

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended **June 30, 2008**.

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From _ to _____.

Commission file number 1-2691.

American Airlines, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

13-1502798
(I.R.S. Employer Identification No.)

4333 Amon Carter Blvd.
Fort Worth, Texas
(Address of principal executive offices)

76155
(Zip Code)

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

Not Applicable
(Former name, former address and former fiscal year , if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$1 par value - 1,000 shares as of July 14, 2008.

INDEX

AMERICAN AIRLINES, INC.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Statements of Operations -- Three and six months ended June 30, 2008 and 2007

Condensed Consolidated Balance Sheets -- June 30, 2008 and December 31, 2007

Condensed Consolidated Statements of Cash Flows -- Six months ended June 30, 2008 and 2007

Notes to Condensed Consolidated Financial Statements -- June 30, 2008

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II:OTHER INFORMATION

Item 1. Legal Proceedings

Item 5. Other Information

Item 6. Exhibits

SIGNATURE

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements
AMERICAN AIRLINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited) (In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues				
Passenger	\$ 4,735	\$ 4,525	\$ 9,114	\$ 8,701
Regional Affiliates	684	658	1,264	1,216
Cargo	233	200	448	401
Other revenues	503	470	1,001	937
Total operating revenues	<u>6,155</u>	<u>5,853</u>	<u>11,827</u>	<u>11,255</u>
Expenses				
Aircraft fuel	2,182	1,479	4,039	2,754
Wages, salaries and benefits	1,500	1,496	2,984	3,007
Regional payments to AMR Eagle	642	579	1,227	1,123
Other rentals and landing fees	287	284	581	585
Depreciation and amortization	276	248	536	490
Commissions, booking fees and credit card expense	259	268	516	517
Maintenance, materials and repairs	257	208	513	403
Aircraft rentals	123	149	247	297
Food service	131	130	256	255
Special charges	1,163	-	1,163	-
Other operating expenses	674	618	1,338	1,247
Total operating expenses	<u>7,494</u>	<u>5,459</u>	<u>13,400</u>	<u>10,678</u>
Operating Income (Loss)	(1,339)	394	(1,573)	577
Other Income (Expense)				
Interest income	46	84	98	160
Interest expense	(137)	(182)	(282)	(369)
Interest capitalized	8	5	13	14
Related party interest - net	(12)	(21)	(30)	(41)
Miscellaneous - net	(29)	(9)	(33)	(19)
	<u>(124)</u>	<u>(123)</u>	<u>(234)</u>	<u>(255)</u>
Income (Loss) Before Income Taxes	(1,463)	271	(1,807)	322
Income tax	-	-	-	-
Net Earnings (Loss)	<u>\$ (1,463)</u>	<u>\$ 271</u>	<u>\$ (1,807)</u>	<u>\$ 322</u>

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

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (In millions)

	June 30, 2008	December 31, 2007
Assets		
Current Assets		
Cash	\$ 281	\$ 145
Short-term investments	4,669	4,286
Restricted cash and short-term investments	434	428
Receivables, net	1,139	1,003
Inventories, net	643	544
Fuel derivative contracts	1,282	416
Other current assets	277	204
Total current assets	<u>8,725</u>	<u>7,026</u>
Equipment and Property		
Flight equipment, net	10,177	11,142
Other equipment and property, net	2,343	2,366
Purchase deposits for flight equipment	481	239
	<u>13,001</u>	<u>13,747</u>
Equipment and Property Under Capital Leases		
Flight equipment, net	340	686
Other equipment and property, net	67	76
	<u>407</u>	<u>762</u>
Route acquisition costs and airport operating and gate lease rights, net	1,103	1,135
Other assets	2,677	2,715
	<u>\$ 25,913</u>	<u>\$ 25,385</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$ 1,293	\$ 1,083
Accrued liabilities	2,666	2,128
Air traffic liability	4,889	3,986
Payable to affiliates, net	1,727	1,610
Current maturities of long-term debt	579	382
Current obligations under capital leases	133	147
Total current liabilities	<u>11,287</u>	<u>9,336</u>
Long-term debt, less current maturities	6,304	6,600
Obligations under capital leases, less current obligations	622	680
Pension and postretirement benefits	3,670	3,620
Other liabilities, deferred gains and deferred credits	3,612	3,705
Stockholders' Equity		
Common stock	-	-
Additional paid-in capital	3,865	3,862
Accumulated other comprehensive income	1,338	560
Accumulated deficit	(4,785)	(2,978)
	<u>418</u>	<u>1,444</u>
	<u>\$ 25,913</u>	<u>\$ 25,385</u>

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

AMERICAN AIRLINES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In millions)

	Six Months Ended June 30,	
	2008	2007
Net Cash Provided by Operating Activities	\$ 1,016	\$ 1,534
Cash Flow from Investing Activities:		
Capital expenditures	(458)	(337)
Net increase in short-term investments	(383)	(1,080)
Net increase in restricted cash and short-term investments	(6)	(2)
Proceeds from sale of equipment and property	7	20
Other	8	4
Net cash used by investing activities	<u>(832)</u>	<u>(1,395)</u>
Cash Flow from Financing Activities:		
Payments on long-term debt and capital lease obligations	(270)	(610)
Proceeds from:		
Issuance of long-term debt	70	-
Sale leaseback transactions	151	-
Reimbursement from construction reserve account	-	59
Funds transferred from affiliates, net	1	505
	<u>1</u>	<u>505</u>

Net cash used by financing activities	(48)	(46)
Net increase in cash	136	93
Cash at beginning of period	<u>145</u>	<u>120</u>
Cash at end of period	<u>\$ 281</u>	<u>\$ 213</u>

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

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. American Airlines, Inc. (American or the Company) is a wholly owned subsidiary of AMR Corporation (AMR). The condensed consolidated financial statements also include the accounts of variable interest entities for which the Company is the primary beneficiary. For further information, refer to the consolidated financial statements and footnotes thereto included in the American Airlines, Inc. Annual Report on Form 10-K for the year ended December 31, 2007 (2007 Form 10-K).
2. Beginning in the first quarter of 2008, American reclassified revenues associated with the marketing component of AAdvantage program mileage sales from Passenger revenue to Other revenue. As a result of this change, approximately \$148 million and \$298 million of revenue was reclassified from Passenger revenue to Other revenue for the three and six months ended June 30, 2007, respectively, to conform to the current presentation.
3. As of June 30, 2008, the Company had commitments to acquire 33 Boeing 737-800 aircraft in 2009, seven Boeing 737-800 aircraft in 2010 and an aggregate of 20 Boeing 737 aircraft and seven Boeing 777 aircraft in 2013 through 2016. Payments will approximate \$278 million in the remainder of 2008, \$682 million in 2009, \$107 million in 2010, \$102 million in 2011, \$310 million in 2012, and \$1.3 billion for 2013 and beyond. These amounts are net of purchase deposits currently held by the manufacturer. However, if as anticipated, the Company commits to accelerating the delivery dates of a significant number of aircraft in the future, a significant portion of the \$1.7 billion commitment from 2011 and beyond will be accelerated into 2008, 2009 and 2010. In addition, any incremental aircraft orders will increase the Company's commitments.

On December 18, 2007, the European Commission issued a Statement of Objection ("SO") against 26 airlines, including the Company. The SO alleges that these carriers participated in a conspiracy to set surcharges on cargo shipments in violation of EU law. The SO states that, in the event that the allegations in the SO are affirmed, the Commission will impose fines against the Company. The Company intends to vigorously contest the allegations and findings in the SO under EU laws, and it intends to cooperate fully with all other pending investigations. The evaluation of these allegations is still in the early stages, but based on the information to date, the Company has not recorded any reserve for this exposure for the quarter ended June 30, 2008. In the event that the SO is affirmed or other investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, or if the Company were named and found liable in any litigation based on these allegations, such findings and related legal proceedings could have a material adverse impact on the Company.

4. Accumulated depreciation of owned equipment and property at June 30, 2008 and December 31, 2007 was \$8.6 billion and \$10.5 billion, respectively. Accumulated amortization of equipment and property under capital leases at June 30, 2008 and December 31, 2007 was \$590 million and \$1.2 billion, respectively. During the second quarter of 2008, the Company recorded an impairment charge to write down its McDonnell Douglas MD80 fleet and certain related long-lived assets to their estimated fair values. As a result \$2.7 billion of accumulated depreciation and amortization was eliminated as a new cost basis was established for these aircraft. See Note 9 to the condensed consolidated financial statements for more information regarding the impairment charges.
-

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

5. As discussed in Note 7 to the consolidated financial statements in the 2007 Form 10-K, the Company has a valuation allowance against the full amount of its net deferred tax asset. The Company currently provides a valuation allowance against deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. The Company's deferred tax asset valuation allowance increased approximately \$336 million during the six months ended June 30, 2008 to \$1.5 billion as of June 30, 2008, including the impact of comprehensive loss for the six months ended June 30, 2008 and changes from other adjustments.
6. As of June 30, 2008, American had issued guarantees covering approximately \$1.1 billion of AMR's unsecured debt. In addition, as of June 30, 2008, AMR and American had issued guarantees covering approximately \$327 million of AMR Eagle's secured debt.

American has a secured bank credit facility which consists of an undrawn \$255 million revolving credit facility, with a final maturity on June 17, 2009, and a fully drawn \$438 million term loan facility, with a final maturity on December 17, 2010 (the Revolving Facility and the Term Loan Facility, respectively, and collectively, the Credit Facility). The Credit Facility contains a covenant (the EBITDAR Covenant) requiring AMR to maintain a ratio of cash flow to fixed charges. In May 2008, AMR and American entered into an amendment to the Credit Facility which waived compliance with the EBITDAR Covenant for periods ending on any date from and including June 30, 2008 through March 31, 2009, and which reduced the minimum ratios AMR is required to satisfy thereafter. The required ratio will be 0.90 to 1.00 for the one quarter period ending June 30, 2009 and will increase to 1.15 to 1.00 for the four quarter period ending September 30, 2010.

In May 2008, the Financial Accounting Standards Board (FASB) affirmed the consensus of FASB Staff Position APB 14-1 (FSP APB 14-1), "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)", which applies to all convertible debt instruments that have a "net settlement feature", which means that such convertible debt instruments, by their terms, may be settled either wholly or partially in cash upon conversion. FSP APB 14-1 requires issuers of convertible debt instruments that may be settled wholly or partially in cash upon conversion to separately account for the liability and equity components in a manner reflective of the issuers' nonconvertible debt borrowing rate. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those fiscal years. Early adoption is not permitted and retroactive application to all periods presented is required. The Company does not expect the adoption of APB 14-1 will have any impact on its consolidated financial statements.

On July 8, 2008, the Company raised approximately \$500 million under a loan secured by aircraft, due in installments through 2015.

7. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" (SFAS 157). SFAS 157 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. SFAS 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007, and the Company has adopted the standard for those assets and liabilities as of January 1, 2008 and the impact of adoption was not significant.

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

AMERICAN AIRLINES, INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 (Unaudited)

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's short-term investments primarily utilize broker quotes in a non-active market for valuation of these securities. The Company's fuel derivative contracts, which primarily consist of commodity options and collars, are valued using energy and commodity market data which is derived by combining raw inputs with quantitative models and processes to generate forward curves and volatilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

(in millions) Description	Fair Value Measurements as of June 30, 2008			
	Total	Level 1	Level 2	Level 3
Short term investments ¹	\$ 4,669	\$ 1,477	\$ 3,192	\$ -
Restricted cash and short-term investments ¹	434	434	-	-
Fuel derivative contracts ¹	1,282	-	1,282	-
Total	<u>\$ 6,385</u>	<u>\$ 1,911</u>	<u>\$ 4,474</u>	<u>\$ -</u>

¹ Unrealized gains or losses on short term investments, restricted cash and short-term investments and derivatives are recorded in Accumulated other comprehensive income (loss) at each measurement date.

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

8. The following tables provide the components of net periodic benefit cost for the three and six months ended June 30, 2008 and 2007 (in millions):

	Pension Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<u>Components of net periodic benefit cost</u>				
Service cost	\$ 81	\$ 93	\$ 162	\$ 185
Interest cost	171	168	342	336
Expected return on assets	(197)	(187)	(395)	(374)
Amortization of:				
Prior service cost	4	4	8	8
Unrecognized net loss	1	6	1	13
Net periodic benefit cost	<u>\$ 60</u>	<u>\$ 84</u>	<u>\$ 118</u>	<u>\$ 168</u>
<u>Retiree Medical and Other Benefits</u>				
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
<u>Components of net periodic benefit cost</u>				
Service cost	\$ 14	\$ 18	\$ 27	\$ 35
Interest cost	43	49	86	96
Expected return on assets	(5)	(5)	(10)	(9)
Amortization of:				
Prior service cost	(3)	(3)	(7)	(7)
Unrecognized net (gain) loss	(6)	(2)	(12)	(4)
Net periodic benefit cost	<u>\$ 43</u>	<u>\$ 57</u>	<u>\$ 84</u>	<u>\$ 111</u>

The Company's 2008 minimum required contribution to its defined benefit pension plan is \$78 million. As of June 30, 2008, the Company has contributed \$75 million to its defined benefit pension plans. On July 15, the Company made an additional contribution of \$3 million bringing year to date contributions to the minimum contribution of \$78 million. Absent a significant change in the industry environment, it is unlikely that additional contributions will be made to the Company's defined benefit pension plan in 2008.

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

9. 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, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets and the net book value of the assets exceeds their estimated fair value. In May 2008, the Company announced capacity reductions due to unprecedented high fuel costs and the other challenges facing the industry. In connection with these capacity reductions, the Company concluded that a triggering event had occurred and required a test for impairment. As a result of this test, the Company concluded the carrying value of its McDonnell Douglas MD-80 fleet was no longer recoverable. Consequently, during the second quarter of 2008, the Company recorded an impairment charge of \$1 billion to write down the McDonnell Douglas MD-80 fleet and certain related long-lived assets to their estimated fair values. No portion of these impairment charges will result in future cash expenditures. All other fleet types were tested for impairment but were concluded to be recoverable with projected undiscounted cash flows or had fair values at levels above current carrying value. The McDonnell Douglas MD-80 aircraft will be depreciated over their remaining useful lives averaging approximately five years. AMR Eagle also concluded that the carrying value of its Embraer RJ-135 fleet was also no longer recoverable. Based on the terms of the capacity purchase agreement with AMR Eagle, American paid AMR Eagle during the second quarter of 2008 for their \$115 million impairment charge related to the Embraer RJ-135 fleet which was recorded as a component of special charges.

In determining the asset recoverability, management estimated the undiscounted future cash flows utilizing models used by the Company in making fleet and scheduling decisions. In determining fair market value, the Company utilized recent external appraisals of its fleets, a published aircraft pricing survey and recent transactions involving sales of similar aircraft, adjusted based on estimates of maintenance status and to consider the impact of recent industry events on these values. As a result of the write down of these aircraft to fair value, as well as the acceleration of the retirement dates, depreciation expense is expected to decrease by approximately \$141 million on an annualized basis.

In conjunction with the capacity reductions, the Company estimates that it will reduce its workforce commensurate with the announced system-wide capacity reductions. This reduction in workforce will be accomplished through various measures, including voluntary programs, part-time work schedules, furloughs in accordance with collective bargaining agreements, and other reductions. As a result of this reduction in workforce the Company will incur employee charges of approximately \$70 million for severance related costs of which \$54 million was recorded as of June 30, 2008 in accordance with Statement of Financial Accounting Standards No. 112, "Employers Accounting for Postemployment Benefits" (SFAS 112), based on probable expectations of involuntary terminations.

The Company expects to record other accounting charges relating to these capacity reductions, including disposal costs, additional voluntary severance, facility exit costs, costs of grounding leased Airbus A300 aircraft prior to lease expiration and other associated costs, but, at this time is not able to reasonably estimate the amount and timing of the charges or the portion, if any, of these charges that would result in future cash expenditures.

AMERICAN AIRLINES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

The following table summarizes the components of the Company's special charges, the remaining accruals for these charges and the June 30, 2008 capacity reduction related charges (in millions):

	Aircraft Charges	Facility Exit Costs	Employee Charges	Capacity Purchase Payment	Other	Total
Remaining accrual at December 31, 2007	\$ 124	\$ 18	\$ -	\$ -	\$ -	\$ 142
Capacity reduction charges	969	-	54	115	25	1,163
Non-cash charges	(969)	-	-	-	(25)	(994)
Adjustments	-	(5)	-	-	-	(5)
Payments	(22)	-	-	(115)	-	(137)
Remaining accrual at June 30, 2008	<u>\$ 102</u>	<u>\$ 13</u>	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169</u>

Cash outlays related to the accruals for aircraft charges and facility exit costs will occur through 2017 and 2018, respectively. Cash outlays for the employee charges will be incurred over the next several quarters.

10. The Company includes changes in the fair value of certain derivative financial instruments that qualify for hedge accounting and unrealized gains and losses on available-for-sale securities in comprehensive income. For the three month periods ended June 30, 2008 and 2007, comprehensive income (loss) was \$(840) million and \$271 million, respectively, and for the six month periods ended June 30, 2008 and 2007, comprehensive income (loss) was \$(1.0) billion and \$394 million, respectively. Total comprehensive income for the year ended December 31, 2007 was \$2.3 billion. The difference between net earnings (loss) and comprehensive income (loss) for the three and six month periods ended June 30, 2008 and 2007 is due primarily to the accounting for the Company's derivative financial instruments. Due to the current value of the Company's derivative contracts, some agreements with counterparties require collateral to be deposited with the Company. As of June 30, 2008 the collateral held in Short-term investments by AMR from such counterparties was \$835 million, an increase of \$671 million from December 31, 2007, which is included in cash flows from operations. Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. As required by Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In doing so, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (NYMEX Heating oil) to the change in the price of jet fuel. The Company also monitors the actual dollar offset of the hedges' market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be "highly effective" if the R-squared is greater than 80 percent and the dollar offset correlation is within 80 percent to 125 percent. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship.

In March of 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161). SFAS 161 requires entities to provide greater transparency about how and why the entity uses derivative instruments, how the instruments and related hedged items are accounted for under SFAS 133, and how the instruments and related hedged items affect the financial position, results of operations, and cash flows of the entity. SFAS 161 is effective for fiscal years beginning after November 15, 2008. The principal impact to the Company will be to require the Company to expand its disclosure regarding its derivative instruments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

Statements in this report 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," "indicates," "believes," "forecast," "guidance," "outlook," "may," "will," "should," "seeks", "targets" and similar expressions are intended to identify forward-looking statements. Similarly, statements that describe the Company's objectives, plans or goals are 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, future financing plans and needs, fleet plans, overall economic conditions, plans and objectives for future operations, and the impact on the Company of its results of operations in recent years and the sufficiency of its 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 the Company's actual results to differ materially from the Company's expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements: the materially weakened financial condition of the Company, resulting from its significant losses in recent years; the ability of the Company to generate additional revenues and reduce its costs; changes in economic and other conditions beyond the Company's control, and the volatile results of the Company's operations; the Company's substantial indebtedness and other obligations; the ability of the Company to satisfy existing financial or other covenants in certain of its credit agreements; continued high and volatile fuel prices and further increases in the price of fuel, and the availability of fuel; the fiercely and increasingly competitive business environment faced by the Company; industry consolidation, competition with reorganized carriers; low fare levels by historical standards and the Company's reduced pricing power; the Company's need to raise additional funds and its ability to do so on acceptable terms; changes in the Company's corporate or business strategy; government regulation of the Company's business; conflicts overseas or terrorist attacks; uncertainties with respect to the Company's international operations; outbreaks of a disease (such as SARS or avian flu) that affects travel behavior; labor costs that are higher than those of the Company's competitors; uncertainties with respect to the Company's relationships with unionized and other employee work groups; increased insurance costs and potential reductions of available insurance coverage; the Company's ability to retain key management personnel; potential failures or disruptions of the Company's computer, communications or other technology systems; changes in the price of the Company's common stock; and the ability of the Company to reach acceptable agreements with third parties. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Company's 2007 Form 10-K (see in particular Item 1A "Risk Factors" in the 2007 Form 10-K).

Overview

The Company recorded a net loss of \$1.5 billion in the second quarter of 2008 compared to net earnings of \$271 million in the same period last year. The Company's second quarter 2008 results include a non-cash impairment charge of \$1.0 billion to write down the McDonnell Douglas MD-80 fleet, AMR Eagle's \$115 million special charge and certain related long lived assets to their estimated fair values, and a \$54 million accrual for employee severance costs expected to be paid over the next several quarters. These charges are described in footnote 9 to the condensed consolidated financial statements.

Underlying these charges, the Company's loss reflects an historic year-over-year increase in fuel prices from an average of \$2.08 per gallon in the second quarter 2007 to an average of \$3.17 per gallon in the second quarter of 2008. Fuel expense has become the Company's largest single expense category and the price increase resulted in \$755 million in incremental year-over-year fuel expense in the second quarter 2008 (based on the year-over-year increase in the average price per gallon multiplied by gallons consumed).

The unprecedented rise in fuel price was partially offset by higher unit revenues (passenger revenue per available seat mile). Passenger unit revenues increased 7.0 percent for the second quarter due to an 8.5 percent increase in passenger yield (passenger revenue per passenger mile) partially offset by a 1.1 point load factor decrease compared to the same period in 2007. Although passenger yield showed year-over-year improvement, passenger yield remains low by historical standards and below the Company's peak yield set in the year 2000.

In addition, the Company's operating and financial results were negatively affected by a substantial number of McDonnell Douglas MD-80 second quarter flight cancellations. These cancellations resulted in an approximate two percent decrease in the Company's scheduled departures during the second quarter 2008.

On May 21, 2008, the Company announced capacity reductions resulting in revisions to the Company's fleet plan and the impairment of the McDonnell Douglas MD80 fleet. See Note 9 to the condensed consolidated financial statements for more information.

As of June 30, 2008, the Company had commitments to acquire 33 Boeing 737-800 aircraft in 2009, seven Boeing 737-800 aircraft in 2010 and an aggregate of 20 Boeing 737 aircraft and seven Boeing 777 aircraft in 2013 through 2016 as a part of its fleet replacement strategy. On July 1, 2008, the Company committed to acquire an incremental Boeing 737-800 in 2009. See subsection entitled "Significant Indebtedness and Future Financing" under Item 2. Management's Discussion and Analysis and Note 3 to the condensed consolidated financial statements for more information.

In November 2007, AMR announced the intended divestiture of AMR Eagle, its wholly-owned regional carrier. Given the current industry environment, AMR has decided to place on hold its planned divestiture until industry conditions are more stable and favorable. AMR continues to believe that a divestiture of AMR Eagle makes sense in the long term for AMR, American, AMR Eagle and their stakeholders but also believes that a divestiture is not sensible amid current conditions.

The Company's ability to become consistently profitable and its ability to continue to fund its obligations on an ongoing basis will depend on a number of factors, many of which are largely beyond the Company's control. Certain risk factors that affect the Company's business and financial results are referred to under "Forward-Looking Information" above and are discussed in the Risk Factors listed in Item 1A (on pages 11-17) in the 2007 Form 10-K. In addition, four of the Company's largest domestic competitors and several smaller carriers have filed for bankruptcy in the last several years and have used this process to significantly reduce contractual labor and other costs. In order to remain competitive and to improve its financial condition, the Company must continue to take steps to generate additional revenues and to reduce its costs. Although the Company has a number of initiatives underway to address its cost and revenue challenges, the ultimate success of these initiatives is not known at this time and cannot be assured. If the overall industry revenue environment does not improve substantially and fuel prices remain at historically high levels for an extended period, it will be very difficult for the Company to fund its obligations on an ongoing basis and to become consistently profitable.

LIQUIDITY AND CAPITAL RESOURCES

Significant Indebtedness and Future Financing

The Company remains heavily indebted and has significant obligations (including substantial pension funding obligations), as described more fully under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2007 Form 10-K. As of the date of this Form 10-Q, the Company believes it should have sufficient liquidity to fund its operations for the near term, including repayment of debt and capital leases, capital expenditures and other contractual obligations. However, to maintain sufficient liquidity as the Company continues to implement its restructuring initiatives, and because the Company has significant debt, lease and other obligations in the next several years, including commitments to purchase aircraft, as well as substantial pension funding obligations, the Company will need access to significant additional funding.

The Company's possible financing sources primarily include: (i) a limited amount of additional secured aircraft debt (a very large majority of the Company's owned aircraft, including the Company's Section 1110-eligible aircraft, are encumbered) or sale-leaseback transactions involving owned aircraft; (ii) debt secured by new aircraft deliveries; (iii) debt secured by other assets; (iv) securitization of future operating receipts; (v) the sale or monetization of certain assets; (vi) unsecured debt; and (vii) issuance of equity and/or equity-like securities. Besides unencumbered aircraft, some of the Company's particular assets and other sources of liquidity that could be sold or otherwise used as sources of financing include AAdvantage program miles and route authorities and takeoff and landing slots. The availability and level of the financing sources described above cannot be assured, particularly in light of the Company's recent financial results, substantial indebtedness, reduced credit ratings, extraordinarily high fuel prices, revenues that are weak by historical standards, the financial difficulties being experienced in the airline industry and recent disruptions in the credit markets. The inability of the Company to obtain necessary funding on acceptable terms would have a material adverse impact on the Company.

The Company's substantial indebtedness and other obligations have important consequences. For example, they: (i) limit the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes, and adversely affect the terms on which such financing could be obtained; (ii) require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness and other obligations, thereby reducing the funds available for other purposes; (iii) make the Company more vulnerable to economic downturns; (iv) limit the Company's ability to withstand competitive pressures and reduce its flexibility in responding to changing business and economic conditions; and (v) limit the Company's flexibility in planning for, and reacting to, changes in its business and the industry in which it operates.

Future payments for all aircraft that the Company was committed to acquire as of June 30, 2008, including the estimated amounts for price escalation, are currently estimated to be approximately \$2.8 billion, with the majority currently scheduled to be made in 2011 through 2016. These payments are currently scheduled to be approximately \$278 million in the remainder of 2008, \$682 million in 2009, \$107 million in 2010, \$102 million in 2011, \$310 million in 2012, and \$1.3 billion for 2013 and beyond. These amounts are net of purchase deposits currently held by the manufacturer. However, the Company intends to accelerate the delivery of certain aircraft that it is committed to purchase and order additional aircraft, as described below.

As a part of the Company's efforts to improve the cost and fuel efficiency of its fleet, as well as lessen the Company's impact on the environment, AMR announced on April 16, 2008 its intention to further accelerate the replacement of its MD-80 aircraft fleet with Boeing 737-800 aircraft. The Company now intends to take delivery of a total of 36 Boeing 737-800 aircraft in 2009 and expects to take delivery of 34 Boeing 737-800s in 2010. These expected deliveries would be pursuant to both accelerated orders and incremental orders. If, as anticipated, the Company commits to accelerating the delivery dates of additional aircraft, the related capital expenditure commitments will be accelerated, and any incremental aircraft orders will increase the Company's obligation. This proposed fleet replacement plan would increase the Company's 2008-2010 commitments described above by an estimated \$1.1 billion. The Company's continued replacement strategy, and its execution of that strategy, will depend on such factors as future economic and industry conditions and the financial condition of the Company. The Company also continues to evaluate the economic benefits and other aspects of replacing some of the other aircraft in its fleet with new aircraft.

The Company currently has no committed financing for any aircraft that it is committed to purchase or that it may order. The Company will need additional financing to continue to execute its fleet replacement plan, and the Company expects that it will seek to finance aircraft that it acquires through financing methods it has used in the past, such as aircraft mortgages and sale leaseback transactions. However, the Company can provide no assurance that such financing will be available.

In the quarter ended June 30, 2008, American raised approximately \$220 million through a series of transactions including loans secured by aircraft and sale leasebacks of certain aircraft. In addition, on July 8, 2008, the Company raised approximately \$500 million under a loan secured by aircraft, due in installments through 2015.

Credit Facility Covenants

American has a secured bank credit facility which consists of a \$255 million revolving credit facility, with a final maturity on June 17, 2009, and a fully drawn \$438 million term loan facility, with a final maturity on December 17, 2010 (the Revolving Facility and the Term Loan Facility, respectively, and collectively, the Credit Facility). In 2007, American paid in full the \$255 million principal balance of the Revolving Facility and as of June 30, 2008, it remained undrawn. American's obligations under the Credit Facility are guaranteed by AMR.

The Credit Facility contains a covenant (the Liquidity Covenant) requiring American to maintain, as defined, unrestricted cash, unencumbered short term investments and amounts available for drawing under committed revolving credit facilities of not less than \$1.25 billion for each quarterly period through the life of the Credit Facility. AMR and American were in compliance with the Liquidity Covenant as of June 30, 2008 and expect to be able to continue to comply with this covenant. In addition, the Credit Facility contains a covenant (the EBITDAR Covenant) requiring AMR to maintain a ratio of cash flow (defined as consolidated net income, before interest expense (less capitalized interest), income taxes, depreciation and amortization and rentals, adjusted for certain gains or losses and non-cash items) to fixed charges (comprising interest expense (less capitalized interest) and rentals). In May 2008, AMR and American entered into an amendment to the Credit Facility which waived compliance with the EBITDAR Covenant for periods ending on any date from and including June 30, 2008 through March 31, 2009, and which reduced the minimum ratios AMR is required to satisfy thereafter. The required ratio will be 0.90 to 1.00 for the one quarter period ending June 30, 2009 and will increase to 1.15 to 1.00 for the four quarter period ending September 30, 2010. Given fuel prices that are high by historical standards and the volatility of fuel prices and revenues, it is difficult to assess whether the Company will be able to continue to comply with these covenants, and there are no assurances that the Company will be able to do so. Failure to comply with these covenants would result in a default under the Credit Facility which – if the Company did not take steps to obtain a waiver of, or otherwise mitigate, the default – could result in a default under a significant amount of other debt and lease obligations, and otherwise have a material adverse impact on the Company.

Credit Card Processing and Other Reserves

American has agreements with a number of credit card companies and processors to accept credit cards for the sale of air travel and other services. Under certain of American's current credit card processing agreements, the related credit card company or processor may hold back, under certain circumstances, a reserve from American's credit card receivables. American is not currently required to maintain any reserve under these agreements.

Under one such agreement, the amount of such reserve may be based on, among other things, the amount of unrestricted cash held by American and American's debt service coverage ratio, as defined in the agreement. American expects that if fuel prices remain high by historical standards and are not adequately offset by fare increases, American will be required to maintain a reserve under this agreement in future periods. Given the volatility of fuel prices and revenues, it is difficult to forecast the required amount of such reserve at any time; however, American estimates that the required amount of the reserve could range between \$200 million to \$300 million by the end of 2008, and that if current business conditions persist for some time, such required amount could increase significantly from that level in 2009.

Pension Funding Obligation

The Company's 2008 minimum required contribution to its defined benefit pension plan is \$78 million. As of June 30, 2008, the Company has contributed \$75 million to its defined benefit pension plans. On July 15, the Company made an additional contribution of \$3 million bringing year to date contributions to the minimum contribution of \$78 million. Absent a significant change in the industry environment, it is unlikely that additional contributions will be made to the Company's defined benefit pension plan.

Cash Flow Activity

At June 30, 2008, the Company had \$5 billion in unrestricted cash and short-term investments, compared with \$4.4 billion as of December 31, 2007, and \$255 million available under the Revolving Facility. The Company's unrestricted cash and short-term investments included \$835 million and \$164 million, respectively, in collateral deposits received from the counterparties of the Company's fuel derivative instruments. See Note 10 to the condensed consolidated financial statements for more information. Net cash provided by operating activities in the six month period ended June 30, 2008 was \$1 billion, a decrease of \$518 million over the same period in 2007 primarily due to a dramatic year-over-year increase in average fuel prices from \$2.08 per gallon the second quarter 2007 to \$3.17 per gallon for the same period in 2008. The fuel price increase resulted in \$755 million in incremental year-over-year expense in the second quarter 2008 (based on the year-over-year increase in the average price per gallon multiplied by gallons consumed). The Company contributed \$75 million to its defined benefit pension plans in the first six months of 2008 compared to \$180 million during the first six months of 2007.

Capital expenditures for the first six months of 2008 were \$458 million and primarily included aircraft purchase deposits and aircraft modifications.

In the past, the Company has from time to time refinanced, redeemed or repurchased its debt and taken other steps to reduce its debt or lease obligations or otherwise improve its balance sheet. Going forward, depending on market conditions, its cash positions and other considerations, the Company may continue to take such actions.

RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2008 and 2007

REVENUES

The Company's revenues increased approximately \$572 million, or 5.1 percent, to \$11.8 billion for the six months ended June 30, 2008 from the same period last year. American's passenger revenues increased by 4.7 percent, or \$413 million, while capacity (ASM) decreased by 1.9 percent. American's passenger load factor remained effectively static at 80.8 percent and passenger revenue yield per passenger mile increased by 6.9 percent to 13.63 cents. This resulted in an increase in American's passenger RASM of 6.7 percent to 11.01 cents. Following is additional information regarding American's domestic and international RASM and capacity based on geographic areas defined by the DOT:

	Six Months Ended June 30, 2008			
	RASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
DOT Domestic	10.91	6.4%	52.0	(3.6)%
International	11.19	7.2	30.8	1.2
DOT Latin America	11.91	9.1	15.5	3.2
DOT Atlantic	10.44	3.1	12.0	(0.5)
DOT Pacific	10.51	11.9	3.3	(1.6)

Regional Affiliates' passenger revenues, which are based on industry standard proration agreements for flights connecting to American flights, increased \$48 million, or 3.9 percent, to \$1.3 billion as a result of increased passenger yield. Regional Affiliates' traffic decreased 6.5 percent to 4.5 billion revenue passenger miles (RPMs), while capacity decreased 4.1 percent to 6.4 billion ASMs, resulting in a 1.8 point decrease in the passenger load factor to 71.2 percent.

In the first quarter of 2008, the Company began classifying certain mileage sales revenue to Other revenue, which was previously recognized as a component of Passenger revenue. See Note 2 to the condensed consolidated financial statements for additional information.

OPERATING EXPENSES

The Company's total operating expenses increased 25.5 percent, or \$2.7 billion, to \$13.4 billion for the six months ended June 30, 2008 compared to the same period of 2007. The Company's operating expenses per ASM increased 29.0 percent to 14.23 cents compared to the same period in 2007. These increases are largely due to a non-cash impairment charge of \$1.0 billion to write down the McDonnell Douglas MD-80 fleet, AMR Eagle's \$115 million special charge and certain related long-lived assets down to their estimated fair values. This impairment charge was triggered by the record increase in fuel prices over the last twelve months. In addition, the Company accrued \$54 million for severance costs related to the capacity reductions. These special items represented 1.27 cents of the increase in operating expenses per ASM for the six months ended June 30, 2008. The remaining increase in operating expense was primarily due to a dramatic year-over-year increase in fuel prices from \$1.96 per gallon in the six months ending June 30, 2007 to \$2.95 per gallon for the same period in 2008. Fuel expense is the Company's largest single expense category and the price increase resulted in \$1.4 billion in incremental year-over-year fuel expense for the six months ended June 30, 2008 (based on the year-over-year increase in the average price per gallon multiplied by gallons consumed). Continuing high fuel prices, additional increases in the price of fuel and/or disruptions in the supply of fuel would further materially adversely affect the Company's financial condition and results of operations.

In addition, the Company's operating and financial results were negatively affected by a substantial number of McDonnell Douglas MD-80 second quarter flight cancellations. These cancellations resulted in an approximate two percent decrease in the Company's scheduled departures during the second quarter 2008.

(in millions)

Operating Expenses	Six Months Ended June 30, 2008	Change from 2007	Percentage Change
Aircraft Fuel	\$ 4,039	\$ 1,285	46.7%(a)
Wages, salaries and benefits	2,984	(23)	(0.8)
Regional payments to AMR Eagle	1,227	104	9.3
Other rentals and landing fees	581	(4)	(0.7)
Depreciation and amortization	536	46	9.4
Commissions, booking fees and credit card expense	516	(1)	(0.2)
Maintenance, materials and repairs	513	110	27.3 (b)
Aircraft rentals	247	(50)	(16.8)
Food service	256	1	0.4
Special charges	1,163	1,163	* (c)
Other operating expenses	1,338	91	7.3
Total operating expenses	<u>\$ 13,400</u>	<u>\$ 2,722</u>	<u>25.5%</u>

(a) Aircraft fuel expense increased primarily due to a 50.7 percent increase in the Company's price per gallon of fuel (net of the impact of fuel hedging) offset by a 2.6 percent decrease in the Company's fuel consumption.

(b) Maintenance, materials and repairs expense increased due to a heavier workscope of scheduled airframe maintenance overhauls, repair costs and volume, and contractual engine repair rates, which are driven by aircraft age.

(c) Special charges are related to a non-cash impairment charge of \$1.0 billion to write down the McDonnell Douglas MD-80 fleet, AMR Eagle's \$115 million special charge and certain related long lived assets down to their estimated fair values. This impairment charge was triggered by the record increase in fuel prices over the last twelve months. In addition, the Company accrued \$54 million for severance costs related to the capacity reductions.

OTHER INCOME (EXPENSE)

Interest income decreased \$62 million in six months ended June 30, 2008 compared to the same period in 2007 due primarily to decrease in interest rates. Interest expense decreased \$87 million as a result of a decrease in the Company's long-term debt balance.

INCOME TAX

The Company did not record a net tax provision (benefit) associated with its loss for the six months ended June 30, 2008 or its earnings for the six months ended June 30, 2007 due to the Company providing a valuation allowance, as discussed in Note 5 to the condensed consolidated financial statements.

REGIONAL AFFILIATES

The following table summarizes the combined capacity purchase activity for the American Connection carriers and AMR Eagle for the six months ended June 30, 2008 and 2007 (in millions):

	Six Months Ended June 30,	
	2008	2007
Revenues:		
Regional Affiliates	\$ 1,264	\$ 1,216
Other	56	49
	<u>\$ 1,320</u>	<u>\$ 1,265</u>
Expenses:		
Payments to Regional Affiliates	\$ 1,350	\$ 1,222
Special Charges	115	-
Other incurred expenses	160	156
	<u>\$ 1,625</u>	<u>\$ 1,378</u>

In addition, passengers connecting to American's flights from American Connection and AMR Eagle flights generated passenger revenues for American flights of \$863 million and \$878 million for the six months ended June 30, 2008 and 2007, respectively, which are included in Revenues – Passenger in the consolidated statements of operations.

Outlook

As a result of unprecedented fuel prices and growing concerns about the economy, the Company has reduced full year capacity from the previous guidance given in its Annual Report on Form 10-K for the year ended December 31, 2007 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008. In May of 2008, the Company announced that it will reduce domestic capacity in the fourth quarter of 2008 by 11 percent to 12 percent, compared to the fourth quarter of 2007.

Capacity for American's jet operations is expected to decline 2.7 percent in the third quarter compared to the third quarter of 2007 and is expected to decline approximately 3.4 percent for the full year 2008 compared to 2007. In addition, as announced by the Company in May 2008, American's fourth quarter jet capacity is expected to decline 11 to 12 percent compared to the fourth quarter of 2007.

In addition, the Company's regional affiliate capacity is expected to decline by 10 percent to 11 percent in the fourth quarter compared to fourth quarter 2007 levels.

The Company's recently announced capacity reductions aim to significantly reduce costs as well as create a more sustainable supply-and-demand balance in the market. As a result of reduced flying, the Company expects to retire 30 McDonnell Douglas MD80 and ten Airbus A300 aircraft from the Company's fleet in 2008. The capacity reductions will also result in the retirement of 26 SAAB turboprop regional aircraft and the retirement or removal from service of 37 regional from AMR Eagle, the Company's regional affiliate fleet. These previously announced capacity changes will also result in workforce reductions at both American Airlines and AMR Eagle and could result in facility closures or facility consolidation. The remaining 24 Airbus A300 aircraft will be retired in 2009, which is expected to result in capacity reductions in 2009. Beyond the expected 2009 capacity reductions resulting from the retirement of the Airbus A300 fleet, given current fuel price and economic trends, the Company expects to make additional capacity reductions in 2009.

The Company currently expects third quarter 2008 unit costs to increase approximately 25.2 percent year over year and full year 2008 unit cost to increase approximately 26.5 percent year over year primarily due to the increase in the price of fuel. The Company's results are significantly affected by the price of jet fuel, which is in turn affected by a number of factors beyond the Company's control. Fuel prices are at historically high levels and are volatile. The Company expects full year fuel expense to increase significantly in 2008 versus 2007.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's 2007 Form 10-K. The change in market risk for aircraft fuel is discussed below for informational purposes.

The risk inherent in the Company's fuel related market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel. 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. Therefore, actual results may differ. The Company does not hold or issue derivative financial instruments for trading purposes.

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 hedging contracts. Market risk is estimated as a hypothetical 10 percent increase in the June 30, 2008 cost per gallon of fuel. Based on projected 2008 and 2009 fuel usage through June 30, 2009, such an increase would result in an increase to aircraft fuel expense of approximately \$828 million in the twelve months ended June 30, 2009, inclusive of the impact of effective fuel hedge instruments outstanding at June 30, 2008 and assumes the Company's fuel hedging program remains effective under Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2008 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately \$586 million in the twelve months ended December 31, 2008, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2007. The change in market risk is primarily due to the increase in fuel prices.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. As required by Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In doing so, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (e.g. NYMEX Heating oil) to the change in the price of jet fuel. The Company also monitors the actual dollar offset of the hedges' market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be "highly effective" if the R-squared is greater than 80 percent and the dollar offset correlation is within 80 percent to 125 percent. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship.

As of June 30, 2008, the Company had effective hedges, including option contracts and collars, covering approximately 32 percent of its estimated remaining 2008 fuel requirements. The consumption hedged for the remainder of 2008 is capped at an average price of approximately \$2.90 per gallon of jet fuel excluding taxes and transportation costs. A deterioration of the Company's financial position could negatively affect the Company's ability to hedge fuel in the future.

Item 4. Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. 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 Company's disclosure controls and procedures as of June 30, 2008. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2008. During the quarter ending on June 30, 2008, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

Between April 3, 2003 and June 5, 2003, three lawsuits were filed by travel agents, some of whom opted out of a prior class action (now dismissed) to pursue their claims individually against American, other airline defendants, and in one case against certain airline defendants and Orbitz LLC. The cases, Tam Travel et. al., v. Delta Air Lines et. al., in the United States District Court for the Northern District of California, San Francisco (51 individual agencies), Paula Fausky d/b/a Timeless Travel v. American Airlines, et. al. in the United States District Court for the Northern District of Ohio, Eastern Division (29 agencies) and Swope Travel et al. v. Orbitz et. al. in the United States District Court for the Eastern District of Texas, Beaumont Division (71 agencies) were consolidated for pre-trial purposes in the United States District Court for the Northern District of Ohio, Eastern Division. Collectively, these lawsuits seek damages and injunctive relief alleging that the certain airline defendants and Orbitz LLC: (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; (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; and that (iii) between 1995 and the present, the airline defendants conspired to reduce commissions paid to U.S.-based travel agents in violation of Section 1 of the Sherman Act. On September 23, 2005, the Fausky plaintiffs dismissed their claims with prejudice. On September 14, 2006, the court dismissed with prejudice 28 of the Swope plaintiffs. On October 29, 2007, the court dismissed all of the Swope plaintiffs' claims. The Swope plaintiffs have appealed the court's decision. American continues to vigorously defend these lawsuits. A final adverse court decision awarding substantial money damages or placing material restrictions on the Company's distribution practices would have a material adverse impact on the Company.

On July 12, 2004, a consolidated class action complaint that was subsequently amended on November 30, 2004, was filed against American and the Association of Professional Flight Attendants (APFA), the union which represents American's flight attendants (Ann M. Marcoux, et al., v. American Airlines Inc., et al. in the United States District Court for the Eastern District of New York). While a class has not yet been certified, the lawsuit seeks on behalf of all of American's flight attendants or various subclasses to set aside, and to obtain damages allegedly resulting from, the April 2003 Collective Bargaining Agreement referred to as the Restructuring Participation Agreement (RPA). The RPA was one of three labor agreements American successfully reached with its unions in order to avoid filing for bankruptcy in 2003. In a related case (Sherry Cooper, et al. v. TWA Airlines, LLC, et al., also in the United States District Court for the Eastern District of New York), the court denied a preliminary injunction against implementation of the RPA on June 30, 2003. The Marcoux suit alleges various claims against the APFA and American relating to the RPA and the ratification vote on the RPA by individual APFA members, including: violation of the Labor Management Reporting and Disclosure Act (LMRDA) and the APFA's Constitution and By-laws, violation by the APFA of its duty of fair representation to its members, violation by American of provisions of the Railway Labor Act (RLA) through improper coercion of flight attendants into voting or changing their vote for ratification, and violations of the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). On March 28, 2006, the district court dismissed all of various state law claims against American, all but one of the LMRDA claims against the APFA, and the claimed violations of RICO. This leaves the claimed violations of the RLA and the duty of fair representation against American and the APFA (as well as one LMRDA claim and one claim against the APFA of a breach of its constitution). Although the Company believes the case against it is without merit and both American and the APFA are vigorously defending the lawsuit, a final adverse court decision invalidating the RPA and awarding substantial money damages would have a material adverse impact on the Company.

On February 14, 2006, the Antitrust Division of the United States Department of Justice (the "DOJ") served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign air cargo carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The New Zealand Commerce Commission notified the Company on February 17, 2006 that it is also investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war risk surcharges, and customs clearance surcharges. On February 22, 2006, the Company received a letter from the Swiss Competition Commission informing the Company that it too is investigating whether the Company and certain other cargo carriers entered into agreements relating to fuel surcharges, security surcharges, war risk surcharges, and customs clearance surcharges. On March 11, 2008, the Company received from the Swiss Competition Commission a request for information concerning, among other things, the scope and organization of the Company's activities in Switzerland. On December 19, 2006 and June 12, 2007, the Company received requests for information from the European Commission, seeking information regarding the Company's corporate structure, revenue and pricing announcements for air cargo shipments to and from the European Union. On January 23, 2007, the Brazilian competition authorities, as part of an ongoing investigation, conducted an unannounced search of the Company's cargo facilities in Sao Paulo, Brazil. On April 28, 2008, the Brazilian competition authorities preliminarily charged the Company with violating Brazilian competition laws. The authorities are investigating whether the Company and certain other foreign and domestic air carriers violated Brazilian competition laws by illegally conspiring to set fuel surcharges on cargo shipments. The Company is vigorously contesting the allegations and the preliminary findings of the Brazilian competition authorities. On June 27, 2007 and October 31, 2007, the Company received requests for information from the Australian Competition and Consumer Commission seeking information regarding fuel surcharges imposed by the Company on cargo shipments to and from Australia and regarding the structure of the Company's cargo operations. On December 18, 2007, the European Commission issued a Statement of Objection ("SO") against 26 airlines, including the Company. The SO alleges that these carriers participated in a conspiracy to set surcharges on cargo shipments in violation of EU law. The SO states that, in the event that the allegations in the SO are affirmed, the Commission will impose fines against the Company. The Company intends to vigorously contest the allegations and findings in the SO under EU laws, and it intends to cooperate fully with all other pending investigations. In the event that the SO is affirmed or other investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, or if the Company were named and found liable in any litigation based on these allegations, such findings and related legal proceedings could have a material adverse impact on the Company.

Approximately 44 purported class action lawsuits have been filed in the U.S. against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges on cargo shipments. These cases, along with other purported class action lawsuits in which the Company was not named, were consolidated in the United States District Court for the Eastern District of New York as In re Air Cargo Shipping Services Antitrust Litigation, 06-MD-1775 on June 20, 2006. Plaintiffs are seeking trebled money damages and injunctive relief. The Company has not been named as a defendant in the consolidated complaint filed by the plaintiffs. However, the plaintiffs have not released any claims that they may have against the Company, and the Company may later be added as a defendant in the litigation. If the Company is sued on these claims, it will vigorously defend the suit, but any adverse judgment could have a material adverse impact on the Company. Also, on January 23, 2007, the Company was served with a purported class action complaint filed against the Company, American, and certain foreign and domestic air carriers in the Supreme Court of British Columbia in Canada (McKay v. Ace Aviation Holdings, et al.). The plaintiff alleges that the defendants violated Canadian competition laws by illegally conspiring to set prices and surcharges on cargo shipments. The complaint seeks compensatory and punitive damages under Canadian law. On June 22, 2007, the plaintiffs agreed to dismiss their claims against the Company. The dismissal is without prejudice and the Company could be brought back into the litigation at a future date. If litigation is recommenced against the Company in the Canadian courts, the Company will vigorously defend itself; however, any adverse judgment could have a material adverse impact on the Company.

On June 20, 2006, the DOJ served the Company with a grand jury subpoena as part of an ongoing investigation into possible criminal violations of the antitrust laws by certain domestic and foreign passenger carriers. At this time, the Company does not believe it is a target of the DOJ investigation. The Company intends to cooperate fully with this investigation. On September 4, 2007, the Attorney General of the State of Florida served the Company with a Civil Investigative Demand as part of its investigation of possible violations of federal and Florida antitrust laws regarding the pricing of air passenger transportation. In the event that this or other investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, such findings and related legal proceedings could have a material adverse impact on the Company.

Approximately 52 purported class action lawsuits have been filed in the U.S. against the Company and certain foreign and domestic air carriers alleging that the defendants violated U.S. antitrust laws by illegally conspiring to set prices and surcharges for passenger transportation. On October 25, 2006, these cases, along with other purported class action lawsuits in which the Company was not named, were consolidated in the United States District Court for the Northern District of California as In re International Air Transportation Surcharge Antitrust Litigation, Civ. No. 06-1793 (the "Passenger MDL"). On July 9, 2007, the Company was named as a defendant in the Passenger MDL. On March 13, 2008, and March 14, 2008, two additional purported class action complaints, Turner v. American Airlines, et al., Civ. No. 08-1444 (N.D. Cal.), and LaFlamme v. American Airlines, et al., Civ. No. 08-1079 (E.D.N.Y.), were filed against the Company, alleging that the Company violated U.S. antitrust laws by illegally conspiring to set prices and surcharges for passenger transportation in Japan and Germany, respectively. Plaintiffs in the Turner and LaFlamme cases are seeking trebled money damages and injunctive relief. The Company vigorously will defend these lawsuits, but any adverse judgment in these actions could have a material adverse impact on the Company.

American is defending a lawsuit (Love Terminal Partners, L.P. et al. v. The City of Dallas, Texas et al.) filed on July 17, 2006 in the United States District Court in Dallas. The suit was brought by two lessees of facilities at Dallas Love Field Airport against American, the cities of Fort Worth and Dallas, Southwest Airlines, Inc., and the Dallas/Fort Worth International Airport Board. The suit alleges that an agreement by and between the five defendants with respect to Dallas Love Field violates Sections 1 and 2 of the Sherman Act. Plaintiffs seek injunctive relief and compensatory and statutory damages. On October 31, 2007, the court entered an order dismissing all of the plaintiffs' claims. The plaintiffs have appealed. American will vigorously defend this lawsuit; however, any adverse judgment could have a material adverse impact on the Company.

On August 21, 2006, a patent infringement lawsuit was filed against American and American Beacon Advisors, Inc. (a wholly-owned subsidiary of the Company), in the United States District Court for the Eastern District of Texas (Ronald A. Katz Technology Licensing, L.P. v. American Airlines, Inc., et al.). This case has been consolidated in the Central District of California for pre-trial purposes with numerous other cases brought by the plaintiff against other defendants. The plaintiff alleges that American and American Beacon infringe a number of the plaintiff's patents, each of which relates to automated telephone call processing systems. The plaintiff is seeking past and future royalties, injunctive relief, costs and attorneys' fees. Although the Company believes that the plaintiff's claims are without merit and is vigorously defending the lawsuit, a final adverse court decision awarding substantial money damages or placing material restrictions on existing automated telephone call system operations would have a material adverse impact on the Company.

Item 5. **Other Information**

On July 15, 2008, the Compensation Committee of AMR's Board of Directors approved an agreement extending the term of the Employment Agreement dated March 29, 2006, between AMR, American and Thomas W. Horton, the AMR's and American's Executive Vice President – Finance and Planning and Chief Financial Officer, through March 29, 2012, on substantially the same terms. The Employment Agreement was filed as Exhibit 10.1 to AMR's current report on Form 8-K dated March 31, 2006, and the agreement extending the term of the Employment Agreement is attached to this Form 10-Q as Exhibit 10.5.

Item 6. **Exhibits**

The following exhibits are included herein:

10.1 Amended and Restated Career Performance Shares Deferred Stock Award Agreement dated as of July 25, 2005 between the Company and Gerard J. Arpey

10.2 Purchase Agreement No. 1977 Supplement No. 27 dated May 14, 2008

10.3 Purchase Agreement No. 1977 Supplement No. 28 dated June 30, 2008

10.5 Letter agreement dated July 20, 2008, between AMR, American and Thomas W. Horton.

12 Computation of ratio of earnings to fixed charges for the three and six months ended June 30, 2008 and 2007.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

32 Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).

Signature

Pursuant to the requirements 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.

AMERICAN AIRLINES, INC.

Date: July 17, 2008

BY: /s/ Thomas W. Horton
Thomas W. Horton
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

American Airlines, Inc.
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 American Airlines, Inc., a Delaware corporation (the Company), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the Form 10-Q) 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: July 17, 2008 /s/ Gerard J. Arpey
Gerard J. Arpey
Chairman, President and Chief Executive Officer

Date: July 17, 2008 /s/ Thomas W. Horton
Thomas W. Horton
Executive 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-Q or as a separate disclosure document.

AMENDED AND RESTATED
CAREER PERFORMANCE SHARES
DEFERRED STOCK AWARD AGREEMENT

This Amended and Restated Career Performance Shares Deferred Stock Award Agreement (this "Agreement") is entered into on May 20, 2008 to be effective as of July 25, 2005 and amends and restates in its entirety the Career Performance Shares Deferred Stock Award Agreement dated as of July 25, 2005 (the "Grant Date"), by and between AMR Corporation, a Delaware corporation (the "Corporation") and Gerard J. Arpey ("Arpey").

WHEREAS, the Committee has determined to amend and restate the Agreement in order to ensure compliance with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance issued thereunder, and as otherwise provided herein; and

WHEREAS, the Board of Directors of the Corporation (the "Board") and the Board's Compensation Committee has determined that it is in the best interests of the Corporation and its stockholders to align Arpey's long term interests with those of the Corporation's stockholders and to provide incentives for Arpey to remain with the Corporation as its Chairman, President and/or Chief Executive Officer (collectively, the "CEO"); and

WHEREAS, the Committee has determined to make initial grants to Arpey of deferred stock, as the first steps to induce Arpey to remain as the CEO and to motivate him during his tenure as the CEO.

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

1. Grant of Award (a) As of the Grant Date, Arpey is granted 58,000 deferred shares of the Corporation's Common Stock, \$1.00 par value (such shares to be referenced as "Deferred Shares" and the grant to be referenced as the "2005 Award") pursuant to the terms of the 1998 Long Term Incentive Plan, as amended (the "1998 Plan"). The 2005 Award and the Subsequent Awards (as later defined in this Agreement) will be collectively referenced as the "Awards" and may be individually referenced as an "Award".

(b) Any Award will vest in accordance with Sections 2 and 4 of this Agreement. Unless otherwise determined by the Committee, distributions in respect of any vested portion of any Award shall be made in shares of Common Stock authorized for issuance under the 1998 Plan or any subsequently adopted equity compensation plan (within the meaning of the rules of the New York Stock Exchange) or pursuant to arrangement that is exempt from the rules applicable to such equity compensation plans.

2. Performance Period/Vesting The Awards will vest, if at all, on July 25, 2015 (the "Vesting Date")(subject to earlier vesting as detailed in Sections 3 and 4 of this Agreement). Prior to any vesting of the Awards pursuant to this Section 2, but as soon as feasible after the Vesting Date, the Committee will determine that the performance criteria (the "Criteria") established for the Awards have been satisfied, in whole or in part. Based upon the foregoing determination, the number of Deferred Shares for each Award will vest on a percentage basis from 0% to 175%. The Criteria to be used by the Committee in determining the vesting of each Award are set forth in Appendix A to this Agreement. Provided Arpey has paid all applicable taxes with respect to each Award, the shares of Common Stock that vest pursuant to this Section 2 will be issued and delivered to Arpey as soon as feasible following the determination of the Committee as to satisfaction of the Criteria. Upon delivery of the Common Stock to Arpey, this Agreement will terminate. In no case shall payment be made later than 2015.

3. Early Termination (a) For purposes of this Agreement, an Early Termination is the occurrence of one of the following events prior to the Vesting Date:

(i) Arpey ceases to be the Corporation's CEO due to an approved Early Retirement (which is defined as retirement from employment with the Corporation, or a Subsidiary or Affiliate thereof, at or after age 55 but before the age of 60 and with the express approval of the then existing Board);

(ii) Arpey ceases to be the Corporation's CEO due to his death or Disability (as Disability is defined in section 401A(a)(2)(C) of the Internal Revenue Code of 1986, as amended, (the "IRC");

(iii) The Board replaces Arpey as the Corporation's CEO for reasons other than for Cause;

(iv) Arpey resigns as CEO for Good Reason (as such term is defined in this Section 3); or

(v) A Change in Control (as such term is defined in Section 10 of this Agreement) of the Corporation.

(b) As used in this Agreement, "Good Reason" means one of the following has occurred without Arpey's consent prior to the Vesting Date: (i) his base salary in effect as of the Grant Date is reduced (provided, a reduction in Arpey's base salary that is part of a salary reduction program that affects the other senior officers of the Corporation, will not qualify as Good Reason); (ii) Arpey suffers a significant reduction in the authority, duties and responsibilities as CEO and he concludes in good faith that he can no longer perform the duties of CEO as was contemplated on the Grant Date; and (iii) the material benefits provided Arpey as of the Grant Date are materially reduced. Upon an event of Good Reason occurring, Arpey will provide the Board with written notice of such occurrence. If the Board has not taken action to cure such an event of Good Reason within 30 days following its receipt of Arpey's written notice, then Arpey's subsequent resignation (provided it occurs within 60 days of his written notice to the Board), will be deemed conclusively to be for Good Reason. Any notice to the Board as contemplated by this paragraph, will be sent to the Board via the Corporation's Corporate Secretary.

(c) Upon the occurrence of an Early Termination, the Early Termination Date will be deemed to be, as appropriate: the date of Early Retirement; the date of death; the date of Disability; the date Arpey is replaced as CEO; the date of his resignation for Good Reason; or the date of the Change in Control of the Corporation. Notwithstanding the foregoing, the determination by the Board of the Early Termination Date will in all cases be determinative.

4. Vesting for Early Termination (a) Upon the occurrence of an Early Termination, an Award that has been granted to Arpey prior to the Early Termination Date will be deemed to have vested as of such Early Termination Date. Thereafter, the Committee will review the Criteria to determine whether and to what extent the Criteria have been satisfied as of the Early Termination Date. Based upon the foregoing determination, the Committee may, in its sole discretion, adjust the number of Deferred Shares vesting for each such Award by a percentage factor between 0% and 175% (the vested portion of each such Award as so determined by the Committee will, in the aggregate, be referenced as the "Vested Award").

(b) In the event of an Early Termination on account of Early Retirement (Section 3(a)(i)), replacement without Cause (Section 3(a)(iii)) or termination for Good Reason (Section 3(a)(iv)), and provided that Arpey has paid all applicable taxes with respect to the Vested Award, shares of the Corporation's Common Stock, \$1.00 par value, in an amount equal to the Vested Award, will be delivered to Arpey within 30 days after the sixth month anniversary of the date of Arpey's separation from employment as a result of such Early Termination. "Separation from employment" for such purpose shall mean a "separation from service" under Treasury Regulation 1.409A-1(h) or successor guidance thereto. Upon delivery of the Common Stock to Arpey, this Agreement will terminate.

(c) In the event of an Early Termination on account of death or Disability (Section 3(a)(ii)) or Change in Control of the Corporation (Section 3(a)(v)), and provided that Arpey has paid all applicable taxes with respect to the Vested Award, shares of the Corporation's Common Stock, \$1.00 par value, in an amount equal to the Vested Award, will be delivered to Arpey within 30 days of such Early Termination Date. Upon delivery of the Common Stock to Arpey, this Agreement will terminate.

5. Subsequent Awards Provided Arpey remains an employee of the Corporation, he will receive a minimum of 58,000 Deferred Shares in each of the succeeding four years after 2005 (collectively, the "Subsequent Awards" and individually a "Subsequent Award"). Each Subsequent Award shall be made in accordance with the terms of the 1998 Plan or under such other plan, program or arrangement under which awards of this nature are authorized for issuance (the "Applicable Equity Plan"). The grant date for each Subsequent Award will be no later than December 31 of such succeeding year. In the event the Board has not granted any such Subsequent Award in a succeeding year, the grant date for the Subsequent Award in that year will be deemed to be the last business day of July. Vesting of a Subsequent Award will be in accordance with Sections 2, 3 and 4 of this Agreement and the number of Deferred Shares vesting for each Subsequent Award may range from 0% to 175%.

6. Termination for Cause; Other If prior to the Vesting Date and provided there has been no event of Early Termination, then in the event (a) the Board decides to replace Arpey as the Corporation's CEO for reasons of Cause or (b) Arpey resigns as CEO for reasons other than Good Reason, each Award made prior to such replacement or resignation will be forfeited in its entirety and this Agreement will terminate immediately.

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

8. Miscellaneous This Agreement (a) will be binding upon and inure to the benefit of any successor of the Corporation, (b) will be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and Arpey. No contract or right of employment will be implied by this Agreement. If Arpey does not forward to the Corporation, within the applicable period, required taxes with respect to any shares of Common Stock which have vested pursuant to this Agreement, the Corporation may withhold from any payments to be made to him by the Corporation (or any Subsidiary or Affiliate thereof), an amount(s) equal to such taxes or it may withhold the delivery of any shares of the Common Stock, \$1.00 par value, as contemplated by Sections 2 or 4, until such time as such required taxes have been paid.

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

(b) The Board may require Arpey to furnish to the Corporation, prior to the issuance of any shares of Common Stock, \$1.00 par value, in connection with this Agreement, an agreement, in such form as the Board may from time to time deem appropriate, in which he represents that the shares acquired by him are being acquired for investment and not with a view to the sale or distribution thereof.

10. Incorporation of Applicable Equity Plan Provisions Each Award pursuant to this Agreement shall be made pursuant to the Applicable Equity Plan and is subject to all of the terms and provisions of the Applicable Equity Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein will have the meanings set forth for such terms in the 1998 Plan. For purposes of this Agreement, the term "Change in Control" will mean a "change in ownership" or "change in effective control" or "change in ownership of the assets" of the Corporation, as determined pursuant to Treasury Regulation 1.409A-3(i)(5) (or successor guidance thereto) and the 1998 Plan and (b) "Cause" will have the meaning set forth in the 1998 Plan. Notwithstanding the provisions of the 1998 Plan or any other Applicable Equity Plan, (y) Arpey cannot defer payment of an Award and (z) the payment of an Award cannot be accelerated by the Committee or the Corporation, except as provided in this Agreement.

GERARD J. ARPEY

AMR CORPORATION

Kenneth W. Wimberly

Corporate Secretary

Appendix A to that AMENDED AND RESTATED CAREER PERFORMANCE SHARE PROGRAM DEFERRED STOCK AWARD AGREEMENT dated as of July 25, 2005, between AMR Corporation and Gerard J. Arpey (the "Agreement")

The Agreement, Sections 2 and 4, contemplates the existence of performance criteria that will be considered by the Committee when determining the vesting of Award.

In making its vesting determination the Committee will consider the following performance criteria:

1. The Corporation's overall cash flow;
2. The Corporation's earnings (operating, net or otherwise);
3. The per share price of the Common Stock;
4. The operating performance of the Corporation and its Subsidiaries (including safety and other issues concerning regulatory compliance);
5. The rate of return on investment and/or equity;
6. Measures of employee engagement and/ or satisfaction;
7. The overall state of relations between the Corporation and the representatives of organized labor groups;
8. The Corporation's balance sheet;
9. The overall state of relations between the Corporation and its largest shareholders;
10. The Corporation's revenues; and
11. Such other factors as the Committee may in its discretion deem material.

In making its vesting determination, the Committee may, in its discretion, consider the foregoing factors (a) on a relative basis vis-à-vis the Corporation's major competitors or (b) on a stand-alone basis. Furthermore, the Committee may, in its discretion, consider each criterion equally or may assign greater significance to certain criterion.

AMR Corporation

July 15, 2008

Mr. Thomas W. Horton
4333 Amon Carter Boulevard
Fort Worth, Texas 76155

Re: Employment Agreement Extension

Dear Tom:

You, AMR Corporation and American Airlines, Inc. are parties (the "Parties") to an Employment Agreement dated as of March 29, 2006 (the "Employment Agreement"). The Parties have agreed to extend the term of the Employment Agreement and to make other conforming changes as described in this letter.

The Employment Agreement is amended as follows:

1. In Section 2 of the Employment Agreement, the words "third anniversary" are replaced with the words "sixth anniversary".
2. The third and fourth sentences of Section 3(b)(iv) are deleted and replaced with the following: "The Executive shall be provided with one and one-third additional years of age and service credit for each year worked during the first three years of the Employment Period (for up to a maximum of 3.9 years of additional age and service credit) for all purposes of American's Supplemental Executive Retirement Program (the "SERP"), all with the effect that the Executive shall be deemed to have served continuously with American since August 1985. The additional age and service credit under the SERP shall not be provided if the Executive's employment is terminated by American for Cause or by the Executive without Good Reason during the first three years of the Employment Period."

Except as expressly amended by this letter, the Employment Agreement shall continue in full force and effect in accordance with its terms.

If you agree that this letter sets forth our understanding with regard to the extension of the term of the Employment Agreement, please sign this letter where indicated below.

AMR CORPORATION

By: /s/ Gerard J. Arpey

AMERICAN AIRLINES, INC.

By: /s/ Gerard J. Arpey

Agreed to and Accepted:

THOMAS W. HORTON

Dated: _____

PURCHASE AGREEMENT No. 1977 SUPPLEMENT No. 27

PURCHASE AGREEMENT No. 1977 SUPPLEMENT No. 27 (this "Agreement") dated May ____, 2008 between The Boeing Company ("Boeing") and American Airlines, Inc. ("Customer").

RECITALS:

- A. Boeing and Customer have heretofore entered into that certain Purchase Agreement No. 1977, dated October 31, 1997, as amended and supplemented, (capitalized terms used herein without definition shall have the meanings specified therefor in such Purchase Agreement).
- B. Pursuant to Letter Agreement No. 6-1162-AKP-075 titled Aircraft Purchase Rights and Substitution Rights (the "Rights Letter"), Boeing and Customer have agreed to, among other things, treatment of aircraft Purchase Rights.
- C. Customer and Boeing desire to amend and supplement the Purchase Agreement as provided below.

In consideration of the foregoing premises and other good and sufficient consideration, Boeing and Customer hereby agree as follows:

1. **Amendment to Reflect Customer's Exercise of MADP Rights.**

1.1. The Purchase Agreement is amended and supplemented to reflect the exercise of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Rights Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] by Customer with the Scheduled Delivery [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] ("Exercised MADP Aircraft").

1.2. The Scheduled Delivery Month and Advanced Payment Schedule for the aircraft is set forth in Table 1A (R6), attached hereto.

1.3. In recognition of the fact the configuration of Customer's Model 737-823 Aircraft is in the process of being updated, the previously selected Optional Features that were selected during initial configuration for the Deferred Aircraft will be incorporated in Table 1A(R6) as a placeholder until Customer selects Optional Features or other desired amendments to the Detail Specification ("Configuration Changes"). The effects of all Configuration Changes, which are mutually agreed upon between Boeing and Customer for incorporation into the Detail Specification will be incorporated into Exhibit A by written amendment no later than [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

2. **Table of Contents.** The Table of Contents dated April 2008 is replaced in its entirety with the revised Table of Contents dated May 2008 (Attachment A hereto) to reflect amendments made to the Purchase Agreement by this Agreement.

3. **MADP Rights.** Pursuant to SA 26, Attachment B (R7) to the Rights Letter is hereby replaced in its entirety with the revised Attachment B (R8) attached hereto and hereby incorporated into the Purchase Agreement. The revised number of certain Customer MADP rights pursuant to this Agreement are reflected in the attached Attachment B (R8) hereto.

4. **Supplement Exhibit BFE1.** Supplement Exhibit BFE1 (R7) is hereby replaced in its entirety with the revised Supplement Exhibit BFE1 (R8) attached hereto and hereby incorporated into the Purchase Agreement. The updated on-dock dates for all contracted firm Aircraft thru December 2013 are reflected in the attached Supplement Exhibit BFE1 (R8).

5. **Advance Payments for Aircraft.** Due at signing of this Agreement, Customer owes Boeing [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

6. **Effect on Purchase Agreement.** Except as expressly set forth herein, all terms and provisions contained in the Purchase Agreement shall remain in full force and effect. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, and agreements, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof and may be changed only in writing signed by authorized representatives of the parties.

IN WITNESS WHEREOF, Boeing and Customer have each caused this Agreement to be duly executed as of the day and year first above written.

AMERICAN AIRLINES, INC.

THE BOEING COMPANY

By
Its VP Corporate Development and Treasurer

By
Its Attorney-In-Fact

Attachments:

Attachment A, Table of Contents (R8) to Purchase Agreement No. 1977

Table 1A (R6) to Purchase Agreement No. 1977, 737-800 Exercised Option Delivery, Description, Price and Advance Payments

Attachment B (R8) to Letter Agreement 6-1162-AKP-075, Aircraft Purchase Rights and Substitution Rights

Supplement Exhibit BFE1 (R8) to Purchase Agreement No. 1977, 737-823 BFE Variables

TABLE OF CONTENTS

SA
ARTICLES NUMBER

1.	Quantity, Model and Description	SA21
2.	Delivery Schedule	
3.	Price	
4.	Payment	
5.	Miscellaneous	

TABLE

1(R3)	Aircraft Delivery, Description, Price and SA23	
Advance Payments		
Schedule 1 (R2)	SA23	
1A	(R6) Option Aircraft Delivery, Description, Price and	SA27
Advance Payments		

EXHIBITS

A.	Aircraft Configuration
B.	Aircraft Delivery Requirements and Responsibilities
C.	Defined Terms

SUPPLEMENTAL EXHIBITS

AE1	Escalation Adjustment Airframe and Optional Features SA20
BFE1(R8)	BFE Variables SA27
CS1	Customer Support Variables
SLP1	Service Life Policy Components
EE1	Engine Escalation, Engine Warranty and Patent Indemnity

LETTER AGREEMENTS

6-1162-AKP-070 Miscellaneous Commitments for Model 737, 757,
767 and 777 Aircraft

6-1162-AKP-071 Purchase Obligations

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-074 R2 Business Considerations

6-1162-AKP-075 Aircraft Purchase Rights and Substitution Rights

- Attachment A
- Attachment B(R8) SA27
- Attachment C(R4) SA26

6-1162-AKP-076 Aircraft Performance Guarantees

6-1162-AKP-077 Spares Matters

6-1162-AKP-078 Model 737 Miscellaneous Commitments

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-080 Installation of Cabin Systems Equipment

6-1162-AKP-081 Model 737 Maintenance Cost Commitment

6-1162-AKP-082 Confidentiality

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-117 Delivery Schedule

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

AMERICAN AIRLINES, INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number 1977

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	<u>Complete</u>
Galley Inserts	<u>Complete</u>
Seats (passenger)	<u>Complete</u>
Cabin Systems Equipment	<u>Complete</u>
Miscellaneous Emergency Equipment	<u>Complete</u>
Cargo Handling Systems	<u>Complete</u>

For a new certification, supplier requires notification [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] prior to Cargo Handling System on-dock date.

2. On-dock Dates

On or before [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth below:

Item

Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

	<u>Aircraft</u>	<u>Aircraft</u>
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Seats		
Galleys/Furnishings		
Antennas & Mounting Equipment		
Avionics		
Cabin Systems Equipment		
Miscellaneous Emergency Equipment		
Textiles/Raw Material		
Cargo Systems		
Provision Kits		
Winglets		

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Aircraft

Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Aircraft

Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Aircraft

Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics

Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats
Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

Aircraft

Aircraft

Seats

3. Additional Delivery Requirements

Customer will insure that Customer's BFE suppliers provide sufficient information to enable Boeing, when acting as Importer of Record for Customer's BFE, to comply with all applicable provisions of the U.S. Customs Service.

Table 1A (R6) to Purchase Agreement No. 1977

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

PURCHASE AGREEMENT No. 1977 SUPPLEMENT No. 28

PURCHASE AGREEMENT No. 1977 SUPPLEMENT No. 28 (this "Agreement") dated June ____, 2008 between The Boeing Company ("Boeing") and American Airlines, Inc. ("Customer").

RECITALS:

- A. Boeing and Customer have heretofore entered into that certain Purchase Agreement No. 1977, dated October 31, 1997, as amended and supplemented, (capitalized terms used herein without definition shall have the meanings specified therefor in such Purchase Agreement).
- B. Pursuant to Letter Agreement No. 6-1162-AKP-075 titled Aircraft Purchase Rights and Substitution Rights (the "Rights Letter"), Boeing and Customer have agreed to, among other things, treatment of aircraft Purchase Rights.
- C. Customer and Boeing desire to amend and supplement the Purchase Agreement as provided below.

In consideration of the foregoing premises and other good and sufficient consideration, Boeing and Customer hereby agree as follows:

1. **Amendment to Reflect Customer's Exercise of MADP Rights.**

1.1. The Purchase Agreement is amended and supplemented to reflect the exercise of [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Rights Aircraft [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] by Customer with the Scheduled Delivery [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

1.2. The Scheduled Delivery Month and Advanced Payment Schedule for the aircraft is set forth in Table 1A (R7), attached hereto.

1.3. In recognition of an update to the configuration of Customer's Model 737-823 Aircraft, the revised Detail Specification is incorporated into a new Exhibit A1 attached hereto and made apart hereof. The new Exhibit A1 reflects the Optional Features selected for the Aircraft.

2. **Table of Contents.** The Table of Contents dated May 2008 is replaced in its entirety with the revised Table of Contents dated June 2008 (Attachment A hereto) to reflect amendments made to the Purchase Agreement by this Agreement.

3. **MADP Rights.** Pursuant to the Rights Letter, Attachment B to such letter is hereby replaced in its entirety with the revised Attachment B (R9) attached hereto and hereby incorporated into the Purchase Agreement. The revised number of certain Customer MADP rights pursuant to this Agreement is reflected in the Attachment B (R9) hereto.

4. **Supplement Exhibit BFE1.** Supplement Exhibit BFE1 (R8) is hereby replaced in its entirety with the revised Supplement Exhibit BFE1 (R9) attached hereto and hereby incorporated into the Purchase Agreement. The updated on-dock dates for all contracted firm Aircraft thru December 2013 are reflected in the attached Supplement Exhibit BFE1 (R9).

5. [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6. **Advance Payments for Aircraft.** Due at signing of this Agreement, Customer owes Boeing [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

7. **Effect on Purchase Agreement.** Except as expressly set forth herein, all terms and provisions contained in the Purchase Agreement shall remain in full force and effect. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all previous proposals, and agreements, understandings, commitments or representations whatsoever, oral or written, with respect to the subject matter hereof and may be changed only in writing signed by authorized representatives of the parties.

IN WITNESS WHEREOF, Boeing and Customer have each caused this Agreement to be duly executed as of the day and year first above written.

AMERICAN AIRLINES, INC.

THE BOEING COMPANY

By
Its VP Corporate Development and Treasurer

By
Its Attorney-In-Fact

Attachments:

Exhibit A1, Aircraft Configuration

Attachment A, Table of Contents (R9) to Purchase Agreement No. 1977

Table 1A (R7) to Purchase Agreement No. 1977, 737-800 Exercised Option Delivery, Description, Price and Advance Payments

Attachment B (R9) to Letter Agreement 6-1162-AKP-075, Aircraft Purchase Rights and Substitution Rights

Supplement Exhibit BFE1 (R9) to Purchase Agreement No. 1977, 737-823 BFE Variables

Letter Agreement 6-1162-CLO-1035, [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].



TABLE OF CONTENTS

SA
ARTICLES NUMBER

1.	Quantity, Model and Description	SA21
2.	Delivery Schedule	
3.	Price	
4.	Payment	
5.	Miscellaneous	

TABLE

1(R3)	Aircraft Delivery, Description, Price and SA23		
Advance Payments			
Schedule 1 (R2)	SA23		
1A	(R7)	Option Aircraft Delivery, Description, Price and	SA28
Advance Payments			

EXHIBITS

A.	Aircraft Configuration	
A1	Aircraft Configuration	SA28
B.	Aircraft Delivery Requirements and Responsibilities	
C.	Defined Terms	

SUPPLEMENTAL EXHIBITS

AE1	Escalation Adjustment Airframe and Optional Features	SA20
BFE1(R9)		BFE Variables SA28
CS1	Customer Support Variables	
SLP1	Service Life Policy Components	
EE1	Engine Escalation, Engine Warranty and Patent Indemnity	

LETTER AGREEMENTS

6-1162-AKP-070 Miscellaneous Commitments for Model 737, 757,
767 and 777 Aircraft

6-1162-AKP-071 Purchase Obligations

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-074 R2 Business Considerations

6-1162-AKP-075 Aircraft Purchase Rights and Substitution Rights

- Attachment A
- Attachment B(R9) SA28
- Attachment C(R4) SA26

6-1162-AKP-076 Aircraft Performance Guarantees

6-1162-AKP-077 Spares Matters

6-1162-AKP-078 Model 737 Miscellaneous Commitments

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-080 Installation of Cabin Systems Equipment

6-1162-AKP-081 Model 737 Maintenance Cost Commitment

6-1162-AKP-082 Confidentiality

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

6-1162-AKP-117 Delivery Schedule

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

6-1162-CLO-1035

American Airlines, Inc.
P.O. Box 619616
Dallas-Fort Worth Airport, Texas 75261-9616

Subject: [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Reference: Purchase Agreement No. 1977 (the Purchase Agreement) between The Boeing Company (Boeing) and American Airlines, Inc. (Customer) relating to Model 737-823 aircraft (the Aircraft)

This letter agreement (Letter Agreement) amends and supplements the Purchase Agreement. All terms used but not defined in this Letter Agreement have the same meaning as in the Purchase Agreement.

Boeing agrees to provide Customer with the [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] in the Attachment.

The [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] set forth herein are applicable to the Aircraft set forth in the Attachment to this Letter Agreement No. 6-1162-CLO-1035.

Notwithstanding any other provisions of the Purchase Agreement, the rights and obligations described in this Letter Agreement are provided to Customer in consideration of Customer becoming the operator of the Aircraft and cannot be assigned, in whole or in part.

Very truly yours,

THE BOEING COMPANY

By _____

Its Attorney-In-Fact

ACCEPTED AND AGREED TO this

Date: _____, 2008

AMERICAN AIRLINES, INC.

By _____

Its _____

FOR AMERICAN AIRLINES, INC.

SECTION	CONTENTS
1	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
2	
3	
4	
5	
6	
7	
8	

TREATMENT]

- 6.6 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 6.7 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 6.8 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 6.9 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 6.10 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.1 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.2 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.3 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.4 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.5 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.6 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.7 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.8 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 7.9 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
- 8 [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Exhibit A1 to Purchase Agreement No. 1977

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

Table 1A (R7) to Purchase Agreement No. 1977

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT].

BUYER FURNISHED EQUIPMENT VARIABLES

between

THE BOEING COMPANY

and

AMERICAN AIRLINES, INC.

Supplemental Exhibit BFE1 to Purchase Agreement Number 1977

BUYER FURNISHED EQUIPMENT VARIABLES

relating to

BOEING MODEL 737 AIRCRAFT

This Supplemental Exhibit BFE1 contains vendor selection dates, on-dock dates and other variables applicable to the Aircraft.

1. Supplier Selection.

Customer will:

1.1 Select and notify Boeing of the suppliers and part numbers of the following BFE items by the following dates:

Galley System	<u>Complete</u>
Galley Inserts	<u>Complete</u>
Seats (passenger)	<u>Complete</u>
Cabin Systems Equipment	<u>Complete</u>
Miscellaneous Emergency Equipment	<u>Complete</u>
Cargo Handling Systems	<u>Complete</u>

For a new certification, supplier requires notification [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] to Cargo Handling System on-dock date.

2. On-dock Dates

On or before [CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT], Boeing will provide to Customer a BFE Requirements On-Dock/Inventory Document (BFE Document) or an electronically transmitted BFE Report which may be periodically revised, setting forth the items, quantities, on-dock dates and shipping instructions relating to the in-sequence installation of BFE. For planning purposes, a preliminary BFE on-dock schedule is set forth below:

<u>Item</u>	<u>Preliminary On-Dock Dates</u>
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft

<u>Item</u>	<u>Preliminary On-Dock Dates</u>
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft
	Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

- Seats
- Galleys/Furnishings
- Antennas & Mounting Equipment
- Avionics
- Cabin Systems Equipment
- Miscellaneous Emergency Equipment
- Textiles/Raw Material
- Cargo Systems
- Provision Kits
- Winglets

<u>Item</u>	<u>Preliminary On-Dock Dates</u>
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT] Aircraft

- Galleys/Furnishings
- Antennas & Mounting Equipment
- Avionics
- Cabin Systems Equipment
- Miscellaneous Emergency Equipment
- Textiles/Raw Material
- Cargo Systems
- Provision Kits
- Winglets

<u>Item</u>	<u>Preliminary On-Dock Dates</u>
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
	[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

Seats
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

Seats
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

Seats
[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]

Galleys/Furnishings
Antennas & Mounting Equipment
Avionics
Cabin Systems Equipment
Miscellaneous Emergency Equipment
Textiles/Raw Material
Cargo Systems
Provision Kits
Winglets

Item Preliminary On-Dock Dates

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT]
Aircraft

[CONFIDENTIAL PORTION OMITTED AND FILED SEPARATELY WITH THE COMMISSION PURSUANT TO A REQUEST FOR

AMERICAN AIRLINES, INC.
Computation of Ratio of Earnings to Fixed Charges
(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Earnings (loss):				
Earnings (loss) before income taxes	\$(1,463)	\$271	\$(1,807)	\$322
Add: Total fixed charges (per below)	351	418	721	852
Less: Interest capitalized	8	5	13	14
Total earnings before income taxes	<u>\$(1,120)</u>	<u>\$684</u>	<u>\$(1,099)</u>	<u>\$1,160</u>
Fixed charges:				
Interest	\$149	\$203	\$312	\$410
Portion of rental expense representative of the interest factor	197	212	402	436
Amortization of debt expense	5	3	7	6
Total fixed charges	<u>\$351</u>	<u>\$418</u>	<u>\$721</u>	<u>\$852</u>
Ratio of earnings to fixed charges	<u>-</u>	<u>1.64</u>	<u>-</u>	<u>1.36</u>
Coverage Deficiency	<u>1,471</u>	<u>-</u>	<u>1,820</u>	<u>-</u>

Note: As of June 30, 2008, American has guaranteed approximately \$1.1 billion of AMR's unsecured debt and approximately \$327 million of AMR Eagle's secured debt. The impact of these unconditional guarantees is not included in the above computation.

Exhibit 31.1

I, Gerard J. Arpey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 17, 2008

/s/ Gerard J. Arpey

Gerard J. Arpey

Chairman, President and Chief Executive Officer

Exhibit 31.2

I, Thomas W. Horton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 17, 2008

Thomas W. Horton

Executive Vice President and Chief Financial Officer

/s/ Thomas W. Horton