filing.

In addition, the Company continues to negotiate concessions from its vendors, lessors and suppliers; however, the Company cannot reliably predict whether it will obtain the necessary concessions or for what amount. In return for concessions, the Company plans to deliver shares of AMR common stock to its vendors, lessors and other creditors.

Even if the Labor Agreements are ratified and the Company obtains concessions from its vendors, lessors and suppliers, the Company may nonetheless need to initiate a Chapter 11 filing because its financial condition will remain weak and its prospects uncertain. Other negative factors include but are not limited to, the failure of the U. S. economy to soon begin a recovery, a prolonged war in Iraq, another terrorist attack, the failure of the Company to satisfy the liquidity requirement in certain of its credit agreements (see Note 8), or the inability of the Company to access the capital markets for additional financing.

3. Special charges and U.S. Government grant

In 2002, the Company announced a series of initiatives to reduce its costs, reduce capacity, simplify its aircraft fleet, and enhance productivity. These initiatives include, among other things, de-peaking of the Company's Dallas/Fort Worth International Airport hub (following the de-peaking of its Chicago hub); gradually phasing out operation of its Fokker aircraft fleet; and reducing capacity in the fourth quarter of 2002. In addition, the Company announced that it would reduce an estimated 7,000 jobs by March 2003 to realign its workforce with the planned capacity reductions, fleet simplification, and hub restructurings. As a result of these initiatives, the Company recorded special charges in the third quarter of 2002, as discussed below.

On September 11, 2001, two American Airlines aircraft were hijacked and destroyed in terrorist attacks on The World Trade Center in New York City and the Pentagon in northern Virginia. On the same day, two United Air Lines aircraft were also hijacked and used in terrorist attacks. In addition to the loss of life on board the aircraft, these attacks resulted in untold deaths and injuries to persons on the ground and massive property damage. In response to those terrorist attacks, the Federal Aviation Administration issued a federal ground stop order on September 11, 2001, prohibiting all flights to, from, and within the United States. Airports did not reopen until September 13, 2001 (except for Washington Reagan Airport, which was partially reopened on October 4, 2001). The Company was able to operate only a portion of its scheduled flights for several days thereafter. When flights were permitted to resume, passenger traffic and yields on the Company's flights were significantly lower than prior to the attacks. As a result, the Company reduced its operating schedule to approximately 80 percent of the schedule it flew prior to September 11, 2001. In addition, as a result of its schedule reduction and the sharp fall off in passenger traffic, the Company eliminated approximately 20,000 jobs.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Act). Under the airline compensation provisions of the Act, each U.S. airline and air cargo carrier was entitled to receive the lesser of: (i) its direct and incremental losses for the period September 11, 2001 to December 31, 2001 or (ii) its proportional available seat mile allocation of $5 billion in compensation available under the Act. The Company received a total of $866 million from the U.S. Government under the Act. For the years ended December 31, 2002 and 2001, the Company recognized approximately $10 million and $856 million, respectively, as compensation under the Act, which is included in U.S. Government grant on the accompanying consolidated statements of operations.

In addition, the Act provides for compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. Furthermore, the Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier. Based upon estimates provided by the Company's insurance providers, the Company recorded a liability of approximately $2.3 billion for claims arising from the events of September 11, 2001, after considering the liability protections provided for by the Act. In addition, the Company recorded a receivable for the same amount which the Company expects to recover from its insurance carriers as claims are resolved. This insurance receivable and liability are classified as Other assets and Other liabilities and deferred credits on the accompanying consolidated balance sheets, respectively, and are based on reserves established by the Company's insurance carriers. These estimates may be revised as additional information becomes available concerning the expected claims. One of the Company's insurance carriers has entered rehabilitation, a voluntary reorganization process. The carrier provides approximately five percent of the Company's coverage related to the events of September 11, 2001 as well as other covered items. This results in approximately $110 million in receivables, net of reserves, from the insurance carrier as of December 31, 2002. The Company expects to recover the net receivable via the rehabilitation process or other means available.

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3. Special charges and U.S. Government grant (Continued)

Special charges for the year ended December 31, 2002 and 2001 included the following (in millions):

	Year Ended December 31, 2002	2001
Aircraft charges	$ 658	$ 1,237
Employee charges	57	71
Facility exit costs	3	115
Other	—	43
Total special charges	$ 718	$ 1,466

<u>Aircraft charges</u>

In connection with the series of initiatives announced in 2002 and related revisions to its fleet plan to accelerate the retirement of its owned Fokker 100, Saab 340, and ATR 42 aircraft, the Company determined that these aircraft are impaired under SFAS 144. As a result of this determination, during the third quarter of 2002, the Company recorded an asset impairment charge of approximately $330 million reflecting the diminution in the fair value of these aircraft and related rotables; and a charge of approximately $40 million reflecting the write-down of certain related inventory to realizable value and the accrual of certain related costs.

Furthermore, the Company accelerated the retirement of nine operating leased Boeing 767-300 aircraft to the fourth quarter of 2002 (previously scheduled to be retired by May 2003), and its four operating leased Fokker 100 aircraft to 2004 (previously scheduled to be retired by 2010). As a result, during the third quarter of 2002, the Company recorded a charge of approximately $189 million related primarily to future lease commitments on these aircraft past the dates they will be removed from service, lease return costs, the write-down of excess Boeing 767-300 related inventory and rotables to realizable value, and the accrual of certain other costs. Cash outlays will occur over the remaining lease terms, which extend through 2014.

In addition, as a result of revisions to its fleet plan, the Company recorded a charge of approximately $99 million related primarily to contract cancellation costs and other costs related to discontinued aircraft modifications.

During the second quarter of 2001, in conjunction with the acquisition of certain assets from TWA, coupled with revisions to the Company's fleet plan to accelerate the retirement dates of its owned Fokker 100, Saab 340 and ATR 42 aircraft, the Company determined these aircraft were impaired. As a result, during the second quarter of 2001, the Company recorded an asset impairment charge of approximately $685 million relating to the write-down of the carrying value of these aircraft and related rotables to their estimated fair values. Furthermore, during the third quarter of 2001, following the events of September 11, 2001 and decisions by other carriers to ground their Fokker 100 fleets, the Company determined that its Fokker 100, Saab 340, and ATR 42 aircraft were further impaired. Therefore, during the third quarter of 2001, the Company recorded an additional charge of approximately $423 million reflecting the diminution in the estimated fair value of these aircraft and related rotables.

In addition, due primarily to fleet plan changes implemented by the Company as a result of the events of September 11, 2001, the Company recorded a charge of approximately $64 million related primarily to the write-down of certain other aircraft and aircraft modifications to their estimated fair value. Included in this charge is the write-down of five owned Boeing 727-200 non-operating aircraft and one owned McDonnell Douglas MD-80 non-operating aircraft.

The Company also retired all McDonnell Douglas DC-9 aircraft and eight McDonnell Douglas MD-80 aircraft during the third and fourth quarters of 2001, and accelerated the retirement of its entire Boeing 717-200 fleet to June 2002 (these aircraft were acquired from TWA). In conjunction therewith, the Company recorded a charge of approximately $65 million related primarily to future lease commitments and return condition costs on the operating leased aircraft past the dates they will be removed from service. Cash outlays will occur over the remaining lease terms, which extend through 2010.

In determining the asset impairment charges described above, management estimated the undiscounted future cash flows using models used by the Company in making fleet and scheduling decisions. In determining the fair value of these aircraft, the Company considered outside third party appraisals and recent transactions involving sales of similar aircraft and engines. In 2002, the Company also considered internal valuation models in determining the fair value of these aircraft, and with respect to the Fokker 100 aircraft, incorporated the fact that with this grounding, no major airline will operate this fleet type.

Employee charges

In August 2002, the Company announced that it would reduce an estimated 7,000 jobs by March 2003 to realign its workforce with the planned capacity reductions, fleet simplification, and hub restructurings. This reduction in workforce, which affected all work groups (pilots, flight attendants, mechanics, fleet service clerks, agents, management and support staff personnel), was accomplished through various measures, including limited voluntary programs, leaves of absence, part-time work schedules, furloughs in accordance with collective bargaining agreements, and permanent layoffs. As a result, during the third quarter of 2002, the Company recorded an employee charge of approximately $57 million primarily related to voluntary programs in accordance with collective bargaining agreements with its pilot and flight attendant work groups. Additional charges related to the reduction in workforce, incurred in the fourth quarter of 2002, were not significant and are not included in special charges. The Company does not expect remaining charges related to the reduction in workforce to be significant. Cash outlays for the $57 million employee charge will be incurred over a period of up to twelve months.

In September 2001, the Company announced that it would reduce its workforce by approximately 20,000 jobs across all work groups (pilots, flight attendants, mechanics, fleet service clerks, agents, management and support staff personnel). The reduction in workforce, which the Company accomplished through various measures, including leaves of absence, job sharing, elimination of open positions, furloughs in accordance with collective bargaining agreements, and permanent layoffs, resulted from the September 11, 2001 terrorist attacks and the Company's subsequent reduction of its operating schedule by approximately 20 percent. In connection therewith, the Company recorded a charge of approximately $71 million for employee termination benefits. Cash outlays for the employee charges were incurred substantially during 2001.

Facility exit costs

During 2001, the Company announced that it would discontinue service at Dallas Love Field and discontinue or reduce service on several of its international routes. In addition, the Company announced it would close six Admiral's Clubs, five airport Platinum Service Centers and approximately 105 off-airport Travel Centers in 37 cities, all effective September 28, 2001. As a result of these announcements, the Company recorded an $87 million charge related primarily to future lease commitments and the write-off of leasehold improvements and fixed assets. Cash outlays related to the accrual of future lease commitments will occur over the remaining lease terms, which extend through 2018.

In addition, in December 2001, American agreed to sell its terminal facilities lease rights at the Raleigh-Durham International Airport to the Raleigh-Durham Airport Authority. As a result of this transaction, the Company recorded a $28 million charge in the fourth quarter of 2001 to accrue the residual cost less sales proceeds. The transaction closed in early 2002.

Summary

The following table summarizes the components of special charges and the remaining accruals for the years ended December 31, 2002 and 2001 (in millions):

	Aircraft Charges	Facility Exit Costs	Employee Charges	Other	Total
2001					
Special charges	$ 1,237	$ 115	$ 71	$ 43	$ 1,466
Non-cash charges	(1,179)	(93)	—	—	(1,272)
Payments	—	(2)	(71)	(43)	(116)
Remaining accrual at December 31, 2001	58	20	—	—	78
2002					
Special charges	658	3	57	—	718
Non-cash charges	(460)	(3)	—	—	(463)
Payments	(47)	(3)	(13)	—	(63)

Remaining accrual at December 31, 2002	$ 209	$ 17	$ 44	$ —	$ 270

4. Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite-lived intangible assets (for AMR, route acquisition costs) for impairment rather than amortize them. During the first quarter of 2002, the Company completed its impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. During the third quarter of 2002, the Company completed its impairment analysis related to its $1.4 billion of goodwill and determined the Company's entire goodwill balance was impaired. In arriving at this conclusion, the Company's net book value was determined to be in excess of the Company's fair value at January 1, 2002, using AMR as the reporting unit for purposes of the fair value determination. The Company determined its fair value as of January 1, 2002, using various valuation methods, ultimately using market capitalization as the primary indicator of fair value. As a result, the Company recorded a one-time, non-cash charge, effective January 1, 2002, of $988 million ($6.35 per share, net of a tax benefit of $363 million) to write-off all of AMR's goodwill. The tax benefit of $363 million differed from the amount computed at the statutory federal income tax rate due to a portion of AMR's goodwill not being deductible for federal tax purposes. The charge to write-off all of AMR's goodwill is nonoperational in nature and is reflected as a cumulative effect of accounting change in the consolidated statements of operations.

4. Goodwill and Other Intangible Assets (Continued)

The following tables provide information relating to the Company's amortized intangible assets as of December 31 (in millions):

	2002		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 516	$ 178	$ 338
Gate lease rights	204	79	125
Total	$ 720	$ 257	$ 463

	2001		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 516	$ 157	$ 359
Gate lease rights	209	72	137
Total	$ 725	$ 229	$ 496

Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value. For the years ended December 31, 2002 and 2001, the Company recorded amortization expense of approximately $28 million and $29 million, respectively, related to these intangible assets. The Company expects to record annual amortization expense of approximately $28 million in each of the next five years related to these intangible assets.

The pro forma effect of discontinuing amortization of goodwill and route acquisition costs under SFAS 142—assuming the Company had adopted this standard as of January 1, 2000—results in an adjusted net loss of approximately $1,722 million, or $11.17 per share for the year ended December 31, 2001, and adjusted net income of approximately $838 million, or $5.59 per share basic and $5.18 per share diluted for the year ended December 31, 2000.

The Company had route acquisition costs of $829 million as of December 31, 2002 and 2001.

5. Investments

Short-term investments consisted of (in millions):

	December 31,	
	2002	2001
Overnight investments and time deposits	$ 572	$ 461
Corporate and bank notes	832	506
U. S. Government agency notes	285	687
U. S. Government agency mortgages	142	43
Asset backed securities	3	185
U. S. Treasury notes	2	490
Other	10	14
	$ 1,846	$ 2,386

5. Investments (Continued)

Short-term investments at December 31, 2002, by contractual maturity included (in millions):

Due in one year or less	$	998
Due between one year and three years		709
Due after three years		139
	$	1,846

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

The Company has restricted cash and short-term investments related primarily to collateral held to support standby letters of credit backing floating rate tax-exempt bonds, projected workers' compensation obligations and various other obligations. As of December 31, 2002, standby letter of credit agreements related to tax-exempt bonds were secured by restricted short-term investments of $347 million, projected workers' compensation obligations were secured by restricted cash and short-term investments of $334 million, and various other obligations were secured by restricted cash and short-term investments of $102 million. As of December 31, 2001, standby letter of credit agreements related to tax-exempt bonds were secured by restricted short-term investments of $422 million, projected workers' compensation obligations were secured by restricted cash and short-term investments of $81 million, and various other obligations were secured by restricted cash and short-term investments of $32 million.

In the first quarter of 2003, as a result of the Company's declining financial condition, the Company has made approximately $500 million in fuel prepayments, tax escrow deposits and credit card holdback deposits.

During 1999, the Company entered into an agreement with priceline.com Incorporated (priceline) whereby ticket inventory provided by the Company may be sold through priceline's e-commerce system. In conjunction with this agreement, the Company received warrants to purchase approximately 5.5 million shares of priceline common stock. In the second quarter of 2000, the Company sold these warrants for proceeds of approximately $94 million, and recorded a gain of $57 million which is included in Miscellaneous—net on the accompanying consolidated statements of operations.

During 2000, the Company recorded a gain of approximately $41 million from the recovery of start-up expenses (previously written-off) from the Canadian Airlines International Limited services agreement entered into during 1995 which is included in Miscellaneous—net on the accompanying consolidated statements of operations.

6. Commitments, Contingencies and Guarantees

As of December 31, 2002, the Company had commitments to acquire the following aircraft: two Boeing 777-200 ERs, nine Boeing 767-300ERs, 22 Embraer regional jets and 10 Bombardier CRJ-700s in 2003; an aggregate of 74 Embraer regional jets and seven Bombardier CRJ-700s in 2004 through 2006; and an aggregate of 47 Boeing 737-800s and nine Boeing 777-200ERs in 2006 through 2010. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $1.0 billion in 2003, $753 million in 2004, $694 million in 2005 and an aggregate of approximately $2.6 billion in 2006 through 2010. These commitments and cash flows reflect agreements the Company entered into with Boeing in November 2002 to defer 34 of its 2003 through 2005 deliveries to 2007 and beyond. In addition to these deferrals, Boeing Capital Corporation has agreed to provide backstop financing for all Boeing aircraft deliveries in 2003. In return, American has agreed to grant Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing. In addition, the Company has pre-arranged financing or backstop financing for all of its 2003 Embraer and Bombardier aircraft deliveries and a portion of its post 2003 deliveries.

In addition to these commitments for aircraft, the Company expects to spend approximately $400 million in 2003 for modifications to aircraft, renovations of —and additions to—airport and off-airport facilities, and the acquisition of various other equipment and assets.

6. Commitments, Contingencies and Guarantees (Continued)

The Company has contracted with two regional airlines, Chautauqua Airlines, Inc. and Trans States Airlines, Inc. (collectively the AmericanConnection carriers) to provide Embraer EMB-140/145 regional jet services under the brand "AmericanConnection". Under these arrangements, the Company pays the AmericanConnection carriers a fixed fee per block hour to operate the aircraft. The block hour fees are designed to cover the AmericanConnection carriers' fully allocated costs. Assumptions for highly volatile or uncontrollable costs such as fuel, landing fees, insurance, and aircraft ownership are trued up to actual values on a pass through basis. In addition to covering the cost of operations, the Company also pays a designed profit margin to the AmericanConnection carriers. In consideration for these payments, the Company retains all passenger and other revenues resulting from the operation of the AmericanConnection regional jets. Minimum payments under the contracts are $124 million in 2003, $69 million in 2004, $70 million in 2005 and $64 million in 2006. However, based on expected utilization, the Company expects to make payments of $164 million in 2003, $191 million in 2004, $192 million in 2005, $194 million in 2006 and $195 million in 2007. In addition, if the Company terminates the Chautauqua contract without cause, Chautauqua has the right to put its Embraer aircraft to the Company. If the Company were to terminate the Chautauqua contract without cause and Chautauqua were to exercise its put rights, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019.

The lessors under two of the Company's aircraft leases have exercised options that require the Company to purchase the related aircraft. Under the terms of the exercised put options, on or about May 27, 2003, the Company will be required to pay approximately $19 million to purchase the two aircraft subject to such leases.

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. The Company has not recorded a liability for any of these indemnities, as the likelihood of payment in each case is considered remote. These indemnities are discussed in the following paragraphs.

The Company's loan agreements and other LIBOR-based financing transactions (including certain leveraged aircraft leases) generally obligate the Company to reimburse the applicable lender for incremental increased costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with, or credit extended by such lender related to the loan, (ii) any tax, duty, or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, the Company's loan agreements, derivative transactions and other financing arrangements typically contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law.

These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

The Company has general indemnity clauses in many of its airport and other real estate leases where the Company as lessee indemnifies the lessor (and related parties) against liabilities related to the Company's use of the leased property. Generally, these indemnifications cover liabilities resulting from the negligence of the indemnified parties, but not liabilities resulting from the gross negligence or willful misconduct of the indemnified parties. In addition, the Company provides environmental indemnities in many of these leases for contamination related to the Company's use of the leased property.

In certain transactions, including certain aircraft financing leases and loans and derivative transactions, the lessors, lenders and/or other parties have rights to terminate the transaction based on changes in foreign tax law, illegality or certain other events or circumstances. In such a case, the Company may be required to make a lump sum payment to terminate the relevant transaction.

In addition, in its aircraft financing agreements, the Company generally indemnifies the financing parties, trustees acting on their behalf and other related parties against liabilities (including certain taxes) resulting from the financing, manufacture, design, ownership, operation and maintenance of the aircraft regardless of whether these liabilities (or taxes) relate to the negligence of the indemnified parties.

The Company is not able to estimate the potential amount of any liability resulting from the indemnities discussed above.

Under certain contracts with third parties, the Company indemnifies the third party against legal liability arising out of an action by the third party, or certain other parties. The terms of these contracts vary and the potential exposure under these indemnities cannot be determined. Generally, the Company has liability insurance protecting the Company for its obligations it has undertaken under these indemnities.

AMR and American have event risk covenants in approximately $2.1 billion of indebtedness as of December 31, 2002. These covenants permit the holders of such indebtedness to receive a higher rate of return (between 75 and 650 basis points above the stated rate) if a designated event, as defined, should occur and the credit rating of such indebtedness is downgraded below certain levels within a certain period of time. No designated event, as defined, has occurred as of December 31, 2002.

Miami-Dade County is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American, in an attempt to recover its past and future cleanup costs (Miami-Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs 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. In addition, the Company is subject to environmental issues at various other airport and non-airport locations for which it has accrued $92 million at December 31, 2002. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change.

The Company is involved in certain claims and litigation related to its operations. In the opinion of management, liabilities, if any, arising from these claims and litigation would not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

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7. Leases

AMR's subsidiaries lease various types of equipment and property, primarily aircraft and airport facilities. The future minimum lease payments required under capital leases, together with the present value of such 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, 2002, were (in millions):

	Capital Leases	Operating Leases
Year Ending December 31,		
2003	$ 254	$ 1,521
2004	299	1,216
2005	233	1,158
2006	235	1,089
2007	179	1,038
2008 and subsequent	1,113	10,296
	2,313	$ 16,318(1)

Less amount representing interest	736	
Present value of net minimum lease payments	$ 1,577	

(1) As of December 31, 2002, included in Accrued liabilities and Other liabilities and deferred credits on the accompanying consolidated balance sheets is approximately $1.7 billion relating to rent expense being recorded in advance of future operating lease payments.

At December 31, 2002, the Company had 318 jet aircraft and 34 turboprop aircraft under operating leases and 70 jet aircraft and 55 turboprop aircraft under capital leases—which includes both operating and non-operating aircraft. 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 or at a predetermined fixed amount.

Special facility revenue bonds have been issued by certain municipalities primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately $2.4 billion of these bonds (with total future payments of approximately $6 billion as of December 31, 2002) are guaranteed by American, AMR, or both. These guarantees can only be invoked in the event American defaults on the lease obligation and certain other remedies are not available. Approximately $740 million of these special facility revenue bonds contain mandatory tender provisions that require American to repurchase the bonds at various times through 2008, including $200 million in November 2003. Although American has the right to remarket the bonds there can be no assurance that these bonds will be successfully remarketed. In addition, in the first quarter of 2003, the Company redeemed $253 million of tax-exempt special facility revenue bonds that were backed by standby letters of credit secured by restricted cash and short-term investments. Any payments to redeem or purchase bonds that are not remarketed would be considered prepaid facility rentals and would reduce future operating lease commitments.

Rent expense, excluding landing fees, was $1.6 billion, $1.7 billion and $1.3 billion in 2002, 2001 and 2000, respectively.

8. Indebtedness

Long-term debt consisted of (in millions):

	December 31, 2002	December 31, 2001
Secured variable and fixed rate indebtedness due through 2021 (effective rates from 1.97%—9.6% at December 31, 2002)	$ 5,474	$ 3,989
Enhanced equipment trust certificates due through 2019 (rates from 2.02%—9.1% at December 31, 2002)	3,623	3,094
6.0%—8.5% bonds due through 2031	949	176
Credit facility agreement due in 2005 (4.33% at December 31, 2002)	834	814
9.0%—10.20% debentures due through 2021	330	332
6.5%—10.62% notes due through 2039	303	343
Unsecured variable rate indebtedness due through 2024 (3.55% at December 31, 2002)	86	86
Other	2	32
	11,601	8,866
Less current maturities	713	556
Long-term debt, less current maturities	$ 10,888	$ 8,310

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 2003—$627 million; 2004—$540 million; 2005—$1.3 billion; 2006—$1.1 billion; 2007—$978 million. In addition, in the first quarter of 2003, the Company redeemed $86 million of tax-exempt special facility revenue bonds (accounted for as long-term debt) with original maturities in 2014 through 2024 which were backed by standby letters of credit secured by restricted cash and short-term investments.

American has a fully drawn $834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, and (iii) modified the financial covenants applicable to subsequent periods and increased the applicable margin for advances under the facility. On May 15, 2003, American expects to be required to pledge an additional 30 (non-Section 1110 eligible) aircraft having an aggregate net book value as of March 31, 2003 of approximately $451 million. Pursuant to the modified financial covenants, American is required to maintain at least $1.0 billion of liquidity, consisting of unencumbered cash and short-term investments, for the second quarter 2003 and beyond. At this point, it is uncertain whether the Company will be able to satisfy this liquidity requirement.

In addition, the required ratio of EBITDAR to fixed charges has been decreased until the period ending December 31, 2004, and the next test of such cash flow coverage ratio will not occur until March 31, 2004. The amendment also provided for a 50 basis points increase in the applicable margin over the London Interbank Offered Rate (LIBOR), resulting in an effective interest rate (as of March 31, 2003) of 4.73 percent. The interest rate will be reset again on September 17, 2003. At American's option, interest on the facility can be calculated on one of several different bases. For most borrowings, American would anticipate choosing a floating rate based upon LIBOR.

8. Indebtedness (Continued)

In 2002, the Regional Airports Improvement Corporation and the New York City Industrial Development Agency issued facilities sublease revenue bonds at the Los Angeles International Airport and John F. Kennedy International Airport, respectively, to provide reimbursement to American for certain facility construction and other related costs. The Company has recorded the total amount of the issuances of $759 million (net of $38 million discount) as long-term debt on the consolidated balance sheet as of December 31, 2002. These obligations bear interest at fixed rates, with an average effective rate of 8.54 percent, and mature over various periods of time, with a final maturity in 2028. The Company has received approximately $672 million in reimbursements of certain facility construction and other related costs through December 31, 2002. Of the remaining $87 million of bond issuance proceeds not yet received, classified as Other assets on the consolidated balance sheet, $40 million are held by the trustee for reimbursement of future facility construction costs and will be available to the Company in the future, and $47 million are held in a debt service reserve fund.

In September 2002, American issued $617 million of enhanced equipment trust certificates secured by aircraft, with interest based on LIBOR plus a spread (.62 percent) and maturities over various periods, with a final maturity in 2007. These obligations are insured by a third party.

In addition, during the year ended December 31, 2002, American and AMR Eagle borrowed approximately $1.7 billion under various debt agreements which are secured by aircraft. Effective interest rates on these agreements are fixed or variable based on LIBOR plus a spread and they mature over various periods of time through 2017. At December 31, 2002, the effective interest rates on these debt agreements and the enhanced equipment trust certificates described above ranged up to 5.94 percent.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately $11.1 billion. In addition, certain of American's letter of credit agreements contain restrictive covenants, including a minimum net worth requirement, which could limit American's ability to pay dividends. At December 31, 2002, none of the retained earnings of American was available for payments of dividends to AMR. Such restrictions will no longer apply if the letters of credit are terminated in connection with redemption of the underlying bonds. American redeemed all bonds with letters of credit subject to the restrictions in the first quarter of 2003.

As of December 31, 2002, AMR has issued guarantees covering approximately $935 million of American's tax-exempt bond debt and American has issued guarantees covering approximately $636 million of AMR's unsecured debt. In addition, as of December 31, 2002, AMR and American have issued guarantees covering approximately $538 million of AMR Eagle's secured debt.

Cash payments for interest, net of capitalized interest, were $564 million, $343 million and $301 million for 2002, 2001 and 2000, respectively.

9. Financial Instruments and Risk Management

As part of the Company's risk management program, AMR uses a variety of financial instruments, including fuel swap and option contracts and interest rate swaps. Prior to September 2002, the Company also used currency option contracts and exchange agreements. The Company does not hold or issue derivative financial instruments for trading purposes.

9. Financial Instruments and Risk Management (Continued)

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 a number 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. The Company's outstanding collateral as of December 31, 2002 is included in restricted cash and short-term investments and is not material. The Company's credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future.

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133). SFAS 133 requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The adoption of SFAS 133 did not result in a cumulative effect adjustment being recorded to net income for the change in accounting. However, the Company recorded a transition adjustment of approximately $64 million in Accumulated other comprehensive loss in the first quarter of 2001.

Fuel Price Risk Management

American enters into jet fuel, heating oil and crude swap and option contracts to protect against increases in jet fuel prices. These instruments generally have maturities of up to 36 months. In accordance with SFAS 133, the Company accounts for its fuel swap and option contracts as cash flow hedges. Upon the adoption of SFAS 133, the Company recorded the fair value of its fuel hedging contracts in Other assets and Accumulated other comprehensive loss on the consolidated balance sheets. The Company determines the ineffective portion of its fuel hedge contracts by comparing the cumulative change in the total value of the fuel hedge contract, or group of fuel hedge contracts, to the cumulative change in the forecasted value of the jet fuel being hedged. If the total cumulative change in value of the fuel hedge contract more than offsets the total cumulative change in the forecasted value of the jet fuel being hedged, the difference is considered ineffective and is immediately recognized as a component of Aircraft fuel expense. Effective gains or losses on fuel hedging contracts are deferred in Accumulated other comprehensive loss and are recognized in earnings as a component of Aircraft fuel expense when the underlying jet fuel being hedged is used.

The Company monitors the commodities used in its fuel hedging programs to determine that these commodities are expected to be "highly effective" in offsetting changes in its forecasted jet fuel prices. In doing so, the Company uses a regression model to determine the correlation of the percentage change in prices of the commodities used to hedge jet fuel (i.e., WTI Crude oil and NYMEX Heating oil) to the percentage change in prices of jet fuel over a 36 month period. The fuel hedge contracts are deemed to be "highly effective" if this correlation is within 80 percent to 125 percent.

9. Financial Instruments and Risk Management (Continued)

For the year ended December 31, 2002, 2001 and 2000, the Company recognized net gains of approximately $4 million, $29 million and $545 million, respectively, as a component of fuel expense on the accompanying consolidated statements of operations related to its fuel hedging agreements. The net gains recognized in 2002 and 2001 included approximately $13 million and $72 million of expense related to ineffectiveness, respectively, relating to the Company's fuel hedging agreements. At December 31, 2002, American had fuel hedging agreements with broker-dealers on approximately 1.7 billion gallons of fuel products, which represented approximately 32 percent of its expected 2003 fuel needs, approximately 15 percent of its expected 2004 fuel needs, and approximately four percent of its expected 2005 fuel needs. The fair value of the Company's fuel hedging agreements at December 31, 2002 and 2001, representing the amount the Company would receive to terminate the agreements, totaled $212 million and $39 million, respectively.

Interest Rate Risk Management

American uses interest rate swap contracts to effectively convert a portion of its fixed-rate obligations to floating-rate obligations. Under SFAS 133, the Company accounts for its interest rate swap contracts as fair value hedges whereby the fair value of the related interest rate swap agreement is reflected in Other assets with the corresponding liability being recorded as a component of Long-term debt on the consolidated balance sheets. The Company has no ineffectiveness with regard to its interest rate swap contracts. The fair value of the Company's interest rate swap agreements, representing the amount the Company would receive if the agreements were terminated at December 31, 2002 and 2001, was approximately $21 million and $11 million, respectively.

Foreign Exchange Risk Management

To hedge against the risk of future exchange rate fluctuations on a portion of American's foreign cash flows, the Company previously entered into various currency put option agreements on a number of foreign currencies. These instruments generally had maturities of up to 12 months. In accordance with SFAS 133, the Company accounted for its currency put option agreements as cash flow hedges. Upon the adoption of SFAS 133, the Company recorded the fair value of its foreign currency put option agreements in Other assets and Accumulated other comprehensive loss on the consolidated balance sheets. Effective gains and losses on currency put option agreements were deferred in Accumulated other comprehensive loss and recognized in earnings as a component of passenger revenue when the underlying hedged revenues were recognized. The ineffectiveness associated with the Company's currency put option agreements was not material. For the year ended December 31, 2001, the Company recognized net gains of approximately $14 million as a component of passenger revenue related to its foreign currency put option agreements. For the year ended December 31, 2002 amounts related to the Company's foreign currency put options were not material. The Company has discontinued entering into new foreign exchange currency put option agreements. All remaining foreign currency put option agreements expired before December 31, 2002.

The Company has entered into Japanese yen currency exchange agreements to effectively convert certain yen-based capital lease obligations into dollar-based obligations. Under SFAS 133, the Company accounts for its Japanese yen currency exchange agreements as cash flow hedges whereby the fair value of the related Japanese yen currency exchange agreements is reflected in Other liabilities and deferred credits and Accumulated other comprehensive loss on the consolidated balance sheets. The Company has no ineffectiveness with regard to its Japanese yen currency exchange agreements. The fair value of the Company's yen currency exchange agreements, representing the amount the Company would pay to terminate the agreements, were $44 million and $45 million as of December 31, 2002 and 2001, respectively. The exchange rates on the Japanese yen agreements range from 66.5 to 113.5 yen per U.S. dollar.

9. Financial Instruments and Risk Management (Continued)

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 estimated fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	2002		2001	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured variable and fixed rate indebtedness	$ 5,474	$ 4,569	$ 3,989	$ 3,606
Enhanced equipment trust certificates	3,623	3,153	3,094	3,025
6.0%—8.5% bonds	949	572	176	143
Credit facility agreement	834	834	814	814
9.0%—10.20% debentures	330	153	332	293
6.5%—10.62% notes	303	149	343	310
Unsecured variable rate indebtedness	86	86	86	86
Other	2	2	32	32
	$ 11,601	$ 9,518	$ 8,866	$ 8,309

All other financial instruments are either carried at fair value or their carrying value approximates fair value.

10. Income Taxes

The significant components of the income tax provision (benefit) for income (loss) from continuing operations before extraordinary loss and cumulative effect of accounting change were (in millions):

	Year Ended December 31,		
	2002	2001	2000
Current	$ (863)	$ (263)	$ 47
Deferred	(474)	(731)	461
	$ (1,337)	$ (994)	$ 508

The income tax provision (benefit) includes a federal income tax provision (benefit) of $(1,235) million, $(911) million and $454 million and a state income tax provision (benefit) of $(107) million, $(90) million and $47 million for the years ended December 31, 2002, 2001 and 2000, respectively.

The income tax provision (benefit) for income (loss) from continuing operations before extraordinary loss and cumulative effect of accounting change differed from amounts computed at the statutory federal income tax rate as follows (in millions):

	Year Ended December 31,		
	2002	2001	2000
Statutory income tax provision (benefit)	$ (1,351)	$ (965)	$ 450
State income tax provision (benefit), net of federal tax effect	(103)	(58)	30
Meal expense	16	18	19
Expiration of foreign tax credits	39	—	—
Foreign tax credit carryforwards	—	(7)	—
Change in valuation allowance	50	7	—
Other, net	12	11	9
Income tax provision (benefit)	$ (1,337)	$ (994)	$ 508

The change in valuation allowance in 2002 related to the Company's uncertainty regarding the realization of the foreign tax credit carryforwards and state net operating losses. The change in valuation allowance in 2001 related to the Company's uncertainty regarding the realization of the foreign tax credit carryforwards.

Additionally, as of December 31, 2002, the recording of Other Comprehensive Income items, primarily the minimum pension liability, resulted in a net deferred tax asset. The Company recorded a $313 million valuation allowance as a component of Accumulated Other Comprehensive Income related to such net deferred tax asset.

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion or all of its deferred tax assets will not be realized. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including reversals of deferred tax liabilities) during the periods in which those temporary differences will become deductible.

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

	December 31,	
	2002	2001
Deferred tax assets:		
Postretirement benefits other than pensions	$ 1,005	$ 925
Rent expense	815	765
Alternative minimum tax credit carryforwards	500	572
Operating loss carryforwards	597	412
Pensions	589	—
Frequent flyer obligation	444	409
Gains from lease transactions	185	216
Other	745	784
Valuation allowance	(370)	(7)
Total deferred tax assets	4,510	4,076
Deferred tax liabilities:		
Accelerated depreciation and amortization	(4,076)	(4,065)

Purchased intangible assets	—	(369)
Pensions	—	(157)
Other	(434)	(322)
Total deferred tax liabilities	(4,510)	(4,913)
Net deferred tax liability	$ —	$ (837)

At December 31, 2002, the Company had available for federal income tax purposes an alternative minimum tax credit carryforward of approximately $500 million which is available for an indefinite period, and federal net operating losses of approximately $1.2 billion for regular tax purposes which will fully expire, if unused, in 2022. The Company had available for state income tax purposes net operating losses of $2.3 billion, which expire, if unused, in years 2005 through 2022.

Cash payments (refunds) for income taxes were $(646) million, $(28) million and $49 million for 2002, 2001 and 2000, respectively. The amounts received in 2002 relate primarily to net operating loss carryback claims, including a carryback claim filed as a result of a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the previous law, allowing the Company to more quickly recover its NOLs.

11. Stock Awards and Options

Under the 1998 Long Term Incentive Plan, as amended, officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights (SARs), restricted stock, deferred stock, stock purchase rights, other stock-based awards and/or performance-related awards, including cash bonuses. The total number of common shares authorized for distribution under the 1998 Long Term Incentive Plan is 23,700,000 shares. The 1998 Long Term Incentive Plan, the successor to the 1988 Long Term Incentive Plan, which expired May 18, 1998, will terminate no later than May 21, 2008. Options granted under the 1988 and 1998 Long Term Incentive Plans (collectively, the Plans) are awarded with an exercise price equal to the fair market value of the stock on date of grant, become exercisable in equal annual installments over five years following the date of grant and expire 10 years from the date of grant. SARs may be granted in tandem with options awarded; however, no SARs have been granted. As of December 31, 2002, approximately 2.6 million shares were available for future grant under the Plans.

11. Stock Awards and Options (Continued)

As a result of the Sabre spin-off in March 2000, AMR's stock price was adjusted from $60 9/16 to $25 9/16 by the New York Stock Exchange. Accordingly, all outstanding stock options and other stock-based awards, including the related exercise prices, were adjusted to preserve the intrinsic value of the stock options and awards. See Note 15 for information regarding the Sabre spin-off.

In 2002, 2001 and 2000, the total charge for stock compensation expense included in wages, salaries and benefits expense, primarily related to the Company's performance share plan, was $9 million, $21 million and $52 million, respectively. No compensation expense was recognized for stock option grants under the Plans since the exercise price was equal to the fair market value of the underlying stock on the date of grant.

Stock option activity was:

	Year Ended December 31,					
	2002		2001		2000	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at January 1	19,512,286	$ 26.46	16,568,907	$ 25.42	5,219,634	$ 52.06
Sabre adjustment	—	—	—	—	7,150,899	—
Granted	2,495,500	25.86	4,180,595	28.35	6,003,111	30.21
Exercised	(176,787)	24.33	(951,191)	38.34	(1,557,034)	32.85
Canceled	(782,951)	24.90	(286,025)	23.04	(247,703)	23.38
Outstanding at December 31	21,048,048	$ 26.49	19,512,286	$ 26.46	16,568,907	$ 25.42
Exercisable options outstanding at December 31	10,762,962	$ 24.70	7,161,346	$ 22.95	5,334,444	$ 19.79

The following table summarizes information about the stock options outstanding at December 31, 2002:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Under $20	2,297,494	2.97	$ 14.87	2,193,914	$ 15.14
$20-$30	11,793,938	7.31	24.64	5,589,324	24.22
Over $30	6,956,616	7.50	33.45	2,979,724	32.63
	21,048,048	6.90	$ 26.49	10,762,962	$ 24.70

11. Stock Awards and Options (Continued)

In May 1997, in conjunction with the labor agreement reached between American and members of the Allied Pilots Association (APA), the Company established the Pilots Stock Option Plan (The Pilot Plan). The Pilot Plan granted members of the APA the option to purchase 11.5 million shares of AMR stock at $41.69 per share, $5 less than the average fair market value of the stock on the date of grant, May 5, 1997. These shares were exercisable immediately. In conjunction with the Sabre spin-off, the exercise price was adjusted to $17.59 per share. Pilot Plan option activity was:

	Year Ended December 31,		
	2002	2001	2000
Outstanding at January 1	9,815,325	10,990,190	5,420,028
Sabre adjustment	—	—	7,421,048
Exercised	(20,606)	(1,174,865)	(1,850,886)
Outstanding at December 31	9,794,719	9,815,325	10,990,190

The weighted-average grant date fair value per share of all stock option awards granted during 2002, 2001 and 2000 was $11.42, $12.23 and $16.54, respectively.

Shares of deferred stock are awarded at no cost to officers and key employees under the Plans' 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,		
	2002	2001	2000
Outstanding at January 1	4,785,712	4,956,497	2,310,680
Sabre adjustment	—	—	3,165,632
Granted	—	—	—
Issued	(1,091,149)	(98,566)	(479,177)
Canceled	(98,055)	(72,219)	(40,638)
Outstanding at December 31	3,596,508	4,785,712	4,956,497

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 Plans. The fair value of the performance shares granted is equal to the market price of the Company's stock at the date of grant. The shares vest over a three-year performance period based upon certain specified financial measures of the Company. Performance share activity was:

	Year Ended December 31,		
	2002	2001	2000
Outstanding at January 1	2,486,802	2,507,755	1,215,644
Sabre adjustment	—	—	1,665,432
Granted	507,350	913,422	1,277,539
Issued	(178,596)	(194,128)	(399,517)
Awards settled in cash	(495,897)	(706,302)	(1,200,177)
Canceled	(1,089,555)	(33,945)	(51,166)
Outstanding at December 31	1,230,104	2,486,802	2,507,755

The weighted-average grant date fair value per share of performance share awards granted during 2002, 2001 and 2000 was $25.98, $28.27 and $32.93, respectively.

11. Stock Awards and Options (Continued)

In March 2003, the Board of Directors of AMR approved the issuance of additional shares of AMR common stock of up to 30 percent of the 156,359,955 outstanding shares of AMR common stock to employees and vendors, lessors and suppliers in connection with ongoing negotiations about concessions. Also in March 2003, the Compensation Committee of the AMR Board of Directors adopted the 2003 Employee Stock Incentive Plan (2003 Plan) to provide equity awards to employees in connection with wage, benefit and work rule concessions. Under the 2003 Plan, all employees of AMR and its subsidiaries are eligible to be granted awards which may include stock options, restricted stock and deferred stock. On March 31, 2003, the Company reached agreements with the leaders of the three major unions representing American employees (the Labor Agreements). In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of up to 38 million shares of AMR stock in the form of stock options which will be granted under the 2003 Plan if the Labor Agreements are ratified. These shares will generally vest over a three year period, will be granted at an exercise price equal to the fair market value of the stock on the grant date (the day following the ratification date) and will expire no later than 10 years after the date of grant. The remaining shares approved by the AMR Board of Directors are available for future issuance to employees, vendors, lessors and suppliers.

12. Retirement Benefits

All regular employees of the Company 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 also participate in a defined contribution plan for which Company contributions are determined as a percentage of participant compensation.

Effective January 1, 2001, American established a defined contribution plan for non-contract employees in which the Company will contribute a match up to 5.5 percent on employee contributions of pensionable earnings to the Company's existing 401(k) plan. During 2000, American provided a one-time election for current non-contract employees to remain in the defined benefit plan or discontinue accruing future credited service in the defined benefit plan as of January 1, 2001 and begin participation in the defined contribution plan. Effective January 1, 2002, all new non-contract employees of the Company will become members of the defined contribution plan.

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 regular 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 makes contributions to match employee prefunding.

In connection with the acquisition of TWA in April 2001 (see Note 17), the Company assumed certain retiree benefit plan liabilities of TWA, primarily its postretirement benefit obligation. As such, the following information reflects the inclusion of these obligations from the date of acquisition. In addition, effective January 1, 2002, TWA LLC employees were eligible to begin participation in American's pension plans. However, these employees were not granted prior credited service.

12. Retirement Benefits (Continued)

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets for the years ended December 31, 2002 and 2001, and a statement of funded status as of December 31, 2002 and 2001 (in millions):

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Reconciliation of benefit obligation				
Obligation at January 1	$ 7,422	$ 6,434	$ 2,759	$ 1,708
Service cost	352	260	77	66
Interest cost	569	515	207	175
Actuarial loss	820	416	391	205
Plan amendments	65	168	—	(12)
Acquisition of TWA	—	—	—	734
Benefit payments	(394)	(371)	(135)	(117)
Settlements	(77)	—	—	—
Obligation at December 31	$ 8,757	$ 7,422	$ 3,299	$ 2,759
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	$ 5,482	$ 5,731	$ 95	$ 88
Actual return on plan assets	(16)	1	(13)	(5)
Employer contributions	328	121	153	129
Benefit payments	(394)	(371)	(135)	(117)
Settlements	(77)	—	—	—
Fair value of plan assets at December 31	$ 5,323	$ 5,482	$ 100	$ 95
Funded status				
Accumulated benefit obligation (ABO)	$ 7,344	$ 6,041	$ —	$ —
Projected benefit obligation (PBO)	8,757	7,422	—	—
Accumulated postretirement benefit obligation (APBO)	—	—	3,299	2,759
Fair value of assets	5,323	5,482	100	95
Funded status at December 31	(3,434)	(1,940)	(3,199)	(2,664)
Unrecognized loss (gain)	2,709	1,454	581	168
Unrecognized prior service cost	330	286	(36)	(42)
Unrecognized transition asset	(4)	(5)	—	—
Net amount recognized	$ (399)	$ (205)	$ (2,654)	$ (2,538)

As of December 31, 2002, the accumulated benefit obligation and the fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were approximately $7.3 billion and $5.3 billion, respectively. As of December 31, 2001, the accumulated benefit obligation and the fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were approximately $4.2 billion and $3.6 billion, respectively.

At December 31, 2002 and 2001, other benefits plan assets of approximately $98 million and $93 million, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

The following tables provide the components of net periodic benefit cost for the years ended December 31, 2002, 2001 and 2000 (in millions):

	Pension Benefits		
	2002	2001	2000
Components of net periodic benefit cost			
Defined benefit plans:			
Service cost	$ 352	$ 260	$ 213
Interest cost	569	515	467
Expected return on assets	(501)	(539)	(490)
Amortization of:			
Transition asset	(1)	(1)	(1)
Prior service cost	21	11	10
Unrecognized net loss	49	22	17
Settlement loss	33	—	—
Net periodic benefit cost for defined benefit plans	522	268	216
Defined contribution plans	213	244	174
Total	$ 735	$ 512	$ 390

	Other Benefits		
	2002	2001	2000
Components of net periodic benefit cost			
Service cost	$ 77	$ 66	$ 43
Interest cost	207	175	108
Expected return on assets	(9)	(9)	(7)
Amortization of:			
Prior service cost	(6)	(5)	(5)
Unrecognized net gain	—	—	(14)
Net periodic benefit cost	$ 269	$ 227	$ 125

The following table provides the amounts recognized in the consolidated balance sheets as of December 31, 2002 and 2001 (in millions):

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Prepaid benefit cost	$ 54	$ 123	$ —	$ —
Accrued benefit liability	(453)	(328)	(2,654)	(2,538)
Additional minimum liability	(1,623)	(335)	—	—
Intangible asset	330	163	—	—
Accumulated other comprehensive loss	1,293	172	—	—
Net amount recognized	$ (399)	$ (205)	$ (2,654)	$ (2,538)

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001

Weighted-average assumptions as of December 31				
Discount rate	6.75%	7.50%	6.75%	7.50%
Salary scale	3.78	3.93	—	—
Expected return on plan assets	9.25	9.50	9.25	9.50

The assumed health care cost trend rate was six percent in 2003, decreasing gradually to an ultimate rate of 4.5 percent by 2005 for pre-65 individuals and twelve percent in 2003, decreasing gradually to an ultimate rate of 4.5 percent by 2010 for post-65 individuals. The previously assumed health care cost trend rate was six percent in 2002, decreasing gradually to an ultimate rate of 4.5 percent by 2004.

A one percentage point change in the assumed health care cost trend rates would have the following effects (in millions):

	One percent increase	One percent decrease
Impact on 2002 service and interest cost	$ 29	$ (27)
Impact on postretirement benefit obligation as of December 31, 2002	$ 230	$ (218)

13. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows (in millions):

	Minimum Pension Liability	Unrealized Gain/(Loss) on Investments	Unrealized Gain/(Loss) on Derivative Financial Instruments	Total
Balance at December 31, 1999	$ (1)	$ (1)	$ —	$ (2)
Current year net change	(8)	7	—	(1)
Income tax effect	3	(2)	—	1
Balance at December 31, 2000	(6)	4	—	(2)
Current year net change	(161)	5	—	(156)
Cumulative effect of adoption of SFAS 133 as of January 1, 2001	—	—	102	102
Reclassification of derivative financial instruments into earnings	—	—	(99)	(99)
Change in fair value of derivative financial instruments	—	—	(78)	(78)
Income tax effect	60	(2)	29	87
Balance at December 31, 2001	(107)	7	(46)	(146)
Current year net change	(1,122)	(6)	—	(1,128)
Reclassification of derivative financial instruments into earnings	—	—	5	5
Change in fair value of derivative financial instruments	—	—	138	138
Income tax effect	109	2	(56)	55
Balance at December 31, 2002	$ (1,120)	$ 3	$ 41	$ (1,076)

As of December 31, 2002, the Company estimates during the next twelve months it will reclassify from accumulated other comprehensive loss into net earnings approximately $86 million, with no related tax impact, relating to its derivative financial instruments.

14. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share (in millions, except per share amounts):

	Year Ended December 31,		
	2002	2001	2000
Numerator:			
Numerator for earnings (loss) per share—income (loss) from continuing operations before extraordinary loss and cumulative effect of accounting change	$ (2,523)	$ (1,762)	$ 779
Denominator:			
Denominator for basic earnings (loss) per share—weighted-average shares	156	154	150
Effect of dilutive securities:			
Employee options and shares	—	—	27
Assumed treasury shares purchased	—	—	(15)

Dilutive potential common shares	—	—	12
Denominator for diluted earnings (loss) per share—adjusted weighted-average shares	156	154	162
Basic earnings (loss) per share from continuing operations before extraordinary loss and cumulative effect of accounting change	$ (16.22)	$ (11.43)	$ 5.20
Diluted earnings (loss) per share from continuing operations before extraordinary loss and cumulative effect of accounting change	$ (16.22)	$ (11.43)	$ 4.81

For the years ended December 31, 2002 and 2001, approximately four million and 11 million potential dilutive shares, respectively, were not added to the denominator because inclusion of such shares would be antidilutive.

15. Discontinued Operations

On February 7, 2000, the Company declared its intent to distribute AMR's entire ownership interest in Sabre as a dividend on all outstanding shares of its common stock. To effect the dividend, AMR exchanged all of its 107,374,000 shares of Sabre's Class B common stock for an equal number of shares of Sabre's Class A common stock. Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Class A common stock for each share of AMR stock owned by AMR's shareholders. The record date for the dividend of Sabre stock was the close of business on March 1, 2000. In addition, on February 18, 2000, Sabre paid a special one-time cash dividend of $675 million to shareholders of record of Sabre common stock at the close of business on February 15, 2000. Based upon its approximate 83 percent interest in Sabre, AMR received approximately $559 million of this dividend. The dividend of AMR's entire ownership interest in Sabre's common stock resulted in a reduction to AMR's retained earnings in March of 2000 equal to the carrying value of the Company's investment in Sabre on March 15, 2000, which approximated $581 million. The fair market value of AMR's investment in Sabre on March 15, 2000, based upon the quoted market closing price of Sabre Class A common stock on the New York Stock Exchange, was approximately $5.2 billion. In addition, effective March 15, 2000, the Company reduced the exercise price and increased the number of employee stock options and awards by approximately 19 million to offset the dilution to the holders, which occurred as a result of the spin-off. These changes were made to keep the holders in the same economic position as before the spin-off. This dilution adjustment was determined in accordance with Emerging Issues Task Force Consensus No. 90-9, "Changes to Fixed Employee Stock Option Plans as a Result of Equity Restructuring", and had no impact on earnings.

The results of operations for Sabre, have been reflected in the consolidated statements of operations as discontinued operations. Summarized financial information of the discontinued operations is as follows (in millions):

	Year Ended December 31, 2000
Sabre	
Revenues	$ 542
Minority interest	10
Income taxes	36
Net income	43

16. Segment Reporting

Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", as amended (SFAS 131), requires that a public company report annual and interim financial and descriptive information about its reportable operating segments. Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company has two primary operating segments, consisting primarily of American and AMR Eagle, which represent one reportable segment. Following the acquisition of TWA in April 2001 (see Note 17), American is the largest scheduled passenger airline in the world. At the end of 2002, American provided scheduled jet service to more than 152 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system. AMR Eagle owns two regional airlines which do business as "American Eagle"—American Eagle Airlines, Inc. and Executive Airlines, Inc. The American Eagle carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, the Bahamas and the Caribbean.

16. Segment Reporting (Continued)

Revenues from other segments are below the quantitative threshold for determining reportable segments and consist primarily of revenues from AMR Investment Services, Inc. and Americas Ground Services, Inc. The difference between the financial information of the Company's one reportable segment and the financial information included in the consolidated statements of operations and balance sheets as a result of these entities is not material.

The Company's operating revenues by geographic region are summarized below (in millions):

	Year Ended December 31,		
	2002	2001	2000
Domestic	$ 12,435	$ 13,646	$ 13,881

Latin America	2,530	2,738	2,907
Europe	1,921	2,080	2,338
Pacific	413	499	577
Total consolidated revenues	$ 17,299	$ 18,963	$ 19,703

The Company attributes operating revenues by geographic region based upon the origin and destination of each flight segment. The Company's tangible assets consist primarily of flight equipment which is mobile across geographic markets and, therefore, has not been allocated.

17. Acquisition of TWA Assets

On April 9, 2001, American (through a wholly owned subsidiary, TWA Airlines LLC (TWA LLC)) purchased substantially all of the assets of TWA and assumed certain liabilities. TWA was the eighth largest U.S. carrier, with a primary domestic hub in St. Louis. American funded the acquisition of TWA's assets with its existing cash and short-term investments. The acquisition of TWA was accounted for under the purchase method of accounting and, accordingly, the operating results of TWA LLC since the date of acquisition have been included in the accompanying consolidated financial statements.

The accompanying consolidated financial statements reflect the allocation of the purchase price, which was based on estimated fair values of the assets acquired and liabilities assumed. American paid approximately $742 million in cash (subject to certain working capital adjustments) for the purchase of TWA, which included the $625 million purchase price paid to TWA and various other acquisition costs, primarily the purchase of aircraft security deposits and prepaid rent, and assumed the following obligations: $638 million in current liabilities, $734 million in postretirement benefits other than pensions, $519 million in capital lease obligations and approximately $175 million of other long-term liabilities. The purchase price was allocated as follows: approximately $812 million to current assets, $574 million to fixed assets, primarily capital lease aircraft, and approximately $320 million to other assets, resulting in goodwill of approximately $1 billion which was written-off as of January 1, 2002.

The following table provides unaudited pro forma consolidated results of operations for the year ended December 31, 2001, assuming the acquisition had occurred as of January 1, 2001 (in millions, except per share amounts):

	(Unaudited)
Operating revenues	$ 19,830
Income (loss) from continuing operations	(1,769)
Net earnings (loss)	(1,769)
Earnings (loss) per share—diluted	$ (11.48)

17. Acquisition of TWA Assets (Continued)

The unaudited pro forma consolidated results of operations have been prepared for comparative purposes only. These amounts are not indicative of the combined results which would have occurred had the transaction actually been consummated on the date indicated above and are not indicative of the consolidated results of operations which may occur in the future.

18. Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2002 and 2001 (in millions, except per share amounts):

	First Quarter (*)	Second Quarter	Third Quarter	Fourth Quarter
2002				
Operating revenues	$ 4,136	$ 4,479	$ 4,494	$ 4,190
Operating loss	(729)	(601)	(1,321)	(679)
Loss from continuing operations before cumulative effect of accounting change (**)	(575)	(495)	(924)	(529)
Net loss	(1,563)	(495)	(924)	(529)
Loss per share:				
Basic	(10.09)	(3.19)	(5.93)	(3.39)
Diluted	(10.09)	(3.19)	(5.93)	(3.39)
2001				
Operating revenues	$ 4,760	$ 5,583	$ 4,816	$ 3,804
Operating loss	(4)	(760)	(558)	(1,148)
Net loss	(43)	(507)	(414)	(798)
Loss per share:				
Basic	(0.28)	(3.29)	(2.68)	(5.17)
Diluted	(0.28)	(3.29)	(2.68)	(5.17)

(*) Certain amounts for the first quarter of 2001 related to the Company's fuel hedging program have been reclassified to conform with the 2001 presentation.

(**) The Company recorded a one-time, non-cash charge, effective January 1, 2002, of $988 million, net of tax, to write-off all of AMR's goodwill, as a result of the adoption of SFAS 142, which is reflected as a cumulative effect of accounting change in the consolidated financial statements.

18. Quarterly Financial Data (Unaudited) (Continued)

The following table summarizes the special charges and U.S. Government grant reimbursement recorded by the Company during the second, third and fourth quarters of 2002 and 2001 (in millions):

	Second Quarter	Third Quarter	Fourth Quarter
2002			
Aircraft charges	$ —	$ 658	$ —
Facility exit costs	—	3	—
Employee charges	—	57	—
Other	—	—	—
Total special charges	$ —	$ 718	$ —
U.S. Government grant	$ —	$ (10)	$ —
2001			
Aircraft charges	$ 685	$ 496	$ 56
Facility exit costs	—	61	54
Employee charges	—	55	16
Other	—	20	23
Total special charges	$ 685	$ 632	$ 149
U.S. Government grant	$ —	$ (809)	$ (47)

See Note 3 for a further discussion of special charges.

In addition to the above items, during the second quarter of 2002, the Company recorded a $57 million charge for the displacement of foreign tax credits resulting from a provision in Congress' economic stimulus package. The provision changed the period for carrybacks of net operating losses (NOLs) from two to five years and allowed the Company to more quickly recover its NOLs. However, the extended NOL carryback resulted in the displacement of foreign tax credits taken in prior years.

During the second quarter of 2001, the Company recorded a gain of $45 million from the settlement of a legal matter related to the Company's 1999 labor disruption.

ITEM 9. CHANGES IN AND 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 21, 2003. Information concerning the executive officers is included in Part I of this report on pages 21 and 22.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2003.

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 21, 2003.

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 21, 2003.

ITEM 14. CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures within 90 days before the filing date of this annual report. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) The following financial statements and Independent Auditors' Report are filed as part of this report:

(2) The following financial statement schedule and Independent Auditors' Report are filed as part of this report:

Schedules not included have been omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

(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	
3.1	Restated Certificate of Incorporation of AMR, incorporated by reference to AMR's Registration Statement on Form S-4, file number 33-55191.
3.2	Bylaws of AMR Corporation, amended as of January 22, 2003.
10.1	Compensation and Benefit Agreement relative to the retirement of Robert L. Crandall, between AMR and Robert L. Crandall, dated September 18, 1998, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.2	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.

10.3	Deferred Compensation Agreement, dated as of June 1, 1998, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.15 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.4	Deferred Compensation Agreement, dated as of January 11, 2000, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.15(a) to AMR's report on Form 10-K for the year ended December 31, 1999.
10.5	Changes to the Deferred Compensation Agreement, dated as of June 2, 1998, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.14 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.6	Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.15 to AMR's report on Form 10-K for the year ended December 31, 1997.
10.7	Deferred Compensation Agreement, dated as of January 13, 1999, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.19 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.8	Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.9	Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.10	Deferred Compensation Agreement, dated as of July 16, 1997, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.22 to AMR's report on Form 10-K for the year ended December 31, 1997.
10.11	Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.23 to AMR's report on Form 10-K for the year ended December 31, 1997.
10.12	Deferred Compensation Agreement, dated as of January 7, 1999, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.30 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.13	Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.29 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.14	Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.25 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.15	Deferred Compensation Agreement, dated as of January 19, 2001, between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.26 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.16	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.17	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.2 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.18	Deferred Compensation Agreement, dated as of January 14, 2002 between AMR and Joe M. Rodgers, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.19	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.4 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.20	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.21	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.6 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.22	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.23	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and Roger T. Staubach.
10.24	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and Edward A. Brennan.
10.25	Deferred Compensation Agreement, dated as of November 22, 2002 between AMR and Joe M. Rodgers.
10.26	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and Judith Rodin.
10.27	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and John W. Bachmann.

10.28	Deferred Compensation Agreement, dated as of December 3, 2002 between AMR and Armando M. Codina.
10.29	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and Philip J. Purcell.
10.30	AMR Corporation 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.34 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.31	AMR Corporation 2003 Employee Stock Incentive Plan.
10.32	Current form of Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended.
10.33	Current Form of Career Equity Program Deferred Stock Award Agreement for Corporate Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.41 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.34	Current form of Career Equity Program Deferred Stock Award Agreement for non-officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.35	Current form of Career Equity Program Deferred Stock Award Agreement for Senior Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42(a) to AMR's report on Form 10-K for the year ended December 31, 1998.
10.36	Current form of Career Equity Program Deferred Stock Award Agreement for Employees under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.44 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.37	Performance Share Program for the years 2001 to 2003 under the 1998 Long-Term Incentive Program, incorporated by reference to Exhibit 10.52 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.38	Form of Performance Share Program for the years 2001 to 2003 under the 1998 Long-Term Incentive Program, incorporated by reference to Exhibit 10.53 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.39	AMR Corporation 2002-2004 Performance Share Plan for Officers and Key Employees under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.10 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.40	AMR Corporation 2002-2004 Performance Share Program Deferred Stock Award Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.11 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.41	AMR Corporation 2003-2005 Performance Unit Plan for Officers and Key Employees.
10.42	American Airlines, Inc. 2003 Employee Profit Sharing Plan.
10.43	American Airlines, Inc. 2003 Incentive Compensation Plan for Officers and Key Employees.
10.44	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gerard J. Arpey, dated May 21, 1998, incorporated by reference to Exhibit 10.61 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.45	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Peter M. Bowler, dated May 21, 1998, incorporated by reference to Exhibit 10.63 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.46	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Donald J. Carty, dated May 21, 1998, incorporated by reference to Exhibit 10.64 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.47	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Daniel P. Garton, dated May 21, 1998, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.48	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Monte E. Ford, dated November 15, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 2000.

10.49	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Henry C. Joyner, dated January 19, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.50	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Charles D. MarLett, dated May 21, 1998, incorporated by reference to Exhibit 10.70 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.51	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Susan M. Oliver, dated September 22, 2000, incorporated by reference to Exhibit 10.81 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.52	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and William K. Ris, Jr., dated October 20, 1999, incorporated by reference to Exhibit 10.79 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.53	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Jeffrey C. Campbell dated June 13, 2002.
10.54	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Ralph L. Richardi dated September 26, 2002.
10.55	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gary F. Kennedy dated February 3, 2003.
10.56	Agreement between Robert W. Baker and American Airlines Inc. dated August 9, 2002.
10.57	Consulting Agreement between Michael W. Gunn and American Airlines, Inc. dated September 17, 2002 and a related agreement as of September 16, 2002.
10.58	Consulting Agreement between Anne H. McNamara and American Airlines, Inc. dated February 1, 2003.
10.59	Current Form of Retention Award Agreement for Certain Officers.
10.60	Supplemental Executive Retirement Program for Officers of American Airlines, Inc., as amended on October 15, 2002.
10.61	Trust Agreement under Supplemental Retirement Program for Officers of American Airlines, Inc., dated October 14, 2002.
10.62	Aircraft Purchase Agreement by and between American Airlines, Inc. and The Boeing Company, dated October 31, 1997, incorporated by reference to Exhibit 10.48 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.63	Aircraft Purchase Agreement by and between AMR Eagle Holding Corporation and Bombardier Inc., dated January 31, 1998, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.

10.64	Aircraft Purchase Agreement by and between AMR Eagle, Inc. and Embraer-Empresa Brasileira de Aeronautica S.A., dated December 22, 1997, incorporated by reference to Exhibit 10.50 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.65	Aircraft Purchase Agreement by and between AMR Eagle Holding Corporation and Embraer-Empresa Brasileira de Aeronautica S.A., dated September 30, 1998, incorporated by reference to Exhibit 10.76 to AMR's report on Form 10-K for the year ended December 31, 1998. Confidential treatment was granted as to a portion of this document.
12	Computation of ratio of earnings to fixed charges for the years ended December 31, 1998, 1999, 2000, 2001 and 2002.
21	Significant subsidiaries of the registrant as of December 31, 2002.
23	Consent of Independent Auditors.
99	Certification pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).

(b) Reports on Form 8-K:

<u>Form 8-Ks filed under Item 5—Other Events</u>

On October 4, 2002, AMR filed a report on Form 8-K relative to completing the impairment analysis of goodwill and indefinite-lived intangible assets with the conclusion that AMR's entire goodwill balance is impaired as defined by SFAS 142.

On October 16, 2002, AMR filed a report on Form 8-K to provide a press release issued on October 16, 2002 to report the Company's third quarter 2002 earnings.

Form 8-Ks furnished under Item 9—Regulation FD Disclosure

On October 10, 2002, AMR furnished a report on Form 8-K to announce AMR's intent to host a conference call on October 16, 2002 with the financial community relating to its third quarter 2002 earnings.

On November 1, 2002, AMR furnished a report on Form 8-K to announce AMR's intent to host an analyst meeting on November 6, 2002.

On November 12, 2002, AMR filed a report on Form 8-K to announce that Don Carty, Chairman and CEO of AMR Corporation, would be speaking at the 17th Annual Salomon Smith Barney Transportation Conference.

On November 22, 2002, AMR filed a report on Form 8-K to provide certain data regarding its unit costs, capacity, traffic and fuel, a monthly update, and an updated fleet plan.

On December 20, 2002, AMR filed a report on Form 8-K to provide certain data regarding its unit costs, capacity, traffic and fuel, a monthly update, and an updated fleet plan.

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/ Donald J. Carty

Donald J. Carty
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Jeffrey C. Campbell

Jeffrey C. Campbell
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: April 14, 2003

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/ John W. Bachmann	/s/ Michael A. Miles
John W. Bachmann	Michael A. Miles
/s/ David L. Boren	/s/ Philip J. Purcell
David L. Boren	Philip J. Purcell
/s/ Edward A. Brennan	/s/ Joe M. Rodgers
Edward A. Brennan	Joe M. Rodgers
/s/ Armando M. Codina	/s/ Judith Rodin
Armando M. Codina	Judith Rodin
/s/ Earl G. Graves	/s/ Roger T. Staubach
Earl G. Graves	Roger T. Staubach
/s/ Ann McLaughlin Korologos	
Ann McLaughlin Korologos	

Date: April 14, 2003

CERTIFICATIONS

I, Donald J. Carty, certify that:

1. I have reviewed this annual report on Form 10-K of AMR Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

/s/ Donald J. Carty

Donald J. Carty
Chairman and Chief Executive Officer

CERTIFICATIONS (Continued)

I, Jeffrey C. Campbell, certify that:

1. I have reviewed this annual report on Form 10-K of AMR Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b)

evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2003

/s/ Jeffrey C. Campbell

Jeffrey C. Campbell
Senior Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AMR Corporation

We have audited the consolidated financial statements of AMR Corporation as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, and have issued our report thereon dated March 31, 2003. Our audits also included Schedule II—Valuation and Qualifying Accounts and Reserves. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

The financial statement schedule does not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of the uncertainty regarding the Company's ability to continue as a going concern.

/s/ ERNST & YOUNG LLP

2121 San Jacinto
Dallas, Texas 75201
March 31, 2003

AMR CORPORATION
Schedule II—Valuation and Qualifying Accounts and Reserves
(in millions)

	Balance at beginning of year	Changes charged to statement of operations accounts	Increases charged to other accounts (Note)	Payments	Write-offs (net of recoveries)	Sales, retire-ments and transfers	Balance at end of year
Year ended December 31, 2002							
Allowance for obsolescence of inventories	$ 383	$ 71	$ —	$ —	$ —	$ (4)	$ 450
Allowance for uncollectible accounts	52	27	—	—	(13)	—	66
Reserves for maintenance activities	42	53	—	53	—	—	42
Reserves for environmental remediation costs	84	25	—	(17)	—	—	92
Reserves for litigation	6	(2)	—	—	—	—	4
Allowance for insurance receivable	—	12	—	—	—	—	12
Year ended December 31, 2001							
Allowance for obsolescence of inventories	332	67	—	—	—	(16)	383
Allowance for uncollectible accounts	27	19	—	—	6	—	52
Reserves for maintenance activities	35	53	—	(46)	—	—	42

Reserves for environmental remediation costs	70	24	19	(29)	—	—	84
Reserves for litigation	29	6	—	(29)	—	—	6
Year ended December 31, 2000							
Allowance for obsolescence of inventories	279	62	—	—	—	(9)	332
Allowance for uncollectible accounts	57	18	—	—	(48)	—	27
Reserves for maintenance activities	38	52	—	(55)	—	—	35
Reserves for environmental remediation costs	65	24	—	(19)	—	—	70
Reserves for litigation	31	—	—	(2)	—	—	29

Note: Amount was established as part of the April 2001 acquisition of TWA (see Note 17 to the consolidated financial statements) and was charged to goodwill on the consolidated balance sheets.

QuickLinks

Exhibit 3.2

AMR CORPORATION

BYLAWS

(As amended January 22, 2003)

ARTICLE I

Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

ARTICLE II

Meetings of Stockholders

Section l. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless

the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The

secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least l0% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors.

The board of directors shall promptly, but in all events within ten (10) days after the date on which the written request for fixing a record date was received by the secretary, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to vote by consent, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken was delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or any officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt

requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to vote by consent shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

Section l0. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section ll. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so

failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

ARTICLE III

Directors: Number, Election, Etc.

Section l. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders, except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

ARTICLE IV

Meetings of Directors

Section l. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time stated therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or

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of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors’ meeting.

ARTICLE V

Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

ARTICLE VI

Committees

Section l. Reserved for future use

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of three or more members. Each member of the audit committee shall meet the independence standards set forth in the Corporation's governance policies. A majority of the members of the audit committee shall constitute a quorum.

The duties and responsibilities of the audit committee shall be set forth in a charter that has been approved by the board of directors after review by the nominating/corporate governance committee. Among the duties and responsibilities of the audit committee are the following, to select the independent auditors, to review and approve the fees to be paid to the independent auditors, to assess the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. The audit committee shall periodically meet with representatives of the independent auditors and with the internal auditor of the corporation separately or jointly. In performing its duties the audit committee may retain such professionals as it deems necessary and appropriate.

Section 3. Compensation Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation committee, to consist of three or more directors. Each member of the compensation committee shall meet the independence standards set forth in the Corporation's governance policies. A majority of the members of the compensation/nominating committee shall constitute a quorum.

The duties and responsibilities of the compensation committee shall be set forth in a charter that has been approved by the board of directors after review by the nominating/corporate

governance committee. Among the duties and responsibilities of the compensation committee are the following, from time to time to review and make recommendations to the board of directors with respect to the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers and other remuneration plans such as, but not limited to, incentive compensation, deferred compensation, supplemental executive retirement plans, executive benefits termination agreements (as appropriate) and stock plans and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. In performing its duties, the compensation committee may retain such professionals as it deems necessary and appropriate.

Section 4. Nominating/ Corporate Governance Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a nominating/ corporate governance committee, to consist of three or more directors. Each member of the nominating/ corporate governance committee shall meet the independence standards set forth in the Corporation's governance policies. A majority of the members of the nominating/ corporate governance committee shall constitute a quorum.

The duties and responsibilities of the nominating/ corporate governance committee shall be set forth in a charter that has been approved by the board of directors. Among the duties and responsibilities of the nominating/ corporate governance committee are the following, the periodic review of the governance policies of the board of directors, the consideration of candidates for election to the board of directors, the consideration of candidates for election as officers of the Corporation and American Airlines, Inc. and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. In performing its duties, the nominating/ corporate governance committee may retain such professionals as it deems necessary and appropriate.

Section 5. Committee Procedure, Seal.

(a) The audit, compensation and nominating/ corporate governance committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The audit, compensation and nominating/ corporate governance committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence, or disqualification, of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

(d) Each committee may act in lieu of a meeting by means of a unanimous written consent executed by all of the members of the committee.

Section 6. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

ARTICLE VII

Indemnification

Section l. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been

taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (l) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section l hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper.

(a) Any indemnification of a director or officer of the corporation under Section l hereof (unless ordered by a court) shall be made by the corporation unless a determination is made that indemnification of the director or officer is not proper in the circumstances because he has not met the applicable standard of conduct set forth in Section l hereof. Such determination shall be made, with respect to a director or officer, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(b) Any indemnification of an employee or agent of the corporation (who is not also a director or officer of the corporation) under Section l hereof (unless ordered by a court) may be made by the corporation upon a determination that indemnification of the employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section l hereof. Such determination, in the case of an employee or agent, may be made (1) in accordance with the procedures outlined in the second sentence of Section 3(a), or (2) by an officer of the corporation, upon delegation of such authority by a majority of the Board of Directors.

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action,

suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections l and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section l of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section l of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights. The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or

not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE VIII

Officers

Section l. General. The officers of the corporation shall be the chairman of the board, a vice-chairman, president, a chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer

shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may abolish the office (except that of president, secretary and treasurer), elect an officer to fill such vacancy or allow the office to remain vacant for such time as the board of directors deems appropriate.

ARTICLE IX

Duties of Officers

Section l. Chairman of the Board, Vice-Chairman, President, Chief Operating Officer. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice-chairman and the chief operating officer shall perform such duties as shall be assigned to each by the board of directors or the chairman of the board. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of (a) chairman of the board and president or (b) president and chief operating officer may be filled by the same individual.

Section 2. Vice Presidents. Each vice president (including executive vice presidents and senior vice presidents) shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of the secretary may be delegated to one or more assistant secretaries.

Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman of the board, the president shall assume his powers and duties while he is absent or so disabled.

ARTICLE X

Stock

Section l. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (l) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may

from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action

ARTICLE XI

Miscellaneous

Section l. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 3lst day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be

open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

ARTICLE XII

Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.

Exhibit 10.23

November 14, 2002

Mr. Roger T. Staubach
Chairman & CEO
The Staubach Company
15601 Dallas Parkway
Suite 400
Addison, TX 75001

Dear Mr. Staubach:

This will confirm the following agreement relating to the deferral of your director's fees in 2003.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2003 through December 31, 2003 , will be deferred and paid to you in accordance with this letter agreement.

2. Fees will be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A (the "Plan").

3. Within 30 days of the date when you cease to be a Director of AMR Corporation, the Stock Equivalent Units accrued pursuant to the Plan will be converted to cash and paid to you by multiplying the number of such Stock Equivalent Units by the arithmetic mean of the high and the low of AMR stock during the month when you ceased to be a Director of AMR Corporation.

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to Marianne Staubach.

If the foregoing is satisfactory to you, please indicate by signing one of the originals (two are enclosed) and returning it to me.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Roger T. Staubach
Roger T. Staubach

11/20/02
Date

Exhibit 10.24

November 14, 2002

Mr. Edward A. Brennan
400 North Michigan Avenue
Suite 400
Chicago, IL 60611

Dear Ed:

You've elected to defer your retainer and meeting fees for calendar year 2003.

In June 1998, you and the Company entered into an agreement governing the fees you had deferred through that date. That agreement is attached.

I'm assuming you want to continue to defer your fees in accordance with the June 1998 letter. If so, please sign below and return to me. If you want another agreement, please let me know the details and we'll see what we can do.

Thank you for your cooperation and if there are questions, please let me know.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Deferral of 2003 fees to be in accordance with June 2, 1998 letter:

AGREED: /s/ Edward A. Brennan
Edward A. Brennan

P.S. I'm enclosing two originals - one to be returned to me and the other for your files.

Attachment

Exhibit 10.25

DEFERRAL AGREEMENT WORKSHEET

I, Joe M. Rodgers, a Director of AMR Corporation and American Airlines, Inc., do hereby elect to defer the receipt of meeting and retainer fees for the year 2003 pursuant to one of the following plans (please check one if you wish to defer 2003 meeting and retainer fees):

☒ Deferred fees accrue interest at the prime rate in effect, from time to time, at Chase Manhattan Bank, New York, New York.

or

o The Stock Equivalent Purchase Plan.

1. For how long do you want meeting and retainer fees to be deferred? Until retirement year(s).

2. At the conclusion of the deferral period, how do you want the deferred funds paid out (for example, 100% lump sum, 25% per year, $ per month until all funds distributed, etc.)?

100% lump sum

3. In the event of your death prior to the deferred funds being completely distributed, who do you wish to designate as your beneficiary?

Helen M. Rodgers

/s/ Joe M. Rodgers
Signature - Joe M. Rodgers

11/22/02
Date

Exhibit 10.26

November 14, 2002

Judith Rodin, PhD.
President
University of Pennsylvania
100 College Hall
Philadelphia, PA 19104

Dear Judith:

This will confirm the following agreement relating to the deferral of your directors' fees and retainers in 2003:

1. All directors' fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2003 through December 31, 2003, will be deferred and paid to you in accordance with this letter agreement:

2. Fees will be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A (the "Plan").

3. Upon your retirement from the Board of Directors of AMR the Stock Equivalent Units accrued pursuant to the Plan will be converted to cash and paid to you by multiplying the number of Stock Equivalent Units as of the date of your retirement by the arithmetic mean of the high and low of AMR stock ("fair market value") during the calendar month immediately preceding such retirement date. Such payment will occur within 30 days of your retirement date.

4. AMR's obligation to make payments pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the number of Stock Equivalent Units as of your date of death will be multiplied by the fair market value of AMR stock during the calendar month immediately preceding your death, and the amount paid to the Trustees under your Revocable Agreement of Trust, dated September 15, 1997, as amended November 3, 1997, Judith Rodin Settlor and Trustee.

If the foregoing is satisfactory to you, please indicate by signing one of the originals (two are enclosed) and returning it to me.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Judith Rodin
Judith Rodin

11/20/02
Date

Exhibit 10.27

November 14, 2002

Mr. John W. Bachmann
Managing Director
Edward Jones
12555 Manchester Road
St. Louis, MO 63131-3279

Dear Mr. Bachmann:

This will confirm the following agreement relating to the deferral of your director's fees in 2003.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2003 through December 31, 2003, will be deferred and paid to you in accordance with this letter agreement.

2. Fees will be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A (the "Plan").

3. Within 30 days of the date when you cease to be a Director of AMR Corporation, the Stock Equivalent Units accrued pursuant to the Plan will be converted to cash and paid to you by multiplying the number of such Stock Equivalent Units by the arithmetic mean of the high and the low of AMR stock ("fair market value") during the month when you ceased to be a Director of AMR Corporation.

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the number of Stock Equivalent Units as of your date of death will be multiplied by the fair market value of AMR stock during the calendar month immediately preceding your death, and the amount paid to Katharine Bachmann.

If the foregoing is satisfactory to you, please indicate by signing one of the originals (two are enclosed) and returning it to me.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ John W. Bachmann
John W. Bachmann

11/16/02
Date

Exhibit 10.28

December 3, 2002

Mr. Armando M. Codina
Chairman
Codina Group, Inc.
355 Alhambra Circle, Suite 900
Coral Gables, FL 33134

Dear Armando:

This will confirm the following agreement relating to the deferral of, and payment of, your directors' fees in 2003:

1. All directors' fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2003, through December 31, 2003, will be deferred and paid to you in accordance with this letter agreement.

2. Fees will be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A (the "Plan").

3. On or before January 31, 2013, all the Stock Equivalent Units will be converted to cash and paid to you by multiplying the number of Stock Equivalent Units as of December 31, 2012, by the arithmetic mean of the high and low of AMR stock ("fair market value") during December 2012.

4. AMR's obligation to make payments pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the number of Stock Equivalent Units as of your date of death will be multiplied by the fair market value of AMR stock during the calendar month immediately preceding your death, and the amount paid to Margarita Codina.

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5. Paragraph 3 of the deferral letter dated January 22, 2001, is amended by deleting the reference to "2010" and inserting "2011" and by deleting the references to "2009" and inserting "2010".

6. Paragraph 3 of the deferral letter dated December 18, 2001, is amended by deleting the reference to "2010" and inserting "2012" and by deleting references to "2009" and inserting "2011".

7. Paragraph 3 of the deferral letter dated January 30, 1995, is amended deleting the reference to "2003" and inserting "2006".

If the foregoing is satisfactory to you, please indicate by signing one of the originals (two are enclosed) and returning it to me.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Armando M. Codina
Armando M. Codina

12/13/02
Date

Exhibit 10.29

November 14, 2002

Mr. Philip J. Purcell
Morgan Stanley
2500 Lake Cook Road
Riverwoods, IL 60015

Dear Phil:

This will confirm the following agreement relating to the deferral of your director's fees in 2003.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2003 through December 31, 2003, will be deferred and paid to you in accordance with this letter agreement.

2. Fees will be converted to Stock Equivalent Units in accordance with the Directors' Stock Equivalent Purchase Plan, a copy of which is attached hereto as Exhibit A (the "Plan").

3. Within 30 days of the date when you cease to be a Director of AMR Corporation, the Stock Equivalent Units accrued pursuant to the Plan will be converted to cash and paid to you by multiplying the number of such Stock Equivalent Units by the arithmetic mean of the high and the low of AMR stock ("fair market value") during the month when you ceased to be a Director of AMR Corporation.

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the number of Stock Equivalent Units as of your date of death will be multiplied by the fair market value of AMR stock during the calendar month immediately preceding your death, and the amount paid to Anne Purcell.

If the foregoing is satisfactory to you, please indicate by signing one of the originals (two are enclosed) and returning it to me.

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Philip J. Purcell
Philip J. Purcell

11/15/02
Date

Exhibit 10.31

AMR CORPORATION

2003 EMPLOYEE STOCK INCENTIVE PLAN

SECTION 1. Purpose; Definitions.

The purpose of the AMR Corporation 2003 Employee Stock Incentive Plan (the "Plan") is to enable AMR Corporation (the "Company") to retain and reward employees of the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such employees and the Company's shareholders, by offering such employees equity-based incentives in the Company.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) "Affiliate" means any entity other than the Company and its Subsidiaries that is designated by the Board as a participating employer under the Plan, provided that the Company directly or indirectly owns at least twenty percent (20%) of the combined voting power of all classes of stock of such entity or at least twenty percent (20%) of the ownership interests in such entity.

(b) "Board" means the Board of Directors of the Company.

(c) "Cause" means a felony conviction of a participant or the failure of a participant to contest prosecution for a felony, or a participant's willful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any Subsidiary or Affiliate.

(d) "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

(e) "Committee" means the Committee referred to in Section 2 of the Plan. If at any time no Committee shall be in office, then the functions of the Committee specified in the Plan shall be exercised by the Board.

(f) "Company" means AMR Corporation, a corporation organized under the laws of the State of Delaware, or any successor corporation.

(g) "Deferred Stock" means the right to receive Stock at the end of a specified deferral period pursuant to Section 7.

(h) "Disability" means the receipt of benefits under a long term disability plan sponsored by a Subsidiary.

(i) "Early Retirement" means retirement, with the express of the Company at or before the time of such retirement, from active employment by any Subsidiary or Affiliate.

(j) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

(k) "Fair Market Value" means, as of any given date, unless otherwise determined by the Committee in good faith, the mean between the highest and lowest quoted selling price, regular way, of the Stock on the New York Stock Exchange or, if no such sale of Stock occurs on the New York Stock Exchange on such date, the fair market value of the Stock as determined by the Committee in good faith.

(l) "Normal Retirement" means retirement from active employment by any Subsidiary or Affiliate pursuant to the retirement provisions of the applicable pension plan of such entity.

(m) "Plan" means this AMR Corporation 2003 Stock Incentive Plan, as it may be amended from time to time.

(n) "Restricted Stock" means shares of Stock that are subject to restrictions under Section 6 below.

(o) "Retirement" means Normal or Early Retirement.

(p) "Stock" means the Common Stock, $1.00 par value per share, of the Company.

(q) "Stock Option" or "Option" means any option to purchase shares of Stock (including Restricted Stock and Deferred Stock, if the Committee so determines) granted pursuant to Section 5 below.

(r) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations (other than the last corporation in the unbroken chain) owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

(s) In addition, the terms "Awards," "Award," "Change in Control," "Potential Change in Control" and "Change in Control Price" shall have the meanings set forth, respectively, in Sections 2, 8(b), (c) and (d) below.

SECTION 2. Administration.

The Plan shall be administered by a committee of not less than two members of the Board, who shall be appointed by, and serve at the pleasure of, the Board. In selecting the members of the Committee, the Board shall take into account the requirements for the members of the Committee to be treated as "Non-Employee Directors" for purposes of Rule 16b-3, as promulgated under Section 16 of the Exchange Act. The functions of the Committee specified in the Plan shall be exercised by the Board, if and to the extent that no Committee exists which has the authority to so administer the Plan, or to the extent that the Committee is not comprised solely of Non-Employee Directors for purposes of Rule 16b-3, as promulgated under Section 16 of the Exchange Act.

The Committee shall have full authority to grant, pursuant to the terms of the Plan, to officers and other key employees eligible under Section 4: (i) Stock Options; (ii) Restricted Stock; and/or (iii) Deferred Stock (collectively, the "Awards" and singularly, an "Award").

In particular the Committee shall have the authority:

(a) to select the employees of the Subsidiaries and Affiliates to whom Awards may from time to time be granted hereunder;

(b) to determine whether and to what extent Awards, or any combination thereof, are to be granted hereunder to one or more eligible employees;

(c) subject to the provisions of Sections 3 and 4, to determine the number of shares to be covered by each such award granted hereunder;

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting, acceleration or waiver of forfeiture restrictions regarding any Stock Option or other award and/or the shares of Stock relating thereto, based in each case on such factors as the Committee shall determine in its sole discretion);

(e) to determine whether, to what extent and under what circumstances a Stock Option may be settled in cash, Restricted Stock and/or Deferred Stock under Section 5(f) or 5(g), as applicable, instead of Stock;

(f) to determine whether, to what extent and under what circumstances an award of Restricted Stock or Deferred Stock may be settled in cash;

(g) to determine whether, to what extent and under what circumstances Option grants and/or other awards under the Plan and/or other cash awards made by the Company are to be made, and operate, on a tandem basis vis-à-vis other awards under the Plan and/or cash awards made outside of the Plan, or on an additive basis;

(h) to determine whether, to what extent and under what circumstances Stock and other amounts payable with respect to an award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);

(i) with respect to an award of Restricted Stock, to determine whether the right to vote will be granted with such award and/or whether any dividends declared with respect to such award will be paid in cash, additional Restricted Stock, Deferred Stock or not at all;

(j) with respect to an award of Deferred Stock, to determine whether any dividends declared with respect to such award will be paid in cash, Restricted Stock, additional Deferred Stock or not at all; and

(k) to determine the terms and conditions pursuant to which an Award may vest on a pro rata basis or be terminated.

The Committee shall have the authority: to adopt, alter and repeal such rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan.

All decisions made by the Committee pursuant to the provisions of the Plan shall be made in the Committee's sole discretion and shall be final and binding on all persons, including the Company and Plan participants.

SECTION 3. Stock Subject to Plan.

The total number of shares of Stock reserved and available for distribution under the Plan shall be 42,680,000 shares. Such shares may consist, in whole or in part, of authorized and unissued shares.

If any shares of Stock that have been optioned cease to be subject to a Stock Option, or if any such shares of Stock that are subject to any Restricted Stock or Deferred Stock award granted hereunder are forfeited or any such award otherwise terminates without a payment being made to the participant in the form of Stock, such shares shall again be available for distribution in connection with future awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan, and in the number of shares subject to other outstanding awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number.

SECTION 4. Eligibility; Limitations.

All of the employees of the Company and its Subsidiaries and Affiliates, including all of those full-time employees in the United States who are "exempt employees," as defined under Fair Labor Standards Act of 1938, are eligible to receive Awards under the Plan. At least a majority of the shares of Stock or shares of Stock underlying Options or other Awards awarded under the Plan during any three-year period must be awarded to employees who are not officers or directors of the Company. No single officer of the Company may acquire under the Plan more than one percent of the Stock outstanding at the time the Plan is adopted.

SECTION 5. Stock Options.

Stock Options may be granted alone, in addition to, or in tandem with, other awards granted under the Plan. Any Stock Option granted under the Plan shall be in such form as the Committee may from time to time approve.

Stock Options granted under the Plan shall not be "incentive stock options" within the meaning of Section 422 of the Code unless the Company obtains the required shareholder approval of the Plan.

Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) *Option Price.* The option price per share of Stock purchasable under a Stock Option shall be determined by the Committee at the time of grant; provided, that such option price may not be less than the Fair Market Value of the Stock on the date the Stock Option is granted.

(b) *Option Term.* The term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten (10) years after the date the Option is granted.

(c) *Exerciseability.* Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) *Method of Exercise.* Subject to whatever installment exercise provisions apply under Section 5(c) and subject to whatever restrictions may be imposed by the Company, Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price in such manner and on such reasonable terms and conditions as the Committee shall establish from time to time.

No shares of Stock shall be issued upon exercise of a stock option until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 11(a).

(e) *Transferability of Options.* Unless the Committee shall permit (on such terms and conditions as it shall establish) an Option to be transferred to a member of the participant's immediate family or to a trust or similar vehicle for the benefit of such immediate family members, no Option shall be assignable or transferable except by will or the laws of descent and distribution, and except to the extent required by law, no right or interest of any participant shall be subject to any lien, obligation or liability of the participant.

(f) *Buyout Provisions.* The Committee may at any time offer to buy out for a payment in cash, Stock, Deferred Stock or Restricted Stock, an option previously granted hereunder, based on such terms and conditions as the Committee shall establish and communicate to the participant at the time that such offer is made.

(g) *Settlement Provisions.* If the option agreement so provides at grant or is amended after grant, and prior to the exercise, to so provide (with the optionee's consent), the Committee may require that all or part of the shares to be issued with respect to the spread value of an exercised Option take the form of Deferred or Restricted Stock, which shall be valued on the date of exercise on the basis of the Fair Market Value (as determined by the Committee) of such Deferred or Restricted Stock determined without regard to the deferral limitations and/or the forfeiture restrictions involved.

SECTION 6. Restricted Stock.

(a) *Administration.* Shares of Restricted Stock may be issued either alone, in addition to, or in tandem with, other awards granted under the Plan and/or awards made outside of the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient of Restricted, the time or times within which such awards may be subject to forfeiture, and all other terms and conditions of the awards.

The Committee may condition the grant of Restricted Stock upon the attainment of specified Performance Criteria or such other factors as the Committee may determine, in its sole discretion.

The provisions of Restricted Stock awards need not be the same with respect to each recipient.

(b) *Terms and Conditions.* The shares of Restricted Stock awarded pursuant to this Section 6 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock awarded under the Plan. Within these limits the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service and/or such other factors as the Committee may determine, in its sole discretion.

(ii) If and when the Restriction Period expires without a prior forfeiture of the Restricted Stock subject to such Restriction Period, certificates for an appropriate number of unrestricted shares of Stock shall be delivered to the participant promptly (unless the Committee decides pursuant to Section 2(f) to settle the award in cash).

(iii) The voting rights and/or dividend rights, if any, of the Restricted Stock award shall be established by the Committee pursuant to Section 2(i).

SECTION 7. Deferred Stock.

(a) *Administration.* Deferred Stock may be awarded either alone, in addition to, or in tandem with, other awards granted under the Plan and/or awards made outside of the Plan. The Committee shall determine the eligible persons to whom and the time or times at which Deferred Stock shall be awarded, the number of shares of Deferred Stock to be awarded to any person, the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred, and the other terms and conditions of the award in addition to those set forth in Section 7(b).

The Committee may condition the grant of Deferred Stock upon the attainment of such factors or criteria as the Committee shall determine, in its sole discretion.

The provisions of Deferred Stock awards need not be the same with respect to each recipient.

(b) *Terms and Conditions.* The shares of Deferred Stock awarded pursuant to this Section 7 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period. At the expiration of the Deferral Period (or the Elective Deferral Period referred to in Section 7(b)(iii), where applicable), stock certificates shall be delivered to the participant, or his legal representative, in a number equal to the shares covered by the Deferred Stock award (unless the Committee decides pursuant to Section 2(f) to settle the award in cash).

(ii) The Committee may accelerate the vesting of all or any part of any Deferred Stock award and/or waive the deferral limitations in whole or in part, based on service and/or such other factors as the Committee may determine, in its sole discretion.

(iii) A participant may elect to further defer receipt of an award (or an installment of an award) for a specified period or until a specified event (the "Elective Deferral Period"), subject in each case to such terms as are determined by the Committee, all in its sole discretion. Subject to any exceptions adopted by the Committee, such election must generally be made at least twelve (12) months prior to completion of the Deferral Period for such Deferred Stock award (or such installment).

(iv) The dividend rights, if any, of the Deferred Stock award established by the Committee pursuant to Section 2(k).

SECTION 8. Change in Control Provisions.

(a) *Impact of Event.* The Committee may provide, at or after the date an Award is granted that, notwithstanding any provisions of the Plan to the contrary, in the event of:

(i) a "Change in Control" as defined in Section 8(b), or

(ii) a "Potential Change in Control" as defined in Section 8(c), but only if and to the extent so determined by the Committee or the Board (subject to any right of approval expressly reserved by the Committee or the Board at the time of such determination):

(A) Any Stock Options awarded under the Plan not previously exercisable and vested shall become fully exercisable and vested;

(B) The restrictions and deferral limitations applicable to any Restricted Stock and Deferred Stock, in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested; and

(C) The value of all outstanding Awards to the extent vested may at the sole discretion of the Committee at or after grant but prior to any Change in Control, be cashed out on the basis of the "Change in Control Price" as defined in Section 8(d) as of the date such Change in Control or such Potential Change in Control is determined to have occurred or such other date as the Committee may determine prior to the Change in Control.

(b) *Definition of "Change in Control".* For purposes of Section 8(a), a "Change in Control" means the happening of any of the following:

(i) When any "person" as defined in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act but excluding the Company, any Subsidiary or any employee benefit plan sponsored or maintained by the Company or any Subsidiary (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act, as amended from time to time), of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities;

(ii) The individuals who, as of the Effective Date of this Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Effective Date of the Plan whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of Stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries); (B) no person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, fifteen percent (15%) or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination; and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

(c) *Definition of Potential Change in Control*. For purposes of Section 8(a), a "Potential Change in Control" means the happening of any one of the following:

(i) The approval by shareholders of an agreement by the Company, the consummation of which would result in a Change in Control of the Company as defined in Section 8(b); or

(ii) The acquisition of beneficial ownership, directly or indirectly, by any entity, person or group (other than the Company or a Subsidiary or any Company employee benefit plan (including any trustee of such plan acting as such trustee)) of securities of the Company representing five percent (5%) or more of the combined voting power of the Company's outstanding securities and the adoption by the Board of a resolution to the effect that a Potential Change in Control of the Company has occurred for purposes of this Plan.

(d) *Change in Control Price*. For the purposes of this Section 8, "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange Composite Index, or paid or offered in any bona fide transaction related to a potential

or actual Change in Control of the Company at any time during the sixty (60) day period immediately preceding the occurrence of the Change in Control (or, where applicable, the occurrence of the Potential Change in Control event), in each case as determined by the Committee.

SECTION 9. Amendments and Termination.

The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made which would impair the rights of an optionee or participant under an Award theretofore granted, without the optionee's or participant's consent.

The Committee may amend the terms of any Stock Option or other award theretofore granted, prospectively or retroactively, but subject to Section 3 above, no such amendment shall impair the rights of any holder without the holder's consent.

Subject to the above provisions, the Board shall have broad authority to amend the Plan to take into account changes in applicable securities and tax laws and accounting rules, as well as other developments.

SECTION 10. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a participant or optionee by the Company, nothing contained herein shall give any such participant or optionee any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Stock or payments in lieu of or with respect to awards hereunder; provided, however, that unless the Committee otherwise determines with the consent of the affected participant, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 11. General Provisions.

(a) The Committee may require each person purchasing shares pursuant to a Stock Option or other award under the Plan to represent to and agree with the Company in writing that the optionee or participant is acquiring the shares without a view to distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Stock or other securities delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Stock is then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required, and such arrangements may be either generally applicable or applicable only in specific cases.

(c) The adoption of the Plan shall not confer upon any employee of the Company or any Subsidiary or Affiliate any right to continued employment with the Company or a Subsidiary or Affiliate, as the case may be, nor shall it interfere in any way with the right of the Company or a Subsidiary or Affiliate to terminate the employment of any of its employees at any time.

(d) Except as the participant and the Company may otherwise agree, no later than the date as of which an amount first becomes includible in the gross income of the participant for federal income tax purposes with respect to any award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any federal, state, or local taxes of any kind required by law to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations may be settled with Stock, including Stock that is part of the award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company and its Subsidiaries or Affiliates shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the participant.

(e) The actual or deemed reinvestment of dividends or dividend equivalents in additional Restricted Stock (or in Deferred Stock or other types of Plan awards) at the time of any dividend payment shall only be permissible if sufficient shares of Stock are available under Section 3 for such reinvestment (taking into account then outstanding Stock Options, Stock Purchase Rights and other Plan awards).

(f) The Committee may permit a participant to postpone the delivery of Stock under any award, including a Stock Option, under the Plan upon such terms and conditions as the Committee shall determine.

(g) The Plan and all awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Delaware.

(h) The recipient of an Award hereunder is responsible for ensuring that all applicable taxes are paid when due. The Corporation and any Subsidiary or Affiliate reserve the right to sell all or any part of an Award and apply the proceeds to the tax obligation, or to withhold an amount equal to such tax obligation from the recipient's salary, wages or any other payments made to the recipient by a Subsidiary or Affiliate.

SECTION 12. Effective Date of Plan.

The Plan shall be effective as of March 18, 2003.

SECTION 13. Term of Plan.

No Award shall be granted pursuant to the Plan on or after the tenth anniversary of the date of shareholder approval, but awards granted prior to such tenth anniversary may extend beyond that date, in accordance with the terms of such awards.

Exhibit 10.32

STOCK OPTION

STOCK OPTION granted **«Gdate»**, by AMR Corporation, a Delaware corporation (the "Corporation"), and **«First» «Last»**, employee number **«ID»**, an employee of the Corporation or one of its Subsidiaries or Affiliates (the "Optionee").

W I T N E S S E T H:

WHEREAS, the stockholders of the Corporation approved the 1998 Long Term Incentive Plan at the Corporation's annual meeting held on May 20, 1998 (such plan, as may be amended from time to time, to be referenced the "1998 Plan");

WHEREAS, the 1998 Plan provides for the grant of an option to purchase shares of the Corporation's Common Stock to those individuals selected by the Committee or, in lieu thereof, the Board of Directors of AMR Corporation (the "Board"); and

WHEREAS, the Board has determined that the Optionee is eligible under the Plan and that it is to the advantage and interest of the Corporation to grant the option provided for herein to the Optionee as an incentive for Optionee to remain in the employ of the Corporation or one of its Subsidiaries or Affiliates, and to encourage ownership by the Optionee of the Corporation's Common Stock, $1 par value (the "Common Stock").

NOW, THEREFORE:

1. Option Grant. The Corporation hereby grants to the Optionee a non-qualified stock option, subject to the terms and conditions hereinafter set forth, to purchase all or any part of an aggregate of **«Shares»** shares of Common Stock at a price of **$«Price»** per share (being the fair market value of the Common Stock on the date hereof), exercisable in approximately equal installments on and after the following dates and with respect to the following number of shares of Common Stock:

Exercisable On and After	Number of Shares
«Vdate1»	**«Shares1»**
«Vdate2»	**«Shares2»**
«Vdate3»	**«Shares3»**
«Vdate4»	**«Shares4»**
«Vdate5»	**«Shares5»**

provided, that in no event shall this option be exercisable in whole or in part ten years from the date hereof and that the Corporation shall in no event be obligated to issue fractional shares. The right to exercise this option and to purchase the number of shares comprising each such installment shall be cumulative, and once such right has become exercisable it may be exercised in whole at any time and in part from time to time until the date of termination of the Optionee's rights hereunder.

2. Restriction on Exercise. Notwithstanding any other provision hereof, this option shall not be exercised if at such time such exercise or the delivery of certificates representing shares of Common Stock purchased pursuant hereto shall constitute a violation of any rule of the Corporation, any provision of any applicable Federal or State statute, rule or regulation, or any rule or regulation of any securities exchange on which the Common Stock may be listed.

3. Manner of Exercise. This option may be exercised with respect to all or any part of the shares of Common Stock then subject to such exercise pursuant to whatever procedures may be adopted by the Corporation. In the event that at the time of such exercise the shares of Common Stock as to which this option is exercisable have not been registered under the Securities Act of 1933, the Optionee will make a representation that he is acquiring the shares of Common Stock for investment only and not with a view to distribution. Subject to compliance by the Optionee with all the terms and conditions hereof, the Corporation or its agent shall promptly thereafter deliver to the Optionee a certificate or certificates for such shares with all requisite transfer stamps attached. (In the event of a cashless exercise, the Corporation or its agent will pay to the Optionee the appropriate cash amount, less required withholdings.)

4. Termination of Option. This option shall terminate and may no longer be exercised if (i) the Optionee ceases to be an employee of the Corporation or one of its Subsidiaries or Affiliates; or (ii) the Optionee becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation; or (iii) the Optionee takes a leave of absence without reinstatement rights, unless otherwise agreed in writing between the Corporation and the Optionee; except that

(a) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of death, the vesting of the option will be accelerated and the option will remain exerciseable until its expiration;

(b) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of Disability, the option will continue to vest in accordance with its terms and may be exercised until its expiration; provided, however, that if the Optionee dies after such Disability the vesting of the option will be accelerated and the option will remain exerciseable until its expiration;

(c) Subject to Section 7(c), if the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) terminates by reason of Normal or Early Retirement, the option will continue to vest in accordance with its terms and may be exercised until its expiration; provided, however, that if the Optionee dies after Retirement the vesting of the option will be accelerated and the option will remain exerciseable until its expiration;

(d) If the Optionee's employment by the Corporation (and any Subsidiary or Affiliate) is involuntarily terminated by the Corporation or a Subsidiary or Affiliate (as the case may be) without Cause, the option may thereafter be exercised, to the extent it was exercisable at the time of termination, for a period of three months from the date of such termination of employment or until the stated term of such option, whichever period is shorter; and

(e) In the event of a Change in Control or a Potential Change in Control of the Corporation, this option shall become exercisable in accordance with the 1998 Plan, or its successor.

5. Adjustments in Common Stock. In the event of any stock dividend, stock split, merger, consolidation, reorganization, recapitalization or other change in the corporate structure, appropriate adjustments may be made by the Board in the number of shares, class or classes of securities and the price per share.

6. Non-Transferability of Option. Unless the Committee shall permit (on such terms and conditions as it shall establish), an option may not be transferred except by will or the laws of descent and distribution to the extent provided herein. During the lifetime of the Optionee this option may be exercised only by him or her (unless otherwise determined by the Committee).

7. Miscellaneous.

(a) This option (i) shall be binding upon and inure to the benefit of any successor of the Corporation, (ii) shall be governed by the laws of the State of Texas, and any applicable laws of the United States, and (iii) may not be amended except in writing. No contract or right of employment shall be implied by this option.

(b) If this option is assumed or a new option is substituted therefore in any corporate reorganization (including, but not limited to, any transaction of the type referred to in Section 425(a) of the Internal Revenue Code of 1986, as amended), employment by such assuming or substituting corporation or by a parent corporation or a subsidiary thereof shall be considered for all purposes of this option to be employment by the Corporation.

(c) In the event the Optionee's employment is terminated by reason of Early or Normal Retirement and the Optionee subsequently is employed by a competitor of the Corporation, the Corporation reserves the right, upon notice to the Optionee, to declare the option forfeited and of no further validity.

8. Securities Law Requirements. The Corporation shall not be required to issue shares upon the exercise of this option 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 Optionee to furnish to the Corporation, prior to the issuance of any shares of Stock in connection with the exercise of this option, an agreement, in such form as the Board may from time to time deem appropriate, in which the Optionee represents that the shares acquired by him upon such exercise are being acquired for investment and not with a view to the sale or distribution thereof.

9. Option Subject to 1998 Plan. This option shall be subject to all the terms and provisions of the 1998 Plan and the Optionee shall abide by and be bound by all rules, regulations and determinations of the Board now or hereafter made in connection with the administration of the 1998 Plan. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 1998 Plan.

IN WITNESS WHEREOF, the Corporation has executed this Stock Option as of the day and year first above written.

AMR Corporation

/s/ Charles D. MarLett

Optionee

Charles D. MarLett
Corporate Secretary

Exhibit 10.41

2003 - 2005 PERFORMANCE UNIT PLAN
FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 2003 - 2005 AMR Corporation Performance Unit Plan ("Plan") for Officers and Key Employees is to provide greater incentive to officers and key employees of the subsidiaries and affiliates of AMR Corporation ("AMR" or "the Corporation") to achieve the highest level of individual performance and to meet or exceed specified goals which will contribute to the success of the Corporation.

Definitions

For purposes of the Plan, the following definitions will control:

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Committee 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.

"Committee" is defined as the Compensation / Nominating Committee, or its successor, of the AMR Board of Directors.

"Comparator Group" is defined as the six major U.S. based carriers including AMR Corporation, Continental Airlines, Inc., Delta Air Lines, Inc., Northwest Airlines Corp., Southwest Airlines Co., and UAL Corporation.

"Measurement Period" is defined as the three year period beginning January 1, 2003 and ending December 31, 2005.

"Total Shareholder Return (TSR)" is defined as the rate of return reflecting stock price appreciation plus reinvestment of dividends over the Measurement Period. The average Daily Closing Stock Price (adjusted for splits and dividends) for the three months prior to the beginning and ending points of the Measurement Period will be used to smooth out market fluctuations.

"Daily Closing Stock Price" is defined as the stock price at the close of trading (4:00 PM EST) of the National Exchange on which the stock is traded.

"National Exchange" is defined as either the New York Stock Exchange (NYSE), the National Association of Stock Dealers and Quotes (NASDAQ), or the American Stock Exchange (AMEX).

Accumulation of Units

Any payment under the Plan will be determined by (i) the Corporation's TSR rank within the Comparator Group and (ii) the terms and conditions of the award agreement between the Corporation and the employee. The distribution percentage of target units, based on rank, is specified below:

Granted Shares – Percent of Target Based on Rank

Rank	6	5	4	3	2	1
Payout%	0%	50%	75%	100%	135%	175%

In the event that a carrier (or carriers) in the Comparator Group ceases to trade on a National Exchange at any point in the Measurement Period, the following distribution percentage of target units, based on rank and the number of remaining comparators, will be used accordingly.

5 Comparators

Granted Units – Percent of Target Based on Rank

Rank	5	4	3	2	1
Payout%	50%	75%	100%	135%	175%

4 Comparators

Granted Units – Percent of Target Based on Rank

Rank	4	3	2	1
Payout%	75%	100%	135%	175%

3 Comparators

Granted Units – Percent of Target Based on Rank

Rank	3	2	1
Payout%	50%	135%	175%

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 and efficient operation of the Plan. The distribution percentage of units, if any, will be determined based on an audit of AMR's TSR rank by the General Auditor of American Airlines, Inc. 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. The awards will be paid in cash.

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 Airlines, Inc. 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 an award as may have been expressly awarded by the Committee subject to the terms and conditions of the award agreement between the Corporation and the employee.

In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of the Corporation, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects the Corporation or its subsidiaries or its Affiliates, the Committee, in its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Committee may deem necessary), or substitute any awards due currently or in the future under the Plan, including, but not limited to, any awards that have accrued to the benefit of participants but have not yet been paid.

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 Airlines, Inc. or its Affiliates 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 Airlines, Inc. or its Affiliates or after such employment is terminated, and (iii) not to solicit any current employees of American Airlines, Inc. or any subsidiaries of AMR to join the employee at his or her new place of employment after his or her employment with American Airlines, Inc. is terminated.

The Committee may amend, suspend, or terminate the Plan at any time.

Exhibit 10.42

2003 EMPLOYEE PROFIT SHARING PLAN

Purpose

The purpose of the 2003 American Airlines Employee Profit Sharing Plan ("Plan") is to provide participating employees with a sense of commitment to, and direct financial interest in, the success of American Airlines, Inc.

Definitions

Capitalized terms not otherwise defined in the Plan will have the meanings set forth in the 1998 Long Term Incentive Plan, as amended (the "LTIP").

"AMR" is defined as AMR Corporation.

"Adjusted Investment" is defined as the sum of American's notes payable, current maturities of long-term debt and capital leases, long-term debt, capital leases, Present Value of Operating Leases, and stockholders' equity, and any accounting adjustments or extraordinary or unusual items which may be added or deducted at the discretion of the Committee and are approved by the Board of Directors of AMR.

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Committee 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.

"American" is defined as AMR less AMR subsidiaries other than American Airlines, Inc. and its subsidiaries.

"Average Adjusted Investment" is defined as the sum of Adjusted Investment as of 12/31/02, 3/31/03, 6/30/03, and 9/30/03, divided by four.

"Calculated Amortization of Operating Leases" is defined as the amortization expense associated with the Capitalized Value of Operating Leases as if such leases were accounted for as capital leases, and is determined by the straight-line method over the lease term.

"Capitalized Value of Operating Leases" is defined as the initial present value of the lease payments required under American's aircraft operating leases over the initial stated lease term, calculated using a discount rate of Prime plus one percent.

"Committee" is defined as the AMR Incentive Compensation Committee.

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

"Plan Earnings" is defined as the sum of American's pre-tax income, interest expense, aircraft rental expense, and any accruals for American's Pilot Variable Compensation Plan, Employee Profit Sharing Plan, Incentive Compensation Plan, and any other plan that might be created, at the discretion of the Committee, less Calculated Amortization of Operating Leases and any accounting adjustments or extraordinary or unusual items which may be added or deducted at the discretion of the Committee and approved by the Board of Directors of AMR.

"Present Value of Operating Leases" is defined as the present value of the lease payments required under American's aircraft operating leases over the remaining lease term, calculated using the discount rate of Prime plus one percent. Amounts for 3/31/03, 6/30/03, and 9/30/03 are computed by determining the difference between the Present Value of Operating Leases as of 12/31/03 and 12/31/02 and allocating that difference evenly over the four quarters of 2003.

"Prime" is defined as the base rate on corporate loans posted by at least 75% of the 30 largest U.S. banks which is published daily in the Wall Street Journal.

"Qualified Earnings" is defined as base salaries paid during the Plan year, overtime, holiday pay, skill premiums, longevity pay, sick pay, vacation pay, shift differential, overrides and license premiums and does not include payments such as travel and incidental expenses, moving expenses, relocation allowance (COLA), payouts from any retirement plan, disability payments, workers compensation payments, imputed income from certain travel service charges or life insurance, or other benefits provided by American, nor does it include any special one-time monetary awards or allowances, lump sum payments, or incentive compensation or profit sharing payments.

"Return on Investment" or "ROI" is defined as Plan Earnings divided by Average Adjusted Investment, stated as a percentage.

Eligibility for Participation

In order to be eligible for a profit sharing award, the individual must:

- Have worked during the Plan year as a regular full-time or part-time employee at American in a participating workgroup (flight attendant, reservations, coordinator/planner, airport agent, sky cap, support staff, management levels 04 and below).

- Have an adjusted seniority date prior to July 1st of the Plan year. An individual's Qualified Earnings from the time worked at American will be included in the award calculation.
- Be employed at American or an Affiliate at the time awards are paid. If at the time awards are paid under the Plan, an individual has retired from American or an Affiliate, has been laid off, is on a leave of absence with re-instatement rights, is disabled or has died, the award which the individual

otherwise would have received under the Plan but for such retirement, lay-off, leave, disability or death may be paid to the individual or his/her estate in the event of death, at the discretion of the Committee.

Notwithstanding the foregoing, however, an employee will not be eligible to participate in the Plan if such employee is, at the same time, eligible to participate in:

i) the 2003 American Airlines Incentive Compensation Plan for Officers and Key Employees,
ii) the Pilot Profit Sharing Plan (as implemented in 1997),
iii) any incentive compensation, profit sharing, commission or other bonus plan for employees of any division of American, or
iv) any incentive compensation, profit sharing, commission or other bonus plan sponsored by an Affiliate.

Awards under the Plan will be determined on a proportionate basis for participation in more than one plan during a Plan year. Employees who transfer from/to Affiliates or any other plan described above during a Plan year, and satisfy eligibility requirements, will receive awards from each plan on a proportionate basis.

The Profit Sharing Fund Accumulation

Performance will be measured by ROI and the Fund will accumulate based on that performance. The Fund is established at 1% of Qualified Earnings when ROI is equal to 6.4%. The fund will accumulate on a straight-line basis at the rate of 0.583% of qualified earnings for each additional point of ROI.

The profit sharing fund will not exceed an amount equal to 8% of Qualified Earnings at levels of ROI above 18.4%.

Award Distribution

For eligible domestic employees (where domestic means the United States, Puerto Rico and the U.S. Virgin Islands), individual awards will be distributed based on an employee's Qualified Earnings for the Plan year multiplied by the appropriate percentage of Qualified Earnings based upon the ROI achieved for the Plan year. The percent of Qualified Earnings used for Fund accumulation and award distribution will be the same.

A portion of the Fund will be allocated for eligible international employees (employees other than those in the United States, Puerto Rico and the U.S. Virgin Islands) based on the aggregate of all eligible international employees' Qualified Earnings as a percentage of the aggregate of all eligible employees' total Qualified Earnings. This portion of the Fund will be set aside for distribution at the discretion of the American officer(s) responsible for such international employees, subject only to the Committee's approval.

Administration

The Plan will be administered by the Committee which is comprised of officers of American appointed by the Board of Directors of AMR. The Committee will have authority to administer and interpret the Plan, establish administrative rules, determine eligibility and take any other action necessary for the proper and efficient operation of the Plan. The amount, if any, of the Fund shall be based on a certification of ROI by AMR's General Auditor. A summary of awards under the Plan shall be provided to the Board of Directors of AMR at the first regular meeting following determination of the awards.

Method of Payment

The Committee shall determine the method of payment of awards. Subject to the terms of the Plan, awards shall be paid as soon as practicable after audited financial statements for the year 2003 are available.

General

Neither this Plan nor any action taken hereunder shall be construed as giving to 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

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receive payment of such award as may have been expressly determined by the Committee.

In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of American, whether similar or dissimilar, (each a "Force Majeure Event"), which Force Majeure Event affects American or its Subsidiaries or its Affiliates, the Committee, in its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Committee may deem necessary), or substitute any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of participants but have not yet been paid.

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 or its Affiliates to any unauthorized party (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or its Affiliates or after such employment is terminated, and (iii) not to solicit any current employees of American or any subsidiaries of AMR to join the employee at his or her new place of employment after his or her employment with American or its Affiliates is terminated.

The Committee may amend, suspend, or terminate the Plan at any time.

Exhibit 10.43

2003 INCENTIVE COMPENSATION PLAN
FOR OFFICERS AND KEY EMPLOYEES

Purpose

The purpose of the 2003 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. to achieve the highest level of individual performance and to meet or exceed specified goals which will contribute to the success of American.

Definitions

Capitalized terms not otherwise defined in the Plan will have the meanings set forth in the 1998 Long Term Incentive Plan, as amended (the “LTIP”).

“AMR” is defined as AMR Corporation.

“Aggregate Target Awards” is defined as the arithmetic sum of the Target Awards for all Plan participants.

“Affiliate” is defined as a subsidiary of AMR or any entity that is designated by the Committee 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.

“American” is defined as AMR less AMR subsidiaries other than American Airlines, Inc. and its subsidiaries.

“Committee” is defined as the Compensation Committee of the AMR Board of Directors.

“Competitors” is defined as Continental Airlines, Delta Air Lines, Northwest Airlines, United Air Lines and US Airways.

“DOT Rank” is defined as American’s relative rank with respect to the Competitors in the category of arrivals+14 (A+14) as determined by the U.S. Department of Transportation (DOT). This cumulative ranking is based on DOT’s aggregated A+14 data for the period December 1, 2002 through November 30, 2003, inclusive. To the extent that at any point during the year a carrier ceases to participate, it will be excluded from the entire year.

“Engagement Scores” is defined as American’s overall engagement score on the employee opinion survey and American’s rating versus the National Norm, each reported as a percent annually.

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

“Measure” is defined as Net Income, DOT Rank, Survey America Rank, or Engagement Score.

“Named Executive Officers” is defined as the officers of American who are named in the AMR proxy statement for the year in which awards under the Plan are paid.

“National Norm” is defined as a national sample of employees in firms with 1,000 or more employees.

“Net Income” is AMR net income including any accounting adjustments or extraordinary or unusual items which may be added or deducted by the Committee.

“Qualified Earnings” is defined as base pay as of December 31 of the Plan year, holiday pay, sick pay, and vacation pay, but does not include such things as travel and incidental expenses, moving expenses, relocation allowance (COLA), payouts from any retirement plan, disability payments, workers compensation payments, imputed income from certain travel service charges or life insurance, or other benefits provided by American, nor does it include any special monetary awards or allowances, lump sum payments, or incentive compensation or profit sharing payments.

“Survey America Rank” is defined as American’s relative rank with respect to its Competitors in the categories of “Retained Preference”, “Overall Travel Experience”, “Overall Ground Service”, and “Overall On-Board Services” in the coach cabin as reported in Plog Inc.’s Survey America. The Survey America ranking is based on cumulative data for American and the Competitors for the period October 1, 2002 through September 30, 2003, inclusive. To the extent that at any point during the year a carrier ceases to participate, it will be excluded from the entire year.

“Target Award” is defined as the award (stated as a percentage of Qualified Earnings) for an eligible participant when target levels are achieved on all Measures. The Target Award is determined by the participant’s job level.

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 retirement in accordance

with American’s then applicable pension plan, 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, at 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 forgoing, 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 on leave of absence with reinstatement rights, is disabled, or has died, the award which the individual otherwise would have received under the Plan but for such retirement, leave, 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

The Fund is comprised of three components: financial, employee and customer. The employee and customer components have various Measures (see below). Each Measure has a threshold (performance below this level earns no award), target and maximum percentage of Aggregate Target Awards that may be earned, as follows:

Component	Threshold	Target	Maximum
Financial	16.50%	66%	132%
Employee	8.50%	17%	34%
Customer	12.75%	17%	34%
Total	37.75%	100%	200%

For each Measure, the Fund will accumulate on a linear basis between each of the points defined in the following tables.

Financial Measure:

The financial measure is based on Net Income. At a threshold Net Income of $125 million, the Fund will accumulate 16.50% of Aggregate Target Awards. Higher Net Incomes will result in higher percentages of Aggregate Target Awards as follows:

Net Income		% of Target Awards Earned
$	125	16.50%
$	310	33.00%
$	495	49.50%
$	680	66.00%
$	935	99.00%
$	1,190	132.00% (Max)

Employee Measures:

The employee measures will depend on Engagement Scores.

	Threshold	Target	Maximum
Engagement Score	5%	10%	20%
Engagement versus National Norm	3.5%	7%	14%
Total	8.5%	17%	34%

At a threshold Engagement Score of 74%, the Fund will accumulate 5% of Aggregate Target Awards. Higher scores will result in higher percentages of Aggregate Target Awards, as follows:

Engagement Score	% of Target Awards Earned
74%	5.00%
75%	7.50%
76%	10.00%
77%	15.00%
78%	20.00% (Max)

At a threshold Engagement Score of 5% below National Norm, the Fund will accumulate 3.5% of Aggregate Target Awards. Higher scores will result in higher percentages of Aggregate Target Awards, as follows:

Percent below National Norm	% of Target Awards Earned
5%	3.50%
4%	5.25%
3%	7.00%
2%	10.50%
1%	14.00% (Max)

In the event the Employee Opinion Survey is not conducted during the plan year measured, AA's Engagement Score and Engagement versus the National Norm will be calculated at target.

Customer Measures:

Customer Measures will depend on DOT Rank and Survey America Rank. Each of the five components (retained preference, overall travel experience, overall ground service, overall on-board service and DOT A+14 rankings) is measured separately. For each Measure, at a threshold rank of fourth, the fund will accumulate 2.55% of Aggregate Target Awards. A higher rank will result in higher percentages of Aggregate Target Awards, as follows:

Rank	% of Target Awards Earned
Fourth	2.55%
Third	3.40%
Second	5.10%
First	6.80% (Max)

The following scorecard illustrates this.

2003 Incentive Plan Scorecard

Measures	Weight	Threshold 25%	50%	75%	Target 100%	150%	Maximum 200%	Example Score(1)
Shareholder								
- AMR net income	66%	$ 125M	$ 310M	$ 495M	$ 680M	$ 935M	$ 1,190M	66.00%

	Weight	25%	Threshold 50%	75%	Target 100%	150%	Maximum 200%	Example Score
Employee								
- engagement score on opinion survey	10%	n/a	74%	75%	76%	77%	78%	5.00%
- AA engagement vs. national norm	7%	n/a	5 below%	4 below%	3 below%	2 below%	1 below%	5.25%
	17%							10.25%

	Weight	25%	50%	Threshold 75%	Target 100%	150%	Maximum 200%	Example Score
Customer								
- retained preference	3.4%	n/a	n/a	4th	3rd	2nd	1st	3.40%
- overall travel experience	3.4%	n/a	n/a	4th	3rd	2nd	1st	2.55%
- overall ground service	3.4%	n/a	n/a	4th	3rd	2nd	1st	2.55%
- overall on-board services	3.4%	n/a	n/a	4th	3rd	2nd	1st	5.10%
- DOT A+14 ratings	3.4%	n/a	n/a	4th	3rd	2nd	1st	3.40%
	17%							17.00%
Fund as a% of Target								**93.25%**

(1) Based on performance results in shaded areas

Allocation of Individual Awards

The Chairman and CEO of American, in consultation with the COO, executive and senior vice presidents of American, will determine awards for non-officer eligible employees based upon the eligible employee's performance. Unless otherwise determined by the Chairman, an award under the Plan to a non-officer eligible employee, when combined with any other award for the Plan year whether such other award is under an incentive compensation, commission, profit sharing or other bonus compensation plan, may not exceed 100% of such eligible employee's base salary.

The Committee, in consultation with the Chairman and CEO of American, will determine awards for officers of American, including the Named Executive Officers. The awards for officers (other than the Named Executive Officers) will be equal to the appropriate Target Award, plus or minus any adjustments for individual performance. To the extent that an award to a Named Executive Officer includes a partial payment relating to a Measure (other than Net Income), such partial payment will be paid from the general operating funds of American. An award under the Plan to an officer may not exceed the amount set forth in Section 11 of the LTIP.

The aggregate of all awards paid hereunder will not exceed the lesser of: (2.0 times the Fund at Aggregate Target Awards) or (50% of the total base salaries of all eligible participants in the Plan). In the discretion of the Committee, the Fund may not be fully distributed.

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 and efficient operation of the Plan. For participants other than the Named Executive Officers, the Committee reserves the right to adjust the calculation of each Measure at its discretion. Notwithstanding anything to the contrary contained herein, no awards will be made under the Plan unless awards are also made under the 2003 American Airlines Employee Profit Sharing Plan and the 2003 Pilot Variable Compensation Plan for members of the Allied Pilots Association. The amount, if any, of the Fund shall be audited by the General Auditor of American based on a certification of Net Income by AMR's independent auditors. A summary of awards under the Plan shall be provided to the Committee at the first regular meeting following determination of the awards. To the extent a Measure is no longer compiled by the DOT, Survey America, or American as applicable, during a Plan year, the Committee will substitute a comparable performance measure for the remainder of the Plan year.

Method of Payment

The Committee will determine the method of payment of awards. Except as provided herein, awards shall be paid as soon as practicable after audited financial statements for the year 2003 are available.

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 the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act beyond the control of American, whether similar or dissimilar, (each a “Force Majeure Event”), which Force Majeure Event affects American or its subsidiaries or its Affiliates, the Committee in its sole discretion, may (i) terminate or (ii) suspend, delay, defer (for such period of time as the Committee may deem necessary), or substitute any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of participants but have not yet been paid.

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 or its Affiliates 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 its Affiliates or after such employment is terminated, and (iii) not to solicit any current employees of American or any subsidiaries of AMR to join the employee at his or her new place of employment after his or her employment with American or its Affiliates is terminated.

The Committee may amend, suspend, or terminate the Plan at any time.

Exhibit 10.53

AMENDED AND RESTATED
EXECUTIVE TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE TERMINATION BENEFITS AGREEMENT (this “Agreement”), dated as of the 13th day of June, 2002 is among AMR CORPORATION, a Delaware corporation, AMERICAN AIRLINES, INC., a Delaware corporation (collectively the “Company”), and JEFFREY C. CAMPBELL (the “Executive”).

W I T N E S S E T H:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company’s business in the event an effort is made to obtain control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Company’s Board of Directors (the “Board”) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change in control of the Company;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive any proposal from a third person concerning a possible business combination with or acquisition of equity securities of the Company, the Board believes it imperative that the Company and the Board be able to rely upon the Executive to continue in his position, and that the Company be able to receive and rely upon his advice as to the best interests of the Company and its stockholders without concern that he might be distracted by the personal uncertainties and risks created by such a proposal; and

WHEREAS, should the Company receive any such proposals, in addition to the Executive’s regular duties, he may be called upon to assist in the assessment of such proposals, advise management and the Board as to whether such proposals would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control

For purposes of this Agreement, a Change in Control of the Company shall be deemed to have taken place if:

(a) any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the “Exchange Act”), and as used in Sections 13(d) and

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14(d) thereof, including a “group” as defined in Section 13(d) of the Exchange Act (a “Person”), but excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13(d)-3 under the Exchange Act, as amended from time to time) of securities of the Company representing 15% or more of the combined voting power of the Company’s then outstanding securities; or

(b) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the assets of another corporation (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination

beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2. Circumstances Triggering Receipt of Severance Benefits

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control;

(iii) by the Executive pursuant to Section 2(d); or

(iv) by the Company or the Executive pursuant to Section 2(e).

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" with the right to benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company and/or a subsidiary (or any successor thereto) if the Executive shall have been a director of the Company and/or a subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and/or any subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's annual base salary rate and annual incentive compensation target to be received from the Company and/or any subsidiary, or (C) the termination or denial of the Executive's rights to Employee Benefits (as defined below) or a reduction in the

scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (directly or by operation of

law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have his principal location of work changed, to any location that is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 calendar days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of Executive due to illness, accident or other physical or mental disability to perform his duties for any period of six consecutive months or for any period of eight

months out of any 12-month period, as determined by an independent physician selected by the Company and reasonably acceptable to the Executive (or his legal representative), provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and its subsidiaries on account of the Executive's retirement at or after age 65, pursuant to the Company's Retirement Benefit Plan; or

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, or the Executive's wilful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting

"Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, stock plans, programs and arrangements and/or under any Employment Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any subsidiary for any reason, or without reason, by providing Notice of Termination pursuant to Section 3 during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to the benefits set forth in Section 4.

(e) Any termination of employment of the Executive, including a termination for "Good Reason," but excluding a termination for "Cause," or the removal of the Executive from the office or position in the Company or any subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

3. <u>Notice of Termination</u>

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of

Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure after provision of written notice by the Executive to effect a remedy pursuant to the final clause of Section 2(b)(ii), 2(b)(iii) or 2(b)(vi).

4. <u>Termination Benefits</u>

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) <u>Compensation</u>

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) "Incentive Pay" equal to the greater of (x) the target annual bonus payable to the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (y) the highest annual bonus earned by the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan (whether paid currently or on a deferred basis) with respect to

any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred, plus (iii) ”Performance Returns” equal to the highest annual payment of performance returns paid to the Executive with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred.

(b) Welfare Benefits

For a period of 36 months following the Termination Date (the “Continuation Period”), the Company shall arrange to provide the Executive with benefits, including travel accident, major medical, dental, vision care and other welfare benefit programs in effect immediately prior to the Change in Control (“Employee Benefits”) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(C)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(c) Retirement Benefits

The Executive shall be deemed to be completely vested in Executive’s currently accrued benefits under the Company’s Retirement Benefit Plan and Supplemental Executive Retirement Plan (“SERP”) in effect as of the date of Change in Control (collectively, the

“Plans”), regardless of his actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn service credit for benefit calculation purposes thereunder for the Continuation Period. Benefits under the Plans will become payable at any time designated by the Executive following termination of the Executive’s employment with the Company and its subsidiaries after the Executive reaches age 55, subject to the terms of the Plans regarding the actuarial adjustment of benefit payments commencing prior to normal retirement age. The benefits to be paid pursuant to the Plans shall be calculated as though the Executive’s compensation rate for each of the five years immediately preceding his retirement equaled the sum of Base Pay plus Incentive Pay plus Performance Returns. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company’s Retirement Benefit Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”)) shall be paid directly by the Company out of its general assets.

(d) Relocation Benefits

If the Executive moves his residence in order to pursue other business or employment opportunities during the Continuation Period and requests in writing that the Company provide relocation services, he will be reimbursed for any expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive’s home and all other assistance and benefits which were customarily provided by the Company to transferred executives prior to the Change in Control.

(e) Executive Outplacement Counseling

At the request of the Executive made in writing during the Continuation Period, the Company shall engage an outplacement counseling service of national reputation to assist the Executive in obtaining employment.

(f) Stock Based Compensation Plans

(i) Any issued and outstanding Stock Options (to the extent they have not already become exercisable) shall become exercisable as of the date on which the Change in Control occurs, unless otherwise specifically provided at the time such options are granted.

(ii) The Company’s right to rescind any award of stock to the Executive under the Company’s 1988 Long Term Incentive Plan or the Company’s 1998 Long Term Incentive Plan (or any successor plan) shall terminate upon a Change in Control, and all restrictions on the sale, pledge, hypothecation or other disposition of shares of stock awarded pursuant to such plan shall be removed at the Termination Date, unless otherwise specifically provided at the time such award(s) are made.

(iii) The Executive’s rights under any other stock based compensation plan shall vest (to the extent they have not already vested) and any performance criteria shall be deemed met at target as of the date on which a Change in Control occurs, unless otherwise specifically provided at the time such right(s) are granted.

(g) Split Dollar Life Insurance

The Company shall pay to the Executive a lump sum equal to the cost on the Termination Date of purchasing, at standard independent insurance premium rates, an individual

paid up insurance policy providing benefits equal to the benefits provided by the Company's Split Dollar Life Insurance coverage immediately prior to the date of the Change in Control.

(h) Other Benefits

(i) The Executive shall have all flight privileges provided by the Company to Directors as of the date of Change in Control until the Executive reaches age 55, at which time he shall have all flight privileges provided by the Company to its retirees who held the same or similar position as the Executive immediately prior to the Change in Control.

(ii) The Executive, at the Executive's option, shall be entitled to continue the use of the Executive's Company-provided automobile during the Continuation Period under the same terms that applied to the automobile immediately prior to the Change in Control, or to purchase the automobile at its book value as of the Termination Date.

(iii) The Company shall pay to the Executive an amount equal to the cost to the Company of providing any other perquisites and benefits of the Company in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period.

(i) Accrued Amounts

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

(j) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a), 4(g) and 4(h)(iii) in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts due pursuant to Section 4(i) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 5(h), in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or

penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the

event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and

detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting

Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without

limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any

Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with

respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to the Executive, (ii) the aggregate "present value" of the "parachute payments" to be paid or provided

to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (iii) but for this sentence, the net after-tax benefit to the Executive of the Gross-Up Payment would not exceed $50,000 (taking into account both income taxes and any Excise Tax), then the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f)) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 5(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Accounting Firm. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5(h) will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5(h), the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5(h). The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(b).

7. Legal Fees and Expenses.

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or

defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Section 7 shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party, which amounts deposited shall in the aggregate be not less than $2,000,000, providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any subsidiary.

8. Continuing Obligations

(a) The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed,

except that Executive may disclose any such information required to be disclosed in the normal course of his employment with the Company or pursuant to any court order or other legal process.

(b) The Executive hereby agrees that during the Continuation Period, he will not directly or indirectly solicit any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. Successors

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to

terminate his employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

10. Notices

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

12. Miscellaneous

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4, 5 and 7 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such

payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not

be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of his death, his designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term

This Agreement will be effective and binding as of the date first above written immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the

occurrence of a Change in Control at any time during the Term (as defined below), without further action, this Agreement shall become immediately operative. For purposes of this Agreement, "Term" means the period commencing as of the date first above written and expiring as of the later of (i) the fifth anniversary of the date first above written or (ii) the second anniversary of the first occurrence of a Change in Control; provided, however, that (A) commencing on the fifth anniversary of the date first above written and each fifth anniversary date thereafter, the Term of this Agreement will automatically be extended for an additional five years unless, not later than 180 days preceding each such fifth anniversary date, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to Section 2(e), if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of Executive's employment between the Company and any subsidiary, or among any subsidiaries.

16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17 Prior Agreement. This Agreement supersedes and terminates any and all prior Executive Termination Benefits Agreements by and among Company and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth, thereby mutually and voluntarily agreeing that this Agreement supersedes and replaces any prior similar agreements for such termination benefits.

AMR CORPORATION

By: /s/ Donald J. Carty

AMERICAN AIRLINES, INC.

By: /s/ Susan M. Oliver

JEFFREY C. CAMPBELL

/s/ Jeffrey C. Campbell

AMENDED AND RESTATED
EXECUTIVE TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE TERMINATION BENEFITS AGREEMENT (this “Agreement”), dated as of the 26th day of September, 2002 is among AMR CORPORATION, a Delaware corporation, AMERICAN AIRLINES, INC., a Delaware corporation (collectively the “Company”), and RALPH L. RICHARDI (the “Executive”).

W I T N E S S E T H:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company’s business in the event an effort is made to obtain control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Company’s Board of Directors (the “Board”) has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company’s management to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change in control of the Company;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive any proposal from a third person concerning a possible business combination with or acquisition of equity securities of the Company, the Board believes it imperative that the Company and the Board be able to rely upon the Executive to continue in his position, and that the Company be able to receive and rely upon his advice as to the best interests of the Company and its stockholders without concern that he might be distracted by the personal uncertainties and risks created by such a proposal; and

WHEREAS, should the Company receive any such proposals, in addition to the Executive’s regular duties, he may be called upon to assist in the assessment of such proposals, advise management and the Board as to whether such proposals would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control

For purposes of this Agreement, a Change in Control of the Company shall be deemed to have taken place if:

(a) any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the “Exchange Act”), and as used in Sections 13(d) and

14(d) thereof, including a “group” as defined in Section 13(d) of the Exchange Act (a “Person”), but excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), directly or indirectly, becomes the “beneficial owner” (as defined in Rule 13(d)-3 under the Exchange Act, as amended from time to time) of securities of the Company representing 15% or more of the combined voting power of the Company’s then outstanding securities; or

(b) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the assets of another corporation (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination

beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2. Circumstances Triggering Receipt of Severance Benefits

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control;

(iii) by the Executive pursuant to Section 2(d); or

(iv) by the Company or the Executive pursuant to Section 2(e).

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" with the right to benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company and/or a subsidiary (or any successor thereto) if the Executive shall have been a director of the Company and/or a subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and/or any subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's annual base salary rate and annual incentive compensation target to be received from the Company and/or any subsidiary, or (C) the termination or denial of the Executive's rights to Employee Benefits (as defined below) or a reduction in the

scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (directly or by operation of

law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have his principal location of work changed, to any location that is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 calendar days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of Executive due to illness, accident or other physical or mental disability to perform his duties for any period of six consecutive months or for any period of eight

months out of any 12-month period, as determined by an independent physician selected by the Company and reasonably acceptable to the Executive (or his legal representative), provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and its subsidiaries on account of the Executive's retirement at or after age 65, pursuant to the Company's Retirement Benefit Plan; or

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, or the Executive's wilful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting

"Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, stock plans, programs and arrangements and/or under any Employment Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any subsidiary for any reason, or without reason, by providing Notice of Termination pursuant to Section 3 during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to the benefits set forth in Section 4.

(e) Any termination of employment of the Executive, including a termination for "Good Reason," but excluding a termination for "Cause," or the removal of the Executive from the office or position in the Company or any subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

3. <u>Notice of Termination</u>

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of

Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure after provision of written notice by the Executive to effect a remedy pursuant to the final clause of Section 2(b)(ii), 2(b)(iii) or 2(b)(vi).

4. <u>Termination Benefits</u>

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) <u>Compensation</u>

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) "Incentive Pay" equal to the greater of (x) the target annual bonus payable to the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (y) the highest annual bonus earned by the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan (whether paid currently or on a deferred basis) with respect to

any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred, plus (iii) ”Performance Returns” equal to the highest annual payment of performance returns paid to the Executive with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred.

(b) Welfare Benefits

For a period of 36 months following the Termination Date (the “Continuation Period”), the Company shall arrange to provide the Executive with benefits, including travel accident, major medical, dental, vision care and other welfare benefit programs in effect immediately prior to the Change in Control (“Employee Benefits”) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(C)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(c) Retirement Benefits

The Executive shall be deemed to be completely vested in Executive’s currently accrued benefits under the Company’s Retirement Benefit Plan and Supplemental Executive Retirement Plan (“SERP”) in effect as of the date of Change in Control (collectively, the

“Plans”), regardless of his actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn service credit for benefit calculation purposes thereunder for the Continuation Period. Benefits under the Plans will become payable at any time designated by the Executive following termination of the Executive’s employment with the Company and its subsidiaries after the Executive reaches age 55, subject to the terms of the Plans regarding the actuarial adjustment of benefit payments commencing prior to normal retirement age. The benefits to be paid pursuant to the Plans shall be calculated as though the Executive’s compensation rate for each of the five years immediately preceding his retirement equaled the sum of Base Pay plus Incentive Pay plus Performance Returns. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company’s Retirement Benefit Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”)) shall be paid directly by the Company out of its general assets.

(d) Relocation Benefits

If the Executive moves his residence in order to pursue other business or employment opportunities during the Continuation Period and requests in writing that the Company provide relocation services, he will be reimbursed for any expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive’s home and all other assistance and benefits which were customarily provided by the Company to transferred executives prior to the Change in Control.

(e) Executive Outplacement Counseling

At the request of the Executive made in writing during the Continuation Period, the Company shall engage an outplacement counseling service of national reputation to assist the Executive in obtaining employment.

(f) Stock Based Compensation Plans

(i) Any issued and outstanding Stock Options (to the extent they have not already become exercisable) shall become exercisable as of the date on which the Change in Control occurs, unless otherwise specifically provided at the time such options are granted.

(ii) The Company’s right to rescind any award of stock to the Executive under the Company’s 1988 Long Term Incentive Plan or the Company’s 1998 Long Term Incentive Plan (or any successor plan) shall terminate upon a Change in Control, and all restrictions on the sale, pledge, hypothecation or other disposition of shares of stock awarded pursuant to such plan shall be removed at the Termination Date, unless otherwise specifically provided at the time such award(s) are made.

(iii) The Executive’s rights under any other stock based compensation plan shall vest (to the extent they have not already vested) and any performance criteria shall be deemed met at target as of the date on which a Change in Control occurs, unless otherwise specifically provided at the time such right(s) are granted.

(g) Split Dollar Life Insurance

The Company shall pay to the Executive a lump sum equal to the cost on the Termination Date of purchasing, at standard independent insurance premium rates, an individual

paid up insurance policy providing benefits equal to the benefits provided by the Company’s Split Dollar Life Insurance coverage immediately prior to the date of the Change in Control.

(h) Other Benefits

(i) The Executive shall have all flight privileges provided by the Company to Directors as of the date of Change in Control until the Executive reaches age 55, at which time he shall have all flight privileges provided by the Company to its retirees who held the same or similar position as the Executive immediately prior to the Change in Control.

(ii) The Executive, at the Executive’s option, shall be entitled to continue the use of the Executive’s Company-provided automobile during the Continuation Period under the same terms that applied to the automobile immediately prior to the Change in Control, or to purchase the automobile at its book value as of the Termination Date.

(iii) The Company shall pay to the Executive an amount equal to the cost to the Company of providing any other perquisites and benefits of the Company in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period.

(i) Accrued Amounts

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

(j) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a), 4(g) and 4(h)(iii) in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts due pursuant to Section 4(i) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 5(h), in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period or the vesting or exercisability of any of the foregoing (a “Payment”), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered “contingent on a change in ownership or control” of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the “Excise Tax”), then the Executive shall be entitled to receive an additional payment or payments (collectively, a “Gross-Up Payment”). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or

penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the “Accounting Firm”) selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an “Underpayment”), consistent with the calculations required to be made hereunder. In the

event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and

detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting

Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without

limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any

Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with

respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to the Executive, (ii) the aggregate "present value" of the "parachute payments" to be paid or provided

to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (iii) but for this sentence, the net after-tax benefit to the Executive of the Gross-Up Payment would not exceed $50,000 (taking into account both income taxes and any Excise Tax), then the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f)) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 5(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Accounting Firm. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5(h) will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5(h), the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5(h). The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(b).

7. Legal Fees and Expenses.

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or

defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Section 7 shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party, which amounts deposited shall in the aggregate be not less than $2,000,000, providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any subsidiary.

8. Continuing Obligations

(a) The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed,

except that Executive may disclose any such information required to be disclosed in the normal course of his employment with the Company or pursuant to any court order or other legal process.

(b) The Executive hereby agrees that during the Continuation Period, he will not directly or indirectly solicit any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. Successors

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to

terminate his employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

10. Notices

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

12. Miscellaneous

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4, 5 and 7 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such

payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not

be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of his death, his designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term

This Agreement will be effective and binding as of the date first above written immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the

occurrence of a Change in Control at any time during the Term (as defined below), without further action, this Agreement shall become immediately operative. For purposes of this Agreement, "Term" means the period commencing as of the date first above written and expiring as of the later of (i) the fifth anniversary of the date first above written or (ii) the second anniversary of the first occurrence of a Change in Control; provided, however, that (A) commencing on the fifth anniversary of the date first above written and each fifth anniversary date thereafter, the Term of this Agreement will automatically be extended for an additional five years unless, not later than 180 days preceding each such fifth anniversary date, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to Section 2(e), if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of Executive's employment between the Company and any subsidiary, or among any subsidiaries.

16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17 Prior Agreement. This Agreement supersedes and terminates any and all prior Executive Termination Benefits Agreements by and among Company and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth, thereby mutually and voluntarily agreeing that this Agreement supersedes and replaces any prior similar agreements for such termination benefits.

AMR CORPORATION

By: /s/ Donald J. Carty

AMERICAN AIRLINES, INC.

By: /s/ Susan M. Oliver

RALPH L. RICHARDI

/s/ Ralph L. Richardi

AMENDED AND RESTATED
EXECUTIVE TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE TERMINATION BENEFITS AGREEMENT (this "Agreement"), dated as of the 3rd day of February, 2003 is among AMR CORPORATION, a Delaware corporation, AMERICAN AIRLINES, INC., a Delaware corporation (collectively the "Company"), and GARY F. KENNEDY (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event an effort is made to obtain control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Company's Board of Directors (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change in control of the Company;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive any proposal from a third person concerning a possible business combination with or acquisition of equity securities of the Company, the Board believes it imperative that the Company and the Board be able to rely upon the Executive to continue in his position, and that the Company be able to receive and rely upon his advice as to the best interests of the Company and its stockholders without concern that he might be distracted by the personal uncertainties and risks created by such a proposal; and

WHEREAS, should the Company receive any such proposals, in addition to the Executive's regular duties, he may be called upon to assist in the assessment of such proposals, advise management and the Board as to whether such proposals would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control

For purposes of this Agreement, a Change in Control of the Company shall be deemed to have taken place if:

(a) any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and

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14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act (a "Person"), but excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of such plan acting as trustee), directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13(d)-3 under the Exchange Act, as amended from time to time) of securities of the Company representing 15% or more of the combined voting power of the Company's then outstanding securities; or

(b) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of the assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares of common stock of the Company and the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination

beneficially own, directly or indirectly, more than 60% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries), (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 15% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board, providing for such Business Combination; or

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2. <u>Circumstances Triggering Receipt of Severance Benefits</u>

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control;

(iii) by the Executive pursuant to Section 2(d); or

(iv) by the Company or the Executive pursuant to Section 2(e).

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" with the right to benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company and/or a subsidiary (or any successor thereto) if the Executive shall have been a director of the Company and/or a subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and/or any subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's annual base salary rate and annual incentive compensation target to be received from the Company and/or any subsidiary, or (C) the termination or denial of the Executive's rights to Employee Benefits (as defined below) or a reduction in the

scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (directly or by operation of

law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have his principal location of work changed, to any location that is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 calendar days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of Executive due to illness, accident or other physical or mental disability to perform his duties for any period of six consecutive months or for any period of eight

months out of any 12-month period, as determined by an independent physician selected by the Company and reasonably acceptable to the Executive (or his legal representative), provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and its subsidiaries on account of the Executive's retirement at or after age 65, pursuant to the Company's Retirement Benefit Plan; or

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, or the Executive's wilful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting

"Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, stock plans, programs and arrangements and/or under any Employment Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any subsidiary for any reason, or without reason, by providing Notice of Termination pursuant to Section 3 during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to the benefits set forth in Section 4.

(e) Any termination of employment of the Executive, including a termination for "Good Reason," but excluding a termination for "Cause," or the removal of the Executive from the office or position in the Company or any subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

3. <u>Notice of Termination</u>

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of

Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure after provision of written notice by the Executive to effect a remedy pursuant to the final clause of Section 2(b)(ii), 2(b)(iii) or 2(b)(vi).

4. <u>Termination Benefits</u>

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) <u>Compensation</u>

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) "Incentive Pay" equal to the greater of (x) the target annual bonus payable to the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (y) the highest annual bonus earned by the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan (whether paid currently or on a deferred basis) with respect to

any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred, plus (iii) ”Performance Returns” equal to the highest annual payment of performance returns paid to the Executive with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred.

(b) Welfare Benefits

For a period of 36 months following the Termination Date (the “Continuation Period”), the Company shall arrange to provide the Executive with benefits, including travel accident, major medical, dental, vision care and other welfare benefit programs in effect immediately prior to the Change in Control (“Employee Benefits”) substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(C)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(c) Retirement Benefits

The Executive shall be deemed to be completely vested in Executive’s currently accrued benefits under the Company’s Retirement Benefit Plan and Supplemental Executive Retirement Plan (“SERP”) in effect as of the date of Change in Control (collectively, the

“Plans”), regardless of his actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn service credit for benefit calculation purposes thereunder for the Continuation Period. Benefits under the Plans will become payable at any time designated by the Executive following termination of the Executive’s employment with the Company and its subsidiaries after the Executive reaches age 55, subject to the terms of the Plans regarding the actuarial adjustment of benefit payments commencing prior to normal retirement age. The benefits to be paid pursuant to the Plans shall be calculated as though the Executive’s compensation rate for each of the five years immediately preceding his retirement equaled the sum of Base Pay plus Incentive Pay plus Performance Returns. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company’s Retirement Benefit Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the “Code”)) shall be paid directly by the Company out of its general assets.

(d) Relocation Benefits

If the Executive moves his residence in order to pursue other business or employment opportunities during the Continuation Period and requests in writing that the Company provide relocation services, he will be reimbursed for any expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive’s home and all other assistance and benefits which were customarily provided by the Company to transferred executives prior to the Change in Control.

(e) Executive Outplacement Counseling

At the request of the Executive made in writing during the Continuation Period, the Company shall engage an outplacement counseling service of national reputation to assist the Executive in obtaining employment.

(f) Stock Based Compensation Plans

(i) Any issued and outstanding Stock Options (to the extent they have not already become exercisable) shall become exercisable as of the date on which the Change in Control occurs, unless otherwise specifically provided at the time such options are granted.

(ii) The Company’s right to rescind any award of stock to the Executive under the Company’s 1988 Long Term Incentive Plan or the Company’s 1998 Long Term Incentive Plan (or any successor plan) shall terminate upon a Change in Control, and all restrictions on the sale, pledge, hypothecation or other disposition of shares of stock awarded pursuant to such plan shall be removed at the Termination Date, unless otherwise specifically provided at the time such award(s) are made.

(iii) The Executive’s rights under any other stock based compensation plan shall vest (to the extent they have not already vested) and any performance criteria shall be deemed met at target as of the date on which a Change in Control occurs, unless otherwise specifically provided at the time such right(s) are granted.

(g) Split Dollar Life Insurance

The Company shall pay to the Executive a lump sum equal to the cost on the Termination Date of purchasing, at standard independent insurance premium rates, an individual

paid up insurance policy providing benefits equal to the benefits provided by the Company's Split Dollar Life Insurance coverage immediately prior to the date of the Change in Control.

(h) Other Benefits

(i) The Executive shall have all flight privileges provided by the Company to Directors as of the date of Change in Control until the Executive reaches age 55, at which time he shall have all flight privileges provided by the Company to its retirees who held the same or similar position as the Executive immediately prior to the Change in Control.

(ii) The Executive, at the Executive's option, shall be entitled to continue the use of the Executive's Company-provided automobile during the Continuation Period under the same terms that applied to the automobile immediately prior to the Change in Control, or to purchase the automobile at its book value as of the Termination Date.

(iii) The Company shall pay to the Executive an amount equal to the cost to the Company of providing any other perquisites and benefits of the Company in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period.

(i) Accrued Amounts

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

(j) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a), 4(g) and 4(h)(iii) in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts due pursuant to Section 4(i) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 5(h), in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or

penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the

event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and

detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting

Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without

limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any

Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with

respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to the Executive, (ii) the aggregate "present value" of the "parachute payments" to be paid or provided

to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (iii) but for this sentence, the net after-tax benefit to the Executive of the Gross-Up Payment would not exceed $50,000 (taking into account both income taxes and any Excise Tax), then the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f)) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 5(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Accounting Firm. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5(h) will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5(h), the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5(h). The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(b).

7. Legal Fees and Expenses.

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or

defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Section 7 shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party, which amounts deposited shall in the aggregate be not less than $2,000,000, providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any subsidiary.

8. Continuing Obligations

(a) The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed,

except that Executive may disclose any such information required to be disclosed in the normal course of his employment with the Company or pursuant to any court order or other legal process.

(b) The Executive hereby agrees that during the Continuation Period, he will not directly or indirectly solicit any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. Successors

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to

terminate his employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, “Company” shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

10. Notices

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

12. Miscellaneous

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Notwithstanding any provision of this Agreement to the contrary, the parties’ respective rights and obligations under Sections 4, 5 and 7 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment following a Change in Control for any reason whatsoever. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such

payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive’s right to receive payments hereunder shall not

be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of his death, his designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term

This Agreement will be effective and binding as of the date first above written immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the

occurrence of a Change in Control at any time during the Term (as defined below), without further action, this Agreement shall become immediately operative. For purposes of this Agreement, "Term" means the period commencing as of the date first above written and expiring as of the later of (i) the fifth anniversary of the date first above written or (ii) the second anniversary of the first occurrence of a Change in Control; provided, however, that (A) commencing on the fifth anniversary of the date first above written and each fifth anniversary date thereafter, the Term of this Agreement will automatically be extended for an additional five years unless, not later than 180 days preceding each such fifth anniversary date, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to Section 2(e), if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of Executive's employment between the Company and any subsidiary, or among any subsidiaries.

16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17 Prior Agreement. This Agreement supersedes and terminates any and all prior Executive Termination Benefits Agreements by and among Company and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth, thereby mutually and voluntarily agreeing that this Agreement supersedes and replaces any prior similar agreements for such termination benefits.

AMR CORPORATION

By: /s/ Donald J. Carty

AMERICAN AIRLINES, INC.

By: /s/ Susan M. Oliver

GARY F. KENNEDY

/s/ Gary F. Kennedy

August 9, 2002

Robert W. Baker

Effective upon your retirement of May 1, 2002, a special Severance Package will be made available to you by American, including the following items:

- **Payroll Status**

  You will remain on active payroll through April 30, 2002.

  On May 1, 2002, you will retire with all applicable benefits and privileges then in effect.

- **Stock Awards**

  i. Stock Options

  You may continue to exercise any stock options that are vested. All unvested options will continue to vest into retirement according to their original vesting schedule. You may continue to exercise these options through the original ten-year term of each grant.

  ii. Performance Shares

  Vesting of your shares in the 1999-2001, 2000-2002, and 2001-2003 Performance Share Plans will discontinue as of April 30, 2002. In accordance with the terms of these plans, and contingent upon AMR Corporation meeting its specified performance objectives, you will receive a pro-rata portion of the shares previously granted to you. Shares will be awarded in April following the end of the measurement period.

  iii. Career Equity

  Vesting of your career equity shares will be accelerated and you will receive 100% of the shares originally granted to you. These shares will become immediately payable upon retirement.

  iv. Brokerage Commissions

  American will pay the brokerage commissions on any stock options you exercise through American's preferred broker (currently Deutsche Banc Alex. Brown) through April 30, 2003. After that time you will be responsible for paying commissions on any options exercised.

  v. Stock Transactions

  Please confer with Chuck Marlett regarding any planned stock transactions. He will be able to give you further information as to any constraints or disclosure requirements surrounding any such transactions.

- **Incentive Compensation**

  You will be eligible to receive an award under the 2002 American Airlines Incentive Compensation Plan. This award will be based on your 2002 eligible earnings through April 30, 2002.

- **Pension Benefit**

  Your pension benefits will be payable from two sources — the Retirement Benefit Plan (RPB) and the Supplemental Executive Retirement Program (SERP). The RPB will be calculated with an unreduced benefit at age 60 and a four-year Final Average of Earnings. Additionally, on your retirement date of May 1, 2002, you will receive a grant of one additional year of age and two additional years of credited service. These considerations will be funded through the SERP lump sum payment due to qualified plan limitations.

- **Deferred Compensation**

  Your balance in the Executive Deferral Plan will be paid in accordance with the schedules you elected. Distribution of any deferred compensation balances elected for immediate distribution will be paid on May 31, 2002.

- **Special Payments**

  You will receive a severance payment of $638,600 on May 31, 2002. Additionally, you will receive a payment of $55,263 which is the cash equivalent of 4.5 weeks of vacation. This will also be paid on May 31, 2002. The 7.5 days of vacation that you accrued for 2003 will be paid to you on June 28, 2002 in the amount of $18,421.

- **Travel**

  At retirement, you will be issued retiree A2 travel privileges for you and your spouse, a lifetime Admirals Club membership, and a UATP card that can be used only for personal travel on AA, TWA, or American Eagle.

Travel purchased with the UATP card will be imputed income. In January of each year the Company will send you a 1099-MISC that reflects as "income" the value of the travel purchased in the prior year. Along with the 1099-MISC American will send you a check to pay the taxes on the travel.

Additionally, if you participate in the following activities on American's behalf, American will reimburse you for your expenses: Embry-Riddle, Wings Club, CRAF, GWU Advisory, MITRE, Conquistadors, and government-related activities (including, but not limited to, FAA, DOT, Homeland Security).

All travel is covered by current and future policies regarding American's Employee Travel Program including the TRIP Book and subsequent revisions. By signing this Agreement, you acknowledge that you understand and agree to American's policy which prohibits you from retaining travel privileges if you work for a competitor as defined in the fact sheet or do not comply with the rules governing the Employee Travel Program.

- **Benefits**

  Beginning **May 1**, 2002, you will be eligible for retiree group life and health coverage in accordance with American's policy.

  American will provide you a policy through a third party vendor will preserve your medical limit at its current level of $1.5MM (which includes Supplemental Medical) through to age 65. Since the Retiree Medical and Supplemental Plans provide a medical maximum up to $800K, AA will provide the additional $700K coverage.

- **Split Dollar Life Insurance**

  The Company will coordinate with BSC to provide detailed outlines of the options available to release the policies to you.

  If you decide to leave the policies in place, you agree to authorize that policy dividends be used to pay premiums in accordance with policy provisions and current practice. Upon death or reaching 65, whichever occurs first, the Company will recover the amount of premiums previously paid in your behalf and release the policy to you or your beneficiary.

- **Automobile**

  You have the option to purchase the vehicle on or before May 1, 2002. In the event you elect not to purchase the automobile, it must be returned to American on or before May 1, 2002.

- **Equipment**

  You will be able to keep the office equipment (i.e. fax and pc) in your home for personal use. The phone must be returned to American on or before April 1, 2002.

- **Annual Physicals**

  American will pay for one physical in 2002.

- **Financial and Tax Planning Allowance**

  American will pay for your financial and tax planning services for 2002.

II. In return for the benefits listed in this Agreement, I agree to release American as follows:

I agree, on behalf of myself and all of my heirs or personal representatives, to release American, its parent AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans, from any and all claims for relief of any kind, whether known to me or unknown, which in anyway arise from or related to my employment or the termination of my employment at American and which concern events occurring at any time up to the date of this Agreement, including, but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, Americans with Disabilities Act, Worker Adjustment and Retraining Notification Act, Equal Pay Act, Older Workers Benefit Protection Act, and Employee Retirement Income Security Act or under any other applicable federal, state or local laws or ordinances.

III. While I understand that I have had the following obligations since I began my employment with American, I confirm that I shall not disclose any trade secret or confidential or restricted information of American or any other AMR Corporation subsidiary and shall not make use of such trade secrets or confidential or restricted information in any fashion at any time. I agree not to solicit current employees of the Company or of other subsidiaries of AMR Corporation to join me at any place of employment after my employment with the Company ceases.

I agree to cooperate fully in the defense of any claims made against American or any other AMR Corporation subsidiary where I have knowledge, including meetings, depositions and trial.

Further I agree not to testify against the Company except were required by law. I understand that while I am receiving any benefit or privilege from the Company I am bound by the conflict of interest provisions of American's regulations as amended.

IV. This agreement does not constitute an admission of any kind by American, but is simply an accommodation which offers certain extra benefits to which I would not otherwise be entitled in return for my agreeing to and abiding by this document. I further understand and agree that if I do not comply with a material term or condition of this agreement, I automatically forfeit all these extra benefits. If I breach this Agreement, including bringing suit for claims accruing prior to the execution of the Agreement, after receiving any of these benefits, I agree that I immediately will return those benefits to American. In any action brought to enforce any provision of this Agreement, if American is the prevailing party, it shall recover its reasonable costs of enforcement including, but without limitation to, costs and reasonable attorney fees incurred, in addition to any other relief granted.

I understand that the terms of this Agreement may be temporarily suspended in the event of a Force Majeure affecting American or any of its subsidiaries (including its parent, AMR Corporation). Such events may include but are not limited to an act of God, war or civil disorder, labor dispute, lockout strike, work stoppage or the grounding of all or a substantial portion of the Company's fleet. For purposes of this paragraph it is agreed that this Agreement will be temporarily suspended only upon such a suspension being enacted with regard to similar benefits being paid to other executives (current or retired, as applicable) at the Company.

I understand that I have 21 days from the date of this document to consider this Agreement and have been advised by American to consult with an attorney and/or tax consultant if I so desire. I further agree not to voluntarily make the terms and conditions or the circumstances surrounding this Agreement known to anyone other than the attorney and/or tax consultant from whom I receive counseling, as referred to above, or if I am married to my spouse. However, before disclosing such information to these individuals, I will first obtain their agreement not to disclose such information. If any provision is breached, I understand that I will be required to return to the Company the consideration given to me.

I understand that once I sign this Agreement, I will then have seven days to cancel it in writing if I so choose. However, if I elect to cancel this Agreement, I understand I will not be entitled to any of these benefits. I realized this agreement is not effective or enforceable until the seven-day period expires.

I agree that any changes to this Agreement, whether material or immaterial, will not restart the 21 days I have to consider this Agreement. I understand that this agreement is governed by the laws of the State of Texas.

I agree that I will not file a claim, demand or suit against American subsequent to my execution of this Agreement, except to enforce this Agreement in accordance with its terms.

I am entering into this Agreement freely and voluntarily and I am satisfied that I have been given sufficient opportunity to consider it. I have carefully read and understand all of the provisions of this agreement. I understand that it sets forth the entire Agreement between American and me, and I represent that no other statements, promises, or commitments of any kind, written or oral have been made to me by American to cause me to accept it. I acknowledge acceptance of this Agreement by my signature below:

Robert W. Baker Date

Agreed to and accepted on behalf of American Airlines, Inc.:

Sue Oliver Date
Sr. Vice President – Global Human Resources
American Airlines, Inc.

Exhibit 10.57

CONSULTING AGREEMENT

This Consulting Agreement (this "Agreement") is entered into by and between Michael W. Gunn ("Consultant") and American Airlines, Inc., a Delaware corporation (the "Company") as of the 17th day of September, 2002.

WHEREAS, Consultant is capable of performing certain services and the Company desires to have Consultant perform such services on its behalf.

NOW, THEREFORE, for and in consideration of the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant agree as follows:

1. Services to be Rendered; Term; Payment. Consultant will provide professional services at the Company's request as described on Schedule A attached hereto (the "Services"). Unless earlier terminated in accordance with the terms of this Agreement, the Services will be provided for the period beginning September 17, 2002 and ending on September 17, 2003 (the "Term"). For the Services, Consultant will be paid a monthly fee of $43,333.33 for the first two months and then $19,166.67 for the remaining ten months. In addition, Consultant will receive the additional benefits set forth in Schedule B over the Term of the Agreement.

2. Time Devoted by Consultant. Consultant will perform the Services from September 17, 2002 until November 17, 2002 on a full-time basis. Full-time is defined as efforts commensurate with that of elected officers of the Company. From November 17, 2002 until September 17, 2003 Consultant agrees to endeavor to be available for consultation upon a reasonable request from the Company.

3. Reimbursable Expenses/Other Expenditures. The Company will reimburse Consultant for actual and reasonable miscellaneous expenses incurred by the Consultant in performing the Services, such expenses to include mailing, shipping, photocopying, long-distance telephone and facsimile. The Company will also reimburse Consultant for travel and other reasonably related expenses incurred by Consultant in connection with the provision of Services, provided such travel and related expenses are approved by the Company in advance. Consultant will submit to the Company a statement of expenses to be reimbursed, on a form satisfactory to the Company, stating in detail the nature of the expenditures and enclosing receipts or detail for same. The Company agrees that the reimbursement procedure for Consultant will be reasonably similar to the procedure it employs for its elected officers, as such procedure may change over time.

4. Independent Contractor. The Company and Consultant acknowledge and agree that Consultant is an independent contractor for, and not an employee of, the Company, and that Consultant will have no authority to bind, or to otherwise incur liability on behalf of, the Company. Further, Consultant agrees that the Company is not responsible to collect or withhold federal, state or local taxes, including income tax and social security, and that any and all taxes imposed, assessed or levied as a result of this Agreement will be paid by Consultant (or, if paid by the Company, reimbursed by Consultant to the Company promptly upon demand.

5. Confidentiality. Consultant agrees that the existence of this Agreement and any information Consultant receives or reviews concerning the Company, including without limitation, any information concerning the Company's past, present and future research, marketing, development, operations and business activities, is proprietary and confidential to the Company and Consultant will keep such information strictly confidential and will not disclose it to any third party or use it directly or indirectly for any purpose except the performance of this Agreement. Consultant agrees to return all such information and all compilations or summaries or synopses thereof (and all copies of all of the foregoing) in Consultant's possession to the Company upon the termination of this Agreement. Further, any records maintained by Consultant for the Company will be and will remain the property of the Company and, upon termination of this Agreement, Consultant will return such records (and all copies thereof) to the Company or will, if so requested by the Company, dispose of the same in accordance with the Company's instructions. Consultant may not publish or otherwise disclose, whether orally or in writing, that the Company is a client or is utilizing his services without obtaining the Company's prior written consent.

6. Work Made for Hire. Title and sole and exclusive ownership of any invention, device, design or idea developed by Consultant while performing the Services, whether patentable or otherwise, will vest in the Company and Consultant agrees to take all necessary steps, and to execute all documents reasonably required by the Company, to effectuate the vesting of such title and ownership. Any development, modification or translation by Consultant of copyrightable material will be considered a "work for hire" under the United States copyright laws, and the copyright in and to such material will belong to the Company. To the extent the development, modification or translation may not be deemed a "work for hire", Consultant will be deemed to have assigned all copyright rights therein to the Company, and Consultant will execute all documents required by the Company to effect such assignment. Consultant will promptly provide the Company with copies of all developments, modifications or translations made by or for Consultant.

7. Default. If either party to this Agreement defaults in the performance of any term or condition hereof, or does or permits anything to be done contrary to any term or condition hereof, and such default continues uncured for a period of ten (10) days following receipt of written notice thereof from the nondefaulting party to the defaulting party, then the nondefaulting party may terminate this Agreement immediately after giving written notice of such termination and may pursue any other remedies available at law or in equity.

8. Indemnity. Consultant hereby agrees to indemnify and hold harmless the Company, its Officers, directors, employees and agents ("the Company Indemnified Parties"), from and against any and all claims, liabilities, losses, damages, judgments, penalties and expenses (including reasonable attorneys' fees and litigation expenses) which may be imposed upon, incurred by or recovered from the Company Indemnified Parties as a direct or indirect result of Consultant's performance of, or failure to perform, his obligations under this Agreement, or Consultant's negligent or willful misconduct in his performance hereunder.

The Company hereby agrees to indemnify and hold harmless Consultant from and against any and all claims, liabilities, losses, damages, judgments, penalties and expenses (including reasonable attorneys' fees and litigation expenses), which may be imposed upon, incurred by or recovered from the

Consultant as a direct or indirect result of the Company's performance of, or failure to perform, its obligations under this Agreement, or the Company's negligent or willful misconduct in its performance hereunder.

9. Right to Act as a Consultant. The Company and Consultant agree to conduct all activities under this Agreement in compliance with all applicable laws and regulations. Consultant covenants and represents it is now and will continue to be for the Term, in compliance with any registration, qualification and license requirements which are or may become necessary in order for the Consultant to perform fully and legally the duties contemplated hereunder.

Consultant agrees not to represent, advise, give advice to or otherwise consult with, any other travel related company or related entity without prior Company approval during the Term. The Company will not unreasonably withhold such approval. Consultant also agrees that if it represents, advises, gives advice to or otherwise consults with, any person, corporation, partnership or other entity during the Term it will notify the Company to whom the services are being provided. In any instance Consultant will be bound by the Confidentiality section previously outlined in this agreement.

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10. Right to Audit. Consultant will keep complete records and accounts from which may be determined the actual cost of Services provided under this Agreement. Such records and accounts will be open for inspection, examination, audit and copying by the Company or its designated representatives at all reasonable times. Consultant will keep and preserve all such records and accounts throughout the Term and for a period of one year after the termination of this Agreement.

11. Assignment and Delegation. Consultant may not assign this Agreement, in whole or in part, or delegate or subcontract any rights or duties hereunder, without the prior written consent of the Company.

12. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES HERETO AGREE THAT THE PROPER FORUM FOR ANY ACTIONS BROUGHT HEREUNDER Will BE IN THE DISTRICT COURT OF TARRANT COUNTY, TEXAS OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, FORT WORTH DIVISION.

13. Notices. Unless otherwise provided herein, all notices or other communications hereunder will be in writing and will be deemed to have been received (i) when delivered personally by hand to the recipient or when transmitted by facsimile to the recipient (with telephonic confirmation by the sender to the recipient), (ii) one business day after mailing by overnight courier, (iii) three days after mailing by United States registered or certified first class mail (postage prepaid) or (iv) five days after mailing by United States first class mail (postage prepaid), to the parties at the following addresses (or at such other addresses as will be specified by notice in accordance with this section):

If to Consultant:

Michael W. Gunn
318 Steeplechase Drive
Irving, TX 75062-3819

If to the Company:

American Airlines, Inc.
4333 Amon Carter Blvd., MD5675
Fort Worth, TX 76155
Facsimile: 817-967-4313
Attention: Corporate Secretary

14. Construction. The parties acknowledge that this Agreement is the result of mutual negotiation. Accordingly, this Agreement will not be construed against the party preparing and drafting it, but will be construed as if both parties jointly prepared and drafted it. Any uncertainty or ambiguity will not be interpreted against either party by virtue of such party's actual role in the preparation and drafting hereof.

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15. Termination. Either the Consultant or the Company can terminate this agreement before the end of the Term with 30 days advance written notice. The termination of this agreement will also cancel all Consultant benefits outlined in Schedule B of this agreement as of the date of termination.

16. Miscellaneous. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any prior agreements and understandings, whether oral or written, between the parties. No modification, amendment or change hereof will be effective or binding on any party unless set forth in a writing, duly executed by the parties. The waiver by any party hereto of any requirement or obligation arising hereunder will not operate or be construed as a subsequent waiver thereof. This Agreement will be binding upon and will inure to the benefit of the parties, their legal representatives, successors and assigns. The headings in this Agreement are for purposes of reference only and will not limit or define the meaning hereof. This Agreement may be executed in one or more counterparts, each of which will be an original but all of which will constitute one instrument. If any provision contained in this Agreement will for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not invalidate this entire Agreement. Such provision will be deemed to be modified to the extent necessary to render it valid and enforceable, and if no such modification will render it valid or enforceable, then this Agreement will be construed as if not containing such provision.

The parties have duly executed this Agreement as of the date first written above.

Consultant

By: ______________________________

Name: Michael W. Gunn, an individual

AMERICAN AIRLINES, INC.

By: ____

Name: Donald J. Carty
Title: Chairman & CEO

<u>Schedule A</u>

<u>SERVICES</u>

<u>Description of Services</u>:

Consultant will provide services relating to Advertising and Brand issues as requested by American management.

<u>Schedule B</u>

<u>BENEFITS</u>

The Company will continue to provide an automobile allowance for Consultant.

Continued use of club memberships while providing Services.

Eighteen months of COBRA insurance for both Consultant and spouse will be provided at the Company's expense.

Parking privileges at Headquarters, and Dallas/Fort Worth Airport consistent with those provided to elected Officers of the Company.

Continued access to SABRE and the Company's email service.

September 16, 2002

Michael W. Gunn

Effective upon your retirement of September 17, 2002, a special Severance Package will be made available to you by American provided you agree to the terms of this Agreement ("Agreement").

I. The following Agreement is between American Airlines, Inc. ("American" or the "Company") and Michael W. Gunn ("Employee", "you", "your" or "I").

In consideration for your agreeing to these terms, as described below, American will provide you with the benefits and privileges described within this Agreement.

- **Payroll Status**

  Your last day worked will be September 16, 2002 and you will remain on active payroll through that date.

  On September 17, 2002, you will retire with all applicable benefits and privileges then in effect.

- **Stock Awards**

  i. Stock Options

  You may continue to exercise any stock options that are vested. All unvested options will continue to vest into retirement according to their original vesting schedule. You may continue to exercise these options through the original ten-year term of each grant.

  ii. Performance Shares

  Vesting of your shares in the 2000-2002, 2001-2003, and 2002-2004 Performance Share Plans will discontinue as of September 16, 2002. In accordance with the terms of these plans, and contingent upon AMR Corporation meeting its specified performance objectives, you will receive a pro-rata portion of the shares previously granted to you. Shares will be awarded in April following the end of the measurement period.

  iii. Career Equity

  Vesting of your remaining career equity shares will be accelerated and you will receive the balance of the shares originally granted to you. These shares will become immediately payable upon retirement, September 17, 2002.

iv. Brokerage Commissions

American will pay the brokerage commissions on any stock options you exercise through American's preferred broker (currently Deutsche Banc Alex. Brown) through September 16, 2002. After that time you will be responsible for paying commissions on any options exercised.

v. Stock Transactions

Please confer with Chuck Marlett regarding any planned stock transactions. He will be able to give you further information as to any constraints or disclosure requirements surrounding any such transactions.

- **Incentive Compensation**

You will be eligible to receive an award under the 2002 American Airlines Incentive Compensation Plan. This award will be based on your 2002 eligible earnings through September 16, 2002.

- **Pension Benefit**

Your pension benefits will be payable from two sources – the Retirement Benefit Plan (RPB) and the Supplemental Executive Retirement Program (SERP). The RPB will be calculated with an unreduced benefit at age 60 and a four-year Final Average of Earnings.

Additionally, on your retirement date of September 17, 2002, you will receive a grant of two additional years of age and three additional years of credited service. These considerations will be funded through the SERP lump sum payment due to qualified plan limitations. In addition, your SERP benefit will be calculated using a 5.39% 'locked-in' GATT interest rate.

- **Special Payments**

You will receive a severance payment of $1,040,00 on September 17, 2002 which represents two times your annual base salary. Additionally, you will receive a payment for your unused 2002 and accrued vacation for 2003. This will also be paid in a lump sum.

- **Travel**

At retirement, you will be issued retiree A2 travel privileges for you and your spouse, and an UATP card that can be used only for personal travel on AA, TWA, or American Eagle.

Travel purchased with the UATP card will be imputed income. In January of each year the Company will send you a 1099-MISC that reflects as "income" the value of the travel purchased in the prior year. Along with the 1099-MISC American will send you a check to pay the taxes on the travel.

In addition upon retirement, a parking permit will be provided for parking at McCarran International Airport.

All travel is covered by current and future policies regarding American's Employee Travel Program including the TRIP Book and subsequent revisions. By signing this Agreement, you acknowledge that you understand and agree to American's policy which prohibits you from retaining travel privileges if you work for a competitor as defined in the fact sheet or do not comply with the rules governing the Employee Travel Program.

- **Benefits**

Beginning September 17, 2002, you will be eligible for retiree group life and health coverage in accordance with American's policy.

However, American will provide COBRA coverage for you and your spouse for eighteen months beyond retirement. Eighteen months after retirement, you will be covered in accordance with American's retiree group life and health program.

- **Split Dollar Life Insurance**

The Company will pay the remaining premiums on the policy. In addition, the Company will coordinate with Benefit Service Company (BSC) to provide detailed outlines of the options available to release the policies to you.

If you decide to leave the policies in place, you agree to authorize that policy dividends be used to pay premiums in accordance with policy provisions and current practice. Upon death or reaching 65, whichever occurs first, the Company will recover the amount of premiums previously paid in your behalf and release the policy to you or your beneficiary.

- **Consulting Services**

Effective September 17, 2002, you will provide consulting services related to Advertising and Brand issues for one year. You will be paid at your current annual rate from September 17th through November 17th ($86,666.66 for two months) and thereafter for the next ten months at an annual rate of $230,000 or $191,666.66 for ten months. In summary, your consulting services will be paid monthly over the next twelve months starting from September 17, 2002.

During your consulting period, the Company will provide for DFW parking, use of a cellular phone, your current club memberships, and use of an automobile (refer to the Club Memberships and Automobile sections). At the end of your consulting period, these benefits will cease.

- **Club Memberships**

  You will receive an honorary lifetime Admirals Club membership.

  In addition, you may continue use of your clubs (The Sports Club, LaCima Club, and Lake Las Vegas Southshore) through September 17, 2003. The Company will continue to pay your monthly club dues during this timeframe. Any reimbursed dues will continue to be imputed to you as income. You will continue to be responsible for payment of all other fees and expenses associated with the use of these clubs. Should you fail to pay miscellaneous expenses associated with the clubs, American Airlines will have the option to discontinue your membership.

- **Automobile**

  The Company will provide the use of an automobile during your consulting agreement period. At the end of your consulting agreement, you will have the option to purchase the vehicle. In the event you elect not to purchase the automobile, it must be returned to American on September 17, 2003.

- **Equipment**

  You will be able to keep office equipment in your home for personal use after the consulting period. However, the cellular phone must be returned to American on or before September 17, 2003.

II. In return for the benefits listed in this Agreement, I agree to release American as follows:

I agree, on behalf of myself and all of my heirs or personal representatives, to release American, its parent AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans, from any and all claims for relief of any kind, whether known to me or unknown, which in anyway arise from or related to my employment or the termination of my employment at American and which concern events occurring at any time up to the date of this Agreement, including, but not limited to, the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, Americans with Disabilities Act, Worker Adjustment and Retraining Notification Act, Equal Pay Act, Older Workers Benefit Protection Act, and Employee Retirement Income Security Act or under any other applicable federal, state or local laws or ordinances.

III. While I understand that I have had the following obligations since I began my employment with American, I confirm that I shall not disclose any trade secret or confidential or restricted information of American or any other AMR Corporation subsidiary and shall not make use of such trade secrets or confidential or restricted information in any fashion at any time. I agree not to solicit current employees of the Company or of other subsidiaries of AMR Corporation to join me at any place of employment after my employment with the Company ceases.

I agree to cooperate fully in the defense of any claims made against American or any other AMR Corporation subsidiary where I have knowledge, including meetings, depositions and trial.

Further I agree not to testify against the Company except were required by law. I understand that while I am receiving any benefit or privilege from the Company I am bound by the conflict of interest provisions of American’s regulations as amended.

IV. This agreement does not constitute an admission of any kind by American, but is simply an accommodation which offers certain extra benefits to which I would not otherwise be entitled in return for my agreeing to and abiding by this document. I further understand and agree that if I do not comply with a material term or condition of this agreement, I automatically forfeit all these extra benefits. If I breach this Agreement, including bringing suit for claims accruing prior to the execution of the Agreement, after receiving any of these benefits, I agree that I immediately will return those benefits to American. In any action brought to enforce any provision of this Agreement, if American is the prevailing party, it shall recover its reasonable costs of enforcement including, but without limitation to, costs and reasonable attorney fees incurred, in addition to any other relief granted.

I understand that the terms of this Agreement may be temporarily suspended in the event of a Force Majeure affecting American or any of its subsidiaries (including its parent, AMR Corporation). Such events may include but are not limited to an act of God, war or civil disorder, labor dispute, lockout strike, work stoppage or the grounding of all or a substantial portion of the Company’s fleet. For purposes of this paragraph it is agreed that this Agreement will be temporarily suspended only upon such a suspension being enacted with regard to similar benefits being paid to other executives (current or retired, as applicable) at the Company.

I understand that I have 21 days from the date of this document to consider this Agreement and have been advised by American to consult with an attorney and/or tax consultant if I so desire. I further agree not to voluntarily make the terms and conditions or the circumstances surrounding this Agreement known to anyone other than the attorney and/or tax consultant from whom I receive counseling, as referred to above, or if I am married to my spouse. However, before disclosing such information to these individuals, I will first obtain their agreement not to disclose such information. If any provision is breached, I understand that I will be required to return to the Company the consideration given to me.

I understand that once I sign this Agreement, I will then have seven days to cancel it in writing if I so choose. However, if I elect to cancel this Agreement, I understand I will not be entitled to any of these benefits. I realized this agreement is not effective or enforceable until the seven-day period expires.

I agree that any changes to this Agreement, whether material or immaterial, will not restart the 21 days I have to consider this Agreement. I understand that this agreement is governed by the laws of the State of Texas.

I agree that I will not file a claim, demand or suit against American subsequent to my execution of this Agreement, except to enforce this Agreement in accordance with its terms.

I am entering into this Agreement freely and voluntarily and I am satisfied that I have been given sufficient opportunity to consider it. I have carefully read and understand all of the provisions of this agreement. I understand that it sets forth the entire Agreement between American and me, and I represent that no other statements, promises, or commitments of any kind, written or oral have been made to me by American to cause me to accept it. I acknowledge acceptance of this Agreement by my signature below:

Michael W. Gunn Date

Agreed to and accepted on behalf of American Airlines, Inc.:

Sue Oliver Date
Sr. Vice President – Global Human Resources
American Airlines, Inc.

Exhibit 10.58

CONSULTING AGREEMENT

This Consulting Agreement (this “Agreement”) is entered into by and between Anne H. McNamara (“Consultant”) and American Airlines, Inc., a Delaware corporation (the “Company”) as of the 1st day of February, 2003.

WHEREAS, Consultant is capable of performing certain services and the Company desires to have Consultant perform such services on its behalf.

NOW, THEREFORE, for and in consideration of the mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Consultant agree as follows:

1. Services to be Rendered; Term; Payment. Consultant will provide consulting services at the Company’s request (the “Services”). Unless earlier terminated in accordance with the terms of this Agreement, the Services will be provided for the period beginning February 1, 2003 and ending on April 30, 2003 (the “Term”). Consultant shall have the right to take reasonable vacation time (not to exceed two periods of five business days each) during the Term and if she does, the Term shall be extended commensurately without additional compensation. For the Services, Consultant will be paid a monthly fee in advance of $. In addition, Consultant will receive the additional benefits set forth in Schedule A over the Term of the Agreement.

2. Time Devoted by Consultant. Consultant will perform the Services on a full-time basis. Full-time is defined as efforts commensurate with that of elected officers of the Company. Thereafter, Consultant agrees to endeavor to be available for consultation upon reasonable request from the Company.

3. Reimbursable Expenses/Other Expenditures. The Company will reimburse Consultant for actual and reasonable miscellaneous expenses incurred by the Consultant in performing the Services, such expenses to include mailing, shipping, photocopying, long-distance telephone and facsimile. The Company will also reimburse Consultant for travel and other reasonably related expenses incurred by Consultant in connection with the provision of Services, provided such travel and related expenses are approved by the Company in advance. Consultant will submit to the Company a statement of expenses to be reimbursed, on a form satisfactory to the Company, stating in detail the nature of the expenditures and enclosing receipts or detail for same. The Company agrees that the reimbursement procedure for Consultant will be reasonably similar to the procedure it employs for its elected officers, as such procedure may change over time.

4. Independent Contractor; Nature of Services. The Company and Consultant acknowledge and agree that Consultant is an independent contractor for, and not an employee of, the Company, and that Consultant will have no authority to bind, or to otherwise incur liability on behalf of, the Company. Further, Consultant agrees that the Company is not responsible to collect or withhold federal, state or local taxes, including income tax and social security, and that any and all taxes imposed, assessed or levied as a result of this Agreement will be paid by Consultant (or, if paid by the Company, reimbursed by Consultant to the Company promptly upon demand).

5. Confidentiality. Consultant agrees that the existence of this Agreement and any information Consultant receives or reviews concerning the Company, including without limitation, any information concerning the Company’s past, present and future research, marketing, development, operations and business activities, is proprietary and confidential to the Company and Consultant will keep such information strictly confidential and will not disclose it to any third party or use it directly or indirectly for any purpose except the performance of this Agreement unless required by law. Consultant agrees to return all such information and all compilations or summaries or synopses thereof (and all copies of all of the foregoing) in Consultant’s possession to the Company upon the termination of this Agreement. Further, any records maintained by Consultant for the Company will be and will remain the property of the Company and, upon termination of this Agreement, Consultant will return such records (and all copies thereof) to the Company or will, if so requested by the Company, dispose of the same in accordance with the Company’s instructions.

6. Work Made for Hire. Title and sole and exclusive ownership of any invention, device, design or idea developed by Consultant while performing the Services, whether patentable or otherwise, will vest in the Company and Consultant agrees to take all necessary steps, and to execute all documents reasonably required by the Company, to effectuate the vesting of such title and ownership. Any development, modification or translation by Consultant of copyrightable material will be considered a “work for hire” under the United States copyright laws, and the copyright in and to such material will belong to the Company. To the extent the development, modification or translation may not be deemed a “work for hire”, Consultant will be deemed to have assigned all copyright rights therein to the Company, and Consultant will execute all documents required by the Company to effect such assignment.

Consultant will promptly provide the Company with copies of all developments, modifications or translations made by or for Consultant.

7. Default. If either party to this Agreement defaults in the performance of any term or condition hereof, or does or permits anything to be done contrary to any term or condition hereof, and such default continues uncured for a period of ten (10) days following receipt of written notice thereof from the nondefaulting party to the defaulting party, then the nondefaulting party may terminate this Agreement immediately after giving written notice of such termination and may pursue any other remedies available at law or in equity.

8. Indemnity. The Company hereby waives any claim, including without limitation, claims of malpractice or negligence with respect to Consultant’s performance of, or failure to perform, her duties hereunder.

The Company hereby agrees to indemnify and hold harmless Consultant from and against any and all claims, liabilities, losses, damages, judgments, penalties and expenses (including reasonable attorneys' fees and litigation expenses), which may be imposed upon, incurred by or recovered from the Consultant as a direct or indirect result of either party's performance of, or failure to perform, its obligations under this Agreement, or either party's negligent or, in the case of the Company, its willful misconduct in its performance hereunder.

The Company acknowledges and agrees that this Agreement does not in any way release, modify or amend its obligations to Consultant with respect to indemnification and defense for the period she served as an elected officer of the Company.

9. Right to Act as a Consultant. The Company and Consultant agree to conduct all activities under this Agreement in compliance with all applicable laws and regulations.

Consultant agrees not to represent, advise, give advice to or otherwise consult with, any other travel related company or related entity without prior Company approval during the Term. The Company will not unreasonably withhold such approval. Consultant also agrees that if she represents, advises, gives advice to or otherwise consults with, any person, corporation, partnership or other entity during the Term she will notify the Company to whom the services are being provided. In any such instance Consultant will be bound by the Confidentiality section previously outlined in this Agreement.

10. Right to Audit. Consultant will keep complete records and accounts from which may be determined the actual cost of expenses incurred under this Agreement. Such records and accounts will be open for inspection, examination, audit and copying by the Company or its designated representatives at all reasonable times. Consultant will keep and preserve all such records and accounts throughout the Term and for a period of one year after the termination of this Agreement.

11. Assignment and Delegation. Consultant may not assign this Agreement, in whole or in part, or delegate or subcontract any rights or duties hereunder, without the prior written consent of the Company.

12. GOVERNING LAW. THIS AGREEMENT WILL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE

STATE OF TEXAS WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES. THE PARTIES HERETO AGREE THAT THE PROPER FORUM FOR ANY ACTIONS BROUGHT HEREUNDER WILL BE IN THE DISTRICT COURT OF TARRANT COUNTY, TEXAS OR THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, FORT WORTH DIVISION.

13. Notices. Unless otherwise provided herein, all notices or other communications hereunder will be in writing and will be deemed to have been received (i) when delivered personally by hand to the recipient or when transmitted by facsimile to the recipient (with telephonic confirmation by the sender to the recipient), (ii) one business day after mailing by overnight courier, (iii) three days after mailing by United States registered or certified first class mail (postage prepaid) or (iv) five days after mailing by United States first class mail (postage prepaid), to the parties at the following addresses (or at such other addresses as will be specified by notice in accordance with this section):

If to Consultant:

Anne H. McNamara
3510 Turtle Creek Blvd., #2D
Dallas, TX 75219
Facsimile: 214/526-7808

If to the Company:

American Airlines, Inc.
4333 Amon Carter Blvd., MD5675
Fort Worth, TX 76155
Facsimile: 817-967-4313
Attention: Corporate Secretary

14. Construction. The parties acknowledge that this Agreement is the result of mutual negotiation. Accordingly, this Agreement will not be construed against the party preparing and drafting it, but will be construed as if both parties jointly prepared and drafted it. Any uncertainty or ambiguity will not be interpreted against either party by virtue of such party's actual role in the preparation and drafting hereof.

15. Termination. This Agreement will terminate upon the expiration of the Term. The termination of this Agreement will also cancel all Consultant benefits outlined in Schedule A of this Agreement as of the date of termination (subject to Consultant's right to purchase certain equipment as described in Schedule A).

16. Miscellaneous. This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes any prior agreements and understandings, whether oral or written, between the parties. No modification, amendment or change hereof will be effective or binding on any party unless set forth in a writing, duly executed by the parties. The waiver by any party hereto of any requirement or obligation arising hereunder will not operate or be construed as a subsequent waiver thereof. This Agreement will be binding upon and will inure to the benefit of the parties, their legal representatives, successors and assigns. The headings in this Agreement are for purposes of reference only and will not limit or define the meaning hereof. This Agreement may be executed in one or more counterparts, each of which will be an original but all of which will constitute one instrument. If any provision contained in this Agreement will for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not invalidate this entire Agreement. Such provision will be deemed to be modified to the extent necessary to render it valid and enforceable, and if no such modification will render it valid or enforceable, then this Agreement will be construed as if not containing such provision.

The parties have duly executed this Agreement as of the date first written above.

Consultant

By: ______________________________

Anne H. McNamara

AMERICAN AIRLINES, INC.

By: ______________________________

G. F. Kennedy

Senior Vice President and General Counsel

Exhibit 10.59

RETENTION AWARD AGREEMENT

This Retention Award Agreement (“Agreement”) is made as of [insert date], 2002, between [insert officer’s name] (“Officer”) and American Airlines, Inc., a Delaware corporation (the “Corporation”).

WHEREAS, the Board of Directors of the Corporation has approved the payment of a Cash Retention Bonus (as later defined in this Agreement) to certain officers of the Corporation, including the Officer, in consideration of the Officer’s continued employment with the Corporation.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation and the Officer hereby agree as follows:

1. Cash Retention Bonus. In consideration of the Officer remaining an employee of the Corporation from March 1, 2002, through and including January 31, 2005 (the “Retention Period”), the Corporation will pay to the Officer a Cash Retention Bonus. The Cash Retention Bonus is detailed in Schedule A, attached to, and made a part of, this Agreement. Payment of the Cash Retention Bonus will be made in accordance with Sections 2, 3, or 4, as applicable, of this Agreement.

2. Payment. Provided the Officer meets the requirements of Section 3(a) of this Agreement, the Cash Retention Bonus will be paid to the Officer as follows: (a) 50% on January 30, 2004 (the “First Payment”), and (b) 50% on January 31, 2005 (the “Second Payment”). Each of January 30, 2004, and January 31, 2005, is a “Payment Date”.

3. Requirements for Payment.

(a) In order to receive either payment contemplated under Section 2 of this Agreement, the Officer must be an officer of the Corporation on the applicable Payment Date.
(b) For purposes of this Agreement, an officer of the Corporation is an Officer: who has been duly elected by the Board of Directors of the Corporation; who is on the active payroll of the Corporation on a Payment Date; and, who is not on a management leave of any type whatsoever.

4. Change in Control. In the event of a Change in Control or Potential Change in Control of the Corporation, 100% of the Cash Retention Bonus (less any amount of such bonus previously paid) will be paid on a date established by the Board of Directors of the Corporation.

5. Elective Deferrals. The Officer may elect to defer the receipt of First Payment and/or the Second Payment pursuant to the AMR Corporation Executive Deferral Plan (or its successor).

6. Transfer Restrictions. The Cash Retention Bonus is non-transferable other than by will or by the laws of descent and distribution, and may not be assigned, pledged or hypothecated and will not be subject to execution, attachment or similar process. Upon any attempt by the Officer to effect any such disposition, or upon the levy of any such process, this Agreement will be null and void.

7. Miscellaneous. This Agreement will be binding upon and inure to the benefit of any successor of the Corporation. The laws of the State of Texas will govern this Agreement. The Corporation and the Officer each submits to the exclusive jurisdiction of the appropriate state court for Tarrant County, Texas, or the United States District Court for the Northern District of Texas (Fort Worth Division) for any legal proceedings that relate to this Agreement. This Agreement may not be amended without the written consent of both the Corporation and the Officer. This Agreement does not grant nor imply any right by the Officer to remain in the employ of the Corporation. The Officer agrees that Corporation may withhold applicable taxes from any payment made under this Agreement.

8. Definitions. Capitalized terms not otherwise defined shall have the meanings set forth for such terms in the l998 Long Term Incentive Plan, as amended.

The Officer and Corporation hereby set forth their signatures to this Agreement as of the date first written above.

OFFICER	AMERICAN AIRLINES, INC.
______________________________	By: ______________________________

Schedule A

Cash Retention Bonus

Cash Retention Bonus: $[insert]

The Cash Retention Bonus detailed in Schedule A is two times base salary for the following officers:

Donald J. Carty
Gerard J. Arpey
Daniel P. Garton
Jeffrey C. Campbell
Gary F. Kennedy
William K. Ris, Jr.

The Cash Retention Bonus detailed in Schedule A is 1.5 times base salary for the following officer:

Charles D. MarLett

Exhibit 10.60

THE
SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM (SERP) FOR OFFICERS
OF
AMERICAN AIRLINES, INC.

AND THE

SERP SUMMARY PLAN DESCRIPTION

ORIGINALLY EFFECTIVE JANUARY 1, 1985

Amended and Restated Effective October 15, 2002

THE
SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM (SERP) FOR OFFICERS
OF
AMERICAN AIRLINES, INC.

AND THE

SERP SUMMARY PLAN DESCRIPTION

ORIGINALLY EFFECTIVE JANUARY 1, 1985

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ARTICLE I
NAME AND PURPOSE OF THE PLAN

Section 1.1 Name and Purpose of the Plan

This Supplemental Executive Retirement Program for Officers of American Airlines, Inc. (the “Plan”) provides supplemental retirement benefits to selected officers of American Airlines, Inc. A separate Supplemental Executive Retirement Program (For Non-Officers) provides certain supplemental retirement benefits to other key employees as designated by the Board of Directors or the Chairman of AMR.

Prior to January 1, 2001, the supplemental benefits provided under this Plan consisted only of supplemental retirement benefits in excess of the maximum pension benefits payable under a Participant’s Base Defined Benefit Plan and a supplemental retirement benefit based on a Participant’s Incentive

Compensation and Performance Returns. These continuing benefits are described in Article IV of the Plan.

Effective January 1, 2001, certain Participants, who participate in the $uper $aver Plus Plan, either because they elected to forego participation in a Base Defined Benefit Plan, or because they were not eligible to elect to participate in a Base Defined Benefit Plan, shall be eligible to receive benefits under Article V of the Plan, as set forth in this amended and restated Plan.

ARTICLE II
DEFINITIONS

Section 2.1 Account. A bookkeeping entry maintained for each Active Funding Participant to reflect the amount of Funded Accrued Benefit contributed to the trust on account of such Active Funding Participant.

Section 2.2 Act. The Employee Retirement Income Security Act of 1974, as amended.

Section 2.3 Active Funding Participant. A Participant who currently performs active duties of employment while a Participant pursuant to Section 3.1 and who is vested in a benefit under Article IV of this Plan, as of October 1, 2002.

Section 2.4 AMR . AMR Corporation

Section 2.5 Annual Defined Benefit Retirement Benefit. The amount determined by subtracting the Base Defined Benefit Plan Benefit from the greatest of (i) the Base Plan Social Security Offset Benefit, (ii) the Final Average Earnings Benefit, or (iii) the Basic Benefit. If the Base Defined Benefit Plan of a Participant is the American Airlines, Inc. Pilot Retirement Benefit Program, the Annual Defined Benefit Retirement Benefit shall be the amount determined by subtracting the Base Defined Benefit Plan Benefit from the amount that would have been payable under the Base Defined Benefit Plan in the absence of the Base Defined Benefit Plan limits on compensation and benefits under the Code, plus the Supplemental Incentive Compensation Retirement Benefit and the Supplemental Performance Return Retirement Benefit (for such purposes variable benefits shall be disregarded).

Section 2.6 Average Incentive Compensation. An amount calculated as follows:

(a) The sum of a Participant’s four highest annual Incentive Compensation awards (or the sum of all such awards if the Participant has fewer than four such awards) paid to a Participant during the time period beginning on or after January 1, 1985, and ending on the first to occur of:

(1) the Participant’s actual retirement under the Base Defined Benefit Plan, or under $uper $aver if the Participant is not participating in a Base Defined Benefit Plan,

(2) the date of the Participant’s death, or

(3) the date of the Participant’s retirement.

If a Participant is credited with less than a full year of Credited Service as a Participant in any year in which Incentive Compensation is paid, that portion of the Participant’s Incentive Compensation that is taken into account will be prorated based on the Credited Service earned by the Participant for such year.

(b) Divide the sum determined in (a), above, by four (or by the number of such awards if the Participant has fewer than four such awards).

Section 2.7 Average Performance Return. An amount calculated as follows:

(c) The sum of a Participant’s four highest annual Performance Return awards (or the sum of all such awards if the Participant has fewer than four such awards) paid to the Participant during the Participant’s career and ending on the first to occur of:

(1) the Participant’s actual retirement under the Base Defined Benefit Plan, or under $uper $aver if the Participant is not participating in a Base Defined Benefit Plan,

(2) the date of the Participant’s death, or

(3) the date of the Participant’s retirement.

(d) Divide the sum determined in (a), above, by four (or by the number of such awards if the Participant has fewer than four such awards).

Section 2.8 Base Defined Benefit Plan. The defined benefit retirement benefit plan (or plans) of the Company which qualifies under section 401 of the Code and under which certain Participants covered under this Plan are eligible to receive benefits.

Section 2.9 Base Defined Benefit Plan Benefit. The annual benefit a Participant or Beneficiary is entitled to receive from the Base Defined Benefit Plan upon retirement, disability,

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death or termination of employment, subject to the Base Defined Benefit Plan provisions which limit such benefit to the maximum amount permitted by the Code.

Section 2.10 Base Plan Social Security Offset Benefit. The annual amount of a Participant's or Beneficiary's benefit under any "Social Security Offset Benefit," as defined in the Base Defined Benefit Plan, computed without regard to the Base Defined Benefit Plan limits on compensation and benefits under the Code, plus the Supplemental Incentive Compensation and Performance Return Retirement Benefit.

Section 2.11 Basic Benefit. The annual amount of a Participant's or Beneficiary's benefit under any "Basic Benefit," as defined in the Base Defined Benefit Plan, computed without regard to the Base Defined Benefit Plan limits on compensation and benefits under the Code, plus the Supplemental Incentive Compensation and Performance Return Retirement Benefit.

Section 2.12 Beneficiary. A person designated by a Participant who, as permitted under the terms of the Plan, is or may be entitled to a benefit under the Plan in the event of the death of the Participant. If no Beneficiary is designated, or if the designated Beneficiary is not then living, benefits will be paid pursuant to Section 6.5.

Section 2.13 Board of Directors. The Board of Directors of AMR.

Section 2.14 Code. The Internal Revenue Code of 1986, as amended.

Section 2.15 Committee. The administrative committee appointed by the Board of Directors to manage and administer this Plan.

Section 2.16 Company. Any subsidiary of American Airlines, Inc. or any subsidiary of AMR, which is designated for inclusion as a participating employer in the Plan, as determined by the Board of Directors.

Section 2.17 Credited Service. The term "Credited Service" under this Plan has the same meaning for purposes of this Plan as it has in the applicable Base Defined Benefit Plan.

Section 2.18 Executive Deferral Plan. The AMR Corporation 1987 Executive Deferral Plan, as amended.

Section 2.19 Final Average Earnings Benefit. The annual amount of a Participant's or Beneficiary's benefit under any "Final Average Earnings Benefit," as defined in the Base Defined Benefit Plan, computed without regard to the Base Defined Benefit Plan limits on compensation and benefits under the Code, plus the Supplemental Incentive Compensation and Performance Return Retirement Benefit.

Section 2.20 Funded Accrued Benefit. The portion of the present value of the benefit under Article IV represented by a credit to a bookkeeping account of an Active Funding Participant as a Funded Accrued Benefit in the Trust, at the discretion of the Committee.

Section 2.21 Incentive Compensation. Compensation paid to a Participant on or after January 1, 1985, in accordance with one of the incentive compensation plans adopted by the Board of Directors or the Board of Directors of American Airlines, Inc., whether paid currently or deferred.

For purposes of this definition, long-term, multi-year incentive compensation plans shall not be considered to be incentive compensation plans.

Section 2.22 Non-Active Funding Participant. A Participant who is not yet vested in a benefit under this Plan, or who is on a Management Leave of Absence under the AMR Mangement Leave of Absence Policy or who is retired or otherwise separated from employment.

Section 2.23 Non-Funded Accrued Benefit. The portion of the benefit under Article IV or under Article V not represented by a credit to the Account of a Participant as a Funded Accrued Benefit.

Section 2.24 Non-Officer SERP. The Supplemental Executive Retirement Program for Non-Officers of American Airlines, Inc.

Section 2.25 Participant. An individual who is participating in the Plan on October 15, 2002 shall be a Participant. An elected officer of American Airlines, Inc., who is a participant in a Base Defined Benefit Plan or the $uper $aver Plus Plan shall be a Participant. An individual who is an appointed officer of American Airlines, Inc. or a designated officer of another Company may be a Participant only if (i) he or she is a participant in a Base Defined Benefit Plan or the $uper $aver Plus Plan and (ii) is designated as a Participant by the Board of Directors or under a writing signed by the Chairman of AMR.

Section 2.26 Performance Return. Compensation paid to a Participant pursuant to a specified portion of career equity shares granted to the Participant, as determined by the Board of Directors.

Section 2.27 Plan. The Supplemental Executive Retirement Program of American Airlines, Inc., as amended. The Plan may also be referred to herein as the "SERP". There is a separate, but related, Supplemental Executive Retirement Program for Non-Officers of American Airlines, Inc., for key employees who are not officers. This Plan features a supplement to defined benefit plan benefits as described in Article IV and a supplement to $uper $aver Plus Plan benefits, as described in Article V.

Section 2.28 $uper $aver. $uper $aver, a 401(k) Capital Accumulation Plan for Employees of Participating AMR Corporation Subsidiaries, which qualifies under sections 401(a) and 401(k) of the Code, and under which certain Participants are eligible to receive benefits.

Section 2.29 $uper $aver Plus Plan. $uper $aver Plus, a Supplement to $uper $aver, which describes a program of employer contribution-provided benefits in addition to those available under the regular provisions of $uper $aver.

Section 2.30 $uper $aver Plus Plan Accout. A bookkeeping entry maintained for each Participant to record the deemed contributions and earnings credited under the name of the Particpant pursuant to Article V.

Section 2.31 $uper Saver Plus Plan Excess Contribution. A contribution credited to the Participant's $uper $aver Plus Plan Account that is equal to the total employer contributions (exclusive of cash or deferred contributions under sections 401(k) and 402(g) of the Code) that would have been credited under the Participant's accounts in the $uper $aver Plus Plan, based upon the Participant's elections under the $uper $aver Plus Plan, but for the provisions of sections 401(a)(17),

415 and 402(g) of the Code (or any Code sections replacing such sections with comparable limitations). Additionally, the credited $uper $aver Plus Plan Excess Contribution shall include the amount that would have been credited to the Participant's account under the $uper $aver Plus Plan based on the Participant's contribution rate election under $uper $aver if Incentive Compensation had constituted compensation subject to deferral under $uper $aver and the $uper $aver Plus Plan.

Section 2.32 Supplemental Incentive Compensation Retirement Benefit. The amount determined by multiplying the Average Incentive Compensation by two percent for each year of Credited Service.

Section 2.33 Supplemental Incentive Compensation and Performance Return Retirement Benefit. The difference between the benefits calculated under any "Social Security Offset Benefit" formula as defined in the Base Defined Benefit Plan, including and excluding Average Incentive Compensation and Average Performance Return, in each case computed without regard to the Base Defined Benefit Plan limits on compensation and benefits under the Code.

Section 2.34 Supplemental Performance Return Retirement Benefit. The amount determined by multiplying the Average Performance Return by two percent for each year of Credited Service.

Section 2.35 Trust. The Trust Agreement Under Supplemental Retirement Program for Officers of American Airlines, Inc. entered into between American Airlines, Inc. and Wachovia Bank National Association.

Section 2.36 Trustee. Wachovia Bank National Association.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

Section 3.1 An individual who is participating in the Plan on October 15, 2002. An elected officer of American Airlines, Inc. who is participating in a Base Defined Benefit Plan or the $uper $aver Plus Plan is a Participant in the Plan. An appointed officer of American Airlines, Inc. or an officer of another Company may be a Participant only if he or she is a participant in a Base Defined Benefit Plan or the $uper $aver Plus Plan and is designated as a Participant by the Board of Directors or under a writing signed by the Chairman of AMR. As provided in Section 8.5 with respect to Active Funding Participants, this Plan is an "employee pension benefit plan" (as defined in section 3(2) of the Act) that is an "individual account plan" and "defined contribution plan" (as defined in section 3(34) of the Act), and as to all other benefits, the Plan is a plan described in sections 201(2), 301(a)(3) and 401(a)(1) of the Act. The Plan is exempt from Part 3 of Subtitle B of Title I of the Act pursuant to section 301(a)(8) of the Act.

Section 3.2 Any Participant in this Plan who was a Participant prior to January 1, 2001, and who ceased to continue to accrue service for benefits under the Base Defined Benefit Plan as of such date pursuant to an election to participate in the $uper $aver Plus Plan shall remain eligible for the benefits accrued under Article IV of the Plan for service prior to such date. No further accruals of service for benefits under Article IV of the Plan shall occur, however, after the effective date of the Participant's election to forego participation in the Base Defined Benefit Plan. Such Participants who forego participation in the Base Defined Benefit Plan shall be eligible to receive benefits determined under Article IV with respect to service for periods prior to January 1, 2001, and/or under Article V of the Plan, for periods commencing on and after January 1, 2001.

Section 3.3 Participants who continue to accrue service for benefits in the Base Defined Benefit Plan after January 1, 2001, or who commence participation thereafter and who do not accrue benefits under Article V of the Plan, shall continue to accrue benefits as provided herein only under Article IV of the Plan.

Section 3.4 A Participant who is elected as an officer and later becomes a non-officer will have any SERP benefit pursuant to Article V as an officer frozen (subject to adjustment pursuant to Section 5.2 in the case of benefits under Article V) as of the last date the Participant serves as an officer, but such Account shall remain payable under this Plan. In the event that the Participant is not thereafter designated for participation in the Non-Officer SERP, any benefit of the Participant subject to Article IV shall be frozen as of the last date the Participant serves as an officer, but shall remain payable under this Plan. In the event that a Participant who is elected as an officer and later becomes a non-officer is designated for participation in the Non-Officer SERP, any accrued benefit under Article IV that is based on Incentive Compensation or Performance Return shall be frozen as of the last date of the Participant serves as an officer, but shall remain payable under this Plan, and the remaining accrued benefit under Article IV shall be transferred to the Non-Officer SERP and shall be a part of the accrued benefit under Article IV thereunder, without causing duplication of benefits.

ARTICLE IV
BENEFITS IN CONNECTION WITH THE BASE DEFINED BENEFIT PLAN

Section 4.1 The Plan will pay an Annual Defined Benefit Retirement Benefit to a Participant who earned benefits under this Plan while participating in the Base Defined Benefit Plan. The portion of any such Annual Defined Benefit Retirement Benefit that is satisfied on an after tax basis by a credit to the Account for an Active Funding Participant shall be paid from, and credited against, the Participant's Account and paid through the Trust.

Section 4.2 If no benefit is payable under the Base Defined Benefit Plan, then no benefit will be payable under Article IV of the Plan.

ARTICLE V
CONTRIBUTIONS AND EARNINGS CREDITS
IN CONNECTION WITH THE $UPER $AVER PLUS PLAN

Section 5.1 If a Participant in this Plan is participating in the $uper $aver Plus Plan, the Committee shall credit annually to the Participant's $uper $aver Plus Plan Account a $uper $aver Plus Plan Excess Contribution, at the discretion of the Committee.

Section 5.2 In addition to the $uper $aver Plus Plan Excess Contribution provided for under this Article V pursuant to Section 5.1, the Committee shall periodically, at such times as shall be determined in its sole discretion, credit or debit, as the case may be, to a Participant's $uper $aver Plus Plan Account, the earnings or losses that would have accrued to such $uper $aver Plus Plan Account if such $uper $aver Plus Plan Account were invested in the investment funds elected by the Participant for the investment of amounts credited to his or her accounts in the Executive Deferral Plan during the relevant computation period. If the Participant for whom a $uper $aver Plus Plan Excess Contribution under this Article V is credited is not a participant in the Executive Deferral

Plan, the Participant will be required to designate investment funds (as available under the Executive Deferral Plan) for the purpose of determining such credits and debits to the $uper $aver Plus Plan Account. If no such election is made, until the election is made the $uper $aver Plus Plan Account will be credited or debited as determined by the Committee, in its sole discretion. The Committee will promulgate procedures for changing such elections from time to time as it shall determine, in its sole and absolute discretion.

Section 5.3 If no benefit is payable under the $uper $aver Plus Plan, then no benefit will be payable under Article V of the Plan. In making such determination, benefits attributable to contributions under $uper $aver, other than under the $uper $aver Plus Plan, shall be disregarded. The amount of any Funded Accrued Benefit contribution under this Article V shall be paid to the Trust, net of taxes, and credited to the Participant's Account. Amounts paid to a Participant on account of this Article V from an Account shall be charged against the Participant's $uper $aver Plus Plan Account.

ARTICLE VI
PAYMENT OF BENEFITS

Section 6.1 Except as otherwise provided in this Article VI and in Sections 7.3 and 8.2, benefits under Article IV shall be payable at the same time and in the same manner hereunder as under the Base Defined Benefit Plan. Any benefit payable under Article IV on account of the death of the Participant shall be payable pursuant to the Participant's benefit elections pursuant to Section 6.2; provided, however, that if the Participant has elected a Lump-Sum Payment under Section 6.4 and such election was made and filed with the Committee or its delegate (at least twelve months prior to death, in the case of any Non-Funded Accrued Benefits) in the event of the Participant's death prior to being paid any benefits hereunder, notwithstanding anything to the contrary in Section 4.2, the Participant's Beneficiary shall receive the Lump-Sum Payment within sixty days of the date on which the Participant would have been entitled to commence receipt of benefits, had he or she survived. For such purpose, the Participant may designate a Beneficiary for the Lump-Sum Payment, subject to the designation procedures specified in Section 6.3. Funded Accrued Benefits shall be paid from the Trust.

Section 6.2 All provisions of the Base Defined Benefit Plan and the Super $aver Plus Plan consistent with this Plan will apply in determining the amount of benefits hereunder, including, but not limited to, social security offset provisions, early retirement reductions, optional forms of benefit, pre-retirement surviving spouse's annuity, and spousal consent requirements.

Section 6.3 Except as provided in Sections 6.1, 6.4 and 6.6, Annual Defined Benefit Retirement Benefits under Article IV under this Plan will be paid in monthly installments only, unless the Committee in its sole discretion directs payment in another form. The portion of the Annual Defined Benefit Retirement Benefit and/or amounts credited under Article V that were satisfied by amounts credited to the Account of an Active Funding Participant shall be paid from amounts credited to such Participant's Account through the Trust. A Participant entitled to benefits under Article IV may elect any of the standard forms of monthly payments provided under the Base Defined Benefit Plan, subject to Section 6.4, provided that if a lump-sum under Section 6.4 or Section 6.6 is not payable, the method selected must be the same as that selected under the Base Defined Benefit Plan, unless the Committee directs otherwise.

Section 6.4 In lieu of monthly payments pursuant to 6.3, a Participant may elect to claim a lump-sum, one-time payment equal to the present value of any Annual Defined Benefit Retirement Benefits to be paid pursuant to Article IV of the Plan (the "Lump-Sum Payment"). Such claim shall:

(a) be in writing,

(b) be in the form prescribed by the Company,

(c) be addressed to the Company's Vice President, Human Resources, or successor, and

(d) shall be made by a Participant with respect to any Non-Funded Accrued Benefit at least twelve months (or such lesser period as the Committee may permit, in its sole discretion) before he or she commences payments, or one year before age sixty-five, whichever is the first to occur. A lump-sum election may be made with respect to Funded Accrued Benefits at any time before retirement.

In addition to the foregoing, the Participant must execute a general release and provide consent of spouse, if married. In calculating the Lump-Sum Payment, the interest rate shall be equal to the applicable interest rate promulgated by the Internal Revenue Service under section 417(e)(3) of the Code for the third month preceding the Participant's retirement date. The mortality rate shall be the 1983 GAM male table for male Participants, and the 1983 GAM female table for female Participants. A lump-sum election may be revoked if the Company is notified in writing (at least twelve months prior to commencement of benefits, in the case of Non-Funded Accrued Benefits). No later election of a Lump-Sum Payment may be made after such revocation. Upon acceptance of the lump-sum claim, the Lump-Sum Payment will be paid to the Participant within thirty days of the Participant's first receipt of benefits under the Base Defined Benefit Plan.

Section 6.5 Benefits under Article V shall be paid in a lump-sum equal to the $uper $aver Plus Plan Account balance, net of taxes. Benefits under Article V paid to a Particpant from the Trust as a result of a credit to an Account shall be credited against amount payable from the $uper $aver Plus Plan Account. Notwithstanding Section 6.1, a Participant's election under the $uper $aver Plus Plan to receive payment of $uper $aver Plus Plan benefits in any form other than a lump-sum cash payment shall be ineffective with respect to accrued benefits under Article V of this Plan. Payment of benefits pursuant to Article V shall be made in a lump-sum cash payment as of the date on which any post-separation benefit commences under the $uper $aver Plus Plan. A Participant may designate a Beneficiary or Beneficiaries to receive benefits under Article V payable in the event of the Participant's death, if any. Any such designation shall be made in the manner required by the Committee or its delegate. If, for any reason, there is no surviving designated Beneficiary, benefits will be payable to the parties who would be entitled to receive such amounts if they were paid under $uper $aver on account of the Participant's death. Such amounts will be paid in a lump-sum within sixty days following the date of the Participant's death.

Section 6.6 Upon a Change in Control or Potential Change in Control (each as defined in the 1998 Long-Term Incentive Plan of AMR, or its successor plan) with respect to AMR, a Participant will receive a lump-sum, one-time payment equal to the present value of the remaining Annual Defined Benefit Retirement Benefit to be paid pursuant to Article IV of the Plan (and the entire amount credited to his or her Account pursuant to Article V, if applicable) (the "Change in Control Payment"), unless the Participant elects to continue to receive previously elected monthly payments. Such an election shall:

(a) be in writing,

(b) be in a form prescribed by the Company,

(c) be addressed to the Company's Vice President, Human Resources, or successor, and

(d) shall be made by the Participant within thirty days following the Change in Control or the Potential Change in Control.

The Change in Control Payment shall be computed by assuming that payments under the Base Defined Benefit Plan would commence at the earliest possible retirement age for the Participant, assuming that the Participant separated from employment as of the Change in Control or Potential Change in Control. In the event a Participant is not vested in benefits under the Base Defined Benefit Plan, he shall nevertheless be deemed to have satisfied the vesting requirements of the Base Defined Benefit Plan (and of the $uper $aver Plus Plan) for purposes of computing the amount of the Change in Control Payment.

Section 6.7 Prior to receiving the Change in Control Payment attributable to the Annual Defined Benefit Retirement Benefit, the Participant may be required to execute a general release and to provide consent of spouse, if married. In calculating the portion of a Change in Control Payment attributable to an Annual Defined Benefit Retirement Benefit, the interest rate shall be equal to the applicable interest rate promulgated by the Internal Revenue Service under section 417(e)(3) of the Code for the third month preceding the Change in Control or Potential Change in Control. The mortality table used shall be the 1983 GAM male table for male Participants, and the 1983 GAM female table for female Participants. The Change in Control Payments will be paid to the Participant within sixty days following the Change in Control or the Potential Change in Control.

Section 6.8 In the event the Participant has any outstanding debt with the Company, such as for payment of taxes, the Company or the Committee may withhold or deduct from any payments to be made to the Participant under this Plan an amount(s) equal to such outstanding debt.

ARTICLE VII
AMENDMENT AND TERMINATION

Section 7.1 The Board of Directors, or such person or persons, including the Committee, as may be authorized in writing by the Board of Directors, may amend or terminate the Plan at any time.

Section 7.2 No such amendment or termination pursuant to Section 7.1 shall adversely affect a benefit payable under this Plan with respect to a Participant's employment by the Company prior to the date of such amendment or termination unless such benefit is or becomes payable under a successor plan or practice adopted by the Board of Directors or its designee.

Section 7.3 Notwithstanding Sections 7.1 and 7.2 of the Plan, no changes or amendments (including pertaining to termination) to the Plan will be permitted after a Change in Control or Potential Change in Control, as each of these terms is defined in the 1998 Long Term Incentive Plan of AMR, or its successor plan.

ARTICLE VIII
GENERAL CONDITIONS

Section 8.1 The right to receive benefits under the Plan may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered or subjected to any charge or legal process, and if any attempt is made to do so or a person eligible for any benefit becomes bankrupt, the interest under the Plan of the person affected may be terminated by the Committee and the Committee may in its sole discretion cause the same to be held or applied for the benefit of one or more of the dependents of such person.

Section 8.2 Notwithstanding the provisions in Section 8.1, upon receipt by the Plan of a "domestic relations order" (as defined in section 206(d)(3)(B)(ii) of the Act) purporting to be a "qualified domestic relations order" (as defined in section 206(d)(3)(B)(i) of the Act), the Committee shall review such order using the domestic relations order review procedures in effect under the Base Defined Benefit Plan or $uper $aver, as applicable to benefits under Article IV or Article V respectively. Upon the determination that a domestic relations order meets the Plan's requirements to be a qualified domestic relations order, the "alternate payee" (as defined in section 206(d)(3)(K) of the Act) shall be eligible to receive benefits payable under the terms of the qualified domestic relations order. Notwithstanding the foregoing, however, an alternate payee under a domestic relations order shall only be eligible to receive benefits from the Plan when the Participant begins receiving benefits from the Base Defined Benefit Plan (or the $uper $aver Plus Plan, as applicable).

Section 8.3 All questions pertaining to the construction, validity and effect of the Plan shall be determined in accordance with the laws of the United States and the State of Texas.

Section 8.4 In the event of any act of God, war, natural disaster, aircraft grounding, revocation of operating certificate, terrorism, strike, lockout, labor dispute, work stoppage, fire, epidemic or quarantine restriction, act of government, critical materials shortage, or any other act, whether similar or dissimilar, beyond the control of the Company (each, a "Force Majeure Event"), which Force Majeure Event affects the Company or its Subsidiaries or its

Affiliates, the Board of Directors, at its sole discretion, may suspend, delay, defer or substitute (for such period of time as the Board of Directors may deem necessary) any payments due currently or in the future under the Plan, including, but not limited to, any payments that have accrued to the benefit of a Participant but have not yet been paid.

Section 8.5 With respect to Non-Funded Accrued Benefits, this non-qualified plan shall be, and is intended to be, a plan that is unfunded and maintained by the Company to provide deferred compensation to a select group of management or highly-compensated employees, pursuant to sections 201(2), 301(a)(3), and 401(a)(1) of the Act. With respect to Funded Accrued Benefits, this Plan is an "employee pension benefit plan" described in section 3(2) of the Act that is an "individual account plan" and "defined contribution" plan as described in section 3(34) of the Act that is not subject to Part 3 of Subtitle B of Title I of the Act, pursuant to section 301(a)(8) of the Act.

Section 8.6 American Airlines, Inc., is the sponsor of the Plan and the Committee or its delegate shall be the Plan Administrator, and shall have authority to manage the operation and administration of the Plan. The Committee may designate one or more individuals to carry out any of its administrative responsibilities in connection with the Plan. The Company may employ one or more persons to render advice to any director, officer or employee of the Company with respect to such individual's responsibilities under the Plan. The Committee may act by majority vote of its members at a meeting or by a signed writing. The Committee may engage agents to assist it and may

engage legal counsel who may be legal counsel for the Company. All reasonable expenses incurred by the Committee. In administering the Plan, the Committee may conclusively rely upon the Company's payroll and personnel records and employee benefit plan records maintained in the ordinary course of business. The Board of Directors may remove any member of a Committee at any time and a member may resign by written notice to the Board of Directors. The Committee shall have the exclusive discretionary authority to interpret and construe the terms of the Plan and the exclusive discretionary authority to determine eligibility for, and the amount of, all benefits hereunder. Any such determinations or interpretations of the Plan adopted by the Committee shall be final and conclusive and shall bind all parties.

ARTICLE IX
FUNDING

Section 9.1 The Company will pay the entire cost of the Plan, through the Trust, directly or under Section 10.2 as applicable. Amounts payable to an Active Funding Participant will first be paid from the Trust through amounts credited to such Participant's Account. Any remaining amounts payable, and all amounts payable to Non-Active Funding Participants shall be paid as they become payable from the Company's general assets or through a trust established pursuant to Section 10.2.

ARTICLE X
TRUST

Section 10.1 The Company established the Trust, an irrevocable trust effective October 15, 2002, pursuant to the Trust Agreement Under Supplemental Retirement Program for Officers of American Airlines, Inc., to fund the anticipated after-tax distributions of Funded Accrued Benefits under the Plan, as determined by the Committee as of October 1, 2002. Wachovia Bank National Association will serve as the initial Trustee of the Trust and will hold the Trust assets for the purpose of accumulating funds to pay benefits under the Plan as they become due and payable. The Trust is a so-called "secular trust" for Federal income tax purposes. The assets of the Trust are not subject to the claims of creditors of the Company or any of its corporate affiliates. Moreover, the contributions to the Trust and the Trust's earnings will generally be taxable income to Participants, although subsequent distributions from the already taxed amounts will be made to Participants free of Federal income tax.

Section 10.2 To assist in the payment of Non-Funded Accrued Benefits following a Change in Control or Potential Change in Control (each as defined in the 1998 Long-Term Incentive Plan of AMR, or its successor plan) with respect to AMR, the Board of Directors or the Company's General Counsel or the Company's Corporate Secretary may establish a trust or utilize a trust heretofore established, to fund Non-Funded Accrued Benefits under the Plan.

Section 10.3 The trust which may be established or otherwise utilized pursuant to Section 10.2 will be maintained:

(a) with a nationally recognized banking institution with experience in serving as a trustee for such matters,

(b) pursuant to such documentation as recommended by outside counsel to the Company, and

(c) funded so as to enable the trust to pay some or all of the Non-Funded Accrued Benefits contemplated under the Plan, as may be determined by the Company's independent compensation consultant, selected by the Company, in its sole and absolute discretion.

Section 10.4 In addition, the Board of Directors, the Company's General Counsel or the Company's Corporate Secretary may take those additional actions deemed reasonably necessary to accomplish the stated purpose of Section 10.2.

ARTICLE XI
ERISA RIGHTS

Section 11.1 As a Participant in any Funded Accrued Benefits under the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan Participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office, all Plan documents, including copies of all documents filed with the U.S. Department of Labor, such as Summary Annual Reports (SARs) and a copy of the latest Form 5500 annual report filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.

- Obtain copies of all Plan documents and other Plan information including copies of the latest Form 5500 annual report and current Summary Plan Description (SPD) upon written request to the Plan Administrator. The Plan Administrator may charge a reasonable amount for the copies.

- Receive a summary of the Plan's annual financial report (SAR). The Plan Administrator is required by law to furnish each Participant with a SAR.

- Obtain a statement telling you whether you have a right to receive a pension at Normal Retirement Age under the Plan and, if so, what the benefit amount would be at Normal Retirement Age if you were to stop working now. This statement must be requested in writing and is not required to be given more often than once a year. This statement must be provided free of charge.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people responsible for the Plan's operation. The people who supervise the Plan's operation, called "Fiduciaries," have a duty to do their jobs prudently and solely in the interest of you and other Plan Participants and beneficiaries. Fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the Plan.

If a claim for a benefit is denied or ignored in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the Plan Administrator review and reconsider the claim. No one, including an employer or any other person, may fire you or discriminate against you in any way to prevent you from obtaining a benefit from the Plan or exercising your rights under ERISA.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan Administrator and do not receive them within 30 days, you may sue in federal court. The court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials — unless the materials were not sent because of reasons beyond the Plan Administrator's control. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court.

If the Plan's Fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay those costs and fees. If you lose (i.e., if the court finds your claim frivolous), the court may order you to pay these costs and fees.

If you have any questions about the Plan, contact the Plan Administrator. If there are any questions about this section or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare

Benefits Administration of the U.S. Department of Labor listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

ARTICLE XII
CLAIMS PROCEDURES

Section 12.1 A claim for retirement benefits under the Plan must be submitted to the Plan Administrator at the time and in the manner prescribed by the Plan Administrator.

If the Plan Administrator determines that you are not entitled to receive all or part of the benefits you claim, a notice will be provided to you within a reasonable period of time, but no later than 90 days from the day your claim was received by the Plan Administrator. This notice (which will be provided to you in writing by mail or hand delivery, or through email) will describe:

- The Plan Administrator's determination;

- The basis for the determination (along with appropriate references to pertinent Plan provisions on which the denial is based);

- A description of any additional material or information necessary to perfect the claim and an explanation of why such material is necessary, and

- The procedure you must follow to obtain a review of the determination, including a description of the appeals procedure and your right to bring a cause of action for benefits under section 502(a) of ERISA. This notice will also, if appropriate, explain how you may properly complete your claim and why the submission of additional information may be necessary.

In certain instances, the Plan Administrator may not be able to make a determination within 90 days from the day your claim for benefits was submitted. In such situations, the Plan Administrator, in its sole and absolute discretion, may extend the 90-day period for up to 180 days, as long as the Plan Administrator provides you with a written notice
within the initial 90-day period that explains:

- The reason for the extension, and

- The date on which a decision is expected.

Section 12.2 If your claim for benefits is denied, either in whole or in part, you may appeal the Plan Administrator's denial by requesting a review of your claim by the Committee (or its delegate). Your written request for an appeal must be received by the Plan Administrator within 60 days of the date you received your notice that the Plan Administrator denied your claim.

As part of your appeal, you may submit written comments, documents, records and other information relating to your claim for benefits. You may also request reasonable access to, and copies of, all documents, records, and other information relevant to your claim. You will not be charged for this information. The Committee's (or its delegate's) review of the Plan Administrator's adverse determination will take into account all comments, documents, records and other information you submitted, without regard to whether such information was submitted and considered in the Plan Administrator's initial determination of your claim.

If, after reviewing your appeal and any further information that you have submitted, the Committee (or its delegate) denies your claim, either in whole or in part, a notice (which will be provided to you in writing by mail or hand delivery, or through email) will be provided to you within a reasonable period of time, but not later than 60 days from the day your request for a review was received by the Plan Administrator. In the event that an extension of time for processing is required, you will be provided a written notice of the extension not later than 60 days from the day your request for a review was received by the Plan Administrator. In such situations, the Committee (or its delegate), in its sole and absolute discretion, may extend the 60-day period for up to 120 days, as long as the Committee (or its delegate) provides you with a written notice within the initial 60-day period that explains:

- The reason for the extension, and
- The date on which a decision is expected.

The notice describing the Committee's (or its delegate's) decision will describe:

- The specific reason or reasons for its decision, including any adverse determinations;

- References to the specific Plan or Base Defined Benefit Plan or $uper $aver Plus Plan provisions on which the Committee (or its delegate) based its determination;

- Your right to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim;

- A description of any voluntary appeals procedures, if any, and your right to obtain information about such procedures, and

- Your right to bring a cause of action for benefits under section 502(a) of ERISA.

ARTICLE XIII
FINALITY OF DECISIONS OR ACTS

Section 13.1 The Committee has the express authority to elect the actuarial assumptions to be used in funding any benefits payable under the Plan, to interpret any provision of this Plan and to determine, at its sole discretion, the meaning and application of any such provision as to each Paricipant or Beneficiary under the Plan, in accordance with the facts and circumstances of each particular claim. Except for the right of a Participant or Beneficiary to appeal the denial of a claim, any decision or action of the Committee, within their scope of authority, shall be final and binding on all persons claiming a right to benefits under the Plan. No benefit shall be payable that the Committee does not deem is payable under the terms of the Plan.

ARTICLE XIV
GENERAL INFORMATION ABOUT YOUR PLAN

Plan Name:	The Supplemental Executive Retirement Program (SERP) for Officers of American Airlines, Inc.
Plan Sponsor:	American Airlines, Inc. 4333 Amon Carter Blvd. MD 5146 Fort Worth, TX 76155
Employer ID No.:	13-1502798
Plan Number:	888

Type of Plan:	As described in Section 8.5
Plan Administrator:	American Airlines, Inc. 4333 Amon Carter Blvd. MD 5112 Fort Worth, TX 76155 Telephone: 817-967-3558

Legal Agent:	C T Corporation System Registered Office 350 North St. Paul Street Dallas, TX 75201
Trustee:	Wachovia Bank National Association

Trustee(s) Address:	Wachovia Bank National Association Attn: Executive Services One West Fourth Street Winston-Salem, NC 27150
Funding Arrangement:	Company Assets for Non-Funded Accrued Benefits Trust for Funded Accrued Benefits
Plan Year:	January 1 to December 31

AS AMENDED AND RESTATED EFFECTIVE OCTOBER 15, 2002.

American Airlines, Inc.

By: ______________________________

Name & Title: Charles D. MarLett, Corporate Secretary

Exhibit 10.61

TRUST AGREEMENT, AS AMENDED
UNDER
SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM
FOR OFFICERS OF AMERICAN AIRLINES, INC.

Adopted October 14, 2002

TABLE OF CONTENTS

TRUST AGREEMENT
UNDER
SUPPLEMENTAL EXECUTIVE RETIREMENT PROGRAM
FOR OFFICERS OF AMERICAN AIRLINES, INC.

THIS AGREEMENT (the “Agreement”) is made and entered into effective as of the 14th day of October, 2002 (the “Effective Date”), by and between AMERICAN AIRLINES, INC. (the “Corporation”), a corporation organized and existing under the laws of the State of Delaware, and WACHOVIA BANK, NATIONAL ASSOCIATION (the “Trustee”), a national association organized and existing under the laws of the United States, and the individuals constituting the Committee described in Section 10.1 (the “Committee”).

RECITALS

WHEREAS, in January 1985, the Board of Directors of the Corporation established the Supplemental Executive Retirement Program for Officers of American Airlines, Inc., as subsequently amended (the “Plan”), a copy of which is attached hereto as Exhibit A and made a part of this Agreement for all purposes, for the purpose of paying retirement benefits to certain officers of American Airlines, Inc. (the “Participants”) in excess of the amount payable under the Corporation’s defined benefit plan; and

WHEREAS, the Plan has not been funded to date by the Corporation, because the Plan is a nonqualified plan for Federal income tax purposes; and

WHEREAS, the Corporation seeks to establish an irrevocable trust to fund certain retirement benefits of the Participants of the Plan; and

WHEREAS, the Corporation desires the Trustee to be responsible for the protection and conservation of the assets of the Trust, and the Trustee is willing to undertake such responsibility under the terms of the Agreement; thus, the Corporation will deliver assets to the Trustee to hold in trust for the purpose of accumulating funds to pay benefits under the Plan as they become due and payable; and

WHEREAS, the Corporation desires for the Committee to be responsible for the administration of the Trust, and the individuals identified in Schedule B have agreed to serve as the Committee responsible for the administration of the Trust and are willing to undertake the responsibility and duties of the Committee pursuant to the terms of the Agreement; and

WHEREAS, the Corporation intends the Trust to operate as a secular trust for Federal income tax purposes, whereby the Participants will be subject to current taxation on the funds held in the Trust; and

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WHEREAS, the trust established by this Agreement is not intended to be a "grantor trust" pursuant to Sections 671 through 679 of the Internal Revenue Code of 1986, as amended (the "Code"), but is intended to be a taxable trust pursuant to Sections 641 *et seq.* of the Code.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Corporation, the Trustee and the Committee hereby agree as follows.

ARTICLE I
DEFINITIONS

Each word or phrase used herein which is in quotations shall have the meaning set forth in this Article I, unless a different meaning is clearly required by context.

Section 1.1. Account. "Account" means the separate account established and maintained under the Fund with respect to each Participant to provide a source of funds for the benefits payable by the Corporation to, or with respect to, each such Participant under the Plan.

Section 1.2. Actuary. "Actuary" means the then acting actuary or firm of actuaries employed by the Corporation to advise the Corporation with respect to contributions to be made under the Plan. The initial Actuary shall be Towers, Perrin, Forster & Crosby, Inc. and Subsidiaries.

Section 1.3. Beneficiary. "Beneficiary" holds the identical definition of the term as defined in Section 2.11 of the Plan.

Section 1.4. Code. "Code" means the Internal Revenue Code of 1986, as amended.

Section 1.5. Committee. "Committee" means the committee of persons to whom the Corporation has delegated the responsibility of the Trust's administration.

Section 1.6. Corporation. "Corporation" means AMR Corporation and any successor thereto, or to the business thereof, by whatever form or manner resulting.

Section 1.7. Expense Account. A separate account of the Fund whereby the Corporation may make contributions to be utilized by the Trustee to pay the compensation, fees and expenses of the Trustee and the Committee and other expenses of the Trust.

Section 1.8. Fund. "Fund" means the money and property held by the Trustee under this Agreement.

Section 1.9. Investment Manager. "Investment Manager" means the then acting manager of all or any of the assets of the Fund that is appointed by the Committee to exercise investment responsibility with respect to all or such portion of the Fund as determined by the Committee.

Section 1.10. Participant. "Participant" means an "Active Funding Participant" in the Plan as defined at Section 2.3 of the Plan. Attached hereto as Schedule A is a list of the names of the Participants of the Plan as of the Effective Date of this Agreement. The Corporation will revise the list from time to time to reflect changes in the identity of the Participants of the Plan.

Section 1.11. Plan. "Plan" means the Supplemental Executive Retirement Program for Officers of American Airlines, Inc. originally effective January 1, 1985, and as amended from time to time, including certain retirement benefits heretofore authorized and which may hereafter be authorized to be payable to certain employees of the Corporation.

Section 1.12. Trust. "Trust" means the trust provided for under this Agreement.

Section 1.13. Trustee. "Trustee" means the then acting trustee of the Trust. The initial trustee of the Trust is Wachovia Bank, National Association.

Section 1.14. Valuation Date. "Valuation Date" means (i) the last business day of each calendar quarter; (ii) in the case of a Participant who retires or whose employment with the Corporation is terminated for any reason, the last business day of the calendar month coincident with or immediately preceding the date of such retirement or termination; and (iii) each other date or dates specified by the Committee to the Trustee for the valuation of the Fund and adjustment of Accounts.

ARTICLE II
CREATION, PURPOSE AND
ADMINISTRATION OF THE TRUST

Section 2.1. Purpose of the Trust; Separate Trust. This Trust is established by the Corporation, the Trustee and the Committee for the purpose of accumulating funds to pay benefits under the Plan. Payments from the Fund to Participants or their Beneficiaries shall be in discharge of the Corporation's liability under the terms of the Plan to such Participants to the extent such benefits are paid from the Fund. The Corporation intends that each Account established pursuant to Article III be treated as a separate trust designed to satisfy, in whole or in part, the Corporation's liability under the Plan to the Participant with respect to whose benefits such Account is maintained.

Section 2.2. Administration of the Trust. The Committee shall be solely responsible for the administration of the Trust. The Committee shall, upon request of the Trustee, furnish the Trustee with such reasonable information as is necessary or appropriate for the Trustee to carry out its responsibilities under this Agreement, and the Trustee shall be entitled to rely conclusively on the information received from the Committee. The Corporation shall be responsible for the administration of the Plan. The Corporation shall, upon request of either the Committee or the Trustee, furnish each of the Committee and the Trustee with such reasonable information as each of the Committee or the Trustee shall deem necessary or appropriate to carry out the intent and purposes of the Trust, and each of the Committee and the Trustee shall be entitled to rely conclusively on the information received from the Corporation, unless, in the case

of the Trustee, the Committee has informed the Trustee in writing not to rely on such information.

Section 2.3. Irrevocable; Not Subject to Creditor Claims. Subject to the provisions of Section 9.2 hereof, this Trust shall be irrevocable. In addition, the Fund shall not be subject to the claims of the creditors of the Corporation in a bankruptcy or other insolvency proceeding under Federal or state law, but shall be maintained for the exclusive purpose of providing benefits to Participants under the Plan.

Section 2.4. Secured Interest; Separate Account. Each Participant shall have a secured interest in the Account maintained in the Fund with respect to the benefits payable under the Plan. Each Participant's Account will be maintained as a separate account within the meaning of Section 404(a)(5) of the Code. The Corporation agrees that during the existence of the Trust, the Corporation shall not permit or cause, or amend this Agreement to permit or cause, the Fund, or any part hereof, to be used for or diverted to purposes other than the payment of benefits under the Plan to Participants and their Beneficiaries.

ARTICLE III
ACCOUNTS

Section 3.1. Fund and Accounts.

(a) The Fund under this Trust shall consist of such sums of money or other property (and the earnings thereon) as shall from time to time be paid or delivered to the Trustee and held by it pursuant to the terms of this Agreement. Additionally, the Corporation shall contribute the present value of the accrued obligations under the SERP as of October 14, as may be determined by the Committee and agreed to by the Trustee; and

(b) At the time the Corporation makes an initial contribution to the Trust with respect to the benefits of a Participant, it shall notify the Trustee of such fact and an Account shall be established by the Trustee under the Fund with respect to such Participant and the amount so contributed or directed to be allocated shall be credited to such Account. Any subsequent contributions to the Trust with respect to the benefits of such Participant also shall be credited to such Account. The Corporation shall provide the Trustee with such information or reports as are necessary to credit contributions to the Account maintained with respect to each Participant in accordance with Section 4.3 hereof.

Section 3.2. Written Certifications Provided by Corporation to the Trustee. Subject to this Section 3.2, the Trustee shall have responsibility for the maintenance of Account records, including, without limitation, the responsibility for making determinations regarding the adjustment of such Accounts under Section 3.4. The Corporation shall provide the Trustee from time to time, but not less frequently than annually, with written certifications pursuant to Section 4.3 hereof concerning the amount and form of benefits payable to each Participant under the Plan and the time or times when such benefits shall become payable. Each such certification shall

state that it is made in accordance with the terms of the Plan, is binding on the Trustee, and may not be modified, amended or rescinded in any manner whatsoever, except by a subsequent certification which complies with the requirements of Section 4.3. The Trustee shall not be bound by, and shall ignore, any such certification which does not comply with the requirements of Section 4.3. The Trustee shall make payments to Participants and Beneficiaries strictly in accordance with the terms of Section 4.4 hereof and shall have no responsibility or duty to evaluate such certifications or other reports with respect to their validity, accuracy or completeness or to make any inquiry regarding the data or information contained therein. If the Corporation does not provide the Trustee with the information necessary to establish an Account pursuant to this Section 3.2 and Section 4.3 herein, the Trustee shall deposit any contributions for which it has not received information into the Trustee's Expense Account, and shall maintain the contributions in its Expense Account until it has received such information.

Section 3.3. Benefits Payable. Any benefits becoming payable under the Plan to a Participant or Beneficiary shall be paid from the Fund and charged against the Account maintained with respect to the benefits of such Participant. No payment shall be made from the Fund to or with respect to a Participant to the extent that such payment would exceed the balance then remaining in the Account maintained with respect to such Participant.

Section 3.4. Account Adjustment. As of each Valuation Date, and based upon the results of its valuation of the Fund as of such Valuation Date, the Trustee shall adjust each Account to reflect the realized and unrealized gains and losses and the income and expenses of the Fund on an accrual basis since the preceding Valuation Date. Such adjustments shall be made on the basis of the relative balance in each Account immediately after the adjustment made as of the preceding Valuation Date, reduced by any benefits charged thereto since such preceding Valuation Date under Section 3.3 hereof, and increased by any contribution made to the Fund since the preceding Valuation Date under Sections 3.8 and 4.1 of the Trust. As of any date other than a Valuation Date, the balance of any Account shall be the balance of such Account as of the preceding Valuation Date, reduced by any benefit payments charged thereto since the preceding Valuation Date and increased by any contributions credited thereto since the preceding Valuation Date.

Section 3.5. Maintenance of Accounts. Once established, an Account shall be maintained with respect to the benefits of each Participant until it has been liquidated through distribution to the Participant, or a Beneficiary thereof.

Section 3.6. Taxability of the Trust and the Participants.

(a) It is intended that the Trust not constitute a "grantor trust" under Sections 671 through 679 of the Code, and, notwithstanding any provision of this Agreement to the contrary, the Corporation, as the grantor of the Trust, shall not possess any power under this Agreement that would cause the Trust to constitute a "grantor trust." It is intended that the Trust constitute a taxable entity under Sections 641 *et. seq.* of the Code. Accordingly, the Trustee acknowledges and agrees that the Corporation is not the owner of the Trust for Federal income tax purposes. Notwithstanding any provision of this Agreement to the contrary, none of the powers granted to the Trustee shall be construed

to enable the Corporation, the Trustee or anyone else, to buy, exchange or otherwise deal with the Fund for less than adequate and full consideration in money or money's worth, or to enable the Corporation, the Trustee or any entity in which the Corporation, the Trustee, or both, have a substantial interest, to borrow from the Fund, directly or indirectly, without adequate interest or security; no one but the Trustee (or the Investment Manager) may vote or direct the vote of any corporate shares or other securities of the Trust, or control the Trust's investments or reinvestments by substituting other property of equal value; the Trustee is not required to surrender Trust assets upon being tendered substitute assets, regardless of the relative values of the assets involved.

(b) The Trust is a funded trust and, as such, it is intended that each Participant in respect of whom an Account is maintained be taxed in accordance with Section 402(b) of the Code. Consequently, contributions to the Trust by the Corporation shall be taxable to the Participants in accordance with Section 402(b)(1) of the Code. (The Corporation shall take a deduction for the amount of such contributions, for United States federal income tax purposes, in accordance with Section 404(a)(5) of the Code.) Except as is necessary to satisfy the Trust's obligation upon a distribution to withhold taxes and to pay over such withheld amounts to the appropriate taxing authorities, the Trust shall not have any obligation or liability for the payment of any income, estate, gift or employment taxes payable by a Participant or Beneficiary, or the estate of a Participant or Beneficiary, with respect to benefits payable under the Plan. The Trustee shall have the sole responsibility to file any tax returns, reports or other information as may be required by any Federal, state, local or other taxing or governmental authority with respect to the Trust, its income and distributions and withholding therefrom. The Corporation shall be liable for the payment of employment taxes due as a result of contributions made by the Corporation on behalf of a Participant (and the filing of any tax returns, reports or other information as required with respect to such payments).

Section 3.7. Accumulation/Distribution of Trust Income. All of the income and gain derived from the Fund shall be accumulated and allocated to the Accounts of the Participants pursuant to Section 3.4; provided, however, that the Committee shall have the right, in its sole and absolute discretion, to instruct the Trustee to distribute all or a portion of such income and gain from the Participants' respective Accounts to the Participants.

Section 3.8. Contributions by the Corporation for Income Taxes. If the income and gain derived by the Trust in any taxable year is subject to United States Federal, state or local income tax (e.g., because the Committee has elected not to distribute such income and gain to the Participants) the Trustee shall pay such income taxes from the Fund except to the extent that the Corporation contributes to the Trust an amount to enable the Trustee to pay such income taxes. To the extent such taxes are paid from the Fund, the Accounts shall be reduced on a pro-rata basis.

ARTICLE IV
CONTRIBUTIONS, CERTIFICATIONS AND DISTRIBUTIONS

Section 4.1. Contributions to the Trust. The Corporation shall make such contributions to the Trust as it shall determine in its sole and absolute, discretion, are necessary to provide benefits to the Participants under the Plan and for the Trust to pay any income taxes due on its income and gain (as provided in Section 3.8 of this Agreement). Notwithstanding anything to the contrary contained herein, no person, including, without limitation, the Trustee, the Actuary any Participant or former Participant, or any Beneficiary thereof, shall have the right to require the Corporation to make any contribution to the Trust or to question the accuracy or correctness of any amounts so contributed.

Section 4.2. Provision of Benefits is Binding Obligation of Corporation. Except to the extent that benefits to which a Participant, or the Beneficiary thereof, is entitled under the Plan are actually paid from the Fund, nothing contained in this Agreement shall relieve the Corporation of its obligations under the Plan to or with respect to such Participant.

Section 4.3. Provision of Reports and Written Certifications by the Corporation to the Trustee. The Corporation shall maintain, and furnish the Trustee with, such reports, documents, and information as shall be required by the Trustee to carry out its obligations under this Agreement, including, without limitation, written reports setting forth the identity of Participants with respect to whose benefits contributions are made to the Trust and the amount of such contributions, and the written certifications regarding Participants' benefits described below. At or about the time an Account is established with respect to the benefits of a Participant, the Corporation shall furnish the Trustee with a written certification which includes the amount of the Participant's benefits, the time or times as of which such benefits shall become payable, the present value of such benefits as of a specific date or dates, any conditions which must be satisfied in order for the Participant to become entitled to such benefits, and the identity of the Participant's Beneficiary and the specific conditions under which benefits shall become payable to such Beneficiary. Such certifications may be revised by the Corporation at any time, and from time to time, to reflect, among other things, entitlement of the Participant to increased benefits or an earlier time of payment under the Plan and to reflect changes in Beneficiary designations by the Participant. No certification shall be revised, nor shall the Trustee be bound by or honor any such revision, to decrease the benefits of a Participant or to impose additional or more stringent conditions with respect to a Participant's eligibility for benefits. The Trustee shall rely on the most recent reports, documents, information, and certifications furnished to it by the Corporation which comply with the preceding sentence.

Section 4.4. Distributions to Participants. At such time as a Participant, or the Beneficiary thereof, is entitled to the receipt of benefits from the Plan, he or she shall be entitled to receive from the Account maintained with respect to such Participant the amount in cash or property, as the case may be, to which he or she is entitled under the terms of the Plan taking into account any prior distributions made to the Participant under the Plan. The Trustee also shall make payments from the Fund to each Participant or Beneficiary entitled thereto under the Plan in accordance with Section 3.7 hereof upon direction from the Committee. All distributions made by the Trust shall be in accordance with the most recent certification filed with the Trustee

pursuant to and in compliance with Section 4.3 promptly upon receipt of written direction from the Corporation or upon receipt of evidence submitted by the Participant satisfactory to the Trustee that the Participant has retired or otherwise terminated his employment with the Corporation, voluntarily or otherwise. The Trustee shall not be required to engage in its own independent investigation regarding any such payment, but shall provide the Corporation with written confirmation of the fact and amount of such payment after it is made.

ARTICLE V
ACTUARY

Section 5.1. Determination of Corporation's Fund Contributions by Actuary. The Actuary shall calculate from time to time the amount of the contributions that it estimates should be made to the Fund by the Corporation for the purpose to accumulate funds to provide benefits under the Plan; provided, however that, pursuant to Section 4.1 hereof, the Committee shall determine, in its sole and absolute discretion, whether, and to what extent, the Corporation shall be required to make contributions to the Fund.

Section 5.2. Resignation/Removal of Actuary. The Actuary may resign at any time by delivery of written notice of resignation to the Corporation. Such resignation shall take effect as of a future date specified in the notice of resignation, which date shall not be earlier than the date ninety (90) days after the day on which the notice is received. The Actuary may be removed by the Corporation at any time by delivery of written notice of such removal to the Actuary. Such removal shall take effect as of a future date specified in the notice of removal, which date shall not be earlier than the date sixty (60) days after the day on which the notice is received, or such earlier date as may be agreed to by the Actuary and the Corporation. Notwithstanding the foregoing, in no event will any such resignation or removal be effective until a successor Actuary has been appointed upon such resignation or removal. Upon the Corporation's receipt of notice of such resignation or removal, the Corporation shall appoint a successor Actuary, by written instrument, to serve commencing on the effective date of the former Actuary's resignation or removal. If a successor is not appointed by the Corporation within sixty (60) days after the issuance of notice of the Actuary's resignation or removal, the Committee shall appoint the successor Actuary.

ARTICLE VI
INVESTMENTS AND POWERS OF THE TRUSTEE

Section 6.1. Fund Held in Trust. The Fund shall be held in trust by the Trustee. The sole responsibilities, powers and duties of the Trustee with respect to the Trust and the Fund shall be as set forth in this Agreement. The Trustee shall be a directed trustee only, with no discretionary authority or responsibility, with respect to the Fund except to the extent that it has discretion within investment guidelines provided to it in writing by the Committee.

Section 6.2. Types of Investments.

(a) Except as otherwise provided in Section 6.4, the Trustee shall invest and reinvest the assets of the Trust, without distinction between principal and income, pursuant to investment guidelines delivered to it in a manner which has the primary purpose of preservation of principal and liquidity of the Fund and, secondarily, to the extent consistent with the goal to preserve principal and liquidity of the Fund, which maximizes the income of the Fund. The Trustee is expressly authorized to invest the Fund, or any portion thereof, in any property, real, personal or mixed, wherever situated, and whether or not productive of income or consisting of wasting assets, including, without limitation, common and preferred stocks, mutual funds, bonds, notes, debentures, securities convertible into common stock, leaseholds, mortgages (including, without limitation, any collective or part interest in any bond and mortgage or note and mortgage), interest bearing accounts and certificates of deposit, oil, mineral or gas properties, royalties, interests or rights (including equipment pertaining thereto), equipment trust certificates, investment trust certificates, savings bank deposits, and commercial paper, provided that the assets of the Trust shall at no time be invested in the equity or debt securities, whether secured or unsecured, of the Corporation, its affiliates or its trades or businesses except to the extent such security may be held in a mutual fund. Pending such investment and reinvestment, the Trustee may temporarily invest and reinvest the funds, at its discretion, in any marketable short and medium term fixed income securities, United States Treasury Bills, other short and medium term government obligations, commercial paper, other money market instruments and part interests in any one or more of the foregoing or money market mutual funds, or may maintain cash balances consistent with the liquidity needs of the Trust as determined by the Trustee.

(b) The Trustee shall, at the direction of the Committee, purchase life insurance and/or annuity contracts providing flexible funding or similar vehicles or for the investment of assets in separate accounts invested in any securities and other property including real estate, regardless of whether or not the insurance carrier shall have assumed any contractual or other liability as to the benefits to be provided thereunder, the value thereof, or the return therefrom. Such life insurance and/or annuity contracts shall be considered investments of the Trust and all rights, privileges, options and elections contained therein shall vest in the Trustee but shall be exercised, assigned or otherwise disposed of as directed by the Committee. The insurance carrier under any such contract shall have full responsibility for the management and control of the assets held thereunder.

Section 6.3. Powers and Authority of Trustee. In addition to the powers elsewhere conferred upon the Trustee under this Agreement and subject to Sections 6.2 and 6.4, the Trustee shall be authorized and empowered, in its discretion, to exercise any and all of the following rights, powers and privileges with respect to any cash, securities or other properties held by the Trustee in trust hereunder, acting in accordance with written instructions received from the Committee:

(a) To sell any such property at such time and upon such terms and conditions as the Trustee deems appropriate. Such sales may be public or private, for cash or credit, and may be made without notice or advertisement of any kind.

(b) To exchange, mortgage, pledge or lease any such property and to convey, transfer or dispose of any such property on such terms and conditions as the Trustee deems appropriate.

(c) To grant options for the sale, transfer, exchange or disposal of any such property.

(d) To exercise all voting rights pertaining to any securities; to consent to or request any action on the part of the issuer of any such securities; and to give general or special proxies or powers of attorney with or without power of substitution.

(e) To consent to or participate in amalgamations, reorganizations, recapitalizations, consolidations, mergers, liquidations or similar transactions with respect to any securities, and to accept and to hold any other securities issued in connection therewith.

(f) To exercise any subscription rights or conversion privileges with respect to any securities held in the Fund.

(g) To collect and receive any and all money and other property of whatsoever kind or nature due or owing or belonging to the Fund and to give full discharge and acquittance therefor; and to extend the time of payment of any obligation at any time owing to the Fund, as long as such extension is for a reasonable period and continues to bear reasonable interest.

(h) To cause any securities or other property to be registered in, or transferred to, the individual name of the Trustee or in the name of one or more of its nominees, or one or more nominees of any system for the centralized handling of securities, or it may retain them unregistered and in form permitting transferability by delivery, but the books and records of the Trust shall at all times show that all such investments are a part of the Fund.

(i) To organize under the laws of any state a corporation for the purpose of acquiring and holding title to any property which the Trustee is authorized to acquire under this Agreement and to exercise with respect thereto any or all of the powers set forth in this Agreement.

(j) To manage, operate, repair, improve, develop, preserve, mortgage or lease for any period any real property or any oil, mineral or gas properties, royalties, interest or rights held by it directly or through any corporation, either alone or by joining with others, using other Trust assets for any of such purposes; to modify, extend, renew, waive or otherwise adjust any or all of the provisions of any such mortgage or lease; and to

make provision for amortization of the investment in or depreciation of the value of such property.

(k) To settle, compromise, or submit to arbitration any claims, debts or damages due or owing to or from the Trust; to commence or defend suits or legal proceedings whenever, in its judgment, any interest of the Trust requires it; and to represent the Trust in all suits or legal proceedings in any court of law or equity or before any other body or tribunal, insofar as such suits or proceedings relate to any property forming part of the Fund or to the administration of the Fund.

(l) To borrow money from itself or others for the purposes of the Trust.

(m) To purchase, hold and sell interests or units of participation in any collective or common trust fund established by the Trustee, including any such funds which may be established in the future.

(n) Generally to do all acts, whether or not expressly authorized which the Trustee deems necessary or appropriate to perform its duties and discharge its responsibilities under this Agreement.

(o) To retain the services of outside legal counsel and/or other professionals as may be necessary to assist it in connection with the administration of the Trust and/or management or conservation of the Fund’s assets, including defending the Trust from attack, claims or litigation regarding its assets.

(p) To pay expenses of the Trust that are incurred in connection with the administration of the Trust and/or the management of the Fund’s assets.

Section 6.4. Investment of Fund by Investment Manager.

(a) Appointment of Investment Manager. The Committee may appoint one or more Investment Managers, which may be the Trustee or an affiliate of the Trustee, to manage (including the power to acquire and dispose of) all or any of the assets of the Fund. In the event of such appointment, the Committee shall establish the portion of the assets of the Fund that shall be subject to the management of any such Investment

Manager and shall notify the Trustee in writing of such appointment and the assets subject to the Investment Manager's discretion. If there shall be more than one Investment Manager, the portion of the Fund to be invested by each such Investment Manager shall be held in a separate account and the powers and authority of each such Investment Manager shall be divided as set forth in the instruments appointing such Investment Managers. To the maximum extent permitted by law, the Trustee shall be protected in assuming that the appointment of an Investment Manager remains in effect until it is otherwise notified by the Committee in writing. With respect to the assets over which an Investment Manager has investment responsibility, the Investment Manager shall possess all of the investment powers and responsibilities granted to the Committee hereunder, and the Trustee shall invest and reinvest such assets pursuant to the direction

of the Investment Manager. Notwithstanding the foregoing, to the extent so provided in the document by which the Investment Manager accepts its appointment, the Committee may:

(i) Direct the Investment Manager that certain investments or types of investments shall be made or liquidated;

(ii) Direct the Investment Manager that certain investments or types of investments not be made; and

(iii) Require that the Investment Manager obtain approval from the Committee prior to acquiring or disposing of all or any assets under its control.

(b) Successor Investment Manager. The Committee may terminate its appointment of an Investment Manager at any time and shall in writing notify the Trustee of such termination, and may thereafter appoint a successor Investment Manager in the same manner as provided in this Section 6.4. Such successor Investment Manager shall thereafter, until its appointment shall be terminated, be deemed to be an Investment Manager for all purposes of this Agreement. In the event that a Committee does not exist, the Trustee shall terminate any Investment Manager that is not an affiliate of the Trustee and shall immediately appoint its affiliate, Evergreen Investments, as Investment Manager.

(c) Affect of Appointment of Investment Manager on Trustee. So long as an Investment Manager (other than the Trustee or one of its affiliates) is serving as such, the Trustee shall be under no duty or obligation to review the assets comprising any portion of the Fund managed by the Investment Manager, to make any recommendations with respect to the investment or reinvestment thereof, or to determine whether any direction received from any Investment Manager is proper or within the terms of this Agreement or to monitor the activities of any Investment Manager. The Trustee shall have no liability or responsibility to the Corporation, the Committee or any persons claiming any interest in the Fund for acting without question on the direction of, or for failing to act in the absence of any direction from, the Committee or any Investment Manager unless the Trustee participated knowingly in, or knowingly undertook to conceal, an act or omission of the Committee or of any Investment Manager constituting a breach of its duties hereunder, knowing such act or omission was a breach of such duties; provided, however, that the Trustee shall not be deemed to have "participated" in a breach (i) by the Committee or to have "knowledge" of any such breach as a result of accepting any property contributed to the Trust in the Corporation's discretion or retaining such property as an investment for the Fund at the Committee's direction; and (ii) by the Committee or any Investment Manager for the purposes of this undertaking solely as a result of the performance by the Trustee or its officers, employees or agents of any custodial, reporting, recording, and bookkeeping functions with respect to any assets of the Fund managed by any Investment Manager, or with respect to which the Trustee has received directions from the Committee, or solely as a result of settling purchase and sale transactions entered into or directed by any Investment Manager or the Committee, or to

have "knowledge" of any such breach solely as a result of the information received by the Trustee or its officers, employees or agents in the normal course in performing such functions, or settling such transactions. If the Trustee has actual knowledge of a breach committed by an Investment Manager, it shall promptly notify the Committee in writing thereof, and the Trustee, except as required by applicable law, shall thereafter have no responsibility to remedy such breach.

Section 6.5. Making Benefit Payments Upon Retirement or Employment Termination. Upon receipt of (i) direction from the Corporation consistent with certifications theretofore delivered to the Trustee pursuant to Section 4.3 or (ii) evidence submitted by a Participant satisfactory to the Trustee that the Participant has retired or otherwise terminated his employment with the Corporation, the Trustee shall promptly make benefit payments by its check, mailed to the payee at the address furnished to the Trustee in accordance with the most recent certifications theretofore furnished to the Trustee with respect to the Participant. Taxes withheld from benefit payments shall be paid by the Trustee to the appropriate taxing authorities. All returns, records and forms required to be filed with the Federal, state and local taxing authorities or delivered to each Participant and Beneficiary shall be the sole responsibility of the Trustee. All income taxes required to be paid by each Participant (and any returns, records and forms required with respect to such taxes) shall be the sole responsibility of such Participant.

Section 6.6. Deposit of Contributions by Trustee. The Trustee shall accept for deposit in the Fund all contributions in cash made by the Corporation under this Agreement and shall promptly acknowledge receipt of same. The Trustee shall have no responsibility to determine or to question the accuracy or correctness of any amounts so contributed.

Section 6.7. Dealings with the Trustee. Persons dealing with the Trustee shall be under no obligation to see to the proper application of any money paid or property delivered to the Trustee or to inquire into the Trustee's authority as to any transaction.

Section 6.8. Use of Fund Assets to Pay Trust Expenses. If the amount in the Expense Account is insufficient to pay the expenses of the Trust, the Trustee may, in its discretion or at the discretion of the Committee, use assets of the Fund (other than those deposited in the Expense Account) to pay the expenses of the Trust, including, without limitation, any (i) legal or other professional expenses incurred in connection with the management, protection or conservation of the assets of the Fund and (ii) insurance premiums that may be incurred with respect to any fiduciary liability insurance that may be obtained by the Trust to cover potential claims for indemnification that may be made by members of the Committee pursuant to Section 10.3 of this Agreement.

ARTICLE VII
DUTIES OF THE TRUSTEE

Section 7.1. General Duties of the Trustee.

(a) It shall be the duty of the Trustee to protect and conserve all property received by it hereunder which, together with the income and gains therefrom and additions thereto, shall constitute the Fund. The Trustee shall manage, invest and reinvest the Fund, collect the income thereof, and make payments therefrom, all as herein provided.

(b) The Trustee shall discharge its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, and, in accordance with the documents and instruments governing the Plan and the Trust.

Section 7.2. Valuation of Fund. The Trustee shall value the Fund as of each Valuation Date at current fair market value and shall report the results of such valuation to the Committee. The Trustee shall value the assets of the Trust at market and on such other basis or bases (including, without limitation, cost) as the Committee shall reasonably request. The market value of the assets shall be equal to the market value of the securities and other assets in the Fund, plus cash, interest, dividends and other sums received and accrued but not yet invested. The market value of the securities and other assets in the Fund shall be based on such market quotations and other information as are available to the Trustee and as may in the Trustee's discretion be appropriate.

Section 7.3. Reports and Records. The Trustee shall:

(a) Keep accurate and detailed accounts of all investments, receipts, disbursements and other transactions in the Fund as it shall deem necessary and proper with respect to its administration of the Trust, and permit inspection of such accounts, records and assets of the Trust by any duly authorized representative of the Corporation, the members of the Committee or the Participants during regular business hours.

(b) Within sixty (60) days (or such shorter period of time as the Corporation shall reasonably request) following the close of the accounting year, and at such other intervals as are mutually agreed to by the Trustee, the Corporation and the Committee, the Trustee shall file with the Corporation, the Committee and, unless the Corporation otherwise directs in writing, the Participants a written account with respect to the transactions effected by the Trustee during such accounting year or other period. The Corporation and the Committee shall file written objections, if any, with respect to the propriety of the Trustee's acts and transactions shown in such account within a period of ninety (90) days from the date of filing such annual or other account. If within ninety (90) days after the receipt of the account or any amended account the Corporation or the Committee has not signed and returned a counterpart to the Trustee, nor filed with the

Trustee notice of any objection to any act or transaction of the Trustee, the account or amended account shall become an account settled as between the Trustee and the Corporation and/or the Committee. If any objection has been filed, and if the Corporation and/or the Committee are satisfied that it should be withdrawn or if the account is adjusted to their satisfaction, the Corporation and/or the Committee shall in writing filed with the Trustee signify their approval of the account, and the account shall become an account settled as between the Trustee and the Corporation and the Committee.

When an account becomes an account settled, such account shall be finally settled, and the Trustee shall be completely discharged and released, as if such account had been settled and allowed by a judgment or decree of a court of competent jurisdiction in an action or proceeding in which the Trustee, the Corporation, the Committee and all persons having or claiming to have any interest in the Fund or under the Plan were parties.

The Trustee, the Corporation or the Committee shall have the right to apply at any time to a court of competent jurisdiction for judicial settlement of any account of the Trustee not previously settled as hereinabove provided. In any such action or proceeding it shall be necessary to join as parties only the Trustee, the Corporation and the Committee (although the Trustee may also join other parties as it deems appropriate), and any judgment or decree entered therein shall be conclusive.

(c) Make such periodic reports to the Corporation and the Committee as may be mutually agreed to by the Trustee, the Corporation and the Committee, as applicable.

(d) Prepare and timely file such tax returns and such other reports and documents, together with supporting data and schedules, as may be required of the Trustee by law, with any taxing authority or any other government authority, whether local, state or Federal.

(e) Provide the Participants with copies of all such reports, returns, filing and documents required by law, and provide the Corporation each year with any necessary reports or documents in sufficient time for the Corporation to finalize the preparation and issuance of Form W-2's to the Participants on or before January 31 of the respective year.

Section 7.4. No Duty to Advance Funds or to Administer the Plan. The Trustee shall have no obligation to advance its own funds for the purpose of fulfilling its responsibilities under this Agreement, and its obligation to incur expenses shall at all times be limited to amounts in the Trust available to be applied toward such expenses. The Trustee shall not be responsible in any respect for administering the Plan.

Section 7.5. Resignation/Removal of Trustee. The Trustee may resign at any time by delivery of written notice of resignation to the Committee. Such resignation shall take effect as of a future date specified in the notice of resignation, which date shall not be earlier than the date ninety (90) days after the day on which the notice is received, or such earlier date as may be agreed to by the Trustee and the Committee. In addition, the Trustee may be removed by the Committee at any time by delivery of written notice of such removal to the Trustee. Such removal shall take effect as of a future date specified in the notice of removal, which date shall not be earlier than the date sixty (60) days after the day on which the notice is received, or such earlier date as may be agreed to by the Trustee and the Committee.

Upon the Committee's receipt of notice of such resignation or removal, the Committee shall appoint a successor Trustee by written instrument, to serve commencing on the effective date of the former Trustee's resignation or removal. If a successor is not appointed by the Committee within sixty (60) days after the issuance of notice of the Trustee's resignation or removal, the Trustee may apply to a court of competent jurisdiction for the appointment of his or its successor. All expenses of the Trustee in connection with the proceeding shall be allowed as an administration expense of the Trust. The Trustee shall continue to serve until a successor accepts the Trust and receives delivery of the Fund. The appointment of a successor Trustee shall be effective when accepted in writing by the new Trustee. Upon the successor Trustee's acceptance of appointment and after the final account of the former Trustee has been settled, the former Trustee shall transfer and deliver the Fund to such successor. The former Trustee shall exercise any instrument necessary or reasonably required by the Committee or the successor Trustee to evidence the transfer. Moreover, the former Trustee shall deliver to the successor Trustee the originals of all reports, records, documents, and other written information in its possession regarding the Plan, the Fund, and the Participants and shall deliver copies thereof to the Committee and to a person designated by a majority of the persons who are Participants (or the Beneficiary of a deceased Participant) on the date of such resignation or removal, and thereupon shall be entitled to all unpaid compensation, fees and reimbursements to which it is entitled under this Agreement and shall be relieved of all responsibilities and duties under this Agreement.

All of the provisions set forth herein with respect to the Trustee shall relate to each successor with the same force and effect as if such successor had been originally named as a Trustee hereunder. Any successor Trustee shall have the same powers, rights and duties as its predecessor and shall have the same title to the Fund as its predecessor.

The successor Trustee need not examine the records and accounts of any prior Trustee. The successor Trustee shall not be responsible for, and the Corporation shall indemnify and defend the successor Trustee from, any claim or liability resulting from any action or inaction of any prior Trustee or from any other past event, or any condition existing at the time it becomes successor Trustee.

ARTICLE VIII
COMPENSATION, IMMUNITIES
AND INDEMNITY OF THE TRUSTEE

Section 8.1. Trustee Compensation and Expenses. The Trustee shall be entitled to such compensation and fees for its services under this Agreement as shall be agreed upon from time to time with the Corporation. Likewise, the Corporation shall reimburse the Trustee for any

expenses incurred by it, including, but not limited to, all proper charges and disbursements of the Trustee, and reasonable fees for legal services rendered to the Trustee (whether or not rendered in connection with a judicial or administrative proceeding). Such compensation, fees and reimbursement shall be paid to the Trustee pursuant to the terms set forth at Section 8.2 of this Agreement. The Trustee's entitlement to compensation, fees or reimbursement hereunder shall not be affected by the resignation or removal of the Trustee or the termination of the Trust.

Section 8.2. Expense Account. The Corporation may from time to time make contributions to the Fund to be held in an Expense Account and to be utilized to pay the compensation, fees and expenses of the Trustee and the Committee and other expenses of the Trust. To the extent that there are monies in the Expense Account, the Trustee shall utilize such Expense Account for payment of the compensation, fees and expenses of the Trustee and the Committee, for payment of the indemnities referred to in Section 8.4 and 10.3, and for other expenses of the Trust, and, in the absence of sufficient monies, shall seek reimbursement from the Corporation. In the event that the Corporation shall fail or refuse to make such reimbursement within sixty (60) days of demand, the Trustee may satisfy such obligations out of the other assets of the Fund in such manner as the Trustee deems to be reasonable in the circumstances, taking into account the amount of liquid assets, the anticipated needs to make distributions to Participants (or the Beneficiaries thereof), and such other factors as the Trustee deems relevant. If the Trustee satisfies any obligations of the Corporation to pay fees and expenses from other Fund assets, the Corporation shall immediately upon demand by the Trustee deposit into the Trust an amount of cash equal to the amount paid from such assets if, at that time, the Trustee could not replace such shares or assets with a cash amount equal to the liquidation value of such shares or assets. If such funds are not deposited or assets replaced within sixty (60) days of such demand, the Trustee may, in its sole and absolute discretion, commence legal action against the Corporation for recovery of the amount paid out of the Fund. Notwithstanding anything herein to the contrary, no amount held in the Expense Account shall be used for purposes other than paying the compensation, fees and expenses of the Trustee and the Committee and other expenses of the Trust, and shall not be distributed to or for the benefit of the Participants (or the Beneficiaries thereof).

Section 8.3. Immunities. The Trustee shall have the following privileges and immunities:

(a) The Corporation and the Committee shall furnish the Trustee with instruments evidencing individuals designated by the Corporation or the Committee, as the case may be, who are empowered to give directions, statements, or certificates to the Trustee. A written direction, statement or certificate to the Trustee signed by any such individual shall be deemed to be the direction, statement or certificate of the Corporation or the Committee, as the case may be, and the Trustee may rely upon such directions, statements, or certificates to the extent not prohibited by law. The Corporation and the Committee shall furnish the Trustee from time to time with instruments evidencing the termination of such designated individuals or the appointment of new such designated individuals and the Trustee shall be entitled to rely upon such instruments as evidence of the identity and authority of such designated individuals and shall not be charged with notice of any change with respect thereto until the Corporation or the Committee, as the case may be, has furnished the Trustee with instruments relative to such change.

(b) The Trustee is authorized to seek the advice of, and consult with, legal counsel with respect to any matter involving the Trust. Such counsel may, but need not, be legal counsel to the Corporation. The Trustee shall be entitled to rely on the advice of legal counsel with respect to any matter involving the Trust. The Trustee may also from time to time employ agents and expert assistants and delegate to them such ministerial duties it may see fit. In the event that the Trustee does delegate such ministerial duties, it shall periodically review the performance of the person to whom these duties have been delegated. The Trustee shall be reimbursed by the Corporation for all costs arising from the employ of legal counsel, agents and expert assistants pursuant to the terms set forth at Section 8.2 of this Agreement.

Section 8.4. Indemnity of the Trustee.

(a) The Corporation hereby indemnifies and holds the Trustee harmless from and against any and all losses, damages, costs, expenses or liabilities, including reasonable fees for legal services and other costs of litigation, to which the Trustee may become subject pursuant to, arising out of, occasioned by, incurred in connection with, or in any way associated with this Agreement, including any reasonable discretionary action which the Trustee may take under the Trust, except for any act or omission constituting gross negligence or willful misconduct of the Trustee. If one or more liabilities shall arise, or if the Corporation fails to indemnify the Trustee as provided herein, or both, then the Trustee may engage counsel of the Trustee's choice, but at the Corporation's expense, either to conduct the defense against such liabilities, or to conduct such actions as may be necessary to obtain the indemnity provided for herein, or to take both such actions. The Trustee shall notify the Corporation within fifteen (15) days after the Trustee has engaged counsel of the name and address of such counsel.

(b) If the Trustee shall be entitled to indemnification by the Corporation pursuant to this Section 8.4, and the Corporation shall not provide such indemnification upon demand, the Trustee may apply the assets of the Fund in full satisfaction of the obligations for indemnity by the Corporation, and any legal proceeding by the Trustee against the Corporation for such indemnification shall be in behalf of the Trust.

Section 8.5. Determination of Interests in the Fund, Enforcement of Trust and Legal Proceedings. The interest of the Participants (and the Beneficiaries thereof) in the Fund shall be determined in accordance with the terms of the Plan. The Trustee shall have no duty to question any direction given by the Corporation or the Committee to the Trustee, including any direction advising the Trustee as to such interests under the Plan. The Corporation and the Committee shall have authority to enforce this Agreement. To protect the Fund from the expenses which might otherwise be incurred, no person other than the Corporation or the Committee may institute or maintain any action or proceeding against the Trustee or the Fund, or join in any such action or proceeding, in the absence of written authorization by the Corporation or the Committee. Except as otherwise provided in this Section 8.5, in any action or proceeding

affecting the Fund, the only necessary parties shall be the Corporation, the Committee and the Trustee, and no other person shall be entitled to any notice or process.

ARTICLE IX
AMENDMENT AND TERMINATION OF THE TRUST

Section 9.1. Amendment of Agreement. By a duly executed, written instrument delivered to the Trustee and acknowledged in the same form as this Agreement, the Corporation shall have the right at any time and from time to time to amend this Agreement in whole or in part, except that (i) the duties and responsibilities of the Trustee or the Committee shall not be increased, and the protections afforded to the Trustee or the Committee shall not be impaired without the written consent of the Trustee or the Committee, as the case may be; (ii) the protection afforded with respect to obligations payable to or on behalf of the Participants hereunder may not be impaired without the unanimous written consent of the Participants; and (iii) the Corporation shall not have the power to revoke this Trust or to revest title in itself to the assets comprising the Fund. Any such amendment shall be effective upon (a) delivery of such amendment to the Trustee and the Committee, together with a certified copy of the resolution of the Board of Directors of the Corporation; and (b) endorsement by each the Trustee and the Committee on such instrument upon receipt thereof, together with any required consent or consents thereto. No such amendment shall adversely affect any benefits accrued under the Plan with respect to the Participants. All instruments amending this Agreement shall be noted upon or kept attached to the executed original of this Agreement.

Section 9.2. Termination of Agreement. This Agreement may not be terminated until the liability of the Corporation for the payment of all benefits to all Participants, and the Beneficiaries thereof, has been satisfied in full or until such time as no funds remain on deposit in the Fund pursuant to this Agreement; provided, however, that with the written consent of a Participant, or the Beneficiary thereof, the Committee may terminate this Agreement at any time with respect to such consenting Participant or Beneficiary. Notwithstanding anything herein to the contrary, this Trust shall terminate no later than twenty-one (21) years after the death of the last survivor of all of the Participants included in the original list of Participants attached hereto as Schedule A, and those persons now living who have been designated as Beneficiaries of such Participants in accordance with the terms of the Plan.

ARTICLE X
THE COMMITTEE

Section 10.1. Membership and Actions of the Committee.

(a) The Committee shall at all times consist of a minimum of three (3) individuals, all of whom shall be Participants. The initial Committee members are identified in Schedule B attached hereto. Any member of the Committee may resign upon thirty (30) days prior written notice to the Corporation. Moreover, any member of the Committee may be removed at any time by the Corporation.

(b) In the event of a vacancy on the Committee, the other member(s) of the Committee shall appoint a successor. In the event that there is at any time no member of the Committee then in office, successor members shall be appointed by the Corporation.

(c) Any action by the Committee shall require the written approval of at least a majority of the members of the Committee. A Committee member shall not be liable hereunder for any act taken, or omitted to be taken, in good faith, except for any act or omission constituting gross negligence or willful misconduct by such Committee member.

(d) All of the provisions set forth herein with respect to a member of the Committee shall relate to each successor with the same force and effect as if such successor had been originally named as a member of the Committee.

(e) The Committee is authorized to seek the advice of, and consult with, legal counsel with respect to any matter involving the Trust. Such counsel may, but need not, be legal counsel to the Corporation. The Committee shall be entitled to rely on the advice of legal counsel with respect to any matter involving the Trust. The Committee may also from time to time employ agents and expert assistants and delegate to them such ministerial duties as it may see fit. In the event that the Committee does delegate such ministerial duties, it shall periodically review the performance of the person to whom these duties have been delegated. The Committee members shall be reimbursed by the Corporation for all costs arising from the employ of legal counsel, agents and expert assistants pursuant to the terms set forth at Section 8.2 of this Agreement

Section 10.2. Committee Compensation and Expenses. The Committee members shall be entitled to such compensation and fees for their services under this Agreement as shall be agreed upon from time to time with the Corporation. Likewise, the Corporation shall reimburse the Committee members for any expenses incurred by them, including, but not limited to, all proper charges and disbursements of the Committee members, and reasonable fees for legal services rendered to the Committee (whether or not rendered in connection with a judicial or administrative proceeding). Such compensation, fees and reimbursement shall be paid to the Committee members pursuant to the terms set forth at Section 8.2 of this Agreement. The Committee members' entitlement to compensation, fees or reimbursement hereunder shall not be affected by the resignation or removal of any member or members of the Committee or the termination of the Trust.

Section 10.3. Indemnity of Committee.

(a) The Corporation hereby indemnifies and holds each member of the Committee harmless from and against any and all liabilities, including reasonable fees for legal services and other costs of litigation, to which each such member of the Committee may become subject pursuant to, arising out of, occasioned by, incurred in connection with, or in any way associated with this Trust or Agreement, except for any act or omission constituting gross negligence or willful misconduct of such member of the Committee. If one or more liabilities shall arise, or if the Corporation fails to indemnify

such member of the Committee as provided herein, or both, then the Committee member may engage counsel of the Committee member's choice, but at the Corporation's expense, either to conduct the defense against such liabilities, or to conduct such actions as may be necessary to obtain the indemnity provided for herein, or to take both such actions. The Committee member shall notify the Corporation within fifteen (15) days after the Committee member has so engaged counsel of the name and address of such counsel.

(b) If a Committee member shall be entitled to indemnification pursuant to this Section 10.3, and the Corporation shall not provide such indemnification upon demand, the Trustee shall satisfy any indemnity to a Committee member pursuant to this Section 10.3 out of the assets of the Fund in full satisfaction of the obligations for indemnity by the Corporation, and any legal proceeding by the Committee member against the Corporation for such indemnification shall be in behalf of the Trust.

ARTICLE XI
MISCELLANEOUS

Section 11.1. Governing Law. This Trust is created and accepted in the State of Delaware. All questions pertaining to the validity or construction of this Agreement and the acts and transactions of the parties hereto and their respective successors shall be determined in accordance with the laws of the State of Texas, except as to matters governed by Federal law.

Section 11.2. No Effect on Employment. Nothing contained in this Agreement shall create, or be construed or interpreted to create, any new or additional obligations on the part of the Corporation to retain any person in its employ or interfere in any way with the right of the Corporation to discharge any employee.

Section 11.3. Successors. This Agreement shall be binding upon, and the powers herein granted to the Corporation and the Trustee, respectively, shall be exercisable by, the respective successors and assigns of the Corporation and the Trustee.

Section 11.4. Severability. Should any provision of this Agreement be determined by a court of competent jurisdiction to be unlawful or unenforceable, such determination shall not adversely affect the remaining provisions of this Agreement, unless it shall make impossible the maintenance or operation of the Trust for its intended purposes. To the extent any provision of this Agreement is determined to be unlawful or unenforceable, this Agreement shall be construed to be carried out to the fullest extent possible in a lawful and enforceable manner.

Section 11.5. Incorporation of Plan as Part of Agreement. The Plan is expressly incorporated herein and made a part hereof with the same force and effect as if fully set forth. A copy of the Plan as in effect on the date hereof is attached hereto as Exhibit A. The Corporation shall deliver to the Trustee a copy of all amendments to the Plan hereafter adopted.

Section 11.6. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be considered an original and said counterparts shall constitute but one and the same instrument.

Section 11.7. Effect of Divisions and Captions. The division of this Agreement into articles, paragraphs, sections and subsections and the use of captions are solely for convenience and shall have no legal effect in construing the provisions of this Agreement.

Section 11.8. Gender and Number. Whenever the masculine, feminine, or neuter gender is used inappropriately in this Agreement, this Agreement shall be read as if the appropriate gender was used, and, unless the context otherwise requires, the singular shall include the plural, and vice versa.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the Corporation, the Trustee and the Committee have entered in to this Agreement as of the Effective Date.

CORPORATION:

AMERICAN AIRLINES, INC.,
a Delaware corporation

Attest: ______________________ By: ______________________
Charles D. MarLett, Corporate Secretary

TRUSTEE:

WACHOVIA BANK,
NATIONAL ASSOCIATION

Attest: ______________________ By: ______________________
Name: ______________________
Title: ______________________

COMMITTEE:

Attest: ______________________ By: ______________________
Donald J. Carty

Attest: ______________________ By: ______________________
Gerard J. Arpey

Attest: ______________________ By: ______________________
Jeffrey C. Campbell

Attest: ______________________ By: ______________________
Susan M. Oliver

SUBSCRIBED AND SWORN TO before me by CHARLES D. MARLETT, this _______ day of October, 2002.

____
Notary Public

SUBSCRIBED AND SWORN TO before me by ______________________, this _______ day of October, 2002.

____
Notary Public

SUBSCRIBED AND SWORN TO before me by DONALD J. CARTY, this _______ day of October, 2002.

____

Notary Public

SUBSCRIBED AND SWORN TO before me by GERARD J. ARPEY, this _______ day of October, 2002.

Notary Public

SUBSCRIBED AND SWORN TO before me by JEFFREY C. CAMPBELL, this ________ day of October, 2002.

Notary Public

SUBSCRIBED AND SWORN TO before me by SUSAN M. OLIVER, this ________ day of October, 2002.

Notary Public

SCHEDULE A

The persons identified herein constitute the Participants of the Plan as of the Effective Date of the Trust.

Timothy Ahern
Jane Allen
Gerard Arpey
Walter Aue
Thomas Bacon
James Beer
Peter Bowler
David Brooks
David Campbell
Jeffrey Campbell
John Carpenter
Donald Carty
Robert Cordes
Lauri Curtis
David Cush
Thomas Delvalle
Bernard Desena
Timothy Doke
Daniel Garton
L. T. Gleason
Isabella Goren
Beverly Goulet
William Greene
Gregory Hall
George Hazy
Robert Henderson
Douglas Herring
Henry Joyner
Gary Kennedy
Craig Kreeger
Robert Kudwa
John Mac Lean
Charles MarLett
Anne McNamara
Scott Nason
Susan Oliver
Robert Olson
Randall Phillips
William Quinn
Ralph Richardi
William Ris, Jr.
Carmine Romano
John Samuel
Peggy Sterling
Carolyn Wright

SCHEDULE B

The individuals designated herein constitute the initial members of the Committee responsible for administering the Trust.

(1) Donald J. Carty

(2) Gerard J. Arpey

(3) Jeffrey C. Campbell

(4) Susan M. Oliver

Exhibit 12

AMR CORPORATION
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	1998	1999	2000	2001	2002
Earnings:					
Earnings (loss) from continuing operations before income taxes, extraordinary loss and cumulative effect of accounting change	$ 1,833	$ 1,006	$ 1,287	$ (2,756)	$ (3,860)
Add: Total fixed charges (per below)	1,117	1,227	1,313	1,618	1,745
Less: Interest capitalized	104	118	151	144	86
Total earnings (loss)	$ 2,846	$ 2,115	$ 2,449	$ (1,282)	$ (2,201)
Fixed charges:					
Interest	$ 369	$ 383	$ 450	$ 515	$ 655
Portion of rental expense representative of the interest factor	743	832	844	1,076	1,053
Amortization of debt expense	5	12	19	27	37
Total fixed charges	$ 1,117	$ 1,227	$ 1,313	$ 1,618	$ 1,745
Ratio of earnings to fixed charges	2.55	1.72	1.87	—	—
Coverage deficiency	—	—	—	$ 2,900	$ 3,946

Exhibit 21

AMR CORPORATION

SUBSIDIARIES OF THE REGISTRANT
As of December 31, 2002

Subsidiary companies of the Registrant are listed below. With respect to the companies named, all voting securities are owned directly or indirectly by the Registrant, except where otherwise indicated.

Name of Subsidiary	State or Sovereign Power of Incorporation
Subsidiaries included in the Registrant's consolidated financial statements	
Airline Management Services, Inc.	Delaware
American Airlines, Inc.	Delaware
AA 2002 Class C Certificate Corporation	Delaware
AA 2002 Class D Certificate Corporation I	Delaware
AAV Tours LLC	Delaware
Getaway Vacations LLC	Delaware
Admirals Club, Inc. (Massachusetts only)	Massachusetts
AEROSAN S.A. (50%)	Chile
AEROSAN Airport Services S.A. (50%)	Chile
American Airlines Australian Tours, Inc.	Delaware
American Airlines de Mexico, S.A.	Mexico
American Airlines de Venezuela, S.A.	Venezuela
American Airlines Holding Company, Inc.	Delaware
Stockwood Shelf-Co (130) (50/50 AA/AMR)	United Kingdom
American Airlines Overseas Finance, N.V.	Neth. Antilles
American Airlines Realty (NYC) Holdings, Inc.	New York
AMR Training Group, Inc.	Delaware
AMR Ventures III, Inc.	Delaware
oneworld Alliance, LLC (33.4%)	Delaware
oneworld Management Company Ltd. (33.4%)	Northwest Territories
Texas Aero Engine Services, L.L.C, dba TAESL (50/50 AA/Rolls-Royce)	Delaware
TWA Airlines LLC	Delaware
TWA Stock Holding Company, Inc.	Delaware
Trans World PARS, Inc.	Delaware
Worldspan, L.P. (26%)	Delaware
Americas Ground Services, Inc.	Delaware
Aerodespachos Colombia, S.A.	Colombia
Caribbean Dispatch Services, Ltd.	St. Lucia
Dispatch Services 93, S.A.	Venezuela
DSA	Dominican Republic
International Ground Services, S.A. de C.V.	Mexico
Panama Dispatch	Panama
Peru Dispatch Company	Peru

Name of Subsidiary	State or Sovereign Power of Incorporation
AMR Aircraft Sales & Leasing Company	Delaware
AMR Eagle Holding Corporation.	Delaware
American Eagle Airlines, Inc.	Delaware
AMR Leasing Corporation	Delaware
AMR Eagle Maintenance Services Group, Inc.	Delaware
Aero Perlas (20%)	Panama
Eagle Aviation Leasing, Inc.	Delaware
Eagle Aviation Services, Inc.	Delaware
Executive Airlines, Inc.	Delaware
AMR Finance, Inc.	Delaware
AMR Foreign Sales Corporation, Ltd.	Bermuda
AMR Holding Company, Inc.	Delaware
AMR Investment Services, Inc.	Delaware
American Private Equity Management, LLC	Delaware
Avion Assurance Ltd.	Bermuda
PMA Investment Subsidiary, Inc.	Delaware
SC Investment, Inc.	Delaware

Exhibit 23

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-8 No. 333-13751, Form S-8 No. 333-19325, Form S-8 No. 333-70239, Form S-8 No. 33-27866, Form S-8 No. 333-56947, Form S-3 No. 33-46325, Form S-3 No. 33-52121, Form S-3 No. 333-68211 and Form S-3 No. 333-84292-01) of AMR Corporation, and in the related Prospectuses, of our reports dated March 31, 2003, with respect to the consolidated financial statements and schedule of AMR Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2002.

/s/ ERNST & YOUNG LLP

Dallas, Texas
April 9, 2003

Exhibit 99

AMR CORPORATION
Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of AMR Corporation, a Delaware corporation (the Company), does hereby certify, to such officer's knowledge, that:

The Annual Report on Form 10-K for the year ended December 31, 2002 (the Form 10-K) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 14, 2003	/s/ Donald J. Carty Donald J. Carty Chairman and Chief Executive Officer
Date: April 14, 2003	/s/ Jeffrey C. Campbell Jeffrey C. Campbell Senior Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.