SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14D-1

TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

RENO AIR, INC.

(Name of Subject Company)

BONANZA ACQUISITIONS, INC.
and
AMERICAN AIRLINES, INC.

(Bidder)

COMMON STOCK, $0.01 PAR VALUE

SERIES A CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, $0.001 PAR VALUE

(Title of Class of Securities)

759741101 AND 759741705

(CUSIP Number of Class of Securities)

ANNE H. MCNAMARA, ESQ.
GENERAL COUNSEL

American Airlines, Inc.

Bonanza Acquisitions, Inc.

4333 Amon Carter Blvd.

Fort Worth, Texas 76155

(817) 963-1234

(Name, Address and Telephone Number of
Person Authorized to Receive Notices
and Communications on Behalf of Bidder)

COPY TO:

JOHN A. MARZULLI, JR., ESQ.
SHEARMAN & STERLING
599 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022
TELEPHONE: (212) 848-8590

CALCULATION OF FILING FEE

TRANSACTION VALUATION	AMOUNT OF FILING FEE
$175,432,525.30*	$35,086.51

/ / Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable_____
Form or Registration No.: Not applicable_____
Filing Party: Not applicable_____
Date Filed: Not applicable_____

* Note: For purposes of calculating fee only. This amount assumes (i) the purchase of 10,843,470 outstanding shares of Common Stock of Reno Air, Inc. and 6,697,501 shares of Common Stock which may be issued upon the exercise of outstanding options and warrants and the conversion of outstanding convertible notes, in each case, at $7.75 in cash per share and (ii) the purchase of 1,436,000 outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, at $27.50 in cash per share. The amount of the filing fee as calculated in accordance with Regulation 240.0-11 of the

Securities Exchange Act of 1934, as amended, equals 1/50 of one percent of the value of the shares to be purchased.

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This Tender Offer Statement on Schedule 14D-1 (the "Statement") relates to the offer by Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), a wholly owned subsidiary of AMR Corporation, to purchase all of the issued and outstanding shares of Common Stock, par value $0.01 per share (the "Common Stock") and all of the issued and outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, par value $0.001 per share (the "Preferred Stock"; and, together with the Common Stock, the "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), at a price of $7.75 per share of Common Stock and $27.50 per share of Preferred Stock plus accrued and unpaid dividends (subject to reduction as provided in the Offer to Purchase (as hereinafter defined)), in each case net to the seller in cash, upon the terms and subject to the conditions set forth in Purchaser's Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), a copy of which is attached hereto as Exhibit (a)(1) and in the related Letters of Transmittal, copies of which are attached hereto as Exhibits (a)(2) and (a)(3) (which together constitute the "Offer").

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Reno Air, Inc., a Nevada corporation (the "Company"), which has its principal executive offices at 220 Edison Way, Reno, Nevada 89502.

(b) The classes of equity securities being sought are all of the issued and outstanding shares of Common Stock, par value $0.01 per share and any and all of the issued and outstanding shares of the Series A Cumulative Convertible Exchangeable Preferred Stock, par value $0.001 per share, of the Company. The information set forth in the Introduction and Section 1 ("Terms of the Offer; Expiration Date") of the Offer to Purchase is incorporated herein by reference.

(c) The information concerning the principal markets in which the Shares are traded and certain high and low sales prices for the Shares in such principal market set forth in Section 6 ("Price Range of Shares; Dividends") of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) and (g) This Statement is filed by Purchaser and Parent. The information concerning the name, state or other place of organization, principal business and address of the principal office of each of Purchaser and Parent, and the information concerning the name, business address, present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment or occupation is conducted, material occupations, positions, offices or employments during the last five years and citizenship of each of the executive officers and directors of Purchaser and Parent are set forth in the Introduction, Section 8 ("Certain Information Concerning Purchaser and Parent") and Schedule I of the Offer to Purchase and are incorporated herein by reference.

(e) and (f) During the last five years, none of Purchaser or Parent, and, to the best knowledge of Purchaser and Parent, none of the persons listed in Schedule I of the Offer to Purchase has been (i) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, federal or state securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) The information set forth in Section 8 ("Certain Information Concerning Purchaser and Parent") and Section 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement; Employment Agreements") is incorporated herein by reference.

(b) The information set forth in the Introduction, Section 7 ("Certain Information Concerning the Company"), Section 8 ("Certain Information Concerning Purchaser and Parent"), Section 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement; Employment Agreements") and Section 11 ("Purpose of the Offer; Plans for the Company After the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(c) The information set forth in Section 9 ("Financing of the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(e) The information set forth in the Introduction, Section 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement; Employment Agreements") and Section 11 ("Purpose of the Offer; Plans for the Company After the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

(f) and (g) The information set forth in Section 13 ("Effect of the Offer on the Market for Shares, Exchange Listing and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

The information set forth in Section 8 ("Certain Information Concerning Purchaser and Parent") and Section 11 ("Purpose of the Offer; Plans for the Company After the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the Introduction, Section 8 ("Certain Information Concerning Purchaser and Parent"), Section 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement; Employment Agreements") and Section 11 ("Purpose of the Offer; Plans for the Company After the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Introduction and Section 16 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 8 ("Certain Information Concerning Purchaser and Parent") of the Offer to Purchase is incorporated herein by reference. The financial statements of Parent and Purchaser are not material to a decision by a security holder of the Company to sell, tender or hold Shares.

ITEM 10. ADDITIONAL INFORMATION.

(a) [Not applicable.]

(b) and (c) The information set forth in Section 15 ("Certain Legal Matters and Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(d) [Not applicable.]

(e) [Not applicable.]

(f) The information set forth in the Offer to Purchase is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a)(1)	Form of Offer to Purchase dated November 24, 1998.
(a)(2)	Form of Letter of Transmittal with Respect to the Common Stock.
(a)(3)	Form of Letter of Transmittal with Respect to the Preferred Stock.
(a)(4)	Form of Notice of Guaranteed Delivery with Respect to the Common Stock.
(a)(5)	Form of Notice of Guaranteed Delivery with Respect to the Preferred Stock.
(a)(6)	Form of Letter from Morgan Stanley & Co. Incorporated to Brokers, Dealers, Commercial Banks, Trust Companies and Nominees.
(a)(7)	Form of Letter from Brokers, Dealers, Commercial Banks, Trust Companies and Nominees to Clients.
(a)(8)	Form of Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
(a)(9)	Summary Advertisement as published in The Wall Street Journal on November 24, 1998.
(a)(10)	Press Release issued by Parent on November 18, 1998.
(b)(1)	Not Applicable.
(c)(1)	Agreement and Plan of Merger, dated as of November 19, 1998, among Parent, Purchaser and the Company.
(c)(2)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Vicki W. Bretthauer.
(c)(3)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Beverley Grear.
(c)(4)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and W. Stephen Jackson.
(c)(5)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Joanne Dowty Smith.
(c)(6)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Steven A. Rossum.
(c)(7)	Confidentiality Agreement dated as of June 12, 1998 between Parent and the Company.
(d)	None.
(e)	Not applicable.
(f)	None.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

November 24, 1998

BONANZA ACQUISITIONS, INC.

By: /s/ CHARLES D. MARLETT

Name: Charles D. MarLett
Title: Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete, and correct.

November 24, 1998

AMERICAN AIRLINES, INC.

By: /s/ CHARLES D. MARLETT

Name: Charles D. MarLett
Title: Corporate Secretary

EXHIBIT INDEX

EXHIBIT NO.		PAGE IN SEQUENTIAL NUMBERING SYSTEM
(a)(1)	Form of Offer to Purchase dated November 24, 1998.....	
(a)(2)	Form of Letter of Transmittal with Respect to the Common Stock.....	
(a)(3)	Form of Letter of Transmittal with Respect to the Preferred Stock.....	
(a)(4)	Form of Notice of Guaranteed Delivery with Respect to the Common Stock.....	
(a)(5)	Form of Notice of Guaranteed Delivery with Respect to the Preferred Stock.....	
(a)(6)	Form of Letter from Morgan Stanley & Co. Incorporated to Brokers, Dealers, Commercial Banks, Trust Companies and Nominees.....	
(a)(7)	Form of Letter from Brokers, Dealers, Commercial Banks, Trust Companies and Nominees to Clients.....	
(a)(8)	Form of Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.....	
(a)(9)	Summary Advertisement as published in The Wall Street Journal on November 24, 1998.....	
(a)(10)	Press Release issued by Parent on November 19, 1998.....	
(c)(1)	Agreement and Plan of Merger, dated as of November 19, 1998, among Parent, Purchaser and the Company.....	
(c)(2)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Vicki W. Bretthauer.	
(c)(3)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and Beverley Grear.	
(c)(4)	Employment Agreement dated as of November 19, 1998 by and among the Company, Parent and W. Stephen Jackson.	
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OFFERS TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND ANY AND ALL OUTSTANDING SHARES OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

OF
RENO AIR, INC.

BY
BONANZA ACQUISITIONS, INC.
A WHOLLY OWNED SUBSIDIARY OF
AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF
AMR CORPORATION

AT
$7.75 NET PER COMMON SHARE

AND
$27.50 NET PER PREFERRED SHARE

(SUBJECT TO REDUCTION AS HEREIN PROVIDED)

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

THE COMMON STOCK OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE COMMON STOCK OFFER AT LEAST A MAJORITY OF THE COMMON SHARES THEN OUTSTANDING ON A FULLY DILUTED BASIS (INCLUDING, WITHOUT LIMITATION, ALL COMMON SHARES ISSUABLE UPON THE CONVERSION OF ANY CONVERTIBLE SECURITIES OR UPON THE EXERCISE OF ANY OPTIONS, WARRANTS OR RIGHTS, BUT EXCLUDING, FOR PURPOSES OF SUCH CALCULATION, COMMON SHARES ISSUABLE UPON THE CONVERSION OF ANY PREFERRED SHARES TO BE ACCEPTED FOR PAYMENT AND PAID FOR BY PURCHASER PURSUANT TO THE PREFERRED STOCK OFFER) AND (II) ANY WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, APPLICABLE TO THE PURCHASE OF THE COMMON SHARES PURSUANT TO THE COMMON STOCK OFFER HAVING EXPIRED OR BEEN TERMINATED. THE PREFERRED STOCK OFFER IS CONDITIONED UPON PURCHASER HAVING ACCEPTED FOR PAYMENT AND PAID FOR COMMON SHARES PUR SUANT TO THE COMMON STOCK OFFER.

THE BOARD OF DIRECTORS OF RENO AIR, INC. (THE "COMPANY") UNANIMOUSLY HAS DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER (EACH AS DEFINED HEREIN), TAKEN TOGETHER, ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE HOLDERS OF THE COMMON STOCK AND HAS APPROVED AND ADOPTED THE MERGER AGREEMENT, THE OFFERS AND THE TRANSACTIONS CONTEMPLATED THEREBY AND RECOMMENDS THAT COMMON STOCKHOLDERS ACCEPT AND TENDER THEIR SHARES PURSUANT TO THE COMMON STOCK OFFER AND THAT PREFERRED STOCKHOLDERS ACCEPT AND TENDER THEIR SHARES PURSUANT TO THE PREFERRED STOCK OFFER.

IMPORTANT

ANY STOCKHOLDER DESIRING TO TENDER ALL OR ANY PORTION OF HIS SHARES OF COMMON STOCK, $0.01 PAR VALUE PER SHARE (THE "COMMON SHARES"), OR SERIES A CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK, $0.001 PAR VALUE PER SHARE (THE "PREFERRED SHARES"; AND TOGETHER WITH THE COMMON SHARES, "SHARES") OF THE COMPANY SHOULD EITHER (1) COMPLETE AND SIGN THE LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF) IN ACCORDANCE WITH THE INSTRUCTIONS IN THE LETTER OF TRANSMITTAL AND MAIL OR DELIVER IT TOGETHER WITH THE CERTIFICATE(S) EVIDENCING TENDERED SHARES, AND ANY OTHER REQUIRED DOCUMENTS, TO THE DEPOSITARY OR TENDER SUCH SHARES PURSUANT TO THE PROCEDURE FOR BOOK-ENTRY TRANSFER SET FORTH IN SECTION 3 OR (2) REQUEST HIS BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE TO EFFECT THE TRANSACTION FOR HIM. ANY STOCKHOLDER WHOSE SHARES ARE REGISTERED IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE MUST CONTACT SUCH BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE IF HE DESIRES TO TENDER SUCH SHARES.

A STOCKHOLDER WHO DESIRES TO TENDER SHARES AND WHOSE CERTIFICATES EVIDENCING SUCH SHARES ARE NOT IMMEDIATELY AVAILABLE, OR WHO CANNOT COMPLY WITH THE PROCEDURE FOR BOOK-ENTRY TRANSFER ON A TIMELY BASIS, MAY TENDER SUCH SHARES BY FOLLOWING THE PROCEDURE FOR GUARANTEED DELIVERY SET FORTH IN SECTION 3.

QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO THE INFORMATION AGENT OR TO THE DEALER MANAGER AT THEIR RESPECTIVE ADDRESSES AND TELEPHONE NUMBERS SET FORTH ON THE BACK COVER OF THIS OFFER TO PURCHASE. ADDITIONAL COPIES OF THIS OFFER TO PURCHASE, THE LETTER OF TRANSMITTAL AND THE NOTICE OF GUARANTEED DELIVERY MAY ALSO BE OBTAINED FROM THE INFORMATION AGENT OR FROM BROKERS, DEALERS, COMMERCIAL BANKS OR TRUST COMPANIES.

THE DEALER MANAGER FOR THE OFFER IS:
MORGAN STANLEY DEAN WITTER

NOVEMBER 24, 1998

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To the Holders of Common Stock and
Preferred Stock of Reno Air, Inc.:

INTRODUCTION

Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), a wholly owned subsidiary of AMR Corporation, a Delaware corporation, hereby (i) offers to purchase (the "Common Stock Offer") all of the issued and outstanding shares of Common Stock, $0.01 par value per share (the "Common Stock"; shares of Common Stock being hereinafter collectively referred to as "Common Shares"), and (ii) offers to purchase (the "Preferred Stock Offer"; and together with Common Stock Offer and the related Letters of Transmittal (collectively, the "Letter of Transmittal"), the "Offer") any and all of the issued and outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Preferred Stock"; shares of Preferred Stock being hereinafter collectively referred to as "Preferred Shares"; and, together with the Common Shares, "Shares") of Reno Air, Inc., a Nevada corporation (the "Company"), for $7.75 per share of Common Stock or any higher amount paid per Common Share pursuant to the Common Stock Offer (the "Per Common Share Amount") and $27.50 per share of Preferred Stock or any higher amount paid per Preferred Share pursuant to the Preferred Stock Offer, plus accrued and unpaid dividends through the date Purchaser accepts for payment the Preferred Shares (such amount, subject to reduction as described herein, the "Per Preferred Share Amount"), in each case net to the seller in cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the Letter of Transmittal. The Per Preferred Share Amount shall be reduced from $27.50 (plus accrued and unpaid dividends) to $27.33 (plus accrued and unpaid dividends) in the event the holders of Preferred Shares become entitled to the regular quarterly dividend for the first quarter of 1999, which the Company is expected to pay on March 15. The Per Preferred Share Amount is subject to further reduction in the event that holders become entitled to subsequent quarterly dividends. See Section 10.

Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Purchaser will pay all charges and expenses of Morgan Stanley & Co. Incorporated ("Morgan Stanley"), which is acting as Dealer Manager for the Offer (in such capacity, the "Dealer Manager"), First Chicago Trust Company of New York (the "Depositary") and D.F. King & Co., Inc. (the "Information Agent") incurred in connection with the Offer. See Section 16.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") UNANIMOUSLY HAS DETERMINED THAT THE MERGER AGREEMENT (AS DEFINED BELOW) AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER (AS DEFINED BELOW), TAKEN TOGETHER, ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE HOLDERS OF THE COMMON STOCK AND HAS APPROVED AND ADOPTED THE MERGER AGREEMENT, THE OFFER AND THE TRANSACTIONS CONTEMPLATED THEREBY AND RECOMMENDS THAT THE COMMON STOCKHOLDERS ACCEPT AND TENDER THEIR SHARES PURSUANT TO THE COMMON STOCK OFFER AND THAT THE PREFERRED STOCKHOLDERS ACCEPT AND TENDER THEIR SHARES PURSUANT TO THE PREFERRED STOCK OFFER.

Salomon Smith Barney Inc. ("Salomon Smith Barney") has delivered to the Board its written opinion that the consideration to be received by the holders of the Common Shares pursuant to each of the Common Stock Offer and the Merger, taken together, is fair to such holders of the Common Shares from a financial point of view. A copy of the opinion of Salomon Smith Barney is contained in the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which is being mailed to stockholders herewith. Salomon Smith Barney also made a presentation to the Board that the price to be received by the holders of Preferred Shares in the Preferred Stock Offer is in an amount that is economically equivalent to the dividends payable to such holders through, and the price payable to such holders on, the first date that the Preferred Shares become optionally redeemable in accordance with their terms.

THE COMMON STOCK OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER AT LEAST A MAJORITY OF THE COMMON SHARES THEN OUTSTANDING ON A FULLY DILUTED BASIS (INCLUDING, WITHOUT LIMITATION, ALL COMMON SHARES ISSUABLE UPON THE CONVERSION OF ANY CONVERTIBLE SECURITIES OR UPON THE EXERCISE OF ANY OPTIONS, WARRANTS OR RIGHTS, BUT EXCLUDING, FOR PURPOSES OF SUCH CALCULATION, COMMON SHARES ISSUABLE UPON THE CONVERSION OF ANY PREFERRED SHARES TO BE ACCEPTED FOR PAYMENT AND PAID FOR BY PURCHASER PURSUANT TO THE PREFERRED STOCK OFFER (THE "MINIMUM CONDITION") AND (II) ANY WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED (THE "HSR ACT"), APPLICABLE TO THE PURCHASE OF THE COMMON SHARES PURSUANT TO THE COMMON STOCK OFFER HAVING EXPIRED OR BEEN TERMINATED (THE "HSR CONDITION"). THE PREFERRED STOCK OFFER IS CONDITIONED UPON PURCHASER HAVING ACCEPTED FOR PAYMENT AND PAID FOR THE COMMON SHARES PURSUANT TO THE COMMON STOCK OFFER. SEE SECTION 14, WHICH SETS FORTH IN FULL THE CONDITIONS TO THE OFFER. THE PREFERRED STOCK OFFER IS NOT CONDITIONED UPON THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN, PRIOR TO THE EXPIRATION OF THE PREFERRED STOCK OFFER, ANY MINIMUM NUMBER OF PREFERRED SHARES.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of November 19, 1998 (the "Merger Agreement"), among Parent, Purchaser and the Company. The Merger Agreement provides among other things, that after the purchase of Shares pursuant to the Offer, the approval of the merger by the stockholders of the Company and the satisfaction of the other conditions set forth in the Merger Agreement and in accordance with the relevant provisions of the laws of the State of Nevada applicable to corporations ("Nevada Law"), Purchaser will be merged with and into the Company, and the Shares will be converted into the right to receive cash (the "Primary Merger") or, under the circumstances described below, the Common Shares will be converted into the right to receive cash and the Preferred Shares shall remain issued and outstanding (the "Alternative Merger"; the Primary Merger, together with the Alternative Merger, being hereinafter collectively referred to as the "Merger"). The Company will continue as the surviving corporation (the "Surviving Corporation") and will become a subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), (a) each Common Share issued and outstanding immediately prior to the Effective Time (other than any Common Shares held in the treasury of the Company or owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent, and other than Common Shares held by stockholders who shall have demanded and perfected appraisal rights, if any, under Nevada Law) will be canceled and converted automatically into the right to receive the Per Common Share Amount in cash, without interest (the "Common Stock Merger Consideration"), and (b) each Preferred Share issued and outstanding immediately prior to the Effective Time (other than any Preferred Shares held in the treasury of the Company or owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent, and other than Preferred Shares held by stockholders who shall have demanded and perfected appraisal rights, if any, under Nevada Law) will, pursuant to the Primary Merger, be canceled and converted automatically into the right to receive the amount in cash described below, without interest (the "Preferred Stock Merger Consideration"; and together with the Common Stock Merger Consideration, the "Merger Consideration"). The Preferred Stock Merger Consideration will initially be equal to the Per Preferred Share Amount paid pursuant to the Preferred Stock Offer. However, as with the Per Preferred Share Amount, the Preferred Stock Merger Consideration will be reduced based upon the number of regular quarterly Preferred Stock dividends to which the holders of Preferred Shares become entitled, with the amount reducing to $27.33 if the holders become entitled to receive the dividend for the first quarter of 1999 and to $27.17 if they become the entitled to receive the dividend for the second quarter of 1999. See Section 10 for a complete description of the Preferred Stock Merger Consideration should the Merger be delayed beyond such time. Unless holders of at least 66 2/3% of the Preferred Shares vote to approve the Merger Agreement and the Primary Merger, the Alternative Merger shall be effected instead of the Primary Merger, and each Preferred Share shall remain issued and

outstanding as a share of the Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share, of the Surviving Corporation, subject to the terms and conditions of the Certificate of Designations of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share of the Company (the "Certificate of Designations"). Pursuant to Section 7(e) of the Certificate of Designations, the holder of each Preferred Share, (x) shall have the right to convert each such Preferred Share into the amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares or fraction thereof into which such Preferred Shares could have been converted immediately prior to the Effective Time, and (y) shall be entitled pursuant to Section 8 of the Certificate of Designations to effect such conversion at an adjusted conversion price equal to the Special Conversion Price (as defined in the Certificate of Designations). See Section 10. At the time that Purchaser acquires Common Shares constituting a majority of the outstanding voting power of the Company on a fully diluted basis, certain special conversion rights of the Preferred Shares under Section 8 of the Certificate of Designations shall be triggered. See Section 10. The Merger Agreement is more fully described in Section 10.

The Merger Agreement provides that, subject to compliance with applicable law and the Company's Articles of Incorporation, promptly upon the purchase by Purchaser of Shares pursuant to the Offer, and from time to time thereafter, Purchaser shall be entitled to designate up to such number of directors, rounded up to the next whole number, on the Board as will give Purchaser representation on the Board equal to the product of the total number of directors on the Board (giving effect to the directors elected pursuant to this sentence) multiplied by the percentage that the aggregate number of Common Shares beneficially owned by Purchaser or any affiliate of Purchaser following such purchase bears to the total number of Common Shares then outstanding. In the Merger Agreement, the Company has agreed to take all actions necessary to cause Purchaser's designees to be elected as directors of the Company, including increasing the size of the Board or securing the resignations of incumbent directors or both. The Merger Agreement provides that following the election or appointment of Purchaser's designees in accordance with the immediately preceding paragraph and prior to the Effective Time, any amendment of the Merger Agreement or the Articles of Incorporation or the By-laws of the Company, any termination of the Merger Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or Purchaser or waiver of any of the Company's rights thereunder, will require the concurrence of a majority of those directors of the Company then in office who were neither designated by Purchaser nor are employees of the Company (the "Independent Directors").

The consummation of the Merger is subject to the satisfaction or waiver of certain conditions, including the approval and adoption of the Merger Agreement by the requisite vote of the stockholders of the Company to the extent required by Nevada Law. See Section 11. Under the Company's Articles of Incorporation and Nevada Law, the affirmative vote of the holders of a majority of the outstanding Common Shares is required to approve and adopt the Merger Agreement. In order to effect the Primary Merger, the affirmative vote of the holders of 66 2/3% of Preferred Shares is also required. No consent is required from the Preferred Shares in order to effect the Alternative Merger. Consequently, if Purchaser acquires (pursuant to the Offer, or otherwise) at least a majority of the outstanding Common Shares and 66 2/3% of the Preferred Shares, Purchaser will have sufficient voting power to approve and adopt the Merger Agreement and the Primary Merger without the vote of any other stockholder. If Purchaser acquires at least a majority of the outstanding Common Shares, but fails to acquire at least 66 2/3% of the Preferred Shares, Purchaser will nevertheless have sufficient voting power to approve and adopt the Merger Agreement and the Alternative Merger without the vote of any other stockholder. Under such circumstances, Purchaser may, but is not required to, submit the Primary Merger to the holders of Preferred Stock for their approval.

Under Nevada Law, if Purchaser acquires, pursuant to the Offer, or otherwise, at least 90% of the then outstanding Common Shares AND at least 90% of the then outstanding Preferred Shares, Purchaser will have the ability to approve and adopt a merger of the Company with and into the Purchaser. Parent and Purchaser, however, do not intend to effect any merger of the Company with Purchaser in which the

Company is NOT the Surviving Corporation. The Merger and the Alternative Merger therefore CANNOT be effected without a vote of the Company's stockholders acting at a meeting or by written consent. A significant period of time may therefore be required to effect the Merger. Pursuant to the Merger Agreement, the Company has amended the By-laws to permit stockholder action by written consent. See Section 11.

The Company has advised Purchaser that as of September 30, 1998: (i) 10,843,470 Common Shares were issued and outstanding, (ii) 1,436,000 shares of Preferred Stock were issued and outstanding, (iii) no Common Shares were held in the treasury of the Company, (iv) 3,757,070 Common Shares were reserved for issuance pursuant to employee and director stock options, (v) 4,164,400 Common Shares were reserved for issuance upon the conversion of Preferred Shares, (vi) 65,431 Common Shares were reserved for issuance upon the exercise of the warrants (the "Warrants") issued pursuant to the Placement Agreement dated as of March 14, 1994 between the Company and Paradise Valley Securities, Inc. (the "Warrant Agreement") and (vii) 2,875,000 Common Shares were reserved for issuance upon the conversion of the 9% Senior Convertible Notes due September 30, 2002 (the "Convertible Notes") issued by the Company pursuant to the Indenture dated as of August 15, 1992 (the "Indenture") between the Company and Fleet National Bank (formerly known as Shawmut Bank Connecticut, National Association). As a result, as of such date, the Minimum Condition would be satisfied if Purchaser acquired all of the outstanding Common Shares and at least 6,400 Preferred Shares or if 66 2/3% of the Preferred Shares are acquired pursuant to the Preferred Stock Offer 9,464,600 Common Shares. In light of the fact that a significant portion of the Common Shares reserved for issuance are issuable at exercise or conversion prices which are higher than the Per Common Share Amount, Parent anticipates that, with the consent of the Company, it will, if necessary, subject to the waiver or satisfaction of the other conditions to the Common Stock Offer, reduce the Minimum Condition to a number of Common Shares which, as of an appropriate record date for the special Stockholders Meeting to be called to consider the Merger, would ensure the approval and adoption of the Merger Agreement by the Company's stockholders.

The Offer is not being made for (nor will tenders be accepted of) any of the Convertible Notes. Holders of Convertible Notes who wish to participate in the Offer must first convert their Convertible Notes into Common Shares in accordance with the terms of the Indenture and tender the Common Shares issued upon such conversion pursuant to the Offer. Under the Indenture, any holder of Convertible Notes may, at his option, convert the principal amount thereof into that number of Common Shares obtained by dividing the principal amount thereof by the conversion price of $10.00, subject to adjustment under certain circumstances. None of the Company, the Board, Parent or Purchaser has made or will make any recommendation to the holders of the Convertible Notes regarding the desirability of converting the Convertible Notes to Common Stock. The Convertible Notes are currently redeemable by the Company and under the Merger Agreement, the Company has agreed to redeem the Convertible Notes immediately after Purchaser has accepted for payment and paid for the Common Shares tendered pursuant to the Common Stock Offer. However, Parent has the right to waive the Company's obligation to redeem the Convertible Notes. Holders of Convertible Notes who convert such Convertible Notes into Common Shares will have no right under the Indenture to revoke an effective conversion. Accordingly, if the Offer terminates or expires without the purchase of Common Shares or if Common Shares tendered after conversion by a holder of Convertible Notes are not purchased for any reason, the converting holder will no longer have any rights under the Indenture. Pursuant to Section 10.18 of the Indenture, after consummation of the Merger, each holder of a Convertible Note then outstanding will be entitled to receive, upon conversion, an amount in cash equal to the Common Stock Merger Consideration that would have been received by such holder upon consummation of the Merger had such holder converted his Convertible Note immediately prior to the Effective Time. See Section 11.

The Offer is not being made for (nor will tenders be accepted of) any of the Warrants. Holders of Warrants who wish to participate in the Offer must first exercise their Warrants to purchase Common Shares in accordance with the terms of the Warrant Agreement, and tender the Common Shares issued upon such exercise pursuant to the Offer. None of the Company, the Board, Parent or Purchaser has made

or will make any recommendation to the holders of the Warrants regarding the desirability of exercising the Warrants to purchase Common Stock. Holders of Warrants who exercise such Warrants to purchase Common Shares will have no right under the Warrant Agreement to revoke an effective exercise. Accordingly, if the Offer terminates or expires without the purchase of Common Shares or if Common Shares tendered after the exercise of Warrants are not purchased for any reason, the exercising holder will no longer have any rights under the Warrant Agreement. From and after the Effective Time, pursuant to the Warrants, the holder of each outstanding Warrant shall, upon the payment of the exercise price under such Warrant, be entitled to receive, upon exercise of such Warrant an amount of cash equal to the Common Stock Merger Consideration that would have been received by such holder upon consummation of the Merger had such holder exercised such Warrant immediately prior to the Effective Time.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER; EXPIRATION DATE. Upon the terms and subject to the conditions of the Offer (including, if either or both of the Offers are extended or amended, the terms and conditions of such extension or amendment), Purchaser will accept for payment and pay for (i) all Common Shares validly tendered prior to the Common Offer Expiration Date (as hereinafter defined) and (ii) all Preferred Shares validly tendered prior to the Preferred Offer Expiration Date (as hereinafter defined), and not withdrawn as permitted by Section 4. The term "Common Offer Expiration Date" means 12:00 midnight, New York City time, on Tuesday, December 22, 1998, unless and until Purchaser, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), shall have extended the period during which the Common Stock Offer is open, in which event the term "Common Offer Expiration Date" shall mean the latest time and date at which the Common Stock Offer, as so extended by Purchaser, shall expire. The term "Preferred Offer Expiration Date" means 12:00 midnight, New York City time, on Tuesday, December 22, 1998, unless and until Purchaser, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), shall have extended the period during which the Preferred Stock Offer is open, in which event the term "Preferred Offer Expiration Date" shall mean the latest time and date at which the Preferred Stock Offer, as so extended by Purchaser, shall expire.

Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which either or both of the Offers are open, including the occurrence of any of the conditions specified in Section 14, by giving written notice of such extension to the Depositary. During any such extension, all Shares previously tendered and not withdrawn will remain subject to such Offer, subject to the rights of a tendering stockholder to withdraw his Shares. See Section 4.

Subject to the applicable regulations of the Securities and Exchange Commission (the "SEC"), Purchaser also expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, (i) to delay acceptance for payment of, or, regardless of whether such Shares were theretofore accepted for payment, payment for, any Shares pending receipt of any regulatory approval specified in Section 15, (ii) to terminate the Offer and not accept for payment any Shares upon the occurrence of any of the conditions specified in Section 14, and (iii) to waive any condition (other than the HSR Condition) or otherwise amend the Offer in any respect, by giving written notice of such delay, termination, waiver or amendment to the Depositary and by making a public announcement thereof. The Merger Agreement provides that, without the consent of the Company, Purchaser will not (i) reduce the Per Common Share Amount or the Per Preferred Share Amount (other than as herein provided in respect of the Preferred Shares) payable pursuant to the Offer, (ii) change the form of consideration payable pursuant to the Offer, (iii) reduce the maximum number of Shares to be purchased in the Offer, (iv) extend the expiration date of the Offer (which shall initially be twenty (20) business days) or (v) impose conditions to the Offer in addition to those set forth in Section 14; PROVIDED, HOWEVER, that subject to the right of the parties to terminate the Merger Agreement, the Common

Stock Offer (i) shall be extended (A) if, at the scheduled expiration of the Offer, the HSR Condition shall not be satisfied, until such time as such condition is satisfied, and (B) for any period required by any rule, regulation or interpretation of the SEC or the staff thereof applicable to the Common Stock Offer and (ii) may be extended (A) if, at the scheduled expiration of the Offer, any of the conditions to the Common Stock Offer set forth in Section 14 shall not be satisfied or waived, until such time as such conditions are satisfied or waived, and (B) for a period of not more than 10 business days if Purchaser determines in its sole discretion to so extend the Common Stock Offer, PROVIDED that the Merger Agreement may not be terminated pursuant to Section 8.01(b), (c) or (d) of the Merger Agreement during any extension pursuant to the provisions described in this clause (ii)(B). Purchaser may extend the Preferred Stock Offer for a period of not more than 20 business days after the date upon which Purchaser accepts for payment and pays for Common Shares pursuant to the Common Stock Offer, if the number of Preferred Shares validly tendered and not withdrawn prior to such date shall constitute less than 66 2/3% of the then outstanding Preferred Shares. Purchaser acknowledges that (i) Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the Offer and (ii) Purchaser may not delay acceptance for payment of, or payment for (except as provided in clause (i) of the first sentence of this paragraph), any Shares upon the occurrence of any of the conditions specified in Section 14 without extending the period of time during which the Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled applicable Expiration Date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that material changes be promptly disseminated to stockholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, Purchaser will extend the Offer to the extent required by Rules l4d-4(c) and l4d-6(d) under the Exchange Act.

Subject to the terms of the Merger Agreement, if, prior to the Common Offer Expiration Date, Purchaser should decide to decrease the number of Shares being sought or to increase or decrease the consideration being offered in the Offer, such decrease in the number of Shares being sought or such increase or decrease in the consideration being offered will be applicable to all stockholders whose Shares are accepted for payment pursuant to the Offer and, if at the time notice of any such decrease in the number of Shares being sought or such increase or decrease in the consideration being offered is first published, sent or given to holders of such Shares, the Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from and including the date that such notice is first so published, sent or given, the Offer will be extended at least until the expiration of such ten business day period. For purposes of the Offer, a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, New York City time.

The Company has provided Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES. Upon the terms and subject to the conditions of the applicable Offer (including, if the applicable Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment, and will pay for, all Shares validly tendered prior to the applicable Expiration Date and not properly withdrawn promptly after the later to occur of (i) the applicable Expiration Date, (ii) the expiration or termination of any applicable waiting periods under the HSR Act, and (iii) the satisfaction or waiver of the conditions to the Offer set forth in Section 14. Subject to applicable rules of the SEC, Purchaser expressly reserves the right to delay acceptance for payment of, or payment for, Shares pending receipt of any regulatory approvals specified in Section 15 or in order to comply in whole or in part with any other applicable law.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation (a "Book-Entry Confirmation") of the book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3, (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined below), in connection with the book-entry transfer and (iii) any other documents required under the Letter of Transmittal. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of the Book-Entry Confirmation which states that the Book-Entry Transfer Facility has received an express acknowledgment from the participant in the Book-Entry Transfer Facility tendering the Shares which are the subject of the Book-Entry Confirmation, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against such participant.

On November 23, 1998, Parent filed with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") a Premerger Notification and Report Form under the HSR Act with respect to the Offer. Accordingly, it is anticipated that the waiting period under the HSR Act applicable to the Offer will expire at 11:59 p.m., New York City time, on Tuesday, December 8, 1998. Prior to the expiration or termination of such waiting periods, the FTC or the Antitrust Division may extend any such waiting periods by requesting additional information from Parent with respect to the Offer. If such a request is made with respect to the purchase of Common Shares in the Offer, the waiting period will expire at 11:59 p.m., New York City time, on the tenth calendar day after substantial compliance by Parent with such a request. Thereafter, the waiting periods may only be extended by court order. The waiting periods under the HSR Act may be terminated prior to their expiration by the FTC and the Antitrust Division. Parent has requested early termination of the waiting periods, although there can be no assurance that this request will be granted. See Section 15 for additional information regarding the HSR Act.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Shares validly tendered and not properly withdrawn as, if and when Purchaser gives written notice to the Depositary of Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. Under no circumstances will interest on the purchase price for Shares be paid, regardless of any delay in making such payment.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer, or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering stockholder (or, in the case of Shares tendered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited

to an account maintained at the Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer, but any such transfer or assignment will not relieve Purchaser of its obligations under the Offer and will in no way prejudice the rights of tendering stockholders to receive payment for Shares validly tendered and accepted for payment pursuant to the Offer.

3. PROCEDURES FOR ACCEPTING THE OFFER AND TENDERING SHARES. In order for a holder of Shares validly to tender Shares pursuant to the Offer, the appropriate Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary at such address or such Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary (including an Agent's Message if the tendering stockholder has not delivered a Letter of Transmittal), in each case prior to the applicable Expiration Date, or (ii) the tendering stockholder must comply with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

BOOK-ENTRY TRANSFER. The Depositary will establish accounts with respect to the Shares at the Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of the Book-Entry Transfer Facility may make a book-entry delivery of Shares by causing such Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer at the Book-Entry Transfer Facility, the appropriate Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message, and any other required documents, must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the applicable Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedure described below. Delivery of documents to the Book-Entry Transfer Facility does not constitute delivery to the Depositary.

SIGNATURE GUARANTEES. Signatures on all Letters of Transmittal must be guaranteed by a firm which is a member of the Security Transfer Agent Medallion Signature Program, or by any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing being referred to as an "Eligible Institution"), except in cases where Shares are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Payment Instructions" or the box entitled "Special Delivery Instructions" on the Letter of Transmittal or (ii) for the account of an Eligible Institution. If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Share Certificate must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of

the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed by an Eligible Institution. See Instructions 1 and 5 of the Letter of Transmittal.

GUARANTEED DELIVERY. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's Share Certificates evidencing such Shares are not immediately available or such stockholder cannot deliver the Share Certificates and all other required documents to the Depositary prior to the applicable Expiration Date, or such stockholder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such Shares may nevertheless be tendered, provided that all the following conditions are satisfied:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, is received prior to the applicable Expiration Date by the Depositary as provided below; and

(iii) the Share Certificates (or a Book-Entry Confirmation) evidencing all tendered Shares, in proper form for transfer, in each case together with the appropriate Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the Letter of Transmittal are received by the Depositary within three NASDAQ National Market System ("NASDAQ") trading days after the date of execution of such Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram, telex or facsimile transmission to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the form of Notice of Guaranteed Delivery made available by Purchaser.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of the Share Certificates evidencing such Shares, or a Book-Entry Confirmation of the delivery of such Shares, and the appropriate Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the Letter of Transmittal.

DETERMINATION OF VALIDITY. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by Purchaser in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any and all tenders determined by it not to be in proper form or the acceptance for payment of which may, in the opinion of its counsel, be unlawful. Purchaser also reserves the absolute right to waive any condition of the Offer or any defect or irregularity, in the tender of any Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding.

OTHER REQUIREMENTS. By executing the Letter of Transmittal as set forth above, a tendering stockholder irrevocably appoints designees of Purchaser as such stockholder's proxies, each with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by Purchaser (and with respect to any and all other Shares or other securities issued or issuable in respect of such Shares on or after November 19, 1998). All such proxies shall be considered coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, Purchaser accepts such Shares for payment. Upon such acceptance for payment, all prior proxies given by such stockholder

with respect to such Shares (and such other Shares and securities) will be revoked without further action, and no subsequent proxies may be given nor any subsequent written consent executed by such stockholder (and, if given or executed, will not be deemed to be effective) with respect thereto. The designees of Purchaser will, with respect to the Shares for which the appointment is effective, be empowered to exercise all voting and other rights of such stockholder as they in their sole discretion may deem proper at any annual or special meeting of the Company's stockholders or any adjournment or postponement thereof, by written consent in lieu of any such meeting or otherwise. Purchaser reserves the right to require that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's payment for such Shares, Purchaser must be able to exercise full voting rights with respect to such Shares.

The acceptance for payment by Purchaser of Shares pursuant to any of the procedures described above will constitute a binding agreement between the tendering stockholder and Purchaser upon the terms and subject to the conditions of the Offer.

UNDER THE "BACKUP WITHHOLDING" PROVISIONS OF U.S. FEDERAL INCOME TAX LAW, THE DEPOSITARY MAY BE REQUIRED TO WITHHOLD 31% OF ANY PAYMENTS OF CASH PURSUANT TO THE OFFER. TO PREVENT BACKUP FEDERAL INCOME TAX WITHHOLDING WITH RESPECT TO PAYMENT TO CERTAIN STOCKHOLDERS OF THE PURCHASE PRICE OF SHARES PURCHASED PURSUANT TO THE OFFER, EACH SUCH STOCKHOLDER MUST PROVIDE THE DEPOSITARY WITH SUCH STOCKHOLDER'S CORRECT TAXPAYER IDENTIFICATION NUMBER AND CERTIFY THAT SUCH STOCKHOLDER IS NOT SUBJECT TO BACKUP FEDERAL INCOME TAX WITHHOLDING BY COMPLETING THE SUBSTITUTE FORM W-9 IN THE LETTER OF TRANSMITTAL. SEE INSTRUCTION 9 OF THE LETTER OF TRANSMITTAL.

4. WITHDRAWAL RIGHTS. Tenders of Shares made pursuant to an Offer are irrevocable except that such Shares may be withdrawn at any time prior to the applicable Expiration Date and, unless theretofore accepted for payment by Purchaser pursuant to such Offer, may also be withdrawn at any time after January 22, 1999. If Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of any notice of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding. None of Purchaser, Parent, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered at any time prior to the applicable Expiration Date by following one of the procedures described in Section 3.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES. The following is a summary of the principal federal income tax consequences of the Offer and the Merger to holders whose Shares are purchased pursuant to the Offer or whose Shares are converted into the right to receive cash in the Merger (whether upon receipt of the Merger Consideration or pursuant to the proper exercise of dissenter's rights). The discussion applies only to holders of Shares in whose hands Shares are capital assets, and may not apply to Shares received pursuant to the exercise of employee stock options or otherwise as compensation, or to holders of Shares who are not citizens or residents of the United States of America.

THE TAX DISCUSSION SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION PURPOSES ONLY AND IS BASED UPON PRESENT LAW. BECAUSE INDIVIDUAL CIRCUMSTANCES MAY DIFFER, EACH HOLDER OF SHARES SHOULD CONSULT SUCH HOLDER'S OWN TAX ADVISOR TO DETERMINE THE APPLICABILITY OF THE RULES DISCUSSED TO SUCH STOCKHOLDER AND THE PARTICULAR TAX EFFECTS OF THE OFFER AND THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF STATE, LOCAL AND OTHER TAX LAWS.

The receipt of the offer price and the receipt of cash pursuant to the Merger (whether as Merger Consideration or pursuant to the proper exercise of dissenter's rights) will be a taxable transaction for federal income tax purposes (and also may be a taxable transaction under applicable state, local and other income tax laws). In general, for federal income tax purposes, a holder of Shares will recognize gain or loss equal to the difference between such holder's adjusted tax basis in the Shares sold pursuant to the Offer or converted to cash in the Merger and the amount of cash received therefor. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) sold pursuant to the Offer or converted to cash in the Merger. Such gain or loss will be capital gain or loss. Individual holders will be subject to tax on the net amount of such gain at a maximum rate of 20% provided that the shares were held for more than 12 months. Special rules (and generally lower maximum rates) apply to individuals in lower tax brackets. The deduction of capital losses is subject to certain limitations. Stockholders should consult their own tax advisors in this regard. In the event the Alternative Merger is effected, holders of Preferred Shares will not recognize any gain or loss at the Effective Time in connection with the consummation of the Merger, as their Preferred Shares shall remain outstanding. Holders of Preferred Shares will, however, recognize a gain or loss to the extent they sell Preferred Shares to Purchaser pursuant to the Preferred Stock Offer.

Payments in connection with the Offer or the Merger may be subject to backup withholding at a 31% rate. Backup withholding generally applies if a stockholder (i) fails to furnish such stockholder's social security number or taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends or (iv) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN provided is such stockholder's correct number and that such stockholder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons, including corporations and financial institutions generally, are exempt from backup withholding. Certain penalties apply for failure to furnish correct information and for failure to include the reportable payments in income. Each stockholder should consult with such stockholder's own tax advisor as to such stockholder's qualifications for exemption from withholding and the procedure for obtaining such exemption.

6. PRICE RANGE OF SHARES; DIVIDENDS. The Common Shares are listed and principally traded on NASDAQ. The following table sets forth, for the quarters indicated, the high and low sales prices per Common Share on NASDAQ as reported by the Dow Jones News Service, according to published financial sources. According to the Form 10-K (as defined herein) of the Company, no cash dividends have been declared by the Company on the Common Stock and the Company does not anticipate that any dividends will be declared on the Common Stock for the foreseeable future.

COMMON STOCK MARKET DATA

	HIGH	LOW
1996:		
First Quarter	$ 12 5/8	$ 7
Second Quarter	14 1/4	10 1/4
Third Quarter	12 1/2	7 5/8
Fourth Quarter	8 5/8	6 3/4
1997:		
First Quarter	$ 7 5/8	$ 6 3/8
Second Quarter	8 15/16	6 1/2
Third Quarter	9 1/16	6 13/16
Fourth Quarter	7 5/8	4 1/2
1998:		
First Quarter	$ 8 1/2	$ 4 1/2
Second Quarter	8 1/2	6 11/16
Third Quarter	7 1/2	4 7/16
Fourth Quarter (through November 23, 1998)	8 1/8	3 7/16

On November 13, 1998, the last full trading day prior to the appearance of certain news stories concerning a possible transaction between Parent and the Company, the closing price per Common Share as reported on NASDAQ was $6 9/16. On November 18, 1998, the last full trading day prior to the announcement of the execution of the Merger Agreement and of Purchaser's intention to commence the Offer, the closing price per Common Share as reported on NASDAQ was $7 1/4. On November 23, 1998, the last full trading day prior to the commencement of the Offer, the closing price per Common Share as reported on NASDAQ was $7 1/4.

The Preferred Shares are listed and principally traded on the NASDAQ SmallCap Market. The following table sets forth, for the quarters indicated, the high and low sales prices per Preferred Share on the NASDAQ SmallCap Market, as well as the dividends paid on the Preferred Shares, according to published financial sources. The Preferred Shares began trading on the NASDAQ SmallCap Market on May 19, 1998. Therefore, there is no trading data available prior to these dates for the Preferred Shares.

PREFERRED STOCK MARKET DATA

	HIGH	LOW	DIVIDENDS
1998:			
First Quarter	--	--	$ 0.5625
Second Quarter (beginning May 19, 1998)	27	21 7/8	$ 0.5625
Third Quarter	23	17	$ 0.5625
Fourth Quarter (through November 23, 1998)	271/2	15	$ 0.5625

On November 13, 1998, the last full trading day prior to the appearance of certain news stories concerning a possible transaction between Parent and the Company, the closing price per Preferred Share as reported on NASDAQ was $21. On November 18, 1998, the last full trading day prior to the announcement of the execution of the Merger Agreement and of Purchaser's intention to commence the Offer, the closing price per Preferred Share as reported on the NASDAQ SmallCap Market was $22. On November 23, 1998, the last full trading day prior to the commencement of the Offer, the closing price per Preferred Share as reported on the NASDAQ SmallCap Market was $27 1/8.

STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

7. CERTAIN INFORMATION CONCERNING THE COMPANY. Except as otherwise set forth herein, the information concerning the Company contained in this Offer to Purchase, including financial information, has been furnished by the Company or has been taken from or based upon publicly available documents and records on file with the SEC and other public sources. Neither Purchaser nor Parent assumes any responsibility for the accuracy or completeness of the information concerning the Company furnished by the Company or contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Purchaser or Parent.

GENERAL. The Company is a Nevada corporation with its principal executive offices located at 220 Edison Way, Reno, Nevada 89502. The Company is a national air carrier operating primarily in the western United States. The Company's primary strategy is to provide low-cost, low-fare and high quality all-jet scheduled airline passenger service. The Company also transports cargo and mail and provides charter service.

FINANCIAL INFORMATION. Set forth below is certain selected financial information relating to the Company which has been excerpted or derived from the audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 (the "Form 10-K") and the unaudited financial statements contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 (the "Form 10-Q"). More comprehensive financial information is included in the Form 10-K, the Form 10-Q and other documents filed by the Company with the SEC. The summary financial information that follows is qualified in its entirety by reference to such reports and other documents, including the financial statements and related notes contained therein. Such reports and other documents may be examined and copies may be obtained from the offices of the SEC in the manner set forth below.

SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED SEPTEMBER 30		FISCAL YEAR ENDED DECEMBER 31		
	1998	1997	1997	1996	1995
STATEMENT OF OPERATIONS DATA:					
Operating revenues	$ 293,667	$ 292,754	$ 383,924	$ 349,884	$ 256,508
Operating income (loss)	7,511	1,322	(10,649)	2,484	3,609
Non-operating expense, net	(183)	(1,298)	978	454	1,658
Net income (loss)	7,328	24	(11,627)	2,030	1,951
Net income (loss) applicable to common stock	4,907	24	(12,345)	2,030	1,818
Net income (loss) per common share	.46	--	(1.18)	0.20	0.20
Net income (loss) per common share assuming dilution	.45	--	(1.18)	0.19	0.18
BALANCE SHEET DATA:					
Current assets	83,010	65,360	86,678	55,118	72,064
Total assets	176,945	173,041	193,409	143,706	99,484
Current liabilities	67,306	85,293	80,397	67,015	53,802
Long-term debt	50,520	61,044	62,584	50,698	28,755
Total liabilities	135,744	159,954	158,685	131,575	90,581
Shareholders' equity	41,201	13,087	34,724	12,131	8,903
Working capital (deficit)	--	--	6,281	(11,897)	18,262

The Company is subject to the informational filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the

SEC relating to its business, financial condition and other matters. Information as of particular dates concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities and any material interest of such persons in transactions with the Company is required to be disclosed in proxy statements distributed to the Company's stockholders and filed with the SEC. Such reports, proxy statements and other information should be available for inspection at the public reference facilities maintained by the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection at the SEC's regional offices located at Seven World Trade Center, 13th Floor, New York, New York 10048 and the Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such materials may also be obtained by mail, upon payment of the SEC's customary fees, by writing to its principal office at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The SEC also maintains a World Wide Web site on the Internet at http://www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC.

8. CERTAIN INFORMATION CONCERNING PURCHASER AND PARENT. Purchaser is a newly incorporated Nevada corporation organized in connection with the Offer and the Merger and has not carried on any activities other than in connection with the Offer and the Merger. The principal offices of Purchaser are located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. Purchaser is a wholly owned subsidiary of Parent.

Until immediately prior to the time that Purchaser will purchase Shares pursuant to the Offer, it is not anticipated that Purchaser will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Offer and the Merger. Because Purchaser is newly formed and has minimal assets and capitalization, no meaningful financial information regarding Purchaser is available.

Parent is a Delaware corporation with its principal offices located at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. The principal activity of Parent is air transportation. Parent is a wholly owned subsidiary of AMR Corporation, a Delaware corporation. The common stock of AMR Corporation is listed on the New York Stock Exchange.

The name, citizenship, business address, principal occupation or employment, and five-year employment history for each of the directors and executive officers of Purchaser, Parent and AMR Corporation, and certain other information are set forth in Schedule I hereto.

FINANCIAL INFORMATION. Set forth below is certain selected consolidated financial information relating to Parent which has been excerpted or derived from the audited financial statements contained in the Parent's Annual Report on Form 10-K for the year ended December 31, 1997 (the "Parent Form 10-K") and the unaudited financial statements contained in Parent's Form 10-Q for the quarter ended September 30, 1998 (the "Parent Form 10-Q"). More comprehensive financial information is included in the Parent Form 10-K, the Parent Form 10-Q and other documents which have been filed by Parent with the SEC. The summary financial information that follows is qualified in its entirety by reference to such reports and other documents, including the financial statements and related notes contained therein. Such reports and other documents may be examined and copies may be obtained from the offices of the SEC in the manner set forth below.

PARENT'S SELECTED CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS)

	FISCAL NINE MONTHS ENDED SEPTEMBER 30		FISCAL YEAR ENDED DECEMBER 31		
	1998	1997	1997	1996(1)	1995
STATEMENT OF OPERATIONS DATA:					
Total Operating Revenues	$ 12,425	$ 11,886	$ 15,856	$ 15,136	$ 14,503
Operating Income	1,504	1,412	1,447	1,331	601
Net Earnings	898	580	780	705	208
BALANCE SHEET DATA:					
Total Assets	18,998	18,198	17,753	17,562	17,629
Total Liabilities	12,749	13,088	12,399	13,034	13,983
Stockholder's Equity	6,249	5,110	5,354	4,528	3,646

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(1) In 1995, approximately 2,100 mechanics and fleet service clerks and 300 flight attendants elected early retirement under programs offered in connection with renegotiated union labor contracts, and the majority of these employees left Parent's workforce during 1996. Parent recorded restructuring costs of $332 million in 1995 related to these early retirement programs. Also in 1995, Parent recorded an additional $145 million in restructuring costs related to the writedown of certain McDonnell Douglas DC-10 aircraft.

AVAILABLE INFORMATION. Parent is subject to the reporting requirements of the Exchange Act and, in accordance therewith, is required to file reports and other information with the SEC relating to its business, financial condition and other matters. Such reports and other information should be available for inspection at the public reference facilities of the SEC located at 450 Fifth Street, N.W., Washington, DC 20549, and at the regional offices of the SEC located in the Northwestern Atrium Center, 500 West Madison Street (Suite 1400), Chicago, Illinois 60661, and Seven World Trade Center, 13th Floor, New York, New York 10048. Such reports and other information may also be obtained at the web site that the SEC maintains at http://www.sec.gov. Copies should be obtainable by mail, upon payment of the SEC's customary charges, by writing to the SEC's principal office at 450 Fifth Street, N.W., Washington, DC 20549.

Except as described in this Offer to Purchase, (i) none of Purchaser, Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to this Offer to Purchase or any associate or majority-owned subsidiary of Purchaser, Parent or any of the persons so listed beneficially owns or has any right to acquire, directly or indirectly, any Shares and (ii) none of Purchaser, Parent nor, to the best knowledge of Purchaser and Parent, any of the persons or entities referred to above nor any director, executive officer or subsidiary of any of the foregoing has effected any transaction in the Shares during the past 60 days.

Except as provided in the Merger Agreement and as otherwise described in this Offer to Purchase, none of Purchaser, Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed in Schedule I to this Offer to Purchase has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or voting of such securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss, guarantees of profits, division of profits or loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, since January 1, 1995, neither Purchaser nor Parent nor, to the best knowledge of Purchaser and Parent, any of the persons listed on Schedule I hereto has had any business relationship or transaction with the Company or any of its executive officers, directors or affiliates that is required to be reported under the rules and regulations of the SEC applicable to the Offer. Except as set forth in this

Offer to Purchase, since January 1, 1995, there have been no contacts, negotiations or transactions between any of Purchaser, Parent or any of their respective subsidiaries or, to the knowledge of Purchaser and Parent, any of the persons listed in Schedule I to this Offer to Purchase, on the one hand, and the Company or its affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

9. FINANCING OF THE OFFER AND THE MERGER. The total amount of funds required by Purchaser to consummate the Offer and the Primary Merger and to pay related fees and expenses is estimated to be approximately $130,000,000. The total amount of funds required to complete the Alternative Merger (assuming that no Preferred Shares are purchased pursuant to the Preferred Stock Offer) is estimated to be approximately $90,000,000. Purchaser will obtain all of such funds from Parent. Parent will provide such funds from its working capital.

10. BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY; THE MERGER AGREEMENT; EMPLOYMENT AGREEMENTS.

COMMERCIAL ARRANGEMENTS BETWEEN PARENT AND THE COMPANY.

Parent and the Company have, since 1993, had several on-going commercial arrangements between them.

The Company entered into a MultiHost Agreement on April 14, 1997 with The SABRE Group, Inc., an affiliate of Parent. The agreement grants the Company a licence to use SABRE, a computerized travel reservation system. The agreement expires in November, 2004.

Parent and Company entered into an Amended and Restated AAdvantage Participating Carrier Agreement dated March 28, 1995 (the "AAdvantage Agreement"), which has been subsequently amended, which provides for the accrual and redemption of frequent flyer points by members of Parent's frequent flyer program on the Company's flights in the Western Region (defined as areas within the United States falling within the Pacific and Mountain time zones) as well as selected routes to Chicago, Anchorage and Vancouver. The agreement may be terminated by either party, with or without cause, on at least 210 days' prior notice. Pursuant to the AAdvantage Agreement, Parent has the right for 120 days following a change in control of the Company to (i) exclude any routes from the accrual and redemption of frequent flyer points and (ii) to terminate the agreement on 30 days prior written notice.

On October 24, 1994, Parent and the Company executed an Amended and Restated Agreement of Sublease, which has been subsequently amended, relating to the sublease by the Company from Parent of five gates and related terminal space and facilities at San Jose International Airport in San Jose, California. This agreement expires in November 2007. Pursuant to the sublease, the Company must obtain Parent's consent, which may be withheld at Parent's sole discretion, prior to any transfer, assignment or sublet by the Company.

The Company also subleases from Parent gates and other related terminal space and facilities at John Wayne Airport in Orange County, California pursuant to an Agreement of Sublease, dated October 18, 1994. This agreement has been extended to December 31, 1998, and may be terminated by either party on prior notice as provided in the agreement.

In addition, Parent and Company have entered into an Operations Agreement, dated October 18, 1994 (the "Operations Agreement"), pursuant to which Company has been allocated seven slots at John Wayne Airport as well as several more slots, whose number vary from month to month based on a formula tied to the Company's and Parent's seat capacity. This Agreement also provides for the permanent allocation of two additional slots to the Company, which will remain with the Company upon termination or expiration of this Agreement. This Agreement has been extended to December 31, 1998 and may be terminated by either party on prior notice as provided in the agreement.

Parent and its affiliates also provide ground handling services on behalf of the Company at several airports pursuant to various agreements. These agreements are terminable by either party on 30 to 60 days' notice.

Under certain circumstances, the agreements described above may be modified if the Offer and the Merger are not consummated. See Section 10.

From time to time over the past several years, representatives of the Company and Parent have met personally or spoken to each other by telephone to discuss the various business relationships between the two companies.

BACKGROUND OF THE OFFER.

On March 25, 1998, Donald J. Carty, Chairman, Chief Executive Officer and President of Parent, Joseph R. O'Gorman, Chairman, Chief Executive Officer and President of the Company, Robert Fornaro, consultant on strategic planning issues to the Company, and Jeffrey C. Campbell, Vice President-Corporate Development and Treasurer of Parent met at Parent's headquarters in Fort Worth, Texas to discuss opportunities to expand the marketing alliance between Parent and the Company. Messrs. Carty and O'Gorman met privately afterwards and in that subsequent discussion broached the possibility of Parent purchasing the Company.

On or about May 11, 1998, Andrew A. Cuomo, President of Airline Management Services, Inc., an affiliate of Parent ("Airline Management Services") met with Messrs. O'Gorman and Fornaro, Joanne D. Smith, Senior Vice President--Marketing and Planning of the Company and Steven A. Rossum, Senior Vice President, General Counsel and Corporate Secretary of the Company at the Parent's headquarters in Fort Worth, Texas regarding an expanded marketing relationship.

On June 11, 1998, Gerard J. Arpey, Senior Vice President-Finance and Planning and Chief Financial Officer of Parent, Messrs. Campbell, Cuomo and O'Gorman and Vicki W. Bretthauer, Vice President-Administration of the Company met at the Admirals Club at Dallas Fort-Worth Airport to discuss the commencement of due diligence inquiries by Parent of the Company and the terms of a confidentiality agreement. On June 12, 1998, the parties executed a confidentiality agreement.

Over the next several months representatives of Parent conducted due diligence on the Company.

On September 24, 1998, Messrs. Arpey, Campbell and O'Gorman met at a hotel near the St. Louis, Missouri airport in which Parent indicated it would be interested in pursuing an acquisition of Company.

On September 28, 1998, Parent provided a draft merger agreement to the Company.

On October 13, 1998, Mr. Cuomo; legal representatives of Parent; Mr. Rossum; W. Stephen Jackson, Senior Vice President and Chief Financial Officer of the Company; representatives of Salomon Smith Barney, financial advisors to the Company, and legal representatives of the Company met in New York City to discuss terms and conditions of a possible merger between Parent and the Company. Salomon Smith Barney also made a presentation regarding the strategic and financial rationale of a possible transaction. On October 14, 1998, Mr. Cuomo and Mr. Rossum met at the Admirals Club at LaGuardia Airport to continue the discussions of the terms and conditions of a merger between Parent and the Company as well as the scope of due diligence efforts by Parent.

Discussions followed over the next several weeks between representatives of Parent and the Company and their legal and financial advisors concerning a proposed structure of the transaction, the scope of Parent's due diligence investigations and the terms and conditions of employment agreements (the "Employment Agreements") with five of the Company's officers, Messrs. Rossum and Jackson and Mmes. Smith and Bretthauer and Beverley Grear, Senior Vice President--Operations (the "Executives").

On October 22, 1998, Mr. Carty had a telephone conversation with Mr. O'Gorman proposing a meeting at Parent's headquarters on November 4, 1998 to discuss terms of a potential transaction. From and after October 23, 1998 representatives of Parent and the Company and their legal and financial

advisors had numerous telephone conversations regarding various terms and conditions of a potential transaction between Parent and Company.

On November 4, 1998, Mr. Carty and Mr. O'Gorman met at Parent's headquarters to discuss the terms and conditions of a possible merger between Parent and the Company.

Between November 5, 1998 and on November 15, 1998, senior management and legal advisors of each of the Company and Parent regularly discussed the proposed terms and conditions of a possible transaction between Parent and the Company, as well as the terms and conditions of the Employment Agreements.

On November 15, 1998, senior management and legal advisors of each of the Company and Parent met at Parent's headquarters in Fort Worth, Texas to discuss terms and conditions of a merger agreement between Parent and the Company, as well as the terms and conditions of the Employment Agreements.

Between November 16 and 18, 1998, Mr. Rossum continued negotiations with various business and legal representatives of Parent at Parent's headquarters. On November 17, 1998 Mr. Carty and Mr. O'Gorman met at Parent's headquarters to discuss final terms and conditions, including price. On the same date, Mr. O'Gorman also met with Mr. Arpey regarding the terms and conditions of the Merger Agreement and the Employment Agreements. On November 17 and 18, 1998, Mr. O'Gorman had follow-up conversations with Mr. Carty regarding final terms and conditions, including price.

On November 18, 1998, Parent's board of directors, at a regularly scheduled meeting, authorized and approved, the Offer, the Merger and the Merger Agreement.

On November 18, 1998, the board of directors of the Company convened a meeting at the Wyndham Hotel in Dallas, Texas at which representatives of Salomon Smith Barney presented their opinion regarding the fairness of the Common Stock Offer and the Merger to the holders of Common Shares, from a financial point of view. Salomon Smith Barney also made a presentation to the board of directors that the price to be received by the holders of the Preferred Shares in the Preferred Stock Offer was in an amount that was economically equivalent to the present value of the dividends payable to such holders through, and the price payable to such holders on, the first date that the Preferred Shares become optionally redeemable in accordance with their terms. Mr. Fornaro also orally reported at the meeting that although the Company was well managed under Mr. O'Gorman's management team, it was not well-positioned strategically, Mr. Fornaro stated that the Company was susceptible to a downturn in the economy, competitive threats (including from Parent), and the risk of Parent not renewing on favorable terms many of the commercial arrangements between the Company and Parent or its affiliates. The board of directors of the Company then unanimously approved the Offers, the Merger and the Merger Agreement and determined that the terms of the Offers, and the Merger are in the best interests of the Company and its stockholders.

On November 19, 1998, Parent, Purchaser and the Company executed and delivered the Merger Agreement; Parent, the Company and the Executives executed and delivered the Employment Agreements; and Parent and the Company each issued separate press releases.

THE MERGER AGREEMENT

The following is a summary of the Merger Agreement, a copy of which is filed as an Exhibit to the Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") filed by Purchaser and Parent with the Commission in connection with the Offer. Such summary is qualified in its entirety by reference to the Merger Agreement.

THE OFFER. The Merger Agreement provides for the commencement of the Offer as promptly as reasonably practicable, but in no event later than five business days after the initial public announcement of Purchaser's intention to commence the Offer. The obligation of Purchaser to accept for payment Common Shares tendered pursuant to the Common Stock Offer is subject to the satisfaction of the Minimum Condition and certain other conditions that are described in Section 14 hereof. The obligation of Purchaser to accept for payment Preferred Shares tendered pursuant to the Preferred Stock Offer is

subject to the condition that Purchaser shall have purchased Common Shares pursuant to the Common Stock Offer. The Preferred Stock Offer is not conditioned upon there being validly tendered and not withdrawn, prior to the expiration of the Preferred Stock Offer, any minimum number of Preferred Shares. Purchaser and Parent have agreed that no change in the Offer may be made (i) which reduces the Per Common Share Amount or the Per Preferred Share Amount (other than as herein provided in respect of the Preferred Shares) payable in the Offer, (ii) which changes the form of consideration payable in the Offer, (iii) which reduces the maximum number of Shares to be purchased in the Offer, (iv) which extends the expiration date of the Offer (which shall initially be twenty (20) business days) or (v) which imposes conditions to the Offer in addition to those set forth in Section 14 hereof without the prior consent of the Company; PROVIDED, HOWEVER, that subject to the right of the parties to terminate the Merger Agreement, the Common Stock Offer (i) shall be extended (A) if, at the scheduled expiration of the Offer, the HSR Condition shall not be satisfied, until such time as such condition is satisfied, and (B) for any period required by any rule, regulation or interpretation of the SEC or the staff thereof applicable to the Common Stock Offer and (ii) may be extended (A) if, at the scheduled expiration of the Offer, any of the conditions to the Common Stock Offer set forth in Section 14 shall not be satisfied or waived, until such time as such conditions are satisfied or waived, and (B) for a period of not more than ten (10) business days if Purchaser determines in its sole discretion to so extend the Common Stock Offer, PROVIDED that the Merger Agreement may not be terminated pursuant to Section 8.01(b), (c) or (d) of the Merger Agreement during any extension pursuant to the provisions described in this clause (ii)(B). Purchaser may extend the Preferred Stock Offer for a period of not more than twenty (20) business days after the date upon which Purchaser accepts for payment and pays for Common Shares pursuant to the Common Stock Offer, if the number of Preferred Shares validly tendered and not withdrawn prior to such date shall constitute less than 66 2/3% of the then outstanding Preferred Shares. The Per Preferred Share Amount shall be reduced from $27.50 to $27.33 (plus accrued and compared dividends) in the event that the holders of Preferred Shares become entitled to receive quarterly dividends for the first quarter of 1999, and shall be further reduced as to the extent the holders of Preferred Shares become entitled to receive additional quarterly dividends. The Per Preferred Share Amount will be reduced to the amounts listed below as the holders of Preferred Shares become entitled to receive quarterly dividends payable on the following dates: June 15, 1999--$27.17; September 15, 1999--$27.01; December 15, 1999--$26.83; March 15, 2000--$26.66; June 15, 2000--$26.49; September 15, 2000--$26.31; December 15, 2000-- $26.13.

THE MERGER. The Merger Agreement provides that, upon the terms and subject to the conditions thereof, and in accordance with Nevada Law, at the Effective Time, Purchaser shall be merged with and into the Company. As a result of the Merger, the separate corporate existence of Purchaser will cease and the Company will continue as the Surviving Corporation and will become a subsidiary of Parent. Upon consummation of the Merger, each share of Common Stock and Preferred Stock issued and outstanding (other than any Shares held in the treasury of the Company, or owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent and any Shares which are held by stockholders who have not voted in favor of the Merger or consented thereto in writing and who shall have demanded properly in writing appraisal for such Shares in accordance with Nevada Law) shall be canceled or converted automatically into the right to receive the Merger Consideration. The Preferred Stock Merger Consideration shall be equal to the Per Preferred Share Amount so long as the holders of Preferred Shares do not become entitled to receive any dividends after the Preferred Offer Expiration Date. To the extent the holders of Preferred Shares do become so entitled to receive dividends, the Preferred Stock Merger Consideration shall be reduced to the amounts described in the previous paragraph which correspond with the date of the Effective Time. Unless at least 66 2/3% of the Preferred Shares vote to approve the Merger Agreement and the Primary Merger, the Alternative Merger shall be effected instead of the Primary Merger, and each Preferred Share shall instead remain issued and outstanding as a share of the Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share of the Surviving Corporation, subject to the terms and conditions of the Certificate of Designations. Pursuant to Section

7(e) of the Certificate of Designations, the holder of each Preferred Share; (x) shall have the right to convert each such Preferred Share into the amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares or fraction thereof into which such Preferred Shares could have been converted immediately prior to the Effective Time, and (y) shall be entitled pursuant to Section 8 of the Certificate of Designations, to effect such conversion at an adjusted conversion price equal to the Special Conversion Price (as defined in the Certificate of Designations).

Pursuant to the Merger Agreement, each share of Common Stock, par value $.01 per share, of Purchaser issued and outstanding immediately prior to the Effective Time shall be converted into and exchanged for one validly issued, fully paid and nonassessable share of Common Stock, par value $.01 per share, of the Surviving Corporation.

The Merger Agreement provides that the directors of Purchaser immediately prior to the Effective Time will be the initial directors of the Surviving Corporation and that the officers of the Company immediately prior to the Effective Time will be the initial officers of the Surviving Corporation. The Merger Agreement provides that, at the Effective Time, (i) if the Primary Merger is effected, the Articles of Incorporation of Purchaser, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation, or (ii) if the Alternative Merger is effected, the Articles of Incorporation of the Company, including, without limitation, the Certificate of Designations, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation. The Merger Agreement also provides that, at the Effective Time, (i) if the Primary Merger is effected, the By-laws of the Purchaser, as in effect immediately prior to the Effective Time, will be the By-laws of the Surviving Corporation or (ii) if the Alternative Merger is effected, the By-laws of the Company, as in effect immediately prior to the Effective Time, will be the By-laws of the Surviving Corporation.

AGREEMENTS OF PARENT, PURCHASER AND THE COMPANY. Pursuant to the Merger Agreement, the Company shall, if required by applicable law and the Company's Articles of Incorporation and By-laws in order to consummate the Merger, duly call, give notice of, convene and hold an annual or special meeting of its stockholders as soon as practicable following consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby (the "Stockholders' Meeting"), or, if permitted, to cause the stockholders of the Company to act on the Merger Agreement and the transactions contemplated thereby by written consent. If Purchaser acquires at least a majority of the outstanding Common Shares, and 66 2/3% of the Preferred Shares, Purchaser will have sufficient voting power to approve the Primary Merger, even if no other stockholder votes in favor of the Primary Merger. If Purchaser acquires at least a majority of the outstanding Common Shares, but fails to acquire at least 66 2/3% of the Preferred Shares, Purchaser will nevertheless have sufficient voting power to approve and adopt the Merger Agreement and the Alternative Merger, even if no other stockholder votes in favor of the Alternative Merger.

The Merger Agreement provides that the Company shall, if required by applicable law, as soon as practicable following consummation of the Offer, file with the SEC under the Exchange Act, and use its best efforts to have cleared by the SEC, a proxy statement and related proxy materials or an information statement (if appropriate) (such proxy statement or information statement as amended or supplemented being referred to herein as the "Proxy Statement") with respect to the Stockholders' Meeting and shall cause the Proxy Statement to be mailed to stockholders of the Company at the earliest practicable time. The Company has agreed, subject to its fiduciary duties under applicable law as advised in writing by counsel, to include in the Proxy Statement the unanimous recommendation of the Board that the stockholders of the Company approve and adopt the Merger Agreement and the transactions contemplated thereby and to use its best efforts to obtain such approval and adoption. Parent and Purchaser have agreed to cause all Shares then owned by them and their subsidiaries to be voted in favor of approval and adoption of the Merger Agreement and the transactions contemplated thereby.

Pursuant to the Merger Agreement, the Company has covenanted and agreed that, between the date of the Merger Agreement and the Effective Time, unless Parent shall otherwise agree in writing (which agreement shall not be unreasonably withheld or delayed), the businesses of the Company shall be conducted only in, and the Company shall not take any action except in, the ordinary course of business and in a manner consistent with past practice; and the Company shall use its reasonable efforts to preserve intact the business organization of the Company, to keep available the services of the current officers, employees and consultants of the Company and to preserve the current relationships of the Company with customers, suppliers and other persons with which the Company has significant business relations. The Merger Agreement provides that by way of amplification and not limitation, and except as contemplated therein, the Company has covenanted and agreed that, between the date of the Merger Agreement and the Effective Time, unless Parent shall otherwise agree in writing (which agreement shall not be unreasonably withheld or delayed), it will not do any of the following: (a) amend or otherwise change its Articles of Incorporation or By-laws or equivalent organizational documents; (b) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of (i) any shares of capital stock of any class of the Company, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of the Company (except for the issuance of a maximum of 3,757,070 Common Shares issuable pursuant to employee and director stock options and a maximum of 7,104,831 Common Shares issuable upon the exercise of the Warrants or upon conversion of the Preferred Shares or Convertible Notes, in each case outstanding on the date of the Merger Agreement and the issuance of a maximum of 100,000 employee stock options issued on terms consistent with prior practice, and a maximum of 100,000 Common Shares issuable pursuant to such employee stock options, issued after the date of the Merger Agreement) or (ii) any assets of the Company, except for sales in the ordinary course of business and in a manner consistent with past practice; (c) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, except for regular quarterly dividends payable on the Preferred Shares not to exceed $0.5625 per Preferred Share or in connection with the adoption of a shareholder rights plan; (d) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock; (e) except as disclosed to Parent on the date of the Merger Agreement, (i) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any material amount of assets, (ii) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except in the ordinary course of business and consistent with past practice, (iii) enter into any contract or agreement other than in the ordinary course of business, consistent with past practice, (iv) authorize any single capital expenditure (other than expenditures for maintenance) which is in excess of $500,000 or capital expenditures which are, in the aggregate, in excess of $500,000, or (v) enter into or amend any contract, agreement, commitment or arrangement with respect to any of the foregoing matters; (f) except as disclosed to Parent on the date of the Merger Agreement, increase the compensation payable or to become payable to, or the benefits provided to, its officers or key employees, except for increases in accordance with past practices in salaries or wages of employees of the Company who are not officers of the Company, or grant any severance or termination pay to, or enter into any employment or severance agreement with any director, officer or other key employee of the Company, or establish, adopt, enter into or amend in any material respect any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee; (g) except as disclosed to Parent on the date of the Merger Agreement, hire or retain any single employee or consultant at an annual rate of compensation in excess of $125,000, or employees or consultants with annual rates of compensation in excess of $250,000 in the aggregate; (h) except as disclosed to Parent on the date of the Merger Agreement, take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting

policies or procedures (including, without limitation, procedures with respect to the payment of accounts payable and collection of accounts receivable); (i) except as disclosed to Parent on the date of the Merger Agreement, make any tax election or settle or compromise any material federal, state, local or foreign income tax liability; (j) except as disclosed to Parent on the date of the Merger Agreement, commence or settle any litigation, suit, claim, action, proceeding, or investigation valued in excess of $300,000 either individually or in the aggregate, PROVIDED, HOWEVER, that upon prior notice to Parent, the Company may commence actions relating to claims which are within 30 days of becoming barred by the applicable statute of limitations or which constitute mandatory counterclaims in any suit brought against the Company by any third party; or (k) amend, modify, or consent to the termination of any material contract, or amend, modify, or consent to the termination of the Company's rights thereunder, in a manner materially adverse to the Company, other than in the ordinary course of business consistent with past practice.

The Merger Agreement provides that, subject to compliance with applicable law and the Company's Articles of Incorporation, promptly upon the purchase by Purchaser of Common Shares pursuant to the Offer, and from time to time thereafter, Purchaser shall be entitled to designate up to such number of directors, rounded up to the next whole number, on the Board as shall give Purchaser representation on the Board equal to the product of the total number of directors on the Board (giving effect to the directors elected pursuant to this sentence), multiplied by the percentage that the aggregate number of Common Shares beneficially owned by Purchaser or any affiliate of Purchaser following such purchase bears to the total number of Common Shares then outstanding, and the Company shall, at such time, promptly take all actions necessary to cause Purchaser's designees to be elected as directors of the Company, including increasing the size of the Board or securing the resignations of incumbent directors, or both. The Merger Agreement also provides that, at such times, the Company shall use its best efforts to cause persons designated by Purchaser to constitute the same percentage as persons designated by Purchaser shall constitute of the Board of each committee of the Board to the extent permitted by applicable law. Until the earlier of (i) the time Purchaser acquires a majority of the then outstanding Common Shares on a fully diluted basis and (ii) the Effective Time, the Company shall use its best efforts to ensure that all the members of the Board and each committee of the Board as of the date of the Merger Agreement who are not employees of the Company shall remain members of the Board and of each such committee.

The Merger Agreement provides that following the election or appointment of Purchaser's designees in accordance with the immediately preceding paragraph and prior to the Effective Time, any amendment of the Merger Agreement or the Articles of Incorporation or By-laws of the Company, any termination of the Merger Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or Purchaser or waiver of any of the Company's rights thereunder, will require the concurrence of a majority of the Independent Directors. If the number of Independent Directors shall be reduced below two for any reason whatsoever, the remaining Independent Director shall designate a person to fill such vacancy who shall be deemed to be an Independent Director for purposes of the Merger Agreement or, if no Independent Directors then remain, the other directors shall designate two persons to fill such vacancies who shall not be officers or affiliates of the Company, or officers or affiliates of Parent or any of its Subsidiaries, and such persons shall be deemed to be Independent Directors for purposes of the Merger Agreement. The Independent Directors shall have the authority to retain such counsel and other advisors at the expense of the Company as are reasonably appropriate to the exercise of their duties in connection with the Merger Agreement, subject to approval by the Company of the terms of such retention, which approval shall not be unreasonably withheld. In addition, the Independent Directors shall have the authority to institute any action, on behalf of the Company, to enforce performance of the Merger Agreement.

Pursuant to the Merger Agreement, until the Effective Time, the Company shall, and shall cause the officers, directors, employees, auditors and agents of the Company to, afford the officers, employees and agents of Parent and Purchaser complete access at all reasonable times to the officers, employees, agents, properties, offices, plants and other facilities, books and records of the Company, and shall furnish Parent and Purchaser with all financial, operating and other data and information as Parent or Purchaser, through its officers, employees or agents, may reasonably request. Parent and Purchaser have agreed to keep such information confidential, except in certain circumstances.

The Company has agreed that it shall not, directly or indirectly, through any officer, director, agent or otherwise, solicit, initiate or encourage the submission of, any proposal or offer from any person relating to any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the assets of, or any equity interest in, the Company or any business combination with the Company or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing. Notwithstanding the foregoing, the Merger Agreement permits the Board to furnish information to, or enter into discussions or negotiations with, any person in connection with an unsolicited (from the date of the Merger Agreement) proposal in writing by such person to acquire the Company pursuant to a merger, consolidation, share exchange, share purchase, business combination or other similar transaction or to acquire all or substantially all of the assets of the Company, if, and only to the extent that, (i) the Board, after consultation with independent legal counsel (which may include its regularly engaged independent legal counsel), determines in good faith that such action is required for the Board to comply with its fiduciary duties to stockholders imposed by Nevada Law and (ii) prior to furnishing such information to, or entering into discussions or negotiations with, such person, the Company uses its reasonable best efforts to obtain from such person an executed confidentiality agreement on terms no less favorable to the Company than those contained in the Confidentiality Agreement dated as of June 12, 1998 between Parent and the Company. Pursuant to the Merger Agreement, the Company has agreed to immediately cease and cause to be terminated all existing discussions or negotiations with any parties conducted prior to the date of the Merger Agreement with respect to any of the foregoing. Moreover, the Company has agreed (x) to notify Parent promptly if any such proposal or offer, or any inquiry or contact with any person with respect thereto, is made and to indicate in reasonable detail in such notice the identity of the person making such proposal, offer, inquiry or contact and the terms thereof, and (y) not to release any third party from, or waive any provision of, any confidentiality or standstill agreement to which the Company is or may become a party.

The Merger Agreement provides that from the date thereof until the earlier of the Effective Time and the termination of the Merger Agreement, Parent shall not terminate (or take other adverse action against the Company in respect of) the currently existing commercial contracts between Parent and the Company, PROVIDED, HOWEVER, that no provision of the Merger Agreement shall restrict or prohibit Parent from exercising any rights of Parent in the event of a default by the Company under any such contract. Parent shall also include the Company in Parent's west coast promotions and advertisements for so long as there is a frequent flyer arrangement between Parent and the Company. Additionally, the Company shall be included in written frequent flyer promotional material (in-flight and newsletter) on a level equal to Parent's other frequent flyer partners.

The Merger Agreement provides that immediately prior to the Effective Time, each outstanding option to purchase Common Shares (in each case, an "Option") granted under (i) the Company's 1992 Stock Option Plan, as amended and restated in 1994, (ii) the Company's Employee Stock Incentive Plan and (iii) the Company's Directors Stock Option Plan (collectively, the "STOCK OPTION PLANS"), whether or not then exercisable, shall be canceled by the Company, and each holder of a canceled Option shall be entitled to receive from Purchaser at the same time as payment for Common Shares is made by Purchaser in connection with the closing of Merger, in consideration for the cancellation of such Option, an amount in cash equal to the product of (x) the number of Common Shares previously subject to such Option and (y) the excess, if any, of the Per Common Share Amount over the exercise price per Common Share previously subject to such Option. The Company has agreed to effectuate the cancellation of the Options by taking such action as may necessary under the Company's Stock Option Plans.

From and after the Effective Time, pursuant to the Warrants, (as hereinafter defined) the holder of each outstanding Warrant shall, upon the payment of the exercise price under such Warrant, have the right to exercise each such Warrant for an amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares, or fraction thereof, for which such Warrant could have been exercised immediately prior to the Effective Time.

The Merger Agreement further provides that the Articles of Incorporation and the By-laws of the Surviving Corporation shall contain provisions no less favorable with respect to indemnification than are set forth in Article VIII of the Articles of Incorporation and Article VII of the By-laws of the Company, which provisions shall not be amended, repealed or otherwise modified for a period of six years from the Effective Time in any manner that would adversely affect the rights thereunder of individuals who at the Effective Time were directors, officers, employees, fiduciaries or agents of the Company, unless such modification shall be required by law.

The Merger Agreement also provides that the Company shall, to the fullest extent permitted under applicable law and regardless of whether the Merger becomes effective, indemnify and hold harmless, and after the Effective Time, the Surviving Corporation shall, to the fullest extent permitted under applicable law, indemnify and hold harmless, each present and former director, officer, employee, fiduciary and agent of the Company (collectively, the "Indemnified Parties") against all costs and expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), whether civil, criminal, administrative or investigative, arising out of or pertaining to, in whole or in part, any action or omission in their capacity as an officer, director, employee, fiduciary or agent (including in connection with the Merger Agreement and the transactions contemplated thereby), whether occurring before or after the Effective Time, for a six-year period after the date of the Merger Agreement. In the event of any such claim, action, suit, proceeding or investigation, the Merger Agreement provides that (i) the Company or the Surviving Corporation, as the case may be, shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to the Company or the Surviving Corporation, promptly after statements therefor are received and (ii) the Company and the Surviving Corporation shall cooperate in the defense of any such matter; PROVIDED, HOWEVER, that neither the Company nor the Surviving Corporation shall be liable for any settlement effected without its written consent (which consent may not be unreasonably withheld or delayed); and PROVIDED, FURTHER, that neither the Company nor the Surviving Corporation shall be obligated to pay the fees and expenses of more than one counsel for all Indemnified Parties in any single action except to the extent that two or more of such Indemnified Parties shall have conflicting interests in the outcome of such action; and PROVIDED, FURTHER, that, in the event that any claim for indemnification is asserted or made within such six-year period, all rights to indemnification in respect of such claim shall continue until the final disposition of such claim.

The Merger Agreement provides that the Surviving Corporation shall use its best efforts to maintain in effect for six years from the Effective Time and for so long thereafter as any claim asserted prior to such date has not been fully adjudicated, if available, the current directors' and officers' liability insurance

policies maintained by the Company or substitute therefor policies of at least the same amounts and coverage containing terms and conditions which are not materially less favorable to the insured) with respect to matters occurring prior to the Effective Time; PROVIDED, HOWEVER, that in no event shall the Surviving Corporation be required to expend more than an amount per year equal to 150% of the current annual premiums paid by the Company for such insurance (which annual premiums the Company has represented to Parent and Purchaser to be approximately $175,000 in the aggregate).

The Merger Agreement provides that in the event the Company or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Company or the Surviving Corporation, as the case may be, or at Parent's option, Parent, shall assume the obligations described above. The Merger Agreement provides that the obligations described above shall survive the Effective Time indefinitely.

The Merger Agreement provides that, subject to its terms and conditions, each of the parties thereto shall (i) make promptly its respective filings, and thereafter make any other required submissions, under the HSR Act with respect to the transactions contemplated by the Merger Agreement and (ii) use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by the Merger Agreement, including, without limitation, using its reasonable best efforts to obtain all licenses, permits (including, without limitation, environmental permits), consents, approvals, authorizations, qualifications and orders of governmental authorities and parties to contracts with the Company as are necessary for the consummation of the transactions contemplated by the Merger Agreement and to fulfill the conditions to the Offer and the Merger.

In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of the Merger Agreement, the proper officers and directors of each party to the Merger Agreement are required to use their reasonable best efforts to take all such action.

The Merger Agreement provides that immediately after the date upon which Purchaser shall have accepted for payment all Common Shares validly tendered and not withdrawn prior to the Common Stock Offer Expiration Date, the Company shall call for the redemption of, and thereafter redeem, all of the outstanding Convertible Notes in accordance with their terms.

The Merger Agreement provides that pursuant to Section 8 of the Certificate of Designations, as soon as practicable after the acceptance for payment of the Common Shares pursuant to the Common Stock Offer, the Company shall provide the holders of all Preferred Shares with a notice of "Ownership Change" (as defined in the Certificate of Designations). Pursuant to the Merger Agreement, each holder of Preferred Shares, upon the occurrence of the Ownership Change, shall have the right, at the holder's option, to convert all, but not less than all, of such holder's Preferred Shares into Common Shares, at an adjusted conversion price per Common Share equal to the Special Conversion Price (as defined in the Certificate of Designations), subject to the option of the Company to provide to each such holder, in lieu of Common Stock, cash equal to the Market Value (as defined in the Certificate of Designations) of the Common Shares multiplied by the number of Common Shares into which such Preferred Shares would have been convertible at the Special Conversion Price. The Company has agreed to exercise its option under Section 8 of the Certificate of Designations to satisfy its obligations thereunder by paying cash to the holders of Preferred Shares, in lieu of issuing to such holders Common Stock upon the conversion of their Preferred Shares.

REPRESENTATIONS AND WARRANTIES. The Merger Agreement contains various customary representations and warranties of the parties thereto, including representations by the Company as to the Company's filings with the SEC, the financial statements of the Company, the absence of certain changes or events concerning the Company's business, compliance with law and certain contracts, litigation, employee benefit plans, labor matters, real property and leases, trademarks, patents and copyrights, environmental matters, taxes, aircraft, slots and similar takeoff and landing rights at certain airports, and brokers.

CONDITIONS TO THE MERGER. Under the Merger Agreement, the respective obligations of each party to effect the Primary Merger or the Alternative Merger, as the case may be, are subject to the satisfaction at or prior to the Effective Time of the following conditions: (a) the Merger Agreement and the Primary Merger or the Alternative Merger contemplated thereby shall have been approved and adopted by the affirmative vote of the stockholders of the Company to the extent required by Nevada Law and the Articles of Incorporation of the Company; (b) any waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated; (c) no foreign, United States or state governmental authority or other agency or commission or foreign, United States or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the acquisition of Shares by Parent or Purchaser or any affiliate of either of them illegal or otherwise restricting, preventing or prohibiting consummation of the transactions contemplated by the Merger Agreement; and (d) Purchaser or its permitted assignee shall have purchased all Common Shares validly tendered and not withdrawn pursuant to the Common Stock Offer; PROVIDED, HOWEVER, that this condition shall not be applicable to the obligations of Parent or Purchaser if, in breach of the Merger Agreement or the terms of the Common Stock Offer, Purchaser fails to purchase any Common Shares validly tendered and not withdrawn pursuant to the Common Stock Offer.

TERMINATION; FEES AND EXPENSES; COMMERCIAL ARRANGEMENTS. The Merger Agreement provides that it may be terminated and the Merger and the other transactions contemplated by the Merger Agreement may be abandoned at any time prior to the Effective Time, notwithstanding any requisite approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement by the stockholders of the Company: (a) by mutual written consent duly authorized by the Boards of Directors of Parent, Purchaser and the Company; (b) by either Parent, Purchaser or the Company if (i) Purchaser shall not have purchased Common Shares pursuant to the Common Stock Offer on or before June 30, 1999; PROVIDED, HOWEVER, that (x) the right to terminate the Merger Agreement under this clause shall not be available to any such party if such party's failure to fulfill any obligation under the Merger Agreement has been the cause of, or resulted in, the failure of such purchase to occur on or before such date and (y) if the waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated by the Merger Agreement under the HSR Act shall expire or terminate less than ten (10) business days prior to June 30, 1999, the right to terminate this Agreement pursuant to the provisions described in this clause (i) shall not become effective until the tenth business day following the date of such expiration or termination, or (ii) any court of competent jurisdiction or other governmental authority shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable; (c) by Parent if due to an occurrence or circumstance that would result in a failure to satisfy any condition set forth in Section 14 hereof, and PROVIDED THAT, in the case of the conditions set forth in paragraph (e) or (f) thereof, Parent shall have provided five business days prior written notice of such failure to the Company and such condition shall have remained unsatisfied, Purchaser shall have (i) terminated the Common Stock Offer without having accepted any Common Shares for payment thereunder, or (ii) failed to pay for Common Shares pursuant to the Common Stock Offer prior to June 30, 1999, unless such failure to pay for Common Shares shall have been caused by or resulted from the failure of Parent or Purchaser to perform in any material respect any material covenant or agreement of either of them contained in the Merger Agreement or the material breach by Parent or Purchaser of any material representation or warranty of either of them contained in the Merger Agreement; and (d) by the Company, upon approval of the Board, if (i) due to an occurrence or circumstance that would result in a failure to satisfy any condition set forth in Section 14 hereof, Purchaser shall have (A) terminated the Common Stock Offer without having accepted any Shares for payment thereunder or (B) failed to pay for Common Shares pursuant to the Common Stock Offer prior to June 30, 1999, unless such failure to pay for Common Shares shall have been caused by or resulted from the failure of the Company to perform in any material respect any material covenant or agreement of it contained in the Merger Agreement or the material breach by the Company of any material representation or warranty of it contained in the Merger Agreement or (ii) prior

to the purchase of Shares pursuant to the Offer, the Board shall have withdrawn or modified in a manner adverse to Purchaser or Parent its approval or recommendation of the Offer, the Merger Agreement or the Merger in order to approve the execution by the Company of a definitive agreement providing for the acquisition of the Company or its assets by merger or other business combination or in order to approve a tender offer or exchange offer for Shares by a third party, in either case, as determined by the Board in the exercise of its good faith judgment and after consultation with its legal counsel and financial advisors, on terms more favorable to the Company's stockholders than the Offer and the Merger taken together; PROVIDED, HOWEVER, that no termination of the Merger Agreement pursuant to this clause shall be effective prior to the payment by the Company of the Fee (as defined below) and the Expenses (as defined below).

In the event of the termination of the Merger Agreement, the Merger Agreement provides that it shall forthwith become void and there shall be no liability thereunder on the part of any party thereto except (i) under the provisions of the Merger Agreement related to the Fees and the Expenses described below, (ii) under certain other provisions of the Merger Agreement which survive termination and (iii) liability of any party for wilful breach of the Merger Agreement.

The Merger Agreement provides that in the event that (a) any person (i) shall have become the beneficial owner of more than 30% of the then outstanding Common Shares (an "Acquiring Person") or (ii) shall have commenced, proposed or communicated to the Company a proposal that is publicly disclosed for a tender or exchange offer for 30% or more (or which, assuming the maximum amount of securities which could be purchased, would result in any person beneficially owning 30% or more) of the then outstanding Common Shares or otherwise for the direct or indirect acquisition of the Company or all or substantially all of its assets for per Common Share consideration having a value greater than the Per Common Share Amount (a "Competing Proposal") and (w) the Offer shall have remained open for at least 20 business days, (x) the Minimum Condition shall not have been satisfied, (y) the Merger Agreement shall have been terminated pursuant to the provisions described above and (z) such Competing Proposal shall be consummated or a transaction of the type referred to in clause (ii) above shall be consummated with an Acquiring Person, in either case within 18 months following the date of termination of the Merger Agreement; or (b) the Merger Agreement is terminated by the Company pursuant to the provisions described in clause (d)(ii) of the second preceding paragraph; then, in any such event, the Company shall pay Parent promptly (but in no event later than one business day after the first of such events shall have occurred) a fee of $3,000,000 (the "Fee"), which amount shall be payable in immediately available funds, plus all Expenses (as defined below).

The Merger Agreement provides that if the Company is required to pay a Fee pursuant to the provisions described in the immediately preceding paragraph, then the Company shall reimburse each of Parent and Purchaser (not later than one business day after submission of statements therefor) for all out-of-pocket expenses and fees up to $1,000,000 in the aggregate (including, without limitation, fees and expenses payable to all banks, investment banking firms, other financial institutions and other persons and their respective agents and counsel, for arranging, committing to provide or providing any financing for the transactions contemplated by the Merger Agreement or structuring such transactions and all fees of counsel, accountants, experts and consultants to Parent and Purchaser, and all printing and advertising expenses) actually incurred or accrued by either of them or on their behalf in connection with the transactions contemplated by the Merger Agreement, including, without limitation, the financing thereof, and actually incurred or accrued by banks, investment banking firms, other financial institutions and other persons and assumed by Parent or Purchaser in connection with the negotiation, preparation, execution and performance of the Merger Agreement, the structuring and financing of the transactions contemplated by the Merger Agreement, and any financing commitments or agreements relating thereto (all of the foregoing being referred to herein collectively as the "Expenses"). Except as set forth in this paragraph, all costs and expenses incurred in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement shall be paid by the party incurring such expenses, whether or not any such transaction is consummated. In the event that the Company shall fail to pay the Fee or any Expenses when due, the term "Expenses" shall be deemed to include the costs and expenses actually incurred or accrued by Parent and Purchaser (including, without limitation, fees and expenses of counsel) in connection with

the collection under and enforcement of the provisions of the Merger Agreement providing for such payments, together with interest on such unpaid Fee and Expenses, commencing on the date that the Fee or such Expenses became due, at a rate equal to the rate of interest publicly announced by Citibank, N.A., from time to time, in the City of New York, as such bank's base rate plus 2.00%.

If Parent terminates the Merger Agreement pursuant to the above described termination provisions of the Merger Agreement due to the failure to satisfy the conditions set forth in paragraphs (a), (b), (e) or (f) of Section 14 (other than termination by Parent due to (i) a knowing or wilful breach by the Company of any of the representations, warranties, covenants or agreements referenced in paragraphs (e) or (f) of Section 14 or (ii) a material breach by the Company of its covenant not to solicit any Competing Transaction), then Parent and the Company shall take the following actions: (i) extend the AAdvantage Agreement through April 30, 2001 (after which date such agreement shall be terminable pursuant to the current terms thereof); (ii) extend the term of the Operations Agreement with respect to 50% of the Slots covered thereby through December 31, 1999 and with respect to the remaining 50% of the Slots covered thereby through December 31, 2000 (which to the extent practicable shall consist of the most restrictive class of Slots) (after which date the Operations Agreement shall be terminable pursuant to the current terms thereof) and the Company shall agree to waive any claims that it may have any proprietary interest in any slots covered by the Operations Agreement; (iii) for so long as there is a frequent flyer arrangement between Parent and the Company, Parent shall include the Company (A) in Parent's west coast promotions and advertisements and (B) in written frequent flyer promotional material (in-flight and newsletter) on a level equal to Parent's other frequent flyer partners, and (iv) Parent shall take the following actions: (A) discuss in good faith with the Company the provision to the Company of out-sourcing services in various fields, including reservations, purchasing, sales and yield management, subject to regulatory approval; (B) review, on a case-by-case basis, exceptions to the exclusivity provisions of the codeshare and frequent flyer agreements between Parent and the Company; and (C) review the possibility of placing the Company's code on certain of Parent's flights, as Parent and the Company both determine to be mutually beneficial.

EMPLOYMENT AGREEMENTS

Prior to the execution of the Employment Agreements, each of the Executives had employment agreements with the Company which terminated upon the third anniversary of a change in control of the Company (the "Prior Employment Agreements"). Pursuant to the Prior Employment Agreements, following a change in control, if the employment of the Executive is terminated without cause by the Company or by the Executive for good reason, such Executive would be entitled to receive (i) the entire salary which would otherwise be payable to him for the remainder of the employment period, plus (ii) an amount equal to three times the maximum annual bonus payable to such Executive in accordance with the Company's incentive bonus plan. In addition, the Prior Employment Agreements provide that upon a change in control, the Executives would be entitled to (i) receive lifetime unlimited free positive space airline travel for the Executive and members of his or her family, (ii) participate in all other benefits, plans and programs made available to the successor company's most senior executive officers and (iii) receive, under certain circumstances, lifetime medical coverage for the Executive and members of his or her family.

On November 19, 1998, as a condition to Parent's willingness to enter into the Merger Agreement, and as consideration for the Executives terminating the Prior Employment Agreements, the Company and Parent entered into the Employment Agreements with the Executives. Each of the Employment Agreements has an initial term of 24 months commencing upon the Effective Time. Under the Employment Agreements, Parent and the Company agreed to continue to pay each Executive the base salary each Executive was entitled to receive under his or her respective Prior Employment Agreement. Beginning in calendar year 1999, each of the Executives shall be entitled to participate in Parent's incentive compensation plan.

Each of the Executives will be entitled to receive awards of stock options pursuant to AMR Corporation's Performance Share Program (the "Performance Share Program") and Career Equity

Program (the "Career Equity Program") as well as receive employee stock options annually on the same basis as other employees of Parent of like rank and position.

At the Effective Time, each Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary, (ii) 2,500 stock options to purchase common stock of AMR Corporation, (iii) 1,000 shares of deferred stock under the Performance Share Program and (iv) 1,000 shares of deferred stock under the Career Equity Program.

The Employment Agreements provide that if an Executive is terminated without "Cause" (as defined in each Employment Agreement) or resigns for "Good Reason" (as defined in each Employment Agreement): (i) Parent shall pay the Executive two times the Executive's annual base salary, (ii) the Executive shall be entitled to receive various fringe benefits (including, without limitation, medical insurance and air travel) until the 30 month anniversary of the Effective Time, and (iii) the Executive shall become entitled to exercise any stock options that were vested at the time of termination. The Employment Agreements also provide that if an Executive is terminated for Cause or resigns without Good Reason, the Executive will not be entitled to any additional compensation.

If upon the expiration of the initial 24 month term of employment under each Employment Agreement: (i) an Executive is not offered continued employment with Parent or elects not to accept such offer, such Executive shall receive the same payments and benefits as if such Executive had been terminated without Cause, and (ii) an Executive is offered and accepts continued employment with Parent, such Executive shall receive a payment equal to two times such Executive's base salary, and shall continue to receive air travel benefits, at the same level as existed during the employment period, up until the 30 month anniversary of the Effective Time.

11. PURPOSE OF THE OFFER; PLANS FOR THE COMPANY AFTER THE OFFER AND THE MERGER.

PURPOSE OF THE OFFER. The purpose of the Offer and the Merger is for Parent to acquire control of, and the entire equity interest in, the Company. The purpose of the Primary Merger is for Parent to acquire all Shares not purchased pursuant to the Offer. Upon consummation of the Primary Merger, the Company will become a wholly owned subsidiary of Parent. Unless at least 66 2/3% of the Preferred Shares vote in favor of the Merger, however, the Alternative Merger shall be effected instead of the Primary Merger and the Preferred Shares shall remain outstanding and held by the holders thereof, subject to the terms and conditions of the Certificate of Designations. The Offer is being made pursuant to the Merger Agreement.

Under Nevada Law, the approval of the Board and the affirmative vote of the holders of a majority of the outstanding Common Shares is required to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. The Board of Directors of the Company has unanimously approved and adopted the Merger Agreement and the transactions contemplated thereby, and the only remaining required corporate action of the Company is the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the requisite vote of the holders of Common Shares. The affirmative vote of the holders of 66 2/3% of the Preferred Shares is also required for the approval and adoption of the Primary Merger. No approval of the holders of Preferred Shares is required for the approval and adoption of the Alternative Merger. Accordingly, if Purchaser acquires at least a majority of the Common Shares and at least 66 2/3% of the Preferred Shares, Purchaser will have sufficient voting power to cause the approval and adoption of the Merger Agreement and the Primary Merger without the affirmative vote of any other stockholder. If Purchaser acquires at least a majority of the outstanding Common Shares, but fails to acquire at least 66 2/3% of the Preferred Shares, Purchaser will nevertheless have sufficient voting power to approve and adopt the Merger Agreement and the Alternative Merger, without the affirmative vote of any other stockholder. Under such circumstances, Purchaser may, but is not required to, submit the Primary Merger to the holders of Preferred Stock for their approval.

In the Merger Agreement, the Company has agreed to take all action necessary to convene a meeting of its stockholders as soon as practicable after the consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby or, if permitted, to cause the stockholders to act on the Merger Agreement and the transactions contemplated

thereby by written consent. Parent and Purchaser have agreed that all Shares owned by them and their subsidiaries will be voted in favor of the Merger Agreement and the transactions contemplated thereby.

If Purchaser purchases Shares pursuant to the Offer, the Merger Agreement provides that Purchaser will be entitled to designate representatives to serve on the Board in proportion to Purchaser's ownership of Common Shares following such purchase. See Section 10. Subject to the requirement that certain actions be approved by the Independent Directors, Purchaser expects that such representation would permit Purchaser to exert substantial influence over the Company's conduct of its business and operations.

No appraisal rights are available in connection with the Offer. However, if the Merger is consummated, stockholders may have certain rights under Nevada Law to dissent and demand appraisal of, and to receive payment in cash of the fair value of, their Shares. Such rights to dissent, if the statutory procedures are complied with, could lead to a judicial determination of the fair value of the Shares, as of the day prior to the date on which the stockholders' vote was taken approving the Merger (excluding any element of value arising from the accomplishment or expectation of the Merger), required to be paid in cash to such dissenting holders for their Shares. In addition, such dissenting stockholders would be entitled to receive payment of a fair rate of interest from the date of consummation of the Merger on the amount determined to be the fair value of their Shares. In determining the fair value of the Shares, the court is required to take into account all relevant factors. Accordingly, such determination could be based upon considerations other than, or in addition to, the market value of the Shares, including, among other things, asset values and earning capacity. Upon consummation of the Merger, if, as of the record date fixed to determine the stockholders of the Company entitled to receive notice of and to vote at the meeting of stockholders of the Company to act upon the Merger, Shares are neither (i) listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. (the "NASD") nor (ii) held of record by more than 2,000 holders, holders of Shares who do not vote in favor of the Merger and who comply with applicable statutory procedures under Nevada Law will be entitled to receive a judicial determination and payment of the "fair value" (excluding any element of value arising from the accomplishment or expectation of the Offer and Merger) of their Shares (subject to certain exceptions). The value so determined could be the same as, or more or less than, the price per Share offered pursuant to the Offer or proposed to be paid in the Merger. However, if, as of such record date, the Common Shares continue to be listed on NASDAQ, no rights of dissent will be available to holders of the Common Shares. If the Preferred Shares continue to be listed on the NASDAQ SmallCap Market as of such record date, no rights of dissent will be available to holders of Preferred Shares.

CONVERTIBLE NOTES. According to the Form 10-K, at December 31, 1997, $28,750,000 aggregate principal amount of the Convertible Notes was outstanding. The Offer is not being made for (nor will tenders be accepted of) any of the Convertible Notes. Holders of Convertible Notes who wish to participate in the Offer must first convert their Convertible Notes into Common Shares in accordance with the terms of the Indenture, and then tender the Common Shares issued upon such conversion pursuant to the Offer. Under the Indenture, any holder of Convertible Notes may, at his option, convert the principal amount thereof into that number of Common Shares obtained by dividing the principal amount thereof by the conversion price of $10.00, subject to adjustment under certain circumstances. None of the Company, the Board, Parent or Purchaser has made or will make any recommendation to the holders of the Convertible Notes regarding the desirability of converting the Convertible Notes to Common Stock. The Convertible Notes are currently redeemable by the Company and under the Merger Agreement, the Company has agreed to redeem the Convertible Notes immediately after Purchaser has accepted for payment and paid for the Common Shares tendered pursuant to the Common Stock Offer. However, Parent has the right to waive the Company's obligation to redeem the Convertible Notes. The redemption price will be determined in accordance with the terms set forth in the Indenture. Holders of Convertible Notes who convert such Convertible Notes into Common Shares will have no right under the Indenture to revoke an effective conversion. Accordingly, if the Offer terminates or expires without the purchase of any Common Shares or if any Common Shares tendered after conversion by any holder of Convertible Notes are not purchased for any reason, the converting holders will no longer have any rights under the

Indenture. Pursuant to Section 10.18 of the Indenture, after consummation of the Merger, each holder of a Convertible Note then outstanding will be entitled to receive, upon conversion, an amount in cash equal to the Common Stock Merger Consideration that would have been received by such holder upon consummation of the Merger had such holder converted his Convertible Note immediately prior to the Effective Time.

The Indenture provides that the Company may not consolidate with or merge into any other corporation or convey or transfer substantially all of its assets unless the acquiror is a U.S. corporation and it expressly assumes the payment of principal and interest on the Convertible Notes as well as the Company's obligations under the Indenture. The Indenture also provides that upon (i) any reclassification or change of outstanding Common Shares issuable upon conversion of Convertible Notes, (ii) any consolidation or merger to which the Company is a party, other than a merger in which the Company is the continuing corporation and which does not result in any reclassification of, or change in, outstanding Common Shares of the Company or (iii) any sale or conveyance of all or substantially all of the property or business of the Company, then the Company, or such successor, must deliver to the trustee under the Indenture a supplemental indenture providing that the holder of each Convertible Note then outstanding shall have the right to convert such Convertible Note into the kind and amount of shares of stock and other securities and property (including cash) receivable upon such reclassification, merger or conveyance by a holder of the number of Common Shares deliverable upon conversion of such Convertible Note immediately prior to such reclassification, merger or conveyance. In the case of a consolidation, merger or conveyance, if the stock or other property (including cash) includes stock or property of a corporation other than the successor or purchasing corporation, then the supplemental indenture must be executed by such other corporation and must contain provisions to protect the holders of Convertible Notes. In addition, upon a "Change of Control" (as defined in the Indenture) the Company is required to offer to repurchase from all holders of Convertible Notes, all or any part of each holder's Convertible Notes at a purchase price equal to 100% of the aggregate principal amount thereof. If the Convertible Notes are not redeemed prior to the Merger, Parent intends to cause the Surviving Corporation to comply with the above described provisions of the Indenture.

WARRANTS. According to the Company, Warrants to purchase an aggregate of 65,431 Common Shares are currently outstanding. The Offer is not being made for (nor will tenders be accepted of) any of the Warrants. Holders of Warrants who wish to participate in the Offer must first exercise their Warrants to purchase Common Shares in accordance with the terms of the Warrant Agreement and then tender the Common Shares issued upon such exercise pursuant to the Offer. None of the Company, the Board, Parent or Purchaser has made or will make any recommendation to the holders of the Warrants regarding the desirability of exercising the Warrants to purchase Common Shares. Holders of Warrants who exercise such Warrants to purchase Common Shares will have no right under the Warrant Agreement to revoke an effective exercise. Accordingly, if the Offer terminates or expires without the purchase of Common Shares or if Common Shares tendered after the exercise of Warrants are not purchased for any reason, the exercising holder will no longer have any rights under the Warrant Agreement. From and after the Effective Time, pursuant to the Warrants, the holder of each outstanding Warrant, shall, upon the payment of the exercise price under such Warrant, have the right to exercise each such Warrant for an amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares, or fraction thereof, for which such Warrant could have been exercised immediately prior to the Effective Time.

PREFERRED STOCK. Pursuant to the Certificate of Designations, from and after December 15, 1999, the Company may exchange the Preferred Shares for notes of the Company bearing interest at the same rate that the Preferred Shares currently receive dividends and having a principal amount equal to the liquidation value of the Preferred Shares for which such notes are exchanged. On and after December 20, 2000, the Company may redeem the Preferred Shares at a price per Preferred Share equal to 104.5% of the liquidation value thereof, or $26.125 per Preferred Share. In the event that the Alternative Merger is consummated, Parent intends to cause the Surviving Corporation to redeem the Preferred Shares as of

December 20, 2000, and may, based upon its analysis at the time, exchange the Preferred Shares for notes on December 15, 1999.

The SEC has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which Purchaser seeks to acquire the remaining Shares not held by it. Purchaser believes, however, that Rule 13e-3 will not be applicable to the Merger. Rule 13e-3 requires, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such transaction, be filed with the SEC and disclosed to stockholders prior to consummation of the transaction.

PLANS FOR THE COMPANY. It is expected that, initially following the Merger, the business and operations of the Company will, except as set forth in this Offer to Purchase, be continued by the Company substantially as they are currently being conducted, except that Parent intends to manage the Company as part of the Airline Group of AMR Corporation. Parent will continue to evaluate the business and operations of the Company during the pendency of the Offer and after the consummation of the Offer and the Merger, and will take such actions as it deems appropriate under the circumstances then existing. Parent intends to seek additional information about the Company during this period. Thereafter, Parent intends to review such information as part of a comprehensive review of the Company's business, operations, capitalization and management with a view to optimizing exploitation of the Company's potential in conjunction with Parent's businesses. It is expected that the business and operations of the Company will be combined with those of Parent. Parent may cause the Company to be merged with Parent after the consummation of the Merger.

Except as indicated in this Offer to Purchase, Parent does not have any present plans or proposals which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company, a sale or transfer of a material amount of assets of the Company or any material change in the Company's capitalization or dividend policy or any other material changes in the Company's corporate structure or business, or the composition of the Board or the Company's management.

12. DIVIDENDS AND DISTRIBUTIONS. The Merger Agreement provides that the Company shall not, between the date of the Merger Agreement and the Effective Time, without the prior written consent of Parent, (a) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of any shares of capital stock of any class of the Company or any options, warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of the Company (except for the issuance of a maximum of 3,757,070 Common Shares issuable pursuant to employee and director stock options outstanding on the date of the Merger Agreement, and a maximum of 7,104,831 Common Shares issuable upon the exercise of Warrants or upon the conversion of Preferred Shares or Convertible Notes in each case outstanding as of the date of the Merger Agreement, and the issuance of a maximum of 100,000 employee stock options issued on terms consistent with prior practice, and a maximum of 100,000 Common Shares issuable pursuant to such employee stock options, issued after the date of the Merger Agreement) or (b) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock. See Section 10. If, however, the Company should, during the pendency of the Offer, (i) split, combine or otherwise change the Shares or its capitalization, (ii) acquire or otherwise cause a reduction in the number of outstanding Shares or (iii) issue or sell any additional Shares, shares of any other class or series of capital stock, other voting securities or any securities convertible into, or options, rights, or warrants, conditional or otherwise, to acquire, any of the foregoing, then, without prejudice to Purchaser's rights under Section 14, Purchaser may (subject to the provisions of the Merger Agreement) make such adjustments to the purchase price and other terms of the Offer (including the number and type of securities to be purchased) and the Merger as it deems appropriate to reflect such split, combination or other change.

If, on or after November 19, 1998, the Company should declare or pay any dividend on the Shares or make any other distribution (including the issuance of additional shares of capital stock pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to stockholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares purchased pursuant to the Offer, other than regular quarterly dividends on the Preferred Shares declared and paid at times consistent with past practice and in an amount not in excess of $0.5625 per Preferred Share, then, without prejudice to Purchaser's rights under Section 14, (i) the purchase price per Share payable by Purchaser pursuant to the Offer will be reduced (subject to the Merger Agreement) to the extent any such dividend or distribution is payable in cash and (ii) any non-cash dividend, distribution or right shall be received and held by the tendering stockholder for the account of Purchaser and will be required to be promptly remitted and transferred by each tendering stockholder to the Depositary for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, Purchaser will be entitled to all the rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount or value thereof, as determined by Purchaser in its sole discretion.

13. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES, EXCHANGE LISTING AND EXCHANGE ACT REGISTRATION. The purchase of Common Shares and Preferred Shares by Purchaser pursuant to the Offer will reduce the number of Common Shares and Preferred Shares that might otherwise trade publicly and will reduce the number of holders of Common Shares and Preferred Shares, which could adversely affect the liquidity and market value of the remaining Common Shares and Preferred Shares held by the public.

Purchaser intends to cause the Common Shares and Preferred Shares not to be listed for quotation on NASDAQ or the Pacific Stock Exchange (the "PSE") and the Preferred Shares not to be listed for quotation on the NASDAQ SmallCap Market, following consummation of the Offer.

The Common Shares are currently traded on NASDAQ and the PSE. The Preferred Shares are currently traded on the NASDAQ SmallCap Market. Depending upon the number of Shares of each class purchased pursuant to the Offer, the Common Shares and Preferred Shares may no longer meet the standards for continued inclusion for listing on NASDAQ, the PSE or the NASDAQ SmallCap Market, respectively.

According to NASDAQ's published guidelines, the Common Shares would not be eligible to be included for listing if, among other things, (i) the number of Common Shares publicly held falls below 750,000, (ii) the number of holders of Common Shares falls below 400, (iii) the aggregate market value of such publicly held Common Shares does not exceed $5,000,000 or (iv) there are not at least two registered and active market makers for the Common Shares, one of which may be a market maker entering a stabilizing bid. If these standards are not met, quotations for the Common Shares might continue to be published in the NASDAQ SmallCap Market.

Under NASDAQ rules governing the NASDAQ SmallCap Market, neither the Common Shares nor the Preferred Shares would be eligible for a continued listing for quotation on the NASDAQ SmallCap Market if, among other things, (i) the number of holders of the Shares of such class falls below 300, (ii) the number of publicly held Shares of such class falls below 500,000, (iii) the aggregate market value of such publicly held Shares of such class does not exceed $1,000,000 or (iv) there are not at least two registered and active market makers for such class of Shares, one of which may be a market maker entering a stabilizing bid. In such an event, NASDAQ rules provide that the securities would no longer qualify for listing and inclusion in NASDAQ or the NASDAQ SmallCap Market, and NASDAQ would cease to provide any quotations. Shares held directly or indirectly by an officer or director of the Company or by a beneficial owner of more than 10% of the Shares will ordinarily not be considered as being publicly held for this purpose.

According to the PSE's published guidelines, the Common Shares would not be eligible to be included for listing if, among other things, (i) the number of Common Shares publicly held falls below 200,000, (ii) the number of holders of Common Shares falls below 400 or (iii) the aggregate market value of such publicly held Common Shares does not exceed $1,000,000. If these standards are not met, the PSE rules provide that the securities would no longer qualify for listing and inclusion in the PSE, and the PSE would cease to provide any quotations.

In the event either the Common Shares or the Preferred Shares were no longer eligible for NASDAQ or PSE quotation, quotations might still be available from other sources. The extent of the public market for each class of Shares and the availability of such quotations would, however, depend upon the number of holders of each class of Shares remaining at such time, the interest in maintaining a market in each class of Shares on the part of securities firms, the possible termination of registration of each class of Shares under the Exchange Act as described below and other factors.

The Common Shares and Preferred Shares are currently "margin securities", as such term is defined under the rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such securities. Depending upon factors similar to those described above regarding listing and market quotations, following the Offer it is possible that the Common Shares and the Preferred Shares might no longer constitute "margin securities" for purposes of the margin regulations of the Federal Reserve Board, in which event such Shares could no longer be used as collateral for loans made by brokers.

Each class of Shares is currently registered under the Exchange Act. Such registration may be terminated upon application by the Company to the SEC if such class of Shares is not listed on a national securities exchange and there are fewer than 300 record holders. The termination of the registration of Common Shares or Preferred Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of such Shares and to the SEC and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders' meetings and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to such Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended. If registration of the Common Shares or Preferred Shares under the Exchange Act were terminated, such Shares would no longer be "margin securities" or be eligible for NASDAQ reporting. Purchaser currently intends to seek to cause the Company to terminate the registration of the Common Shares and Preferred Shares under the Exchange Act as soon after consummation of the Offer as the requirements for termination of registration are met.

14. CERTAIN CONDITIONS OF THE OFFER. Notwithstanding any other provision of the Offer, subject to the applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, Purchaser shall not be required to accept for payment or pay for any Common Shares tendered pursuant to the Common Stock Offer, and may terminate or amend the Common Stock Offer and may (except as provided in the Merger Agreement) postpone the acceptance for payment of and payment for, Common Shares tendered, if (i) the Minimum Condition shall not have been satisfied, (ii) the HSR Condition shall not have been satisfied, or (iii) at any time on or after November 19, 1998, and prior to the acceptance for payment of Shares, any of the following conditions shall exist:

(a) there shall have been instituted or be pending any action or proceeding by any court or governmental, administrative or regulatory authority or agency, domestic or foreign, (i) challenging or seeking to make illegal, materially delay or otherwise directly or indirectly restrain or prohibit or make materially more costly the making of the Offer, the acceptance for payment of, or payment for, any Shares by Parent, Purchaser or any other affiliate of Parent or the consummation of any other transaction contemplated by the Merger Agreement, or seeking to obtain material damages in connection with any

transaction contemplated by the Merger Agreement; (ii) seeking to prohibit or limit materially the ownership or operation by the Company, Parent or any of their subsidiaries of all or any material portion of the business or assets of the Company, Parent or any of their subsidiaries, or to compel the Company, Parent or any of their subsidiaries to dispose of or hold separate all or any material portion of the business or assets of the Company, Parent or any of their subsidiaries, as a result of the transactions contemplated by the Merger Agreement; (iii) seeking to impose or confirm limitations on the ability of Parent, Purchaser or any other affiliate of Parent to exercise effectively full rights of ownership of any Shares acquired by Purchaser pursuant to the Offer, including, without limitation, the right to vote any Shares acquired by Purchaser pursuant to the Offer or otherwise on all matters properly presented to the Company's stockholders, including, without limitation, the approval and adoption of the Merger Agreement and the transactions contemplated thereby; (iv) seeking to require divestiture by Parent, Purchaser or any other affiliate of Parent of any Shares; or (v) which otherwise has a Material Adverse Effect (as defined below) or which is reasonably likely to have an adverse effect on the business, results of operations, or financial condition of Parent that is material in relation to the benefits sought to be achieved by Parent in the transactions contemplated by the Merger Agreement;

(b) there shall have been any action taken, or any statute, rule, regulation, legislation, interpretation, judgment, order or injunction enacted, entered, enforced, promulgated, amended, issued or deemed applicable to (i) Parent, the Company or any subsidiary or affiliate of Parent or the Company or (ii) any transaction contemplated by the Merger Agreement, by any legislative body, court, government or governmental, administrative or regulatory authority or agency, domestic or foreign, other than the routine application of the waiting period provisions of the HSR Act to the Offer or the Merger, which is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above;

(c) there shall have occurred any change or effect that, when taken together with all other adverse changes and effects that are within the scope of the representations and warranties made by the Company in the Merger Agreement and which are not individually or in the aggregate deemed to have a material adverse effect, is or is reasonably likely to be materially adverse to the business, results of operations, or financial condition of the Company, but excluding changes or effects that (x) are directly caused by conditions affecting (A) the United States economy as a whole or (B) the economy of the western United States as a whole or affecting the United States airline industry as a whole, which conditions do not affect the Company in a disproportionate manner, (y) are related to or result from any action or inaction on the part of Parent, Purchaser or any affiliate thereof, including those in connection with the currently existing commercial arrangements between such persons and the Company or (z) are related to or result from the announcement of the Offers or the Merger (a "Material Adverse Effect");

(d) (i) it shall have been publicly disclosed or Purchaser shall have otherwise learned that beneficial ownership (determined for the purposes of this paragraph as set forth in Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the then outstanding Shares has been acquired by any person, other than Parent or any of its affiliates or (ii) (A) the Board or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Purchaser the approval or recommendation of the Offer, the Merger or the Merger Agreement, or approved or recommended any takeover proposal or any other acquisition of Shares other than the Offer and the Merger or (B) the Board or any committee thereof shall have resolved to do any of the foregoing;

(e) any representation or warranty of the Company in the Merger Agreement (without regard to any materiality qualifiers contained therein) shall not be true and correct, in each case as if such representation or warranty was made as of such time on or after the date of the Merger Agreement, but only if the aggregate effect of any failures of such representations and warranties to be true and correct would have a Material Adverse Effect and the Company shall not have delivered to Parent a certificate of the Company to such effect signed by a duly authorized officer thereof and dated as of the date on which the Purchaser shall first accept Common Shares for payment;

(f) the Company shall have failed to perform in any material respect any obligation or to comply in any material respect with any agreement or covenant of the Company to be performed or complied with by it under the Merger Agreement;

(g) the Merger Agreement shall have been terminated in accordance with its terms; or

(h) Purchaser and the Company shall have agreed that Purchaser shall terminate the Offer or postpone the payment for Shares thereunder.

In addition, notwithstanding any other provisions of the Offer, Purchaser shall not be required to accept for payment or pay for any Preferred Shares tendered pursuant to the Preferred Stock Offer unless and until Purchaser has accepted for payment and paid for the Common Shares pursuant to the Common Stock Offer.

The foregoing conditions are for the sole benefit of Purchaser and Parent and may be asserted by Purchaser or Parent, subject to the terms of the Merger Agreement, regardless of the circumstances giving rise to any such condition or may be waived by Purchaser or Parent in whole or in part at any time and from time to time in their sole discretion. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

15. CERTAIN LEGAL MATTERS AND REGULATORY APPROVALS.

GENERAL. Based upon its examination of publicly available information with respect to the Company and the review of certain information furnished by the Company to Parent and discussions of representatives of Parent with representatives of the Company during Parent's investigation of the Company (see Section 10), neither Purchaser nor Parent is aware of any license or other regulatory permit that appears to be material to the business of the Company and the Subsidiaries, taken as a whole, which might be adversely affected by the acquisition of Shares by Purchaser pursuant to the Offer or, except as set forth below, of any approval or other action by any domestic (federal or state) or foreign governmental, administrative or regulatory authority or agency which would be required prior to the acquisition of Shares by Purchaser pursuant to the Offer. Should any such approval or other action be required, it is Purchaser's present intention to seek such approval or action. Purchaser does not currently intend, however, to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such action or the receipt of any such approval (subject to Purchaser's right to decline to purchase Shares if any of the conditions in Section 14 shall have occurred). There can be no assurance that any such approval or other action, if needed, would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company, Purchaser or Parent or that certain parts of the businesses of the Company, Purchaser or Parent might not have to be disposed of or held separate or other substantial conditions complied with in order to obtain such approval or other action or in the event that such approval was not obtained or such other action was not taken. Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions, including conditions relating to the legal matters discussed in this Section 15. See Section 14.

STATE TAKEOVER LAWS; ANTITAKEOVER PROVISIONS IN ARTICLES OF INCORPORATION. The Company is incorporated in Nevada and is subject to the provisions of the Nevada Law. Pursuant to Sections 78.378 to 78.3793 of the Nevada Law (the "Nevada Control Share Acquisition Statute"), an "acquiring person," who acquires a "controlling interest" in an "issuing corporation," may not exercise voting rights on any "control share" unless such voting rights are conferred by a majority vote of the disinterested stockholders of the issuing corporation at a meeting of such stockholders. In the event that the control shares are accorded full voting rights and the acquiring person acquires control shares with a majority or more of all the voting power, any stockholder, other than the acquiring person, who does not vote in favor of authorizing voting

rights for the control shares, is entitled to demand payment for the fair value of such stockholder's shares,
and the corporation must comply with the demand. For purposes of the provisions under this subsection, "acquiring person" means any person who, individually or in association with others, acquires or offers to acquire, directly or indirectly, the ownership of outstanding voting shares of an issuing corporation sufficient to enable the acquiring person, individually or in association with others, directly or indirectly, to exercise (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, and/or (iii) a majority or more of the voting power of the issuing corporation in the election of directors. Voting rights must be conferred by a majority of the outstanding voting shares of disinterested stockholders as each threshold is reached and/or exceeded.

"Control share" means those outstanding voting shares of an issuing corporation which an acquiring person acquires or offers to acquire in an acquisition or within 90 days immediately preceding the date when the acquiring person became an acquiring person. "Issuing corporation" means a corporation that is organized in Nevada, has 200 or more stockholders (at least 100 of whom are stockholders of record and residents of Nevada) and does business in Nevada directly or through an affiliated corporation.

The above provisions of the Nevada Control Share Acquisition Statute do not apply if, before an acquisition is made, the Articles of Incorporation or Bylaws of the Company in effect on the tenth day following the acquisition of a controlling interest by an acquiring person provide that said provisions do not apply. The Company has represented in the Merger Agreement that the Company's Board of Directors has amended its Bylaws to provide that the provisions of the Nevada Control Share Acquisition Statute do not apply to the Company.

Sections 78.411 to 78.444 of the Nevada Law (the "Nevada Business Combination Statute") restrict the ability of a "resident domestic corporation" to engage in any combination with an "interested stockholder" for three years following the interested stockholder's date of acquiring the shares that caused such stockholder to become an interested stockholder, unless the combination or the purchase of shares by the interested stockholder on the interested stockholder's date of acquiring the shares that caused such stockholder to become an interested stockholder is approved by the board of directors of the resident domestic corporation before that date.

If the combination was not previously approved, the interested stockholder may effect a combination after the three-year period only if such stockholder receives approval from a majority of the disinterested shares or the offer meets certain fair price criteria.

For purposes of the above provisions, "resident domestic corporation" means a Nevada corporation that has 200 or more stockholders. "Interested stockholder" means any person, other than the resident domestic corporation or its subsidiaries, who is (i) the beneficial owner, directly or indirectly, of 10% or more of the voting power of the outstanding voting shares of the resident domestic corporation, or (ii) an affiliate or associate of the resident domestic corporation and, at any time within three years immediately before the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding shares of the resident domestic corporation. The above provisions do not apply to corporations that so elect in their articles of incorporation or in a charter amendment approved by a majority of the outstanding voting shares of disinterested stockholders. Such a charter amendment, however, would not become effective for 18 months after its passage and could apply only to stock acquisitions occurring after its effective date. The Company's Articles of Incorporation do not exclude the Company from the restrictions imposed by such provisions.

The Company has represented in the Merger Agreement, that the Company's Board of Directors has approved the Offer, the Purchaser's purchase of Shares pursuant to the Offer and the Merger. Accordingly, the Merger will not be subject to the restrictions under the Nevada Business Combination Statute.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal

executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. In EDGAR V. MITE CORP., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS CORP. V. DYNAMICS CORP. OF AMERICA, the Supreme Court held that the State of Indiana may, as a matter of corporate law and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there. Subsequently, in TLX ACQUISITION CORP. V. TELEX CORP., a federal district court in Oklahoma ruled that certain Oklahoma corporate governance statutes were unconstitutional insofar as they applied to corporations incorporated outside Oklahoma because they could subject such corporations to inconsistent regulations. Similarly, in TYSON FOODS, INC. V. MCREYNOLDS, a federal district court in Tennessee ruled that four Tennessee takeover statutes were unconstitutional as applied to corporations incorporated outside Tennessee. This decision was affirmed by the United States Court of Appeals for the Sixth Circuit. In December 1988, a federal district court in Florida held in GRAND METROPOLITAN PLC V. BUTTERWORTH that the provisions of the Florida Affiliated Transactions Act and the Florida Control Share Acquisition Act were unconstitutional as applied to corporations incorporated outside of Florida.

The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. Purchaser does not know whether any of these laws will, by their terms, apply to the Offer or the Merger and has not complied with any such laws. Should any person seek to apply any state takeover law, Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer or the Merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer, and the Merger. In such case, Purchaser may not be obligated to accept for payment any Shares tendered. See Section 14.

ANTITRUST. Under the HSR Act and the rules that have been promulgated thereunder by the FTC, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. The acquisition of Shares by Purchaser pursuant to the Offer is subject to such requirements. See Section 2.

Pursuant to the HSR Act, on November 23, 1998, Parent filed a Premerger Notification and Report Form in connection with the purchase of Shares pursuant to the Offer with the Antitrust Division and the FTC. Under the provisions of the HSR Act applicable to the Offer, the purchase of Shares pursuant to the Offer may not be consummated until the expiration of a 15-calendar day waiting period following the filing by Parent. Accordingly, the waiting period under the HSR Act applicable to the purchase of Shares pursuant to the Offer will expire at 11:59 p.m., New York City time, on Tuesday, December 8, 1998, unless such waiting period is earlier terminated by the FTC and the Antitrust Division or extended by a request from the FTC or the Antitrust Division for additional information or documentary material prior to the expiration of the waiting period. Pursuant to the HSR Act, Parent has requested early termination of the waiting period applicable to the Offer. There can be no assurance, however, that the 15-day HSR Act waiting period will be terminated early. If either the FTC or the Antitrust Division were to request additional information or documentary material from Parent with respect to the Offer, the waiting period with respect to the Offer would expire at 11:59 p.m., New York City time, on the tenth calendar day after the date of substantial compliance by Parent with such request. Thereafter, the waiting period could be

extended only by court order. If the acquisition of Shares is delayed pursuant to a request by the FTC or the Antitrust Division for additional information or documentary material pursuant to the HSR Act, the Offer may, but need not, be extended and, in any event, the purchase of and payment for Shares will be deferred until 10 days after the request is substantially complied with, unless the extended period expires on or before the date when the initial 15-day period would otherwise have expired, or unless the waiting period is sooner terminated by the FTC and the Antitrust Division. Only one extension of such waiting period pursuant to a request for additional information is authorized by the HSR Act and the rules promulgated thereunder, except by court order. Any such extension of the waiting period will not give rise to any withdrawal rights not otherwise provided for by applicable law. See Section 4. It is a condition to the Offer that the waiting period applicable under the HSR Act to the Offer expire or be terminated. See Section 2 and Section 14.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the proposed acquisition of Shares by Purchaser pursuant to the Offer. At any time before or after the purchase of Shares pursuant to the Offer by Purchaser, the FTC or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking the divestiture of Shares purchased by Purchaser or the divestiture of substantial assets of Parent, the Company or their respective subsidiaries. Private parties and state attorneys general may also bring legal action under federal or state antitrust laws under certain circumstances. Based upon an examination of information available to Parent relating to the businesses in which Parent, the Company and their respective subsidiaries are engaged, Parent and Purchaser believe that the Offer will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if such a challenge is made, what the result would be. See Section 14 for certain conditions to the Offer, including conditions with respect to litigation.

16. FEES AND EXPENSES. Except as set forth below, Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer.

Morgan Stanley & Co., Incorporated ("Morgan Stanley") is acting as Dealer Manager in connection with the Offer and has provided certain financial advisory services in connection with the acquisition of the Company and Parent has agreed to pay Morgan Stanley its customary fee for such services. Parent has also agreed to reimburse Morgan Stanley for all reasonable out-of-pocket expenses incurred by Morgan Stanley, including the reasonable fees and expenses of legal counsel, and to indemnify Morgan Stanley against certain liabilities and expenses in connection with its engagement, including certain liabilities under the federal securities laws.

Purchaser and Parent have retained D.F. King & Co., Inc. ("D.F. King"), as the Information Agent, and First Chicago Trust Company of New York, as the Depositary, in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telex, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominee stockholders to forward materials relating to the Offer to beneficial owners.

As compensation for acting as Information Agent in connection with the Offer, D.F. King will be paid its customary fee and will also be reimbursed for certain out-of-pocket expenses and may be indemnified against certain liabilities and expenses in connection with the Offer, including certain liabilities under the federal securities laws. Purchaser will pay the Depositary its customary fee for its services in connection with the Offer, plus reimbursement for out-of-pocket expenses, and will indemnify the Depositary against certain liabilities and expenses in connection therewith, including under federal securities laws. Brokers, dealers, commercial banks and trust companies will be reimbursed by Purchaser for customary handling and mailing expenses incurred by them in forwarding material to their customers.

17. MISCELLANEOUS. Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If Purchaser becomes

aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Purchaser will make a good faith effort to comply with any such state statute. If, after such good faith effort, Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by the Dealer Manager or by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PURCHASER OR THE COMPANY NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

Pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, Parent and Purchaser have filed with the SEC the Schedule 14D-1, together with exhibits, furnishing certain additional information with respect to the Offer. The Schedule 14D-1 and any amendments thereto, including exhibits, may be inspected at, and copies may be obtained from, the same places and in the same manner as set forth in Section 7 (except that they will not be available at the regional offices of the SEC).

BONANZA ACQUISITIONS, INC.

November 24, 1998

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF
PARENT AND PURCHASER

1. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT. The following table sets forth the name, current business address, citizenship and present principal occupation or employment, and material occupations, positions, offices or employments and business address thereof for the past five years of each director and executive officer of Parent. Each such person is a citizen of the United States of America. Unless otherwise indicated, the current business address of each person is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Parent.

NAME, AGE AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS AND BUSINESS ADDRESSES THEREOF
Gerard J. Arpey, 40.....	Senior Vice President/Finance and Planning and Chief Financial Officer of Parent since 1992.
Robert W. Baker, 54.....	Executive Vice President-Operations of Parent since 1989.
David L. Boren, 57..... 660 Parrington Oval, Room 110 Norman, Oklahoma 73019	Director of Parent since 1994. President, University of Oklahoma, 1000 Asp Avenue, Norman, Oklahoma 73019-4076, since 1994. Director of Phillips Petroleum Company, 411 Skeeler Avenue, Bartlesville, Oklahoma 74004, since 1994. Director of Texas Instruments, Inc., 8505 Forest Lane, Dallas, Texas 75243, since 1995. Director of Torchmark Corporation, 2001 3rd Avenue South, Birmingham, Alabama 35233, since 1996. From 1979 through 1994, he was a United States Senator for Oklahoma.
Peter M. Bowler, 43.....	Senior Vice President of Parent and President of American Eagle since October 1998. Vice President-Passenger Sales of Parent from 1996 to September 1998. Managing Director-Reservations of Parent, 1996. Division Managing Director-Passenger Sales of Parent from 1993 to 1996. Managing Director-Food and Beverage Services of Parent from 1991 to 1993.
Edward A. Brennan, 64..... 400 North Michigan Avenue Suite 400 Chicago, Illinois 60611	Director of Parent since 1987. Chairman, President and Chief Executive Officer, Sears, Roebuck and Co., 3333 Beverly Road, Hoffman Estates, Illinois 60179 from 1986 to 1995. Director of Allstate Corporation, Allstate Plaza, 2775 Sanders Road, Northbrook, Illinois, since 1993. Director of Morgan Stanley Dean Witter & Co., 1585 Broadway, New York, New York 10036, since 1993. Director of Minnesota Mining and Manufacturing Company, 3M Center, St. Paul, Minnesota 55144-1000, since 1986. Director of Unicom Corporation, 10 South Dearborn Street, 37th Floor, Chicago, Illinois 60690-3005, since 1995. Director of Dean Foods Company, 3600 North River Road, Franklin Park, Illinois 60131, since 1996. Director of The SABRE Group Holdings, Inc., 4255 Amon Carter Boulevard, Fort Worth, Texas 76155, since 1996.

NAME, AGE AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS AND BUSINESS ADDRESSES THEREOF
Donald J. Carty, 52.....	Chairman, President and Chief Executive Officer of Parent since May 1998. He became an Executive Vice President of Parent in 1991 and was named the President of Parent in 1995. Director of Parent since April 1998. Director of Dell Computer Corporation, One Dell Way, Round Rock, Texas 78682-2244, since 1992. Director of Brinker International, Inc., 6820 LBJ Freeway, Dallas, Texas 75240, since 1998.
Armando M. Codina, 52..... Two Alhambra Plaza, PH2 Coral Gables, Florida 33134	Director of Parent since 1995. Chairman of the Board and Chief Executive Officer of Codina Group, Inc., Two Alhambra Plaza, PH2, Coral Gables, Florida 33134, since 1978. Director of BellSouth Corporation, 1155 Peachtree Street, N.E., Atlanta, Georgia 30309-3610, since 1992. Director of Winn Dixie Stores, Inc., 5050 Edgewood Court, Jacksonville, Florida 32254-3699, since 1987. Director of FPL Group, Inc., 700 Universe Boulevard, Juno Beach, Florida 33408, since 1994. Director of American Bankers Insurance Group, Inc., 11222 Quail Roost Drive, Miami, Florida 33157-6595, since 1987.
Charles T. Fisher, III, 69..... Renaissance Center Tower 100, Suite 3520 Detroit, Michigan 48243	Director of Parent since 1968. Chairman, CEO and President of NBD Bank and NBD Bancorp, Inc., 111 Woodward Ave., Detroit, Michigan 48226 from 1982 to 1993. Director of General Motors Corporation, 100 Renaissance Center, Detroit, Michigan 48243-7301, since 1977. Honorary Director, BankOne Corporation, One First National Plaza, Chicago, Illinois 60670, since 1998.
Daniel P. Garton, 41.....	Senior Vice President-Customer Service of Parent since October 1998. Senior Vice President of Parent and President of American Eagle from 1995 to September 1998. Senior Vice President and Chief Financial Officer of Continental Airlines, Inc., 2929 Allen Pkwy., Ste. 2010, Houston, TX 77019 from 1993 to 1995. Vice President-Financial Planning and Analysis of Parent from 1992 to 1993.
Earl G. Graves, 63..... 130 Fifth Avenue New York, New York 10011-4399	Director of Parent since 1995. Chairman and Chief Executive Officer, Earl G. Graves, Limited, 130 Fifth Avenue, New York, New York, 10011-4399, since 1970. Chairman and Chief Executive Officer of Pepsi- Cola of Washington, D.C., L.P., 3900 Penn Belt Place, Forrestville, Maryland 20747, since 1990. Director of Aetna Inc., 151 Farmington Avenue, Hartford, Connecticut 06156, since 1996. Director of Chrysler Corporation, 1000 Chrysler Drive, Auburn Hills, Michigan 48326-2766, since 1990. Director of Federated Department Stores, Inc., 7 West 7th Street, Cincinnati, Ohio 45202, since 1994. Director of Rohm and Haas Company, 100 Independence Mall West, Philadelphia, Pennsylvania 19106, since 1984.
Michael W. Gunn, 53.....	Senior Vice President-Marketing of Parent since 1985.

NAME, AGE AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS AND BUSINESS ADDRESSES THEREOF
Dee J. Kelly, 69..... 201 Main Street 2500 First City Bank Tower Fort Worth, Texas 76102	Director of Parent since 1983. Partner, Kelly, Hart & Hallman, P.C., 201 Main Street, Suite 2500, Fort Worth, Texas 76102, since 1979. Director of Justin Industries, Inc., 2821 West 7th Street, Fort Worth, Texas 76107, since 1986. Director of The SABRE Group Holdings, Inc., 4255 Amon Carter Boulevard, Fort Worth, Texas 76155, since 1996.
Thomas J. Kiernan, 53.....	Senior Vice President-Human Resources of Parent since 1993.
Charles D. MarLett, 44.....	Corporate Secretary of Parent since 1987.
Ann D. McLaughlin, 57..... 4320 Garfield Street NW Washington, DC 20007	Director of Parent since 1990. Chairman of The Aspen Institute, 1333 New Hampshire Avenue NW, Suite 1070, Washington, D.C. 20036, since 1996. President of the Federal City Council, Washington, D.C., 1155 15th Street, NW, Washington, D.C. 20005 from 1990 to 1995. President and Chief Executive Officer of New American Schools Development Corporation, 1100 Wilson Blvd., Arlington, Virginia 22209 from 1992 to 1993. Director of General Motors Corporation, 100 Renaissance Center, Detroit, Michigan 48243-7301, since 1990. Director of Kellogg Company, One Kellogg Square, Battle Creek, Michigan 49016-3599, since 1989. Director of Host Marriott Corporation, 10400 Fernwood Road, Bethesda, Maryland 20817, since 1993. Director of Union Camp Corporation, 1600 Valley Road, Wayne, New Jersey 07470, since 1989. Director of Vulcan Materials Company, 1 Metroplex Drive, Birmingham, Alabama 35209, since 1990. Director of Nordstrom, Inc., 1501 5th Avenue, Seattle, Washington 98101, since 1992. Director of Harman International Industries, Inc., 1101 Pennsylvania Avenue NW, Suite 1010, Washington, D.C. 20004, since 1995. Director of Sedgwick Group, plc, Sackville, House, 143-149 Fenchurch Street, London, EC3M 6BN, U.K., since 1995. Director of Donna Karan International, Inc., 550 7th Avenue, New York, New York, 10018, since 1997. Director of Fannie Mae, 3900 Wisconsin Avenue NW, Washington, D.C., 20016-2892, since 1994.
Anne H. McNamara, 51.....	Senior Vice President and General Counsel of Parent since 1988. Director of LG&E Energy Corporation, 220 West Main Street, Louisville, Kentucky 40202, since 1991. Director of Louisville Gas & Electric, 220 West Main Street, Louisville, Kentucky 40202, since 1991. Director of Kentucky Utilities, 220 West Main Street, Louisville, Kentucky 40202, since 1998. Director of The SABRE Group Holdings, Inc., 4255 Amon Carter Boulevard, Fort Worth, Texas 76155, since 1996.
Charles H. Pistor, Jr., 68..... 4200 Belclaire Dallas, Texas 75205	Director of Parent since 1982. Vice Chair, Southern Methodist University, 6425 Boaz Lane, Dallas, Texas 75275, from 1991 to 1995. President of the American Bankers Association, 1120 Connecticut Avenue NW, Washington, D.C. 20036, from 1987 to 1988. Director of Fortune Brands, Inc., 1700 East Putnam Avenue, Old Greenwich, Connecticut 06870-0811, since 1985. Director of Centex Corporation, 2728 North Harwood, Dallas, Texas 75201-1516, since 1987. Director of Oryx Energy Company, 13155 Noel Road, Dallas, Texas 75240-5067, since 1988. Director of Zale Corporation, 901 West Walnut Hill Lane,

NAME, AGE AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS AND BUSINESS ADDRESSES THEREOF
	Irving, Texas 75038-1003, since 1997.
William K. Ris, Jr., 51.....	Vice President-Government Affairs for Parent since 1996. Executive Vice President, The Wexler Group, 1317 F Street N.W., Washington, D.C. 20004 from 1983 to 1996.
Joe M. Rodgers, 65..... 2000 Glen Echo Road Suite 100 Nashville, Tennessee 37215-8838	Director of Parent since 1989. Chairman, The JMR Group, P.O. Box 158838, Nashville, Tennessee 37215-8838, since 1984. Director of Gaylord Entertainment Company, 1 Gaylord Drive, Nashville, Tennessee 37214, since 1991. Director of Lafarge Corporation, 11130 Sunrise Valley Drive, Suite 300, Reston, Virginia 20191-4329, since 1989. Director of SunTrust Bank, Nashville, N.A., P.O. Box 305110, Nashville, Tennessee 37230, since 1989. Director of Thomas Nelson, Inc., P. O. Box 141000, Nashville, Tennessee 37214-1000, since 1992. Director of Tractor Supply Company, 320 Plus Park Boulevard, Nashville, Tennessee 37217, since 1995.
Judith Rodin, 54..... 100 College Hall Philadelphia, Pennsylvania 19104-6380	Director of Parent since 1997. President, University of Pennsylvania, 100 College Hall, Philadelphia, Pennsylvania 19104-6380, since 1994. Provost of Yale University, P.O. Box 208236, New Haven, Connecticut 06520-8236, from 1992 through 1994. Director of Aetna Inc., 151 Farmington Avenue, Hartford, Connecticut 06156-3215, since 1995. Director of Electronic Data Systems Corporation, 5400 Legacy Drive, Plano, Texas 75024, since 1996.
Maurice Segall, 69..... E52-504 50 Memorial Drive Cambridge, Massachusetts 02142-1347	Director of Parent since 1985. Senior Lecturer at the Massachusetts Institute of Technology (Sloan School of Management), 77 Massachusetts Avenue, Cambridge, Massachusetts 02139-4307, since 1989. Chairman, President and Chief Executive Officer of Zayre Corporation, 770 Cochituate Road, Farmingham, Massachusetts 01701 from 1978 to 1989. Director of Harcourt General, Inc., 27 Boylston Street, Chestnut Hill, Massachusetts 02167, since 1986. Director of Cabot Industrial Trust, Two Center Plaza, Suite 200, Boston Massachusetts 02108, since 1998.

2. DIRECTORS AND EXECUTIVE OFFICERS OF PURCHASER. The following table sets forth the name, current business address, citizenship and present principal occupation or employment, and material occupations, positions, offices or employments and business address thereof for the past five years of each director and executive officer of Purchaser. Each person is a citizen of the United States of America. Unless otherwise indicated, the current business address of each person is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment with Purchaser.

NAME, AGE AND CURRENT BUSINESS ADDRESS	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT; MATERIAL POSITIONS HELD DURING THE PAST FIVE YEARS AND BUSINESS ADDRESSES THEREOF
Gerard J. Arpey, 40	Director and President of Purchaser since October 1998. See Parent, above.
Robert W. Baker, 54	Director of Purchaser since October 1998. See Parent, above.
Jeffrey C. Campbell, 38	Treasurer of Purchaser since October 1998. Vice President-Corporate Development and Treasurer of Parent since 1998. Managing Director-Corporate Finance and Banking of Parent from 1995 to 1998. Managing Director-International Planning of Parent from 1993 to 1995.
Donald J. Carty, 52	Chairman of Purchaser since October 1998. See Parent, above.
Charles D. MarLett, 44	Secretary of Purchaser since October 1998. See Parent, above.
Anne H. McNamara, 51	General Counsel of Purchaser since October 1998. See Parent, above.

Facsimiles of the Letter of Transmittal will be accepted. The Letter of Transmittal and certificates evidencing Shares and any other required documents should be sent or delivered by each stockholder or his broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below.

The Depositary for the Offer is:
FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Mail:	By Overnight Courier:	By Hand:
Attn: Corporate Actions Suite 4660 P.O. Box 2569 Jersey City, New Jersey 07303-2569	Attn: Corporate Actions Suite 4680 14 Wall Street, 8th Floor New York, New York 10005	Attn: Corporate Actions c/o Securities Transfer and Reporting Services, Inc. 100 William Street, Galleria New York, New York 10038

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent. A stockholder may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:

D.F. KING & CO., INC.
77 Water Street
New York, New York 10005
Toll Free: 1-800-347-4750
or
Call Collect: (212) 269-5550

THE DEALER MANAGER FOR THE OFFER IS:

MORGAN STANLEY DEAN WITTER
Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036
(212) 761-4638

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
OF
RENO AIR, INC.

PURSUANT TO THE OFFER TO PURCHASE
DATED NOVEMBER 24, 1998
OF
BONANZA ACQUISITIONS INC.
A WHOLLY OWNED SUBSIDIARY OF
AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF
AMR CORPORATION

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

THE DEPOSITARY FOR THE OFFER IS:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

BY MAIL:	BY OVERNIGHT COURIER:	BY HAND:
Attn: Corporate Actions Suite 4660 P.O. Box 2569 Jersey City, New Jersey 07303-2569	Attn: Corporate Actions Suite 4680 14 Wall Street, 8th Floor New York, New York 10005	Attn: Corporate Actions c/o Securities Transfer and Reporting Services, Inc. 100 William Street, Galleria New York, New York 10038

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE
WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by stockholders either if certificates evidencing Shares (as defined below) are to be forwarded herewith or if delivery of Shares is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company ("DTC" or the "Book-Entry Transfer Facility") pursuant to the book-entry transfer procedure described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase (as defined below). DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

A stockholder who desires to tender Shares and whose certificates evidencing such Shares ("Share Certificates") are not immediately available, or who cannot deliver his Share Certificates and all other documents required hereby to the Depositary prior to the Common Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase) or who cannot comply with the procedure for delivery by book-entry transfer on a timely basis, may tender such Shares by following the procedure for guaranteed delivery set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. See Instruction 2.

/ / CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____

Account Number _____

Transaction Code Number _____

/ / CHECK HERE IF SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____

Window Ticket No. (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which Guaranteed Delivery _____

If delivery is by book-entry transfer, give the following:

DTC Account Number _____

Transaction Code Number _____

DESCRIPTION OF COMMON STOCK SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SHARE CERTIFICATE(S))	SHARE CERTIFICATE(S) AND SHARE(S) TENDERED (ATTACH ADDITIONAL LIST, IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES EVIDENCED BY SHARE CERTIFICATE(S)*	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

* Need not be completed by stockholders delivering Shares by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares evidenced by each Share Certificate delivered to the Depositary are being tendered hereby. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), the above-described shares of Common Stock, $0.01 par value per share, of Reno Air, Inc., a Nevada corporation (the "Company") (all shares of such Common Stock from time to time outstanding being, collectively, the "Shares") pursuant to Purchaser's offer to purchase all Shares, at $7.75 per Share, net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). The undersigned understands that Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith, in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby and all dividends, distributions (including, without limitation, distributions of additional Shares) and rights declared, paid or distributed in respect of such Shares on or after November 19, 1998 (collectively, "Distributions") and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver Share Certificates evidencing such Shares and all Distributions, or transfer ownership of such Shares and all Distributions on the account books maintained by the Book-Entry Transfer Facility, together, in either case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares and all Distributions for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and all Distributions, all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints Gerard J. Arpey, Jeffrey C. Campbell and Charles D. MarLett and each of them, as the attorneys and proxies of the undersigned, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper and otherwise act (by written consent or otherwise) with respect to all the Shares tendered hereby which have been accepted for payment by Purchaser prior to the time of such vote or other action and all Shares and other securities issued in Distributions in respect of such Shares, which the undersigned is entitled to vote at any meeting of shareholders of the Company (whether annual or special and whether or not an adjourned or postponed meeting) or consent in lieu of any such meeting or otherwise. This proxy and power of attorney is coupled with an interest in the Shares tendered hereby, is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by Purchaser in accordance with other terms of the Offer. Such acceptance for payment shall revoke all other proxies and powers of attorney granted by the undersigned at any time with respect to such Shares (and all Shares and other securities issued in Distributions in respect of such Shares), and no subsequent proxy or power of attorney shall be given or written consent executed (and if given or executed, shall not be effective) by the undersigned with respect thereto. The undersigned understands that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's acceptance of such Shares for payment, Purchaser must be able to exercise full voting and other rights with respect to such Shares, including, without limitation, voting at any meeting of the Company's stockholders then scheduled.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that when such Shares are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restriction, charges and encumbrances, and that none of such Shares and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby, or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" in the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. Purchaser's acceptance of such Shares for payment will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions", please issue the check for the purchase price of all Shares purchased, and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered". Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions", please mail the check for the purchase price of all Shares purchased and all Share Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered". In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of, and mail such check and Share Certificates to, the person(s) so indicated. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares from the name of the registered holder(s) thereof if Purchaser does not purchase any of the Shares tendered hereby.

- ---

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue / / Check / / Share Certificate(s) to:

Name: _____
(PLEASE PRINT)
Address: _____

_____
(ZIP CODE)

_____
TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER
(SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased or Share Certificates evidencing Shares not tendered or not purchased are to be mailed to someone other than the undersigned, or the undersigned at an address other than that shown under "Description of Shares Tendered".

Issue / / Check / / Share Certificate(s) to:

Name: _____
(PLEASE PRINT)
Address: _____

_____
(ZIP CODE)

IMPORTANT
STOCKHOLDERS: SIGN HERE
(PLEASE COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

_____

_____

SIGNATURE(S) OF HOLDER(S)

Dated: _____, 199_

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Share Certificates or on a security position listing by a person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5).

Name(s): _____

PLEASE PRINT

Capacity (full title): _____

Address: _____

INCLUDE ZIP CODE

Area Code and Telephone No.: ( )_____

Taxpayer Identification or Social Security No.: _____

(SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

FOR USE BY FINANCIAL INSTITUTION ONLY.
FINANCIAL INSTITUTIONS: PLACE MEDALLION
GUARANTEE IN SPACE BELOW.

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. All signatures on this Letter of Transmittal must be guaranteed by a firm which is a member of the Security Transfer Agent Medallion Signature Program, or by any other "eligible guarantor institution," as such term is defined in Rule l7Ad-15 promulgated under the Securities Exchange Act of 1934, as amended (each of the foregoing being referred to as an "Eligible Institution") unless (i) this Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered hereby and such holder(s) has (have) completed neither the box entitled "Special Payment Instructions" nor the box entitled "Special Delivery Instructions" on the reverse hereof or (ii) such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARE CERTIFICATES. This Letter of Transmittal is to be used either if Share Certificates are to be forwarded herewith or if Shares are to be delivered by book-entry transfer pursuant to the procedure set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. Share Certificates evidencing all physically tendered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the reverse hereof prior to the Common Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase). If Share Certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. Stockholders whose Share Certificates are not immediately available, who cannot deliver their Share Certificates and all other required documents to the Depositary prior to the Common Offer Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Shares pursuant to the guaranteed delivery procedure described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, must be received by the Depositary prior to the Common Offer Expiration Date; and (iii) the Share Certificates evidencing all physically delivered Shares in proper form for transfer by delivery, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer, in each case together with a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase)), and any other documents required by this Letter of Transmittal, must be received by the Depositary within three Nasdaq National Market ("NASDAQ") trading days after the date of execution of such Notice of Guaranteed Delivery, all as described in "Section 3. Procedure for Accepting the Offer and Tendering Shares" of the Offer to Purchase.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering stockholders waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein under "Description of Shares Tendered" is inadequate, the Share Certificate numbers, the number of Shares evidenced by such Share Certificates and the number of Shares tendered should be listed on a separate schedule and attached hereto.

4. PARTIAL TENDERS (NOT APPLICABLE TO STOCKHOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER). If fewer than all the Shares evidenced by any Share Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered". In such cases, new Share Certificate(s) evidencing the remainder of the Shares that were evidenced by the Share Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions" on the reverse hereof, as soon as practicable after the expiration or termination of the Offer. All Shares evidenced by Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificates evidencing such Shares without alteration, enlargement or any other change whatsoever.

If any Share tendered hereby is owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such Shares.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of Share Certificates or separate stock powers are required, unless payment is to be made to, or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Share Certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of such person's authority so to act must be submitted.

6. STOCK TRANSFER TAXES. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased, unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted. Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Share Certificates evidencing the Shares tendered hereby.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the purchase price of any Shares tendered hereby is to be issued, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Share Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Shares Tendered" on the reverse hereof, the appropriate boxes on the reverse of this Letter of Transmittal must be completed.

8. QUESTIONS AND REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance may be directed to the Information Agent at its addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or the Dealer Manager.

9. SUBSTITUTE FORM W-9. Each tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalty of perjury, that such number is correct and that such stockholder is not subject to backup withholding of federal income tax. If a tendering stockholder has been notified by the Internal Revenue Service that such stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such stockholder has since been notified by the Internal Revenue Service that such stockholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to 31% federal income tax withholding on the payment of the purchase price of all Shares purchased from such stockholder. If the tendering stockholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such stockholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR FACSIMILE HEREOF, PROPERLY COMPLETED AND DULY EXECUTED (TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES (OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE) AND SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A PROPERLY COMPLETED AND DULY EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a stockholder whose tendered Shares are accepted for payment is required by law to provide the Depositary (as payer) with such stockholder's correct TIN on Substitute Form W-9 below. If such stockholder is an individual, the TIN is such stockholder's social security number. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service and payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding of 31%. In addition, if a stockholder makes a false statement that results in no imposition of backup withholding, and there was no reasonable basis for making such statement, a $500 penalty may also be imposed by the Internal Revenue Service.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement (Internal Revenue Service Form W-8), signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions. A stockholder should consult his or her tax advisor as to such stockholder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct TIN by completing the form below certifying that (a) the TIN provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN), and (b) (i) such stockholder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such stockholder that such stockholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the stockholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

PAYER'S NAME: FIRST CHICAGO TRUST COMPANY OF NEW YORK

SUBSTITUTE FORM W-9	PART 1--Taxpayer Identification Number--For all accounts, enter your taxpayer identification number in the box at right. (For most individuals, this is your social security number. If you do not have a number, see Obtaining a Number in the enclosed GUIDELINES.) Certify by signing and dating below. Note: If the account is in more than one name, see the chart in the enclosed GUIDELINES to determine which number to give the payer.	Social Security Number OR Employer Identification Number (If awaiting TIN write "Applied For")
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART II--For Payees Exempt from Backup Withholding, see the enclosed GUIDELINES and complete as instructed therein.	

CERTIFICATION--Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and

(2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATE INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed GUIDELINES.)

SIGNATURE DATE , 199

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THIS OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or Dealer Manager. A stockholder may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:

D.F. KING & CO., INC.
77 Water Street
New York, New York 10005
Toll Free: 1-800-347-4750
or
Call Collect: (212) 269-5550

THE DEALER MANAGER FOR THE OFFER IS:
MORGAN STANLEY DEAN WITTER
Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036
(212) 761-4638

LETTER OF TRANSMITTAL
TO TENDER SHARES OF
SERIES A CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

OF

RENO AIR, INC.

PURSUANT TO THE OFFER TO PURCHASE
DATED NOVEMBER 24, 1998

OF

BONANZA ACQUISITIONS, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMR CORPORATION

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

THE DEPOSITARY FOR THE OFFER IS:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

BY MAIL:	BY OVERNIGHT COURIER:	BY HAND:
Attn: Corporate Actions Suite 4660 P.O. Box 2569 Jersey City, New Jersey 07303-2569	Attn: Corporate Actions Suite 4680 14 Wall Street, 8th Floor New York, New York 10005	Attn: Corporate Actions c/o Securities Transfer and Reporting Services, Inc. 100 William Street, Galleria New York, New York 10038

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE
WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be completed by stockholders either if certificates evidencing Shares (as defined below) are to be forwarded herewith or if delivery of Shares is to be made by book-entry transfer to the Depositary's account at The Depository Trust Company ("DTC" or the "Book-Entry Transfer Facility") pursuant to the book-entry transfer procedure described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase (as defined below). DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

A stockholder who desires to tender Shares and whose certificates evidencing such Shares ("Share Certificates") are not immediately available, or who cannot deliver his Share Certificates and all other documents required hereby to the Depositary prior to the Preferred Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase) or who cannot comply with the procedure for delivery by book-entry transfer on a timely basis, may tender such Shares by following the procedure for guaranteed delivery set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. See Instruction 2.

/ / CHECK HERE IF SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER TO THE DEPOSITARY'S ACCOUNT AT DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution _____

Account Number _____

Transaction Code Number _____

/ / CHECK HERE IF SHARES ARE BEING TENDERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Holder(s) _____

Window Ticket No. (if any) _____

Date of Execution of Notice of Guaranteed Delivery _____

Name of Institution which Guaranteed Delivery _____

If delivery is by book-entry transfer, give the following:

DTC Account Number _____

Transaction Code Number _____

DESCRIPTION OF SERIES A CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON SHARE CERTIFICATE(S))	SHARE CERTIFICATE(S) AND SHARE(S) TENDERED (ATTACH ADDITIONAL LIST, IF NECESSARY)		
	SHARE CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES EVIDENCED BY SHARE CERTIFICATE(S)*	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

* Need not be completed by stockholders delivering Shares by book-entry transfer.

** Unless otherwise indicated, it will be assumed that all Shares evidenced by each Share Certificate delivered to the Depositary are being tendered hereby. See Instruction 4.

NOTE: SIGNATURES MUST BE PROVIDED BELOW
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), the above-described shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share, of Reno Air, Inc., a Nevada corporation (the "Company") (all shares of such Preferred Stock from time to time outstanding being, collectively, the "Shares") pursuant to Purchaser's offer to purchase any and all Shares, at $27.50 per Share plus accrued and unpaid dividends, subject to reduction as provided in Purchaser's Offer to Purchase dated November 24, 1998 (the "Offer to Purchase"), net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"), including terms relating to the reduction of such price. The undersigned understands that Purchaser reserves the right to transfer or assign, in whole or from time to time in part, to one or more of its affiliates, the right to purchase all or any portion of the Shares tendered pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith, in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all the Shares that are being tendered hereby and all dividends, distributions (including, without limitation, distributions of additional Shares) and rights declared, paid or distributed in respect of such Shares on or after November 19, 1998, other than regular quarterly dividends payable on the Shares in an amount not to exceed $0.5625 (collectively, "Distributions") and irrevocably appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares and all Distributions, with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver Share Certificates evidencing such Shares and all Distributions, or transfer ownership of such Shares and all Distributions on the account books maintained by the Book-Entry Transfer Facility, together, in either case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, (ii) present such Shares and all Distributions for transfer on the books of the Company and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares and all Distributions, all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints Gerard J. Arpey, Jeffrey C. Campbell and Charles D. MarLett and each of them, as the attorneys and proxies of the undersigned, each with full power of substitution, to vote in such manner as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper and otherwise act (by written consent or otherwise) with respect to all the Shares tendered hereby which have been accepted for payment by Purchaser prior to the time of such vote or other action and all Shares and other securities issued in Distributions in respect of such Shares, which the undersigned is entitled to vote at any meeting of shareholders of the Company (whether annual or special and whether or not an adjourned or postponed meeting) or consent in lieu of any such meeting or otherwise. This proxy and power of attorney is coupled with an interest in the Shares tendered hereby, is irrevocable and is granted in consideration of, and is effective upon, the acceptance for payment of such Shares by Purchaser in accordance with other terms of the Offer. Such acceptance for payment shall revoke all other proxies and powers of attorney granted by the undersigned at any time with respect to such Shares (and all Shares and other securities issued in Distributions in respect of such Shares), and no subsequent proxy or power of attorney shall be given or written consent executed (and if given or executed, shall not be effective) by the undersigned with respect thereto. The undersigned understands that, in order for Shares to be deemed validly tendered, immediately upon Purchaser's acceptance of such Shares for payment, Purchaser must be able to exercise full voting and other rights with respect to such Shares, including, without limitation, voting at any meeting of the Company's stockholders then scheduled.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby and all Distributions, that when such Shares are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto and to all Distributions, free and clear of all liens, restriction, charges and encumbrances, and that none of such Shares and Distributions will be subject to any adverse claim. The undersigned, upon request, shall execute and deliver all additional documents deemed by the Depositary or Purchaser to be necessary or desirable to complete the sale, assignment and transfer of the Shares tendered hereby and all Distributions. In addition, the undersigned shall remit and transfer promptly to the Depositary for the account of Purchaser all Distributions in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of each such Distribution and may withhold the entire purchase price of the Shares tendered hereby, or deduct from such purchase price, the amount or value of such Distribution as determined by Purchaser in its sole discretion.

No authority herein conferred or agreed to be conferred shall be affected by, and all such authority shall survive, the death or incapacity of the undersigned. All obligations of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" in the Offer to Purchase and in the instructions hereto will constitute the undersigned's acceptance of the terms and conditions of the Offer. Purchaser's acceptance of such Shares for payment will constitute a binding agreement between the undersigned and Purchaser upon the terms and subject to the conditions of the Offer.

Unless otherwise indicated herein in the box entitled "Special Payment Instructions", please issue the check for the purchase price of all Shares purchased, and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of the registered holder(s) appearing above under "Description of Shares Tendered". Similarly, unless otherwise indicated in the box entitled "Special Delivery Instructions", please mail the check for the purchase price of all Shares purchased and all Share Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the address(es) of the registered holder(s) appearing above under "Description of Shares Tendered". In the event that the boxes entitled "Special Payment Instructions" and "Special Delivery Instructions" are both completed, please issue the check for the purchase price of all Shares purchased and return all Share Certificates evidencing Shares not purchased or not tendered in the name(s) of, and mail such check and Share Certificates to, the person(s) so indicated. The undersigned recognizes that Purchaser has no obligation, pursuant to the Special Payment Instructions, to transfer any Shares from the name of the registered holder(s) thereof if Purchaser does not purchase any of the Shares tendered hereby.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue / / Check / / Share Certificate(s) to:
Name: _____
(PLEASE PRINT)
Address: _____
_____
(ZIP CODE)
_____
TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER (SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)

IMPORTANT
STOCKHOLDERS: SIGN HERE
(PLEASE COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

_____

_____

SIGNATURE(S) OF HOLDER(S)

Dated: _____, 199_

(Must be signed by registered holder(s) exactly as name(s) appear(s) on Share Certificates or on a security position listing by a person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please provide the following information and see Instruction 5).

Name(s): _____

PLEASE PRINT

Capacity (full title): _____

Address: _____

INCLUDE ZIP CODE

Area Code and Telephone No.: _____

Taxpayer Identification or Social Security No.: _____

(SEE SUBSTITUTE FORM W-9 ON REVERSE SIDE)
GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

FOR USE BY FINANCIAL INSTITUTION ONLY.
FINANCIAL INSTITUTIONS: PLACE MEDALLION
GUARANTEE IN SPACE BELOW.

INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. All signatures on this Letter of Transmittal must be guaranteed by a firm which is a member of the Security Transfer Agent Medallion Signature Program, or by any other "eligible guarantor institution," as such term is defined in Rule l7Ad-15 promulgated under the Securities Exchange Act of 1934, as amended (each of the foregoing being referred to as an "Eligible Institution") unless (i) this Letter of Transmittal is signed by the registered holder(s) of the Shares (which term, for purposes of this document, shall include any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered hereby and such holder(s) has (have) completed neither the box entitled "Special Payment Instructions" nor the box entitled "Special Delivery Instructions" on the reverse hereof or (ii) such Shares are tendered for the account of an Eligible Institution. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARE CERTIFICATES. This Letter of Transmittal is to be used either if Share Certificates are to be forwarded herewith or if Shares are to be delivered by book-entry transfer pursuant to the procedure set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. Share Certificates evidencing all physically tendered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof) and any other documents required by this Letter of Transmittal, must be received by the Depositary at one of its addresses set forth on the reverse hereof prior to the Preferred Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase). If Share Certificates are forwarded to the Depositary in multiple deliveries, a properly completed and duly executed Letter of Transmittal must accompany each such delivery. Stockholders whose Share Certificates are not immediately available, who cannot deliver their Share Certificates and all other required documents to the Depositary prior to the Preferred Offer Expiration Date or who cannot complete the procedure for delivery by book-entry transfer on a timely basis may tender their Shares pursuant to the guaranteed delivery procedure described in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase. Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution; (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, must be received by the Depositary prior to the Preferred Offer Expiration Date; and (iii) the Share Certificates evidencing all physically delivered Shares in proper form for transfer by delivery, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered by book-entry transfer, in each case together with a Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (as defined in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase)), and any other documents required by this Letter of Transmittal, must be received by the Depositary within three Nasdaq National Market ("NASDAQ") trading days after the date of execution of such Notice of Guaranteed Delivery, all as described in "Section 3. Procedure for Accepting the Offer and Tendering Shares" of the Offer to Purchase.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH THE BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. By execution of this Letter of Transmittal (or a facsimile hereof), all tendering stockholders waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided herein under "Description of Shares Tendered" is inadequate, the Share Certificate numbers, the number of Shares evidenced by such Share Certificates and the number of Shares tendered should be listed on a separate schedule and attached hereto.

4. PARTIAL TENDERS (NOT APPLICABLE TO STOCKHOLDERS WHO TENDER BY BOOK-ENTRY TRANSFER). If fewer than all the Shares evidenced by any Share Certificate delivered to the Depositary herewith are to be tendered hereby, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered". In such cases, new Share Certificate(s) evidencing the remainder of the Shares that were evidenced by the Share Certificates delivered to the Depositary herewith will be sent to the person(s) signing this Letter of Transmittal, unless otherwise provided in the box entitled "Special Delivery Instructions" on the reverse hereof, as soon as practicable after the expiration or termination of the Offer. All Shares evidenced by Share Certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL; STOCK POWERS AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond with the name(s) as written on the face of the Share Certificates evidencing such Shares without alteration, enlargement or any other change whatsoever.

If any Share tendered hereby is owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in the names of different holders, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of such Shares.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, no endorsements of Share Certificates or separate stock powers are required, unless payment is to be made to, or Share Certificates evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), in which case, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares tendered hereby, the Share Certificate(s) evidencing the Shares tendered hereby must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear(s) on such Share Certificate(s). Signatures on such Share Certificate(s) and stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Share Certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to Purchaser of such person's authority so to act must be submitted.

6. STOCK TRANSFER TAXES. Except as otherwise provided in this Instruction 6, Purchaser will pay all stock transfer taxes with respect to the sale and transfer of any Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued in the name of, a person other than the registered holder(s), the amount of any stock transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased, unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted. Except as provided in this Instruction 6, it will not be necessary for transfer tax stamps to be affixed to the Share Certificates evidencing the Shares tendered hereby.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the purchase price of any Shares tendered hereby is to be issued, or Share Certificate(s) evidencing Shares not tendered or not purchased are to be issued, in the name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Share Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal but at an address other than that shown in the box entitled "Description of Shares Tendered" on the reverse hereof, the appropriate boxes on the reverse of this Letter of Transmittal must be completed.

8. QUESTIONS AND REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance may be directed to the Information Agent at its addresses or telephone numbers set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or the Dealer Manager.

9. SUBSTITUTE FORM W-9. Each tendering stockholder is required to provide the Depositary with a correct Taxpayer Identification Number ("TIN") on the Substitute Form W-9 which is provided under "Important Tax Information" below, and to certify, under penalty of perjury, that such number is correct and that such stockholder is not subject to backup withholding of federal income tax. If a tendering stockholder has been notified by the Internal Revenue Service that such stockholder is subject to backup withholding, such stockholder must cross out item (2) of the Certification box of the Substitute Form W-9, unless such stockholder has since been notified by the Internal Revenue Service that such stockholder is no longer subject to backup withholding. Failure to provide the information on the Substitute Form W-9 may subject the tendering stockholder to 31% federal income tax withholding on the payment of the purchase price of all Shares purchased from such stockholder. If the tendering stockholder has not been issued a TIN and has applied for one or intends to apply for one in the near future, such stockholder should write "Applied For" in the space provided for the TIN in Part I of the Substitute Form W-9, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% on all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR FACSIMILE HEREOF, PROPERLY COMPLETED AND DULY EXECUTED (TOGETHER WITH ANY REQUIRED SIGNATURE GUARANTEES (OR, IN THE CASE OF A BOOK-ENTRY TRANSFER, AN AGENT'S MESSAGE) AND SHARE CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS) OR A PROPERLY COMPLETED AND DULY EXECUTED NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE DEPOSITARY PRIOR TO THE EXPIRATION DATE (AS DEFINED IN THE OFFER TO PURCHASE).

IMPORTANT TAX INFORMATION

Under the federal income tax law, a stockholder whose tendered Shares are accepted for payment is required by law to provide the Depositary (as payer) with such stockholder's correct TIN on Substitute Form W-9 below. If such stockholder is an individual, the TIN is such stockholder's social security number. If the Depositary is not provided with the correct TIN, the stockholder may be subject to a $50 penalty imposed by the Internal Revenue Service and payments that are made to such stockholder with respect to Shares purchased pursuant to the Offer may be subject to backup withholding of 31%. In addition, if a stockholder makes a false statement that results in no imposition of backup withholding, and there was no reasonable basis for making such statement, a $500 penalty may also be imposed by the Internal Revenue Service.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, such individual must submit a statement (Internal Revenue Service Form W-8), signed under penalties of perjury, attesting to such individual's exempt status. Forms of such statements can be obtained from the Depositary. See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions. A stockholder should consult his or her tax advisor as to such stockholder's qualification for exemption from backup withholding and the procedure for obtaining such exemption.

If backup withholding applies, the Depositary is required to withhold 31% of any payments made to the stockholder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

PURPOSE OF SUBSTITUTE FORM W-9

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct TIN by completing the form below certifying that (a) the TIN provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN), and (b) (i) such stockholder has not been notified by the Internal Revenue Service that he is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such stockholder that such stockholder is no longer subject to backup withholding.

WHAT NUMBER TO GIVE THE DEPOSITARY

The stockholder is required to give the Depositary the social security number or employer identification number of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. If the tendering stockholder has not been issued a TIN and has applied for a number or intends to apply for a number in the near future, the stockholder should write "Applied For" in the space provided for the TIN in Part I, and sign and date the Substitute Form W-9. If "Applied For" is written in Part I and the Depositary is not provided with a TIN within 60 days, the Depositary will withhold 31% of all payments of the purchase price to such stockholder until a TIN is provided to the Depositary.

PAYER'S NAME: FIRST CHICAGO TRUST COMPANY OF NEW YORK

SUBSTITUTE FORM W-9	PART 1--Taxpayer Identification Number--For all accounts, enter your taxpayer identification number in the box at right. (For most individuals, this is your social security number. If you do not have a number, see Obtaining a Number in the enclosed GUIDELINES.) Certify by signing and dating below. Note: If the account is in more than one name, see the chart in the enclosed GUIDELINES to determine which number to give the payer.	Social Security Number OR Employer Identification Number (If awaiting TIN write "Applied For")
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART II--For Payees Exempt from Backup Withholding, see the enclosed GUIDELINES and complete as instructed therein.	

CERTIFICATION--Under penalties of perjury, I certify that:
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me), and

(2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service (the "IRS") that I am subject to backup withholding as a result of failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATE INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed GUIDELINES.)

SIGNATURE DATE , 199

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THIS OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

Questions or requests for assistance may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained from the Information Agent or Dealer Manager. A stockholder may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:

D.F. KING & CO., INC.
77 Water Street
New York, New York 10005
Toll Free: 1-800-347-4750
or
Call Collect: (212) 269-5550

THE DEALER MANAGER FOR THE OFFER IS:

MORGAN STANLEY DEAN WITTER
Morgan Stanley & Co. Incorporated
1585 Broadway
New York, NY 10036
(212) 761-4638

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
OF
RENO AIR, INC.
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) (i) if certificates ("Share Certificates") evidencing shares of Common Stock, $0.01 par value per share (the "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), are not immediately available, (ii) if Share Certificates and all other required documents cannot be delivered to First Chicago Trust Company of New York, as Depositary (the "Depositary"), prior to the Common Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase) or (iii) if the procedure for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram, telex or facsimile transmission to the Depositary. See "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase.

THE DEPOSITARY FOR THE OFFER IS:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

BY MAIL:	BY OVERNIGHT COURIER:	BY HAND:
Attn: Corporate Actions Suite 4660 P.O. Box 2569 Jersey City, New Jersey 07303-2569	Attn: Corporate Actions Suite 4680 14 Wall Street, 8th Floor New York, New York 10005	Attn: Corporate Actions c/o Securities Transfer and Reporting Services, Inc. 100 William Street, Galleria New York, New York 10028

BY FACSIMILE:
(201) 222-4720
or
(201) 222-4721

CONFIRM RECEIPT OF FACSIMILE
ONLY BY TELEPHONE:
(201) 222-4707

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to Bonanza Acquisitions, Inc., a Nevada corporation and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any amendment or supplements thereto, collectively constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares specified below pursuant to the guaranteed delivery procedure described in "Section 3. Procedures for Accepting the Offering and Tendering Shares" of the Offer to Purchase.

- ----------

Number of Shares: _____

Certificate Nos. (If Available): _____

Check box if Shares will be delivered by book-entry transfer:

/ / The Depository Trust Company
Account No. _____

- ----------
- ----------

_____

_____
SIGNATURE(S) OF HOLDER(S)

Dated: _____, 199_

Name(s) of Holders:

_____

_____
PLEASE TYPE OR PRINT

_____
ADDRESS

_____
ZIP CODE

_____
AREA CODE AND TELEPHONE NO.

- ----------

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of the Security Transfer Agent Medallion Signature Program or is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees to delivery to the Depositary, Share Certificates evidencing the Shares tendered hereby, in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, with delivery of a Letter of Transmittal (or facsimile thereof) properly completed and duly executed, and any other required documents, all within three Nasdaq National Market trading days of the date hereof.

NAME OF FIRM | TITLE

AUTHORIZED SIGNATURE | ADDRESS | ZIP CODE

Name:
PLEASE TYPE OR PRINT | AREA CODE AND TELEPHONE NO.

DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE.

SHARE CERTIFICATES SHOULD BE SENT WITH YOUR
LETTER OF TRANSMITTAL.

Dated: _____, 199_

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

OF
RENO AIR, INC.
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) (i) if certificates ("Share Certificates") evidencing shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), are not immediately available, (ii) if Share Certificates and all other required documents cannot be delivered to First Chicago Trust Company of New York, as Depositary (the "Depositary"), prior to the Preferred Offer Expiration Date (as defined in "Section 1. Terms of the Offer, Expiration Date" of the Offer to Purchase) or (iii) if the procedure for delivery by book-entry transfer cannot be completed on a timely basis. This Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram, telex or facsimile transmission to the Depositary. See "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase.

THE DEPOSITARY FOR THE OFFER IS:
FIRST CHICAGO TRUST COMPANY OF NEW YORK

BY MAIL:
Attn: Corporate Actions
Suite 4660
P.O. Box 2569
Jersey City, New Jersey
07303-2569

BY OVERNIGHT COURIER:
Attn: Corporate Actions
Suite 4680
14 Wall Street, 8th Floor
New York, New York 10005

BY HAND:
Attn: Corporate Actions
c/o Securities Transfer and
Reporting Services, Inc.
100 William Street, Galleria
New York, New York 10028

BY FACSIMILE:
(201) 222-4720
or
(201) 222-4721

CONFIRM RECEIPT OF FACSIMILE
ONLY BY TELEPHONE:
(201) 222-4707

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE, OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE, WILL NOT CONSTITUTE A VALID DELIVERY.

This form is not to be used to guarantee signatures. If a signature on a Letter of Transmittal is required to be guaranteed by an "Eligible Institution" under the instructions thereto, such signature guarantee must appear in the applicable space provided in the signature box on the Letter of Transmittal.

Ladies and Gentlemen:

The undersigned hereby tenders to Bonanza Acquisitions, Inc., a Nevada corporation and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any amendment or supplements thereto, collectively constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares specified below pursuant to the guaranteed delivery procedure described in "Section 3. Procedures for Accepting the Offering and Tendering Shares" of the Offer to Purchase.

- ----------

Number of Shares: _____

Certificate Nos. (If Available): _____

Check box if Shares will be delivered by book-entry transfer:

/ / The Depository Trust Company
Account No. _____

- ----------
- ----------

_____

_____
SIGNATURE(S) OF HOLDER(S)

Dated: _____, 199_

Name(s) of Holders:

_____

_____
PLEASE TYPE OR PRINT

_____
ADDRESS

_____
ZIP CODE

_____
AREA CODE AND TELEPHONE NO.

- ----------

GUARANTEE

(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm which is a member of the Security Transfer Agent Medallion Signature Program or is an "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, guarantees to delivery to the Depositary, Share Certificates evidencing the Shares tendered hereby, in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, with delivery of a Letter of Transmittal (or facsimile thereof) properly completed and duly executed, and any other required documents, all within three Nasdaq National Market trading days of the date hereof.

NAME OF FIRM | TITLE

AUTHORIZED SIGNATURE | ADDRESS | ZIP CODE

Name:
PLEASE TYPE OR PRINT | AREA CODE AND TELEPHONE NO.

DO NOT SEND SHARE CERTIFICATES WITH THIS NOTICE.

SHARE CERTIFICATES SHOULD BE SENT WITH YOUR
LETTER OF TRANSMITTAL.

Dated: _____, 199_

OFFERS TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK

AND

ANY AND ALL OUTSTANDING SHARES OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

OF

RENO AIR, INC.

AT

$7.75 NET PER SHARE OF COMMON STOCK

AND

$27.50 NET PER SHARE OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
(SUBJECT TO REDUCTION AS PROVIDED IN THE OFFER TO PURCHASE)

BY

BONANZA ACQUISITIONS, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMR CORPORATION

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

November 24, 1998

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser"), and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), has offered to purchase all outstanding shares of Common Stock, $0.01 par value per share (the "Common Shares") and any and all outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Preferred Shares"; and together with the Common Shares, "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), at a price of $7.75 per Common Share and $27.50 per Preferred Share plus accrued and unpaid dividends, subject to reduction as provided in Purchaser's Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase") in each case net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase and the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer") enclosed herewith. Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares registered in your name or in the name of your nominee.

THE COMMON STOCK OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, (I) THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE COMMON STOCK OFFER AT LEAST A MAJORITY OF THE COMMON SHARES THEN OUTSTANDING ON A FULLY DILUTED BASIS (THE "MINIMUM CONDITION") (INCLUDING, WITHOUT LIMITATION, ALL COMMON

SHARES ISSUABLE UPON THE CONVERSION OF ANY CONVERTIBLE SECURITIES OR UPON THE EXERCISE OF ANY OPTIONS, WARRANTS OR RIGHTS, BUT EXCLUDING, FOR PURPOSES OF SUCH CALCULATION, COMMON SHARES ISSUABLE UPON THE CONVERSION OF ANY PREFERRED SHARES TO BE ACCEPTED FOR PAYMENT AND PAID FOR BY PURCHASER PURSUANT TO THE PREFERRED STOCK OFFER) AND (II) ANY WAITING PERIOD UNDER THE HART-SCOTT-RODINO ANTITRUST IMPROVEMENTS ACT OF 1976, AS AMENDED, APPLICABLE TO THE PURCHASE OF THE COMMON SHARES PURSUANT TO THE COMMON STOCK OFFER HAVING EXPIRED OR BEEN TERMINATED (THE "HSR CONDITION"). THE PREFERRED STOCK OFFER IS CONDITIONED UPON THE PURCHASER HAVING ACCEPTED FOR PAYMENT AND PAID FOR THE COMMON SHARES PURSUANT TO THE COMMON STOCK OFFER.

Enclosed for your information and use are copies of the following documents:

1. Offer to Purchase, dated November 24, 1998;

2. Letters of Transmittal to be used by holders of Shares in accepting the Offer and tendering Shares;

3. Notice of Guaranteed Delivery to be used to accept the Offer if the Shares and all other required documents are not immediately available or cannot be delivered to First Chicago Trust Company of New York (the "Depositary") by the Expiration Date (as defined in the Offer to Purchase) or if the procedure for book-entry transfer cannot be completed by the Expiration Date;

4. A letter to stockholders of the Company from Joseph R. O'Gorman, Chairman of the Board, Chief Executive Officer, and President of the Company, together with a Solicitation/Recommendation Statement on Schedule 14D-9 filed with the Securities and Exchange Commission by the Company;

5. A letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Offer;

6. Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to the Depositary.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFERS AND WITHDRAWAL RIGHTS EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company pursuant to the procedure set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof) properly completed and duly executed, with any required signature guarantees (or in the case of a book-entry transfer, an Agent's message) and (iii) any other documents required under the Letter of Transmittal.

A stockholder who desires to tender Shares and whose certificates evidencing such Shares are not immediately available, or who cannot comply with the procedure for book-entry transfer on a timely basis, may tender such Shares by following the procedure for guaranteed delivery set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase.

Purchaser will not pay any fees or commissions to any broker, dealer or other person (other than the Dealer Manager, the Depositary and the Information Agent as described in the Offer) in connection with the solicitation of tenders of Shares pursuant to the Offer. However, Purchaser will reimburse you for customary mailing and handling expenses incurred by you in forwarding any of the enclosed materials to your clients. Purchaser will pay or cause to be paid any stock transfer taxes payable with respect to the transfer of Shares to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Any inquiries you may have with respect to the Offer should be addressed to Morgan Stanley & Co. Incorporated, the Dealer Manager, or D. F. King & Co., Inc. (the "Information Agent") at their address and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed material may be obtained from the Information Agent, at the address and telephone number set forth on the back cover page of the Offer to Purchase.

VERY TRULY YOURS,
BONANZA ACQUISITIONS, INC.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF PARENT, PURCHASER, THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY, OR OF ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR TO MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS CONTAINED THEREIN.

OFFERS TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK

AND

ANY AND ALL OUTSTANDING SHARES OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK

OF

RENO AIR, INC.

AT

$7.75 NET PER SHARE OF COMMON STOCK

AND

$27.50 NET PER SHARE OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
(SUBJECT TO REDUCTION AS PROVIDED IN THE OFFER TO PURCHASE)

BY

BONANZA ACQUISITIONS, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF

AMR CORPORATION

THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME,
ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

To Our Clients:

Enclosed for your consideration are an Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), and a related Letter of Transmittal in connection with the offer by Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), to purchase all outstanding shares of Common Stock, $0.01 par value per share (the "Common Shares") and any and all outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Preferred Shares"; and together with the Common Shares, "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), at a price of $7.75 per Common Share and $27.50 per Preferred Share plus accrued and unpaid dividends, subject to reduction as provided in the Offer to Purchase, in each case net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer").

We are (or our nominee is) the holder of record of Shares held by us for your account. A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to have us tender on your behalf any or all of the Shares held by us for your account, upon the terms and subject to the conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is $7.75 per Common Share and $27.50 per Preferred Share plus accrued and unpaid dividends, subject to reduction as provided in the Offer to Purchase, in each case net to the seller in cash, without interest.

2. The Offer is being made for all outstanding Common Shares and any and all outstanding Preferred Shares.

3. The Board of Directors of the Company unanimously has determined that the Merger Agreement (as defined in the Offer to Purchase) and the transactions contemplated thereby, including the Offers and the Merger (each as defined in the Offer to Purchase), taken together, are fair to, and in the best interests of, the holders of the Common Stock and has approved and adopted the Merger Agreement, the Offers and the transactions contemplated thereby, and recommends that the Common Stockholders accept and tender their Shares pursuant to the Common Stock Offer and that Preferred Stockholders accept and tender their Shares pursuant to the Preferred Stock Offer.

4. The Offers and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, December 22, 1998, unless either or both of the Offers are extended.

5. The Common Stock Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Common Stock Offer at least a majority of the Common Shares then outstanding on a fully diluted basis (including, without limitation, all Common Shares issuable upon the conversion of any convertible securities or upon the exercise of any options, warrants or rights, but excluding, for purposes of such calculation, Common Shares issuable upon the conversion of any Preferred Shares to be accepted for payment and paid for by Purchaser pursuant to the Preferred Stock Offer) and (ii) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the purchase of the Common Shares pursuant to the Common Stock Offer having expired or been terminated. The Preferred Stock Offer is conditioned upon the Purchaser having accepted for payment and paid for the Common Shares pursuant to the Common Stock Offer.

6. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in Instruction 6 of the Letter of Transmittal, stock transfer taxes with respect to the sale and transfer of any Shares by Purchaser pursuant to the Offer.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing and returning to us the instruction form contained in this letter. An envelope in which to return your instructions to us is enclosed. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified in your instructions. YOUR INSTRUCTIONS SHOULD BE FORWARDED TO US IN AMPLE TIME TO PERMIT US TO SUBMIT A TENDER ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal, and is being made to all holders of Shares. Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTIONS WITH RESPECT TO THE
OFFERS TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND ANY AND ALL OUTSTANDING SHARES OF SERIES A
CUMULATIVE CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
OF RENO AIR, INC.
BY BONANZA ACQUISITIONS, INC.

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase, dated November 24, 1998, and the related Letter of Transmittal (which together constitute the "Offer") in connection with the offer by Bonanza Acquisitions, Inc., a Nevada corporation and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation, to purchase all outstanding shares of Common Stock, $0.01 par value per share (the "Common Shares") and any and all outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Preferred Shares"; and together with the Common Shares, the "Shares"), of Reno Air, Inc., a Nevada corporation.

This will instruct you to tender the number of Shares indicated below (or, if no number is indicated below, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

DATED: , 199

Number of Shares
to be Tendered:
Common Shares*
Preferred Shares*

SIGN HERE

SIGNATURE(S)

PLEASE TYPE OR PRINT NAME(S)
PLEASE TYPE OR PRINT ADDRESS
AREA CODE AND TELEPHONE NUMBER
TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER

- ------------------------------

* Unless otherwise indicated, it will be assumed that all Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER.--Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF-	FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF-
1. An individual's account	The individual	8. Sole proprietorship	The owner(4)
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)	9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
3. Husband and wife	The actual owner of the account or, if joint funds, either person(1)	10. Corporate account	The corporation
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)	11. Religious, charitable, or educational organization account	The organization
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)	12. Partnership account	The partnership
6. Account in the name of guardian or committee for a designated ward, minor or incompetent person	The ward, minor, or incompetent person(3)	13. Association, club, or other tax-exempt organization	The organization
7. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)	14. A broker or registered nominee	The broker or nominee
b. So-called trust account that is not a legal or valid trust under state law.	The actual owner(1)	15. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish.

(2) Circle the minor's name and furnish the minor's social security number.

(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.

(4) Show the name of the owner. If the owner does not have an employer identification number, furnish the owner's social security number.

(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

OBTAINING A NUMBER

If you do not have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card (for individuals), or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), at the local office of the Social Security Administration or the Internal Revenue Service (the "IRS") and apply for a number.

PAYEES AND PAYMENTS EXEMPT FROM BACKUP WITHHOLDING

The following is a list of payees exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except item (9). For broker transactions, payees listed in items (1) through (13) and a person registered under the Investment Advisors Act of 1940 who regularly acts as a broker are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7), except a corporation (other than certain hospitals described in Regulations section 1.6041-3(c)) that provides medical and health care services or bills and collects payments for such services is not exempt from backup withholding or information reporting. Only payees described in items (1) through (5) are exempt from backup withholding for barter exchange transactions and patronage dividends.

(1) An organization exempt from tax under section 501(a), or an IRA, or a custodial account under section 403(b)(7), if the account satisfies the requirements of section 401(f)(2).

(2) The United States or any of its agencies or instrumentalities.

(3) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities.

(4) A foreign government or any of its political subdivisions, agencies or instrumentalities.

(5) An international organization or any of its agencies or instrumentalities.

(6) A corporation.

(7) A foreign central bank of issue.

(8) A dealer in securities or commodities required to register in the United States, the District of Columbia or a possession of the United States.

(9) A futures commission merchant registered with the Commodity Futures Trading Commission.

(10) A real estate investment trust.

(11) An entity registered at all times during the tax year under the Investment Company Act of 1940.

(12) A common trust fund operated by a bank under section 584(a).

(13) A financial institution.

(14) A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List.

(15) A trust exempt from tax under section 664 or described in section 4947.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- - Payments to nonresident aliens subject to withholding under section 1441.

- - Payments to partnerships not engaged in a trade or business in the U.S. and which have at least one nonresident alien partner.

- - Payments of patronage dividends where the amount received is not paid in money.

- - Payments made by certain foreign organizations.

- - Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- - Payments of interest on obligations issued by individuals. Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- - Payments of tax-exempt interest (including exempt-interest dividends under section 852).

- - Payments described in section 6049(b)(5) to non-resident aliens.

- - Payments on tax-free covenant bonds under section 1451.

- - Payments made by certain foreign organizations.

- - Payments made to a nominee.

Exempt payees described above should file substitute Form W-9 to avoid possible erroneous backup withholding. FILE THIS FORM WITH THE PAYER, FURNISH YOUR TAXPAYER IDENTIFICATION NUMBER, WRITE "EXEMPT" ON THE FACE OF THE FORM, SIGN AND DATE THE FORM AND RETURN IT TO THE PAYER. IF YOU ARE A NON-RESIDENT ALIEN OR A FOREIGN ENTITY NOT SUBJECT TO BACKUP WITHHOLDING, FILE WITH PAYER A COMPLETED INTERNAL REVENUE FORM W-8 (CERTIFICATE OF FOREIGN STATUS).

Certain payments other than interest, dividends and patronage dividends that are not subject to information reporting are also not subject to backup withholding. For details, see the regulations under sections 6041, 6041A, 6045 and 6050A.

PRIVACY ACT NOTICE.--Section 6109 requires most recipients of dividend, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. The IRS uses the numbers for identification purposes. Payers must be given the numbers whether or not recipients are required to file tax returns. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER.--If you fail to furnish your correct taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING.--If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION.--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE.

THIS ANNOUNCEMENT IS NEITHER AN OFFER TO PURCHASE NOR A SOLICITATION OF AN OFFER TO SELL SHARES (AS DEFINED BELOW). THE OFFER (AS DEFINED BELOW) IS MADE SOLELY BY THE OFFER TO PURCHASE DATED NOVEMBER 24, 1998 AND THE RELATED LETTER OF TRANSMITTAL AND IS BEING MADE TO ALL HOLDERS OF SHARES. PURCHASER IS NOT AWARE OF ANY JURISDICTION WHERE THE MAKING OF THE OFFER IS PROHIBITED BY ADMINISTRATIVE OR JUDICIAL ACTION PURSUANT TO ANY VALID STATE STATUTE. IF PURCHASER BECOMES AWARE OF ANY VALID STATE STATUTE PROHIBITING THE MAKING OF THE OFFER OR THE ACCEPTANCE OF SHARES PURSUANT THERETO, PURCHASER WILL MAKE A GOOD FAITH EFFORT TO COMPLY WITH SUCH STATE STATUTE. IF, AFTER SUCH GOOD FAITH EFFORT, PURCHASER CANNOT COMPLY WITH SUCH STATE STATUTE, THE OFFER WILL NOT BE MADE TO (NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF) THE HOLDERS OF SHARES IN SUCH STATE. IN ANY JURISDICTION WHERE THE SECURITIES, BLUE SKY OR OTHER LAWS REQUIRE THE OFFER TO BE MADE BY A LICENSED BROKER OR DEALER, THE OFFER SHALL BE DEEMED TO BE MADE ON BEHALF OF PURCHASER BY ONE OR MORE REGISTERED BROKERS OR DEALERS LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

NOTICE OF OFFERS TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
AND
ANY AND ALL OUTSTANDING SHARES OF SERIES A CUMULATIVE
CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
OF
RENO AIR, INC.
AT
$7.75 NET PER SHARE OF COMMON STOCK
AND
$27.50 NET PER SHARE OF SERIES A CUMULATIVE
CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
(SUBJECT TO REDUCTION AS PROVIDED IN THE OFFER TO PURCHASE)
BY
BONANZA ACQUISITIONS, INC.
A WHOLLY OWNED SUBSIDIARY OF
AMERICAN AIRLINES, INC.
A WHOLLY OWNED SUBSIDIARY OF
AMR CORPORATION

Bonanza Acquisitions, Inc., a Nevada corporation ("Purchaser") and a wholly owned subsidiary of American Airlines, Inc., a Delaware corporation ("Parent"), a wholly owned subsidiary of AMR Corporation, a Delaware corporation, is (i) offering to purchase (the "Common Stock Offer") all of the issued and outstanding shares of Common Stock, $0.01 par value per share (the "Common Shares") and (ii) offering to purchase (the "Preferred Stock Offer") any and all of the issued and outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share (the "Preferred Shares"; and together with the Common Shares, "Shares"), of Reno Air, Inc., a Nevada corporation (the "Company"), at a price of $7.75 per Common Share or any higher amount paid per Common Share pursuant to the Common Stock Offer, and $27.50 per Preferred Share or any higher amount paid per Preferred Share pursuant to the Preferred Stock Offer (plus accrued and unpaid dividends), in each case net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 24, 1998 (the "Offer to Purchase"), and in the related Letters of Transmittal (which, together with the Preferred Stock Offer and the Common Stock Offer, collectively constitute the "Offer"). The price offered by Purchaser to purchase Preferred Shares shall be reduced from $27.50 (plus accrued and unpaid dividends) to $27.33 (plus accrued and unpaid dividends) in the event the holders of Preferred Shares become entitled to the regular quarterly dividend for the first quarter of 1999, which the Company is expected to pay on March 15. The price offered by Purchaser to purchase Preferred Shares is subject to further reduction in the event that holders of Preferred Shares become entitled to subsequent quarterly dividends. Following the Offer, Purchaser intends to effect the Merger described below.

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THE OFFERS AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, DECEMBER 22, 1998, UNLESS EITHER OR BOTH OF THE OFFERS ARE EXTENDED.

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The Common Stock Offer is conditioned upon, among other things, (i) there being validly tendered and not withdrawn prior to the expiration of the Common Stock Offer at least a majority of the Common Shares then outstanding on a fully diluted basis (the "Minimum Condition") (including, without limitation, all Common Shares issuable upon the conversion of any convertible securities or upon the exercise of any options, warrants or rights, but excluding, for purposes of such calculation, Common Shares issuable upon the conversion of any Preferred Shares to be accepted for payment and paid for by Purchaser pursuant to the Preferred Stock Offer) and (ii) any waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, applicable to the purchase of the Common Shares pursuant to the Common Stock Offer having expired or been terminated (the "HSR Condition"). The Preferred Stock Offer is conditioned upon Purchaser having accepted for payment and paid for the Common Shares pursuant to the Common Stock Offer.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of November 19, 1998 (the "Merger Agreement"), among Parent, Purchaser and the Company. The Merger Agreement provides, among other things, that after the purchase of Shares pursuant to the Offer, the approval of the Merger by the stockholders of the Company and the satisfaction of the other conditions set forth in the Merger Agreement and in accordance with the relevant provisions of the laws of the State of Nevada applicable to corporations ("Nevada Law"), Purchaser will be merged with and into the Company, and the Shares will be converted into the right to receive cash (the "Primary Merger") or, under the circumstances described below, the Common Shares will be converted into the right to receive cash and the Preferred Shares shall remain issued and outstanding (the "Alternative Merger"; the Primary Merger, together with the Alternative Merger being collectively referred to as the "Merger"). Following consummation of the Merger, the Company will continue as the surviving corporation (the "Surviving Corporation") and will become a subsidiary of Parent. At the effective time of the Merger (the "Effective Time"), (a) each Common Share issued and outstanding immediately prior to the Effective Time (other than any Common Shares held in the treasury of the Company or owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent, and other than Common Shares held by stockholders who shall have demanded and perfected appraisal rights, if any, under Nevada Law) will be canceled and converted automatically into the right to receive an amount of cash equal to the amount paid per Common Share pursuant to the Common Stock Offer, and (b) each Preferred Share issued and outstanding immediately prior to the Effective Time (other than any Preferred Shares held in the treasury of the Company or owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent, and other than Preferred Shares held by stockholders who shall have demanded and perfected appraisal rights, if any, under Nevada Law) will, pursuant to the Primary Merger, be canceled and converted automatically into the right to receive an amount of cash which will initially be equal to the amount paid per Preferred Share pursuant to the Preferred Stock Offer. However, such amount will be reduced based upon the number of regular quarterly Preferred Stock dividends to which the holders of Preferred Shares become entitled prior to the Effective Time. Unless holders of at least 662/3% of the Preferred Shares shall have voted to approve the Merger Agreement and the Primary Merger, the Alternative Merger shall be effected instead of the Primary Merger, and each Preferred Share shall instead remain issued and outstanding as a share of the Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share, of the Surviving Corporation, subject to the terms and conditions of the Certificate of Designations of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share of the Company.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY HAS DETERMINED THAT THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFERS AND THE MERGER, TAKEN TOGETHER, ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE HOLDERS OF THE COMMON STOCK AND HAS APPROVED AND ADOPTED THE MERGER AGREEMENT, THE OFFERS AND THE TRANSACTIONS CONTEMPLATED THEREBY, AND RECOMMENDS THAT THE COMMON STOCKHOLDERS ACCEPT, AND TENDER THEIR SHARES PURSUANT TO, THE COMMON STOCK OFFER, AND THAT PREFERRED STOCKHOLDERS ACCEPT, AND TENDER THEIR SHARES PURSUANT TO, THE PREFERRED STOCK OFFER.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Shares validly tendered and not properly withdrawn as, if and when Purchaser gives written notice to First Chicago Trust Company of New York (the "Depositary") of Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payments from Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. Under no circumstances will interest on the purchase price for Shares be paid, regardless of any delay in making such payment. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation (a "Book-Entry Confirmation") of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in "Section 2. Acceptance for Payment and Payment for Shares" of the Offer to Purchase) pursuant to the procedure set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase, (ii) the Letter of Transmittal (or a facsimile thereof), properly completed and duly executed, with any required signature guarantees or an Agent's Message (as defined in Section 3 of the Offer to Purchase) in connection with the book-entry transfer and (iii) any other documents required under the Letter of Transmittal.

Subject to the applicable regulations of the Securities and Exchange Commission, Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, (i) to delay acceptance for payment of, or, regardless of whether such Shares were theretofore accepted for payment, payment for, any Shares pending receipt of any regulatory approval specified in "Section 15. Certain Legal Matters and Regulatory Approvals" of the Offer to Purchase, (ii) to terminate the Offer and not accept for payment any Shares upon the occurrence of any of the conditions specified in "Section 14. Certain Conditions of the Offer" of the Offer to Purchase and (iii) to waive any condition (other than the HSR Condition) or otherwise amend the Offer in any respect, by giving written notice of such extension, delay, termination, waiver or amendment to the Depositary and by making a public announcement thereof. Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement to be made no later than 9:00 a.m., New York City time, on the next business day after the

previously scheduled expiration date of the Offer. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder's Shares.

Tenders of Shares made pursuant to an Offer are irrevocable except that such Shares may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Tuesday, December 22, 1998 (or the latest time and date at which the Offer, if extended by Purchaser, shall expire), and, unless theretofore accepted for payment by Purchaser pursuant to such Offer, may also be withdrawn at any time after January 22, 1999. For the withdrawal to be effective, a written, telegraphic, telex or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover page of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in "Section 3. Procedures for Accepting the Offer and Tendering Shares" of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn Shares. All questions as to the form and validity (including the time of receipt) of any notice of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the related Letters of Transmittal will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

THE OFFER TO PURCHASE AND THE RELATED LETTERS OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

Questions and requests for assistance or for additional copies of the Offer to Purchase and the related Letters of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below, and copies will be furnished promptly at Purchaser's expense. No fees or commissions will be paid to brokers, dealers or other persons (other than the Information Agent and the Dealer Manager) for soliciting tenders of Shares pursuant to the Offer.

THE INFORMATION AGENT FOR THE OFFER IS:
D.F. KING & CO., INC.
77 Water Street
New York, New York 10005
Toll Free: 1-800-347-4750
or
Call Collect: (212) 269-5550

THE DEALER MANAGER FOR THE OFFER IS:
MORGAN STANLEY DEAN WITTER
Morgan Stanley & Co. Incorporated
1585 Broadway
New York, New York 10036
(212) 761-4638

November 24, 1998

Exhibit 99(a)(10)

TODAY'S NEWS

AMERICAN AIRLINES TO STRENGTHEN ITS NETWORK WITH ACQUISITION OF RENO AIR

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WEBSITE
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Fort Worth, Texas, Nov. 19 / PRNewswire/ -- In order to enhance its overall airline network and strengthen its presence in the Western United States, American Airlines, a subsidiary of AMR Corporation (NYSE: AMR), said today it has signed a definitive merger agreement with Reno Air (Nasdaq: RENO) to acquire Reno Air for a total cash consideration of $124 million.

The merger agreement provides for a cash tender offer which would commence no later than Wednesday, Nov. 25, 1998 to acquire all of the outstanding common shares of Reno Air at $7.75 per share. In addition, American will also tender for any and all of Reno's outstanding 9% Series A Cumulative Convertible Exchangeable Preferred Stock at $27.50 per share.

The board of directors of Reno Air has recommended that stockholders tender their shares pursuant to the offer.

The tender offer for Reno Air common shares shall be conditional upon the valid tender of shares representing a majority of the fully diluted voting power of Reno Air, the expiration or termination of the waiting period under the Hart-Scott-Rodino Act relating to such mergers, and other customary conditions. The parties hope to close the transaction in the first quarter of 1999. All common and preferred shares not purchased will be converted into the right to receive equivalent amounts in a second step merger following the tender offer, except that if fewer than two-thirds of the preferred shares support the merger, such shares shall remain outstanding as identical preferred shares of the surviving corporation of the merger.

American, which has had a marketing partnership with Reno Air since 1993, said there is virtually no overlap on the routes served by the two carriers.

"Acquiring Reno will give our customers the benefits of a more comprehensive travel network throughout the U.S. and around the globe," said Don Carty, chairman and CEO of AMR and American Airlines. "Reno's West Coast route system will enhance both the AA network and the networks of our oneworld partners."

Upon approval of the transaction, American will integrate Reno Air into its operations after all the details of employee and fleet integration are decided.

"Our customers have told us they want the AA brand more accessible in the West, where we already have a strong east-west presence. This acquisition will offer more service options for our customers and those of our global airline partners, most notably those connecting to and from Cathay Pacific, Qantas and Canadian Airlines," said Carty.

"As importantly, this linkage will benefit the employees fo both carriers as AA grows stronger, creating more and better job opportunities," he added.

Carty indicated that American was forced to withdraw from the West Coast in the early 1990s, eventually closing its San Jose, Calif., hub and entering into an AAdvantage frequent flyer partnership with Reno Air to maintain a West Coast presence. "Since then, we have vastly strengthened our overall domestic and international route network and have entered into alliances with a number of carriers, all of which will make us a much more vigorous competitor in the west," Carty said.

The company said specific integration and operating plans will not be discussed publicly pending regulatory approval.

Current AMR Corp. news releases can be accessed via the internet.

The address is HTTP://WWW.AMRCORP.COM/CORPCOMM.HTM

Exhibit 99(c)(1)

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

Among

AMERICAN AIRLINES, INC.

BONANZA ACQUISITIONS, INC.

and

RENO AIR, INC.

Dated as of November 19, 1998

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Glossary of Defined Terms

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is entered into as of this 19th day of November, 1998, by and among American Airlines, Inc., a Delaware corporation ("Parent"), Bonanza Acquisitions, Inc., a Nevada corporation and a wholly owned subsidiary of Parent ("Purchaser"), and Reno Air, Inc., a Nevada corporation (the "Company").

BACKGROUND STATEMENT

The Board of Directors of the Company has determined that it is in the best interests of the Company and its stockholders, and the Boards of Directors of Parent and Purchaser have determined that it is in the best interests of Parent and Purchaser, for Parent to acquire the Company. In furtherance of such acquisition, it is proposed that Purchaser shall make a cash tender offer (the "Common Stock Offer") to acquire all the issued and outstanding shares of Common Stock, $0.01 par value per share, of the Company ("Company Common Stock"; shares of Company Common Stock being hereinafter collectively referred to as "Common Shares") for $7.75 per Common Share (such amount, or any greater amount per Common Share paid pursuant to the Common Stock Offer, being hereinafter referred to as the "Per Common Share Amount"), net to the seller in cash. In addition, Purchaser shall make a cash tender offer (the "Preferred Stock Offer; and together with the Common Stock Offer, the "Offers"), to acquire any and all of the issued and outstanding shares of Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share, of the Company ("Company Preferred Stock"; shares of Company Preferred Stock being hereinafter collectively referred to as "Preferred Shares"; and together with the Common Shares, the "Shares") for $27.50 per Preferred Share plus accrued and unpaid dividends through the date Purchaser accepts for payment the Preferred Shares (such amount, subject to reduction as described herein, or any greater amount per Preferred Share paid pursuant to the Preferred Stock Offer, being hereinafter referred to as the "Per Preferred Share Amount"; and together with the Per Common Share Amount, the "Per Share Amounts")), net to the seller in cash. The Board of Directors of the Company (the "Board") has unanimously approved the making of the Offers and resolved and agreed to recommend that holders tender their Common Shares and Preferred Shares pursuant to the Offers. Also, in furtherance of such acquisition, the Boards of Directors of Parent, Purchaser and the Company have each approved the merger of Purchaser with and into the Company in accordance with the General Corporation Law of the State of Nevada ("Nevada Law") and Article II hereof following the consummation of the Offers pursuant to which the remaining Shares shall be converted into the right to receive cash (the "Primary Merger") or the Common Shares will be converted into the right to receive cash and the Preferred Shares shall remain issued and outstanding (the "Alternative Merger"; the Primary Merger, together with the Alternative Merger, being hereinafter collectively referred to as the "Merger").

STATEMENT OF THE AGREEMENT

In consideration of the mutual promises, covenants, representations, and warranties made herein and of the mutual benefits to be derived here from, Parent, Purchaser, and the Company agree as follows:

ARTICLE I

THE OFFERS

SECTION 1.01. The Offers. (a) Provided that this Agreement shall not have been terminated in accordance with Section 8.01 and none of the events set forth in Annex A hereto shall have occurred or be existing, Purchaser shall commence the Offers as promptly as reasonably practicable after the date hereof, but in no event later than five business days after the initial public announcement of Purchaser's intention to commence the Offers. The obligation of Purchaser to accept for payment and pay for Common Shares tendered pursuant to the Common Stock Offer shall be subject to the condition (the "Minimum Condition") that the number of Common Shares validly tendered and not withdrawn prior to the expiration of the Common Stock Offer shall constitute at least a majority of the then outstanding Common Shares on a fully diluted basis (including, without limitation, all Common Shares issuable upon the conversion of any convertible securities or upon the exercise of any options, warrants or rights, but excluding Common Shares issuable upon the conversion of any Preferred Shares to be accepted for payment and paid for by Purchaser pursuant to the Preferred Stock Offer) and also shall be subject to the satisfaction of the other conditions set forth in Annex A hereto. The obligation of Purchaser to accept for payment and pay for Preferred Shares tendered pursuant to the Preferred Stock Offer is subject to the condition that Purchaser has accepted for payment and paid for the Common Shares tendered pursuant to the Common Stock Offer. Purchaser expressly reserves the right to waive any such condition (other than the Minimum Condition or the HSR Condition (as defined below)), to increase the price per Common Share or Preferred Share payable in the Offers, and to make any other changes in the terms and conditions of the Offers; provided, however, that no change may be made which decreases the price per Share payable in the Offers (other than as herein provided in respect of the Preferred Shares), which changes the form of consideration to be paid in the Offers, or which reduces the maximum number of Shares to be purchased in the Offers, or which extends the expiration date of the Offers (which shall initially be twenty (20) business days), or which imposes conditions to the Offers in addition to those set forth in Annex A hereto; provided, further, however, that subject to the right of the parties to terminate this Agreement pursuant to Section 8.01, the Common Stock Offer (i) shall be extended (A) if, at the scheduled expiration of the Offers, the condition to the Common Stock Offer relating to the expiration of the required waiting periods under the HSR Act (the "HSR Condition") shall not be satisfied, until such time as such condition is satisfied, and (B) for any period required

by any rule, regulation or interpretation of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Common Stock Offer and (ii) may be extended (A) if, at the

scheduled expiration of the Offers, any of the conditions to the Common Stock Offer set forth in Annex A hereto shall not be satisfied or waived, until such time as such condition is satisfied or waived, and (B) for a period of not more than ten (10) business days if Purchaser determines in its sole discretion to so extend the Common Stock Offer, provided that this Agreement may not be terminated pursuant to Section 8.01(b), (c) or (d) during any extension pursuant to this clause (ii)(B). Purchaser may extend the Preferred Stock Offer for a period of not more than twenty (20) business days after the date upon which Purchaser accepts for payment and pays for Common Shares pursuant to the Common Stock Offer, if the number of Preferred Shares validly tendered and not withdrawn prior to such date shall constitute less than 662/3% of the then outstanding Preferred Shares. The Preferred Share Amount shall be reduced to the amount set forth in Annex B opposite the dividend payment date for the dividend most recently declared by the Board which has or had a record date prior to the time Purchaser accepts Preferred Shares for payment pursuant to the Preferred Stock Offer. The Per Share Amounts shall, subject to applicable withholding of taxes, be net to the seller in cash, upon the terms and subject to the conditions of the Offers. Subject to the terms and conditions of the Offers, Purchaser shall pay, as promptly as practicable after expiration of each Offer, for all Shares validly tendered to and not withdrawn from such Offer.

(b) As soon as reasonably practicable on the date of commencement of the Offers, Purchaser shall file with the SEC a Tender Offer Statement on Schedule 14D-1 (together with all amendments and supplements thereto, the "Schedule 14D-1") with respect to the Offers, and take all steps necessary to cause the Offer Documents (as defined below) to be disseminated to holders of Common Shares and Preferred Shares as and to the extent required by applicable federal securities laws. The Schedule 14D-1 shall contain or shall incorporate by reference an offer to purchase (the "Offer to Purchase") and forms of the related letter of transmittal and any related summary advertisement (the Schedule 14D-1, the Offer to Purchase and such other documents, together with all supplements and amendments thereto, being referred to herein collectively as the "Offer Documents"). Parent, Purchaser and the Company agree to correct promptly any information provided by any of them for use in the Offer Documents which shall have become false or misleading, and Parent and Purchaser further agree to take all steps necessary to cause the Schedule 14D-1 as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to holders of Common Shares and Preferred Shares, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given an opportunity to review and comment on the Schedule 14D-1 and any amendments thereto prior to the filing thereof with the SEC. Parent and Purchaser will provide the Company and its counsel with a copy of any written comments or telephonic notification of any verbal comments Parent or Purchaser may receive from the SEC or its staff with respect to the Offer Documents promptly after

the receipt thereof and will provide the Company and its counsel with a copy of any written responses and telephonic notification of any verbal response of Parent, Purchaser or its counsel.

SECTION 1.02. Company Action. (a) The Company hereby approves of and consents to the Offers and represents that (i) the Board, at a meeting duly called and held on November 18, 1998, unanimously has (A) determined that this Agreement and the Transactions contemplated hereby, including each of the Offers and the Merger, taken together, are fair to and in the best interests of the holders of the Common Shares, (B) approved and adopted this Agreement, the Offers and the transactions contemplated hereby and thereby (including, without limitation, for purposes of Section 78.438 of the Nevada Law), (C) amended the Company's By-Laws to provide that the provisions of Sections 78.378 through 78.3793 of the Nevada Law shall not apply to the Company and to permit the stockholders of the Company to take action by written consent and (D) recommended that the stockholders of the Company accept the Offers and approve and adopt this Agreement and the transactions contemplated hereby, and (ii) SalomonSmithBarney Inc has delivered to the Board a written opinion that the consideration to be received by the holders of the Common Shares pursuant to the Common Stock Offer and the Merger, taken together, is fair to the holders of such Shares from a financial point of view. Subject to the fiduciary duties of the Board under applicable law as advised in writing by independent counsel, the Company hereby consents to the inclusion in the Offer Documents of the recommendation of the Board described in the immediately preceding sentence. The Company has been advised by each of its directors and executive officers that they intend either to tender all the Shares beneficially owned by them to Purchaser pursuant to the Offers or to vote the Shares beneficially owned by them in favor of the approval and adoption by the stockholders of the Company of this Agreement and the transactions contemplated hereby.

(b) As soon as reasonably practicable on the date of commencement of the Offers, the Company shall file with the SEC a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all amendments and supplements thereto, the "Schedule 14D-9") containing, subject to the fiduciary duties of the Board under applicable law as advised in writing by independent counsel, the recommendation of the Board described in Section 1.02(a) and shall disseminate the Schedule 14D-9 to the extent required by Rule 14d-9 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any other applicable federal securities laws. The Company, Parent and Purchaser agree to correct promptly any information provided by any of them for use in the Schedule 14D-9 which shall have become false or misleading, and the Company further agrees to take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to holders of the Shares, in each case as and to the extent required by applicable federal securities laws. Parent, Purchaser and their counsel shall be given an opportunity to review and comment on the Schedule 14D-9 and any amendments thereto prior to the filing thereof with the SEC. The Company will provide Parent and Purchaser and their counsel with a copy of any written comments or telephonic notification of any verbal comments the Company may receive from the SEC or its staff with respect to the Offer Documents promptly

after the receipt thereof and will provide Parent and Purchaser and their counsel with a copy of any written responses and telephonic notification of any verbal response of the Company or its counsel.

(c) The Company shall promptly cause to be furnished to Purchaser mailing labels containing the names and addresses of all record holders of the Shares and with security position listings of the Shares held in stock depositories, each as of a recent date, together with all other available listings and computer files containing names, addresses and security position listings of record holders and beneficial owners of the Shares. The Company shall furnish Purchaser with such additional information, including, without limitation, updated listings and computer files of stockholders, mailing labels and security position listings, and such other assistance as Parent, Purchaser or their agents may reasonably request. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Offers and the Merger, Parent and Purchaser shall hold in confidence the information contained in such labels, listings and files, shall use such information only in connection with the Offers and the Merger, and, if this Agreement shall be terminated in accordance with Section 8.01, shall deliver to the Company all copies of such information then in their possession.

ARTICLE II

THE MERGER

SECTION 2.01. The Merger. Upon the terms and subject to the conditions set forth in Article VII, and in accordance with Nevada Law, at the Effective Time (as hereinafter defined) Purchaser shall be merged with and into the Company. As a result of the Merger, the separate corporate existence of Purchaser shall cease and the Company shall continue as the surviving corporation of the Merger (the "Surviving Corporation").

SECTION 2.02. Effective Time; Closing. As promptly as practicable after the satisfaction or, if permissible, waiver of the conditions set forth in Article VII, the parties hereto shall cause the Merger to be consummated by filing this Agreement or articles of merger (in either case, the "Articles of Merger") with the Secretary of State of the State of Nevada, in such form as is required by, and executed in accordance with the relevant provisions of, Nevada Law (the date and time of such filing being the "Effective Time"). Prior to such filing, a closing shall be held at the offices of American Airlines, Inc., 4333 Amon Carter Boulevard, Fort Worth, Texas 78155, or such other place as the parties shall agree, for the purpose of confirming the satisfaction or waiver, as the case may be, of the conditions set forth in Article VII.

SECTION 2.03. Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of Nevada Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Purchaser shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, disabilities and duties of the Company and Purchaser shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Corporation.

SECTION 2.04. Articles of Incorporation; By-laws. (a) Unless otherwise determined by Parent prior to the Effective Time, at the Effective Time (i) if the Primary Merger is effected, the Articles of Incorporation of Purchaser, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation, until thereafter amended as provided by law and such Articles of Incorporation, or (ii) if the Alternative Merger is effected, the Articles of Incorporation of the Company, including, without limitation, the Certificate of Designations of Series A Cumulative Convertible Exchangeable Preferred Stock $.001 par value per share of the Company (the "Certificate of Designations"), as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Articles of Incorporation.

(b) Unless otherwise determined by Parent prior to the Effective Time, at the Effective Time, (i) if the Primary Merger is effected, the By-laws of Purchaser, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided by law, the Articles of Incorporation of the Surviving Corporation and such By-laws or (ii) if the Alternative Merger is effected, the By-laws of the Company, as in effect immediately prior to the Effective Time, shall be the By-laws of the Surviving Corporation until thereafter amended as provided by law, the Articles of Incorporation of the Surviving Corporation and such By-laws.

SECTION 2.05. Directors and Officers. The directors of Purchaser immediately prior to the Effective Time shall be the initial directors of the Surviving Corporation, each to hold office in accordance with the Articles of Incorporation and By-laws of the Surviving Corporation, and the officers of the Company immediately prior to the Effective Time shall be the initial officers of the Surviving Corporation, in each case until their respective successors are duly elected or appointed and qualified.

SECTION 2.06. Conversion of Securities. At the Effective Time, by virtue of the Primary Merger or the Alternative Merger and without any action on the part of Purchaser, the Company or the holders of any of the following securities:

(a) Each Common Share issued and outstanding immediately prior to the Effective Time (other than any Common Shares to be canceled pursuant to Section 2.06(c)

and any Dissenting Shares (as hereinafter defined)) shall, pursuant to the Primary Merger, be canceled and shall be converted automatically into the right to receive an amount equal to the Per Common Share Amount in cash (the "Common Stock Merger Consideration") payable, without interest, to the holder of such Common Share, upon surrender, in the manner provided in Section 2.09, of the certificate that formerly evidenced such Common Share;

(b) Each Preferred Share issued and outstanding immediately prior to the Effective Time (other than any Preferred Shares to be canceled pursuant to Section 2.06(c) and any Dissenting Shares) shall, pursuant to the Primary Merger, be canceled and converted automatically into the right to receive an amount equal to the amount set forth in Annex B opposite the dividend payment date for the dividend most recently declared by the Board which has or had a record date prior to the Effective Time, together with accrued and unpaid dividends through the Effective Time in cash (the "Preferred Stock Merger Consideration"; and together with the Common Stock Merger Consideration, the "Merger Consideration"), payable, without interest, to the holder of such Preferred Share, upon surrender, in the manner provided in Section 2.09, of the certificate that formerly evidenced such Preferred Share, provided, however, that in the event that less than 662/3% of the Preferred Shares have voted to approve this Agreement and the Primary Merger, the Alternative Merger shall be effected instead of the Primary Merger, and each Preferred Share shall remain issued and outstanding as a share of the Series A Cumulative Convertible Exchangeable Preferred Stock, $0.001 par value per share, of the Surviving Corporation, subject to the terms and conditions of the Certificate of Designations. Pursuant to Section 7(e) of the Certificate of Designation, the holder of each Preferred Share shall have the right to convert each such Preferred Share into the amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares or fraction thereof into which such Preferred Shares could have been converted immediately prior to the Effective Time, and such holder shall be entitled pursuant to Section 8 of the Certificate of Designations, to effect such conversion at an adjusted conversion price equal to the Special Conversion Price (as defined in the Certificate of Designation);

(c) Each Share held in the treasury of the Company and each Share owned by Purchaser, Parent or any direct or indirect wholly owned subsidiary of Parent immediately prior to the Effective Time shall be canceled without any conversion thereof and no payment or distribution shall be made with respect thereto, provided, however, that in the event that the Alternative Merger is effected, each Preferred Share shall remain issued and outstanding and shall remain subject to the terms and conditions of the Certificate of Designations; and

(d) Each share of Common Stock, par value $.01 per share, of Purchaser issued and outstanding immediately prior to the Effective Time shall be converted into and

exchanged for one validly issued, fully paid and nonassessable share of Common Stock, par value $.01 per share, of the Surviving Corporation.

SECTION 2.07. Employee Stock Options; Warrants. (a) Immediately prior to the Effective Time, each outstanding option to purchase Common Shares (in each case, an "Option") granted under (i) the Company's 1992 Stock Option Plan, (ii) the Company's Employee Stock Incentive Plan and (iii) the Company's Directors Stock Option Plan (collectively, the "Stock Option Plans"), whether or not then exercisable, shall be canceled by the Company, and each holder of a canceled Option shall be entitled to receive from Purchaser at the same time as payment for Common Shares is made by Purchaser in connection with the closing of the Merger, in consideration for the cancellation of such Option, an amount in cash equal to the product of (x) the number of Common Shares previously subject to such Option and (y) the excess, if any, of the Per Common Share Amount over the exercise price per Common Share previously subject to such Option. The Company agrees to effectuate the cancellation of the Options pursuant to this Section 2.07 by taking such action as may necessary under the Company's 1992 Stock Option Plan, as amended and restated in 1994, the Company's Employee Stock Incentive Plan and the Director's Stock Option Plan.

(b) From and after the Effective Time, pursuant to the Warrants, (as hereinafter defined) the holder of each outstanding Warrant shall, upon the payment of the exercise price under such Warrant, have the right to exercise each such Warrant for an amount of cash equal to the Common Stock Merger Consideration which would be payable as a result of the Merger with respect to the number of Common Shares, or fraction thereof, for which such Warrant could have been exercised immediately prior to the Effective Time.

SECTION 2.08. Dissenting Shares. (a) Notwithstanding any provision of this Agreement to the contrary, Common Shares and Preferred Shares that are outstanding immediately prior to the Effective Time and which are held by stockholders who shall have not voted in favor of the Merger or consented thereto in writing and who shall have demanded properly in writing appraisal for such Common Shares and Preferred Shares in accordance with Nevada Law (collectively, the "Dissenting Shares") shall not be converted into or represent the right to receive the Common Stock Merger Consideration or Preferred Stock Merger Consideration, as applicable. To the extent required under Nevada Law, such stockholders shall be entitled to receive payment of the appraised value of such Shares held by them in accordance with the provisions of such law, except that all Dissenting Shares held by stockholders who shall have failed to perfect or who effectively shall have withdrawn or lost their rights to appraisal of such Shares under such law shall thereupon be deemed to have been converted into and to have become exchangeable for, as of the Effective Time, the right to receive the applicable Merger Consideration, without any interest thereon, upon surrender, in the manner provided in Section 2.09, of the certificate or certificates that formerly evidenced such Shares.

(b) The Company shall give Parent (i) prompt notice of any demands for appraisal received by the Company, withdrawals of such demands, and any other instruments served pursuant to Nevada Law and received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under Nevada Law. The Company shall not, except with the prior written consent of Parent, make any payment with respect to any demands for appraisal or offer to settle or settle any such demands.

SECTION 2.09. Surrender of Shares; Stock Transfer Books. (a) Prior to the Effective Time, Purchaser shall designate a bank or trust company reasonably acceptable to the Company to act as agent (the "Paying Agent") for the holders of Shares in connection with the Merger to receive the funds to which holders of Shares shall become entitled pursuant to Section 2.06(a) and 2.06(b).

(b) Promptly after the Effective Time, the Surviving Corporation shall cause to be mailed to each person who was, at the Effective Time, a holder of record of Shares entitled to receive the Merger Consideration pursuant to Section 2.06(a) or 2.06(b), a form of letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the certificates evidencing such Shares (the "Certificates") shall pass, only upon proper delivery of the Certificates to the Paying Agent) and instructions for use in effecting the surrender of the Certificates pursuant to such letter of transmittal. Upon surrender to the Paying Agent of a Certificate, together with such letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, the holder of such Certificate shall be entitled to receive in exchange therefor the Merger Consideration for each Share formerly evidenced by such Certificate, and such Certificate shall then be canceled. No interest shall accrue or be paid on the Merger Consideration payable upon the surrender of any Certificate for the benefit of the holder of such Certificate. If payment of the Merger Consideration is to be made to a person other than the person in whose name the surrendered Certificate is registered on the stock transfer books of the Company, it shall be a condition of payment that the Certificate so surrendered shall be endorsed properly or otherwise be in proper form for transfer and that the person requesting such payment shall have paid all transfer and other taxes required by reason of the payment of the Merger Consideration to a person other than the registered holder of the Certificate surrendered or shall have established to the satisfaction of the Surviving Corporation that such taxes either have been paid or are not applicable.

(c) At any time following the sixth month after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds which had been made available to the Paying Agent and not disbursed to holders of Common Shares (including, without limitation, all interest and other income received by the Paying Agent in respect of all funds made available to it), and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat and other similar laws) only as general creditors thereof with respect to any Merger Consideration that may be payable upon due surrender of the Certificates held by them. Notwithstanding the foregoing, neither the Surviving Corporation nor the Paying Agent

shall be liable to any holder of a Share for any Merger Consideration delivered in respect of such Share to a public official pursuant to any abandoned property, escheat or other similar law.

(d) At the close of business on the day of the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers of Common Shares or, provided that the Primary Merger (and not the Alternative Merger) has been effected, the Preferred Shares, on the records of the Company. From and after the Effective Time, the holders of Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares except as otherwise provided herein or by applicable law.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Purchaser that:

SECTION 3.01. Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a Material Adverse Effect (as defined below). The Company is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except for such failures to be so qualified or licensed and in good standing that would not, individually or in the aggregate, have a Material Adverse Effect. When used in connection with the Company, the term "Material Adverse Effect" means any change or effect that, when taken together with all other adverse changes and effects that are within the scope of the representations and warranties made by the Company in this Agreement and which are not individually or in the aggregate deemed to have a Material Adverse Effect, is or is reasonably likely to be materially adverse to the business, results of operations or financial condition of the Company, but excluding changes or effects that (x) are directly caused by conditions affecting (A) the United States economy as a whole or (B) the economy of the western region of the United States as a whole or affecting the United States airline industry as a whole, which conditions do not affect the Company in a disproportionate manner, (y) are related to or result from any action or inaction on the part of Parent, Purchaser or any affiliate thereof, including those in connection with the currently existing commercial arrangements between such persons and the Company or (z) are related to or result from the announcement of the Offers or the Merger. Except as set forth in Section 3.01 of the Disclosure Schedule previously delivered by the Company to Parent (the "Disclosure Schedule"), the Company does not directly or indirectly own any equity or similar

interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity.

SECTION 3.02. Articles of Incorporation and By-laws. The Company has heretofore furnished to Parent a complete and correct copy of the Articles of Incorporation and the By-laws, each as amended to date, of the Company. Such Articles of Incorporation and By-laws are in full force and effect. The Company is not in violation of any provision of its Articles of Incorporation or By-laws, except for such violations as would not have a Material Adverse Effect.

SECTION 3.03. Capitalization. The authorized capital stock of the Company consists of 30,000,000 Common Shares and 10,000,000 Preferred Shares. As of September 30, 1998, (i) 10,843,470 Common Shares were issued and outstanding, all of which were validly issued, fully paid and nonassessable, (ii) 1,436,000 Preferred Shares were issued and outstanding, all of which were validly issued, fully paid and nonassessable, (iii) no Common Shares were held in the treasury of the Company, (iv) 3,757,070 Common Shares were reserved for future issuance pursuant to Options granted pursuant to the Company's Stock Option Plans, (v) 4,164,400 Common Shares were reserved for issuance upon the conversion of Preferred Shares, (vi) 65,431 Common Shares were reserved for issuance upon the exercise of the warrants issued pursuant to the Placement Agreement (the "Warrants") dated March 14, 1994 between the Company and Paradise Valley Securities, Inc. (the "Warrant Agreement"), and (vii) 2,875,000 Common Shares were reserved for issuance upon the conversion of the 9% Senior Convertible Notes due September 30, 2002 issued by the Company pursuant to the Indenture dated as of August 15, 1992 between the Company and Fleet National Bank (formerly known as Shawmut Bank Connecticut, National Association) (the "Convertible Notes"). Except as disclosed in Section 3.03 of the Disclosure Schedule, since September 30, 1998 to the date of this Agreement, the Company has not issued any Shares (other than pursuant to the exercise of Options described in the preceding sentence), any warrants or other securities convertible into or exercisable for Shares or granted any Options covering Shares. Except as set forth in this Section 3.03 there are no options, warrants or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of the Company or obligating the Company to issue or sell any shares of capital stock of, or other equity interests in, the Company. All Common Shares subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, will be duly authorized, validly issued, fully paid and nonassessable. There are no outstanding contractual obligations of the Company to repurchase, redeem or otherwise acquire any Shares or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in any other person.

SECTION 3.04. Authority Relative to this Agreement. The Company has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby (the "Transactions"). The execution and delivery of this Agreement by the Company and the consummation by the Company of the Transactions have been duly and validly authorized by all necessary corporate action

and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or to consummate the Transactions (other than, with respect to the Merger, the approval and adoption of this Agreement by the holders of a majority of the then outstanding Common Shares and (in the case of the Primary Merger) at least 662/3% of the Preferred Shares, if and to the extent required by applicable law, and the filing and recordation of appropriate merger documents as required by Nevada Law). This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery by Parent and Purchaser, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

SECTION 3.05. No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement by the Company will not, (i) conflict with or violate the Articles of Incorporation or By-laws of the Company, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to the Company or by which any property or asset of the Company is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any right of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of the Company pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation, except, with respect to clause (iii) above, those events which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) The execution and delivery of this Agreement by the Company do not, and the performance of this Agreement by the Company will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, except (i) for applicable requirements, if any, of the Exchange Act, state securities or "blue sky" laws ("Blue Sky Laws") and state takeover laws, the pre-merger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), and filing and recordation of appropriate merger documents as required by Nevada Law and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or delay consummation of the Offers or the Merger, or otherwise prevent the Company from performing its obligations under this Agreement, and would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 3.06. Compliance. The Company is not in conflict with, nor in default or violation of, (i) any law, rule, regulation, order, judgment or decree applicable to the Company or by which any property or asset of the Company is bound or affected, or (ii) any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Company is a party or by which the Company or any property or asset of the Company is

bound or affected, except for any such conflicts, defaults or violations that would not, individually or in the aggregate, have a Material Adverse Effect.

SECTION 3.07. SEC Filings; Financial Statements. (a) The Company has filed all forms, reports and documents required to be filed by it with the SEC since December 31, 1995, and has heretofore delivered to Parent, in the form filed with the SEC, (i) its Annual Reports on Form 10-K for the fiscal years ended December 31, 1995, 1996, and 1997, respectively, (ii) its Quarterly Reports on Form 10-Q for the periods ended March 31, 1998, June 30, 1998 and September 30, 1998, (iii) its Current Reports on Form 8-K filed on February 4, 1998, March 4, 1998, April 23, 1998, May 7, 1998 and August 26, 1998 and (iv) all proxy statements relating to the Company's meetings of stockholders (whether annual or special) held since January 1, 1996 (other than preliminary proxy materials) and (v) all other forms, reports and other registration statements (other than Quarterly Reports on Form 10-Q not referred to in clause (ii) above) filed by the Company with the SEC since December 31, 1995 (the forms, reports and other documents referred to in clauses (i), (ii), (iii), (iv) and (v) above being referred to herein, collectively, as the "SEC Reports"). The SEC Reports (i) were prepared in all material respects in accordance with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act, as the case may be, and the rules and regulations thereunder and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) Each of the financial statements (including, in each case, any notes thereto) contained in the SEC Reports was prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods indicated (except as may be indicated in the notes thereto) and each fairly presented the financial position, results of operations and changes in financial position of the Company as at the respective dates thereof and for the respective periods indicated therein (subject, in the case of unaudited statements, to normal and recurring year-end adjustments which were not and are not expected, individually or in the aggregate, to have a Material Adverse Effect).

(c) Except as and to the extent set forth on the balance sheet of the Company as at December 31, 1997, including the notes thereto (the "1997 Balance Sheet"), the Company has no liability or obligation of any nature (whether accrued, absolute, contingent or otherwise) which would be required to be reflected on a balance sheet, or in the notes thereto, prepared in accordance with generally accepted accounting principles, except for liabilities and obligations incurred in the ordinary course of business consistent with past practice since December 31, 1997 which would not, individually or in the aggregate, have a Material Adverse Effect.

(d) The Company has heretofore furnished to Parent complete and correct copies of all amendments and modifications that have not been filed by the Company with the SEC to all

agreements, documents and other instruments that previously had been filed by the Company with the SEC and are currently in effect.

SECTION 3.08. Absence of Certain Changes or Events. Since December 31, 1997, except as contemplated by this Agreement or disclosed in any SEC Report filed since December 31, 1997 and prior to the date of this Agreement or described in any press release listed in Section 3.08 of the Disclosure Schedule, the Company has conducted its business only in the ordinary course and in a manner consistent with past practice and, since December 31, 1997, there has not been (i) any change in the business, results of operations or financial condition of the Company having, individually or in the aggregate, a Material Adverse Effect, (ii) any damage, destruction or loss (whether or not covered by insurance) with respect to any property or asset of the Company and having, individually or in the aggregate, a Material Adverse Effect, (iii) any change by the Company in its accounting methods, principles or practices (other than as required by generally accepted accounting principles), (iv) any revaluation by the Company of any asset (including, without limitation, any writing down of the value of inventory or writing off of notes or accounts receivable), other than in the ordinary course of business consistent with past practice, (v) any entry by the Company into any commitment or transaction material to the Company, (vi) any declaration, setting aside or payment of any dividend or distribution in respect of any capital stock of the Company or any redemption, purchase or other acquisition of any of its securities other than regular quarterly dividends on the Preferred Shares not in excess of $0.5625 per Preferred Share or (vii) any increase in or establishment of any bonus, insurance, severance, deferred compensation, pension, retirement, profit sharing, stock option (including, without limitation, the granting of stock options, stock appreciation rights, performance awards, or restricted stock awards), stock purchase or other employee benefit plan, or any other increase in the compensation payable or to become payable to any officers or key employees of the Company, except in the ordinary course of business consistent with past practice.

SECTION 3.09. Absence of Litigation. Except as disclosed in Section 3.09 of the Disclosure Schedule or in the SEC Reports filed prior to the date of this Agreement, there is no claim, action, proceeding or investigation pending or, to the best knowledge of the Company, threatened against the Company, or any property or asset of the Company, before any court, arbitrator or administrative, governmental or regulatory authority or body, domestic or foreign, which (i) individually or in the aggregate, is reasonably likely to have a Material Adverse Effect or (ii) as of the date hereof, seeks to delay or prevent the consummation of any Transaction. As of the date hereof, neither the Company nor any property or asset of the Company is subject to any order, writ, judgment, injunction, decree, determination or award having, individually or in the aggregate, a Material Adverse Effect.

SECTION 3.10. Employee Benefit Plans. (a) Section 3.10 of the Disclosure Schedule contains a true and complete list of all employee benefit plans (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and

all bonus, stock option, stock purchase, restricted stock, incentive, deferred compensation, retiree medical or life insurance, supplemental retirement, severance or other benefit plans, programs or arrangements, and all employment, termination, severance or other contracts or agreements to which the Company is a party, with respect to which the Company has any obligation or which are maintained, contributed to or sponsored by the Company for the benefit of any current or former employee, officer or director of the Company (collectively, the "Plans"). Each Plan is in writing and the Company has previously furnished Parent with a true and complete copy of each Plan and a true and complete copy of each material document prepared in connection with each such Plan, including, without limitation, (i) a copy of each trust or other funding arrangement, (ii) each summary plan description and summary of material modifications, (iii) the most recently filed Internal Revenue Service ("IRS") Form 5500, (iv) the most recently received IRS determination letter for each such Plan, and (v) the most recently prepared actuarial report and financial statement in connection with each such Plan. The Company does not have any express or implied commitment (i) to create or incur material liability with respect to or cause to exist any other employee benefit plan, program or arrangement, (ii) to enter into any contract or agreement to provide compensation or benefits to any individual or (iii) to modify, change or terminate any Plan, other than (x) with respect to a modification, change or termination required by ERISA or the Internal Revenue Code of 1986, as amended (the "Code") or (y) a modification, change or termination which does not materially increase benefit accruals or contributions required to be made by the Company.

(b) None of the Plans is a defined benefit pension plan subject to Title IV of ERISA. None of the Plans is a multiemployer plan, within the meaning of Section 3(37) of ERISA (a "Multiemployer Plan"), or other than as specifically disclosed in Section 3.10 of the Disclosure Schedule, a single employer pension plan, within the meaning of Section 4001(a)(15) of ERISA, for which the Company could incur liability under Section 4063 or 4064 of ERISA (a "Multiple Employer Plan"). Other than as disclosed in Section 3.10 of the Disclosure Schedule, none of the Plans (i) provides for the payment of separation, severance, termination or similar-type benefits to any person, (ii) obligates the Company to pay separation, severance, termination or other benefits as a result of any Transaction or (iii) obligates the Company to make any payment or provide any benefit that could be subject to a tax under Section 4999 of the Code as a result of any Transaction. Except as disclosed in Section 3.10 of the Disclosure Schedule, none of the Plans provides for or promises retiree medical, disability or life insurance benefits to any current or former employee, officer or director of the Company.

(c) Each Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the IRS that such Plan is so qualified, and each trust established in connection with any Plan which is intended to be exempt from federal income taxation under Section 501(a) of the Code has received a determination letter from the IRS that such trust is so exempt. To the knowledge of the Company, no fact or event has occurred since the date of any such determination letter from the IRS that could adversely affect the qualified status of any such Plan or the exempt status of any such trust. Each trust maintained or contributed to by the

Company which is intended to be qualified as a voluntary employees' beneficiary association exempt from federal income taxation under Sections 501(a) and 501 (c)(9) of the Code has received a favorable determination letter from the IRS that it is so qualified and so exempt, and, to the knowledge of the Company, no fact or event has occurred since the date of such determination by the IRS that could adversely affect such qualified or exempt status.

(d) To the knowledge of the Company, there has been no prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Plan. The Company is not currently liable nor has it previously incurred any material liability for any tax or penalty arising under Section 4971, 4972, 4979, 4980 or 4980B of the Code or Section 502(c) of ERISA, and, to the knowledge of the Company, no fact or event exists which could give rise to any such liability. The Company has not incurred any liability under, arising out of or by operation of Title IV of ERISA (other than liability for premiums to the Pension Benefit Guaranty Corporation arising in the ordinary course), including, without limitation, any liability in connection with (i) the termination or reorganization of any employee pension benefit plan subject to Title IV of ERISA or (ii) the withdrawal from any Multiemployer Plan or Multiple Employer Plan, and, to the knowledge of the Company, no fact or event exists which could give rise to any such liability. No complete or partial termination has occurred within the five years preceding the date hereof with respect to any Plan. No reportable event (within the meaning of Section 4043 of ERISA) has occurred or is expected to occur with respect to any Plan subject to Title IV of ERISA. No asset of the Company is the subject of any lien arising under Section 302(f) of ERISA or Section 4 12(n) of the Code; the Company has not been required to post any security under Section 307 of ERISA or Section 401 (a)(29) of the Code; and, to the knowledge of the Company, no fact or event exists which could give rise to any such lien or requirement to post any such security.

(e) Each Plan is in compliance in all material respects in accordance with the requirements of all applicable laws, including, without limitation, ERISA and the Code, and the Company has performed all obligations required to be performed by it under, is not in any respect in default under or in violation of, and has no knowledge of any default or violation by any party to, any Plan. No Plan has incurred an "accumulated funding deficiency" (within the meaning of Section 302 of ERISA or Section 412 of the Code), whether or not waived. All contributions, premiums or payments required to be made with respect to any Plan are fully deductible for income tax purposes and no such deduction previously claimed has been challenged by any government entity. The 1997 Balance Sheet reflects an accrual of all amounts of employer contributions and premiums accrued but unpaid with respect to the Plans.

(f) Other than as specifically disclosed in Section 3.10 of the Disclosure Schedule, the Company has not incurred any liability under, and has complied in all respects with, the Worker Adjustment Retraining Notification Act and the regulations promulgated thereunder ("WARN") and does not reasonably expect to incur any such liability as a result of actions taken or not taken prior to the Effective Time. The Company has previously provided in writing to Parent true and complete

lists of the following: (i) all the employees terminated or laid off by the Company during the 90 days prior to the date hereof and (ii) all the employees of the Company who have experienced a reduction in hours of work of more than 50% during any month during the 90 days prior to the date hereof and describes all notices given by the Company in connection with WARN. The Company will, by written notice to Parent and Purchaser, update such lists to include any such terminations, layoffs and reductions in hours from the date hereof through the Effective Time and will provide Parent and Purchaser with any related information which they may reasonably request.

SECTION 3.11. Labor Matters. Except as set forth in Section 3.11 of the Disclosure Schedule, (i) there are no controversies pending or, to the best knowledge of the Company, threatened between the Company and any of its employees, which controversies have or could have a Material Adverse Effect; (ii) the Company is not a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company, nor, to the best knowledge of the Company, are there any activities or proceedings of any labor union to organize any such employees; (iii) the Company has not materially breached or otherwise failed to comply in any material respect with any material provision of any such agreement or contract and there are no grievances outstanding against the Company under any such agreement or contract; (iv) there are no unfair labor practice complaints pending against the Company before the National Labor Relations Board or any current union representation questions involving employees of the Company; and (v) there is no strike, slowdown, work stoppage or lockout, or, to the best knowledge of the Company, threat thereof, by or with respect to any employees of the Company. The consent of the labor unions which are a party to the collective bargaining agreements listed in Section 3.11 of the Disclosure Schedule is not required to consummate the Transactions.

SECTION 3.12. Offer Documents; Schedule 14D-9; Proxy Statement. Neither the Schedule 14D-9 nor any information supplied by the Company for inclusion in the Offer Documents shall, at the respective times the Schedule 14D-9, the Offer Documents, or any amendments or supplements thereto are filed with the SEC or are first published, sent or given to stockholders of the Company, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. Neither the proxy statement to be sent to the stockholders of the Company in connection with the Stockholders' Meeting (as hereinafter defined) or the information statement to be sent to such stockholders, as appropriate (such proxy statement or information statement, as amended or supplemented, being referred to herein as the "Proxy Statement"), shall, at the date the Proxy Statement (or any amendment or supplement thereto) is first mailed to stockholders of the Company, at the time of the Stockholders' Meeting and at the Effective Time, be false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Stockholders' Meeting which shall have become false or misleading in any material respect.

Notwithstanding the foregoing, the Company makes no representation or warranty with respect to any information supplied by Parent or Purchaser or any of their respective representatives which is contained in the Schedule 14D-9. The Schedule 14D-9 and the Proxy Statement shall comply in all material respects as to form with the requirements of the Exchange Act and the rules and regulations thereunder.

SECTION 3.13. Real Property and Leases. (a) The Company has sufficient title to, or leasehold interests in, all its properties and assets to conduct its business as currently conducted or as contemplated to be conducted, with only such exceptions as, individually or in the aggregate, would not have a Material Adverse Effect.

(b) Except as set forth in Section 3.13 of the Disclosure Schedule, each parcel of real property owned or leased by the Company (i) is owned or leased free and clear of all mortgages, pledges, liens, security interests, conditional and installment sale agreements, encumbrances, charges or other claims of third parties of any kind (collectively, "Liens"), other than (A) Liens for current taxes and assessments not yet past due, (B) inchoate mechanics' and materialmen's Liens for construction in progress, (C) workmen's, repairmen's, warehousemen' s and carriers' Liens arising in the ordinary course of business of the Company consistent with past practice, and (D) all matters of record, Liens and other imperfections of title and encumbrances which, individually or in the aggregate, would not have a Material Adverse Effect (collectively, "Permitted Liens"), and (ii) is neither subject to any governmental decree or order to be sold nor is being condemned, expropriated or otherwise taken by any public authority with or without payment of compensation therefor, nor, to the best knowledge of the Company, has any such condemnation, expropriation or taking been proposed.

(c) All leases of real property leased for the use or benefit of the Company to which the Company is a party requiring annual rental payments in excess of $500,000 during the period of the lease, and all amendments and modifications thereto are in full force and effect and have not been modified or amended, and there exists no default under any such lease by the Company, nor any event which with notice or lapse of time or both would constitute a default thereunder by the Company, except as, individually or in the aggregate, would not have a Material Adverse Effect.

SECTION 3.14. Trademarks, Patents and Copyrights. To the best knowledge of the Company, the Company owns or possesses adequate licenses or other valid rights to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, servicemarks, trade secrets, applications for trademarks and for servicemarks, know-how and other proprietary rights and information used or held for use in connection with, and material to, the business of the Company as currently conducted, and the Company is unaware of any assertion or claim challenging the validity of any of the foregoing which, individually or in the aggregate, could have a Material Adverse Effect. The conduct of the business of the Company as currently conducted does not and will not conflict in any way with any patent, patent right, license, trademark, trademark right, trade

name, trade name right, service mark, or copyright of any third party that, individually or in the aggregate, could have a Material Adverse Effect. To the best knowledge of the Company, there are no infringements of any propriety rights owned by or licensed by or to the Company which, individually or in the aggregate, could have a Material Adverse Effect. To the best knowledge of the Company, the Company has not licensed or otherwise permitted the use by any third party of any proprietary information on terms or in a manner which, individually or in the aggregate, could have a Material Adverse Effect.

SECTION 3.15. Taxes. The Company has filed all returns and reports ("Returns"), which are required to be filed by it in respect of any Taxes (as hereinafter defined), and which the failure to file would have a Material Adverse Effect. As of the time of filing and in all material respects, the Returns correctly reflected the facts regarding the Taxes payable, income, expenses, business, assets, operations and status of the Company and any other information required to be shown thereon. The Company has paid or made provision for payment of all Taxes shown on such Returns. Neither the IRS nor any other taxing authority or agency, domestic or foreign, is now asserting or, to the best knowledge of the Company, threatening to assert against the Company any deficiency or claim for additional Taxes or interest thereon or penalties in connection therewith. The Company has not granted any waiver of any statute of limitations with respect to, or any extension of the period of assessment of, any federal, state, county, municipal or foreign income tax. The Company has not made an election under Section 341(1) of the Code. For purposes of this Agreement, "Tax" means all taxes, including net income, capital gains, gross income, gross receipts, sales, use, transfer, ad valorem, franchise, profits, license, capital, withholding, payroll, employment, excise, goods and services, severance, stamp, occupation, premium, property, windfall profits, customs duties or taxes, fees or assessments, or other governmental charges of any kind whatsoever, together with any interest, fines and any penalties, additions to tax or additional amount incurred or accrued under applicable law or assessed, charged or imposed by any governmental authority.

SECTION 3.16. Environmental Matters. (a) For purposes of this Agreement, the following terms shall have the following meanings: (i) "Hazardous Substances" means (A) those substances defined in or regulated under the following federal statutes and their state counterparts, as each may be amended from time to time, and all regulations thereunder: the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Clean Water Act, the Safe Drinking Water Act, the Atomic Energy Act, the Federal Insecticide, Fungicide, and Rodenticide Act and the Clean Air Act; (B) petroleum and petroleum products including crude oil and any fractions thereof; (C) natural gas, synthetic gas, and any mixtures thereof; (D) radon; (E) any other contaminant; and (F) any substance with respect to which a federal, state or local agency requires environmental investigation, monitoring, reporting or remediation; and (ii) "Environmental Laws" means any federal, state or local law relating to (A) releases or threatened releases of Hazardous Substances or materials containing Hazardous Substances; (B) the manufacture, handling, transport, use, treatment, storage or disposal

of Hazardous Substances or materials containing Hazardous Substances; or (C) otherwise relating to pollution of the environment or the protection of human health.

(b) To the best knowledge of the Company, except as described in Section 3.16 of the Disclosure Schedule: (i) the Company has not violated and is not in violation of any Environmental Law; (ii) none of the properties owned or leased by the Company (including, without limitation, soils and surface and ground waters) are contaminated with any Hazardous Substance; (iii) the Company is not actually or potentially nor, to the best knowledge of the Company, allegedly liable for any off-site contamination; (iv) the Company is not actually or potentially nor, to the best knowledge of the Company, allegedly liable under any Environmental Law (including, without limitation, pending or threatened liens); (v) the Company has all permits, licenses and other authorizations required under any Environmental Law ("Environmental Permits") and (vi) the Company has always been and is in compliance with its Environmental Permits.

SECTION 3.17. Aircraft. Set forth on Section 3.17 of the Disclosure Schedule is a complete and accurate list of all aircraft operated by the Company at the date hereof.

SECTION 3.18. Slots. Set forth on Section 3.18 of the Disclosure Schedule is a complete and accurate list of all takeoff and landing slots and other similar takeoff and landing rights ("Slots") used by the Company on the date hereof at Slot controlled airports, including a list of all slot lease agreements.

SECTION 3.19. Brokers. No broker, finder or investment banker (other than SalomonSmithBarney Inc) is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of the Company. The Company has heretofore furnished to Parent a complete and correct copy of all agreements between the Company and SalomonSmithBarney Inc pursuant to which such firm would be entitled to any payment relating to the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Parent and Purchaser hereby, jointly and severally, represent and warrant to the Company that:

SECTION 4.01. Corporate Organization. Each of Parent and Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and Nevada, respectively, and has the requisite power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as it is

now being conducted, except where the failure to be so organized, existing or in good standing or to have such power, authority and governmental approvals would not, individually or in the aggregate, have a material adverse effect on the business or operations of Parent and Purchaser and their respective subsidiaries taken as a whole.

SECTION 4.02. Authority Relative to this Agreement. Each of Parent and Purchaser has all necessary corporate power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the Transactions. The execution and delivery of this Agreement by Parent and Purchaser and the consummation by Parent and Purchaser of the Transactions have been duly and validly authorized by all necessary corporate action and no other corporate proceedings on the part of Parent or Purchaser are necessary to authorize this Agreement or to consummate the Transactions (other than, with respect to the Merger, the filing and recordation of appropriate merger documents as required by Nevada Law). This Agreement has been duly and validly executed and delivered by Parent and Purchaser and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding obligation of each of Parent and Purchaser, enforceable against each of Parent and Purchaser in accordance with its terms.

SECTION 4.03. No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement by Parent and Purchaser do not, and the performance of this Agreement by Parent and Purchaser will not, (i) conflict with or violate the Certificate of Incorporation, Articles of Incorporation or By-laws of either Parent or Purchaser, (ii) conflict with or violate any law, rule, regulation, order, judgment or decree applicable to Parent or Purchaser or by which any property or asset of either of them is bound or affected, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of a lien or other encumbrance on any property or asset of Parent or Purchaser pursuant to, any note, bond, mortgage, indenture, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which Parent or Purchaser is a party or by which Parent or Purchaser or any property or asset of either of them is bound or affected , except for any such conflicts, violations, breaches, defaults or other occurrences which would not, individually or in the aggregate, have a material adverse effect on the business or operations of Parent or Purchaser and their respective subsidiaries taken as a whole.

(b) The execution and delivery of this Agreement by Parent and Purchaser do not, and the performance of this Agreement by Parent and Purchaser will not, require any consent, approval, authorization or permit of, or filing with or notification to, any governmental or regulatory authority, domestic or foreign, except (i) for applicable requirements, if any, of the Exchange Act, Blue Sky Laws and state takeover laws, the HSR Act, and filing and recordation of appropriate merger documents as required by Nevada Law and (ii) where failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not prevent or

delay consummation of the Offers or the Merger, or otherwise prevent Parent or Purchaser from performing their respective obligations under this Agreement.

SECTION 4.04. Offer Documents; Proxy Statement. The Offer Documents will not, at the time the Offer Documents are filed with the SEC or are first published, sent or given to stockholders of the Company, as the case may be, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading. The information supplied by Parent for inclusion in the Proxy Statement will not, on the date the Proxy Statement (or any amendment or supplement thereto) is first mailed to stockholders of the Company, at the time of the Stockholders' Meeting and at the Effective Time, contain any statement which, at such time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact, or omits to state any material fact required to be stated therein or necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Stockholders' Meeting which shall have become false or misleading in any material respect. Notwithstanding the foregoing, Parent and Purchaser make no representation or warranty with respect to any information supplied by the Company or any of its representatives which is contained in any of the foregoing documents or the Offer Documents. The Offer Documents shall comply in all material respects as to form with the requirements of the Exchange Act and the rules and regulations thereunder.

SECTION 4.05. Brokers. No broker, finder or investment banker (other than Morgan Stanley & Co., Incorporated) is entitled to any brokerage, finder's or other fee or commission in connection with the Transactions based upon arrangements made by or on behalf of Parent or Purchaser.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE MERGER

SECTION 5.01. Conduct of Business by the Company Pending the Merger. (a) The Company covenants and agrees that, between the date of this Agreement and the earlier of the time designees of Parent comprise a majority of the Board of Directors of the Company or the Effective Time, unless Parent shall otherwise agree in writing (which agreement shall not be unreasonably withheld or delayed), it will do the following:

(i) conduct its business substantially as presently conducted in the ordinary course of business consistent with past practice, and will use all reasonable efforts to conduct its business in such a manner that on the closing date of the Offers and at the Effective Time, the

representations and warranties of the Company will be true and correct in all material respects as though made on each respective closing date;

(ii) continue to carry insurance with respect to its assets and to the business substantially in the amounts and type carried by the Company on the date of this Agreement;

(iii) continue to fund, in accordance with applicable requirements, all employee benefit plans;

(iv) use all reasonable efforts to keep its business organization intact, continue to operate in accordance with current industry practices, preserve its labor force and make available to Parent its officers and employees, and preserve for Parent the goodwill of suppliers and customers of the Company and others having a business relationship with the Company;

(v) maintain all items of its tangible assets in their current condition, ordinary wear and tear excepted, and make all ordinary and necessary repairs;

(vi) continue to use and operate the Slots used and operated by the Company as of the date hereof in a manner consistent with prior practice and in accordance with all applicable laws, and shall not enter into any contract nor otherwise act, nor suffer or permit any other person to act, to restrict, interfere with or prevent the use of such Slots;

(vii) perform in all material respects its obligations under all material contracts;

(viii) comply in all material respects with all applicable laws and regulations, including, without limitation, laws and regulations relating to the timely, complete, and correct filing of all reports and maintenance of all records required by any governmental authority to be filed or maintained;

(ix) notify Parent upon a replacement or exchange of any aircraft or engine; and

(x) notify Parent of any incidents or accidents involving an aircraft owned or operated by the Company that resulted or could reasonably be expected to result in losses to the Company of in excess of $2,000,000.

(b) The Company covenants and agrees that, between the date of this Agreement and the earlier of the time designees of Parent comprise a majority of the Board of Directors of the Company or the Effective Time, unless Parent shall otherwise agree in writing (which agreement shall not be unreasonably withheld or delayed), it will not do any of the following:

(i) amend or otherwise change its Articles of Incorporation or By-laws or equivalent organizational documents;

(ii) issue, sell, pledge, dispose of, grant, encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of (i) any shares of capital stock of any class of the Company, or any options, warrants, convertible securities, or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of the Company (except for the issuance of a maximum of 3,757,070 Common Shares issuable pursuant to Options outstanding on the date hereof, a maximum of 7,104,831 Common Shares issuable upon the exercise of Warrants or upon the conversion of Preferred Shares or Convertible Notes, in each case outstanding on the date hereof, and the issuance of a maximum of 100,000 Options issued on terms consistent with prior practice, and a maximum of 100,000 Common Shares issuable pursuant to such Options, issued after the date hereof), or (ii) any assets of the Company, except for sales in the ordinary course of business and in a manner consistent with past practice;

(iii) declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of its capital stock, other than regular quarterly dividends payable on the Preferred Shares not to exceed $0.5625 per Preferred Share or in connection with the adoption of a Shareholder Rights Plan;

(iv) reclassify, combine, split, subdivide or redeem, purchase or otherwise acquire, directly or indirectly, any of its capital stock;

(v) except as disclosed in Section 5.01(b)(v) of the Disclosure Schedule, (A) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or assets) any corporation, partnership, other business organization or any division thereof or any material amount of assets; (B) incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise as an accommodation become responsible for, the obligations of any person, or make any loans or advances, except in the ordinary course of business and consistent with past practice; (C) enter into any contract or agreement other than in the ordinary course of business, consistent with past practice; (D) authorize any single capital expenditure (other than expenditures for maintenance) which is in excess of $500,000 or capital expenditures which are, in the aggregate, in excess of $500,000; or (E) enter into or amend any contract, agreement, commitment or arrangement with respect to any matter set forth in this Section 5.01(b);

(vi) except as set forth in Section 5.01(b)(vi) of the Disclosure Schedule, increase the compensation payable or to become payable to, or the benefits provided to, its officers or key employees, except for increases in accordance with past practices in salaries or wages of employees of the Company who are not officers of the Company, or grant any severance or

termination pay to, or enter into any employment or severance agreement with any director, officer or other key employee of the Company, or establish, adopt, enter into or amend in any material respect any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or employee;

(vii) except as set forth in Section 5.01(b)(vii) of the Disclosure Schedule, hire or retain any single employee or consultant at an annual rate of compensation in excess of $125,000, or employees or consultants with annual rates of compensation in excess of $250,000 in the aggregate;

(viii) except as set forth in Section 5.01(b)(viii) of the Disclosure Schedule, take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures (including, without limitation, procedures with respect to the payment of accounts payable and collection of accounts receivable);

(ix) except as set forth in Section 5.01(b)(ix) of the Disclosure Schedule, make any tax election or settle or compromise any material federal, state, local or foreign income tax liability;

(x) except as set forth in Section 5.01(b)(x) of the Disclosure Schedule, commence or settle any litigation, suit, claim, action, proceeding, or investigation valued in excess of $300,000 either individually or in the aggregate, provided, however, that upon prior notice to Parent, the Company may commence actions relating to claims which are within 30 days of becoming barred by the applicable statute of limitations or which constitute mandatory counterclaims in any suit brought against the Company by any third party; or

(xi) amend, modify, or consent to the termination of any material contract, or amend, modify, or consent to the termination of the Company's rights thereunder, in a manner materially adverse to the Company, other than in the ordinary course of business consistent with past practice.

ARTICLE VI

ADDITIONAL AGREEMENTS

SECTION 6.01. Stockholders' Meeting. The Company, acting through the Board, shall, if required by applicable law and the Company's Articles of Incorporation and By-laws, (a) duly

call, give notice of, convene and hold an annual or special meeting of its stockholders as soon as practicable following consummation of the Offers for the purpose of considering and taking action on this Agreement and the transactions contemplated hereby (the "Stockholder's Meeting") and (b) subject to its fiduciary duties under applicable law as advised in writing by independent counsel, (i) include in the Proxy Statement the unanimous recommendation of the Board that the stockholders of the Company approve and adopt this Agreement and the transactions contemplated hereby and (ii) use its best efforts to obtain such approval and adoption. At the Stockholders' Meeting, Parent and Purchaser shall cause all Shares then owned by them and their subsidiaries to be voted in favor of the approval and adoption of this Agreement, the Merger and the transactions contemplated hereby.

SECTION 6.02. Proxy Statement. If required by applicable law, as soon as practicable following consummation of the Offers, the Company shall file the Proxy Statement with the SEC under the Exchange Act, and shall use its best efforts to have the Proxy Statement cleared by the SEC. Parent, Purchaser and the Company shall cooperate with each other in the preparation of the Proxy Statement, and the Company shall notify Parent of the receipt of any comments of the SEC with respect to the Proxy Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to Parent promptly copies of all correspondence between the Company or any representative of the Company and the SEC. The Company shall give Parent and its counsel the opportunity to review the Proxy Statement prior to its being filed with the SEC and shall give Parent and its counsel the opportunity to review all amendments and supplements to the Proxy Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Each of the Company, Parent and Purchaser agrees to use its reasonable best efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC and to cause the Proxy Statement and all required amendments and supplements thereto to be mailed to the holders of Shares entitled to vote at the Stockholders' Meeting at the earliest practicable time.

SECTION 6.03. Company Board Representation; Section 14(f). Subject to compliance with applicable law and the Company's Articles of Incorporation, promptly upon the purchase by Purchaser of Common Shares pursuant to the Offers, and from time to time thereafter, Purchaser shall be entitled to designate up to such number of directors, rounded up to the next whole number, on the Board as shall give Purchaser representation on the Board equal to the product of the total number of directors on the Board (giving effect to the directors elected pursuant to this sentence) multiplied by the percentage that the aggregate number of Common Shares beneficially owned by Purchaser or any affiliate of Purchaser following such purchase bears to the total number of Common Shares then outstanding, and the Company shall, at such time, promptly take all actions necessary to cause Purchaser's designees to be elected as directors of the Company, including increasing the size of the Board or securing the resignations of incumbent directors or both. At such times, the Company shall use its best efforts to cause persons designated by Purchaser to constitute the same percentage as persons designated by Purchaser shall constitute of the Board of each committee of the Board to the extent permitted by applicable law. Notwithstanding the foregoing, until the earlier of (i) the time

Purchaser acquires a majority of the then outstanding Common Shares on a fully diluted basis and (ii) the Effective Time, the Company shall use its best efforts to ensure that all the members of the Board and each committee of the Board as of the date hereof who are not employees of the Company shall remain members of the Board and of each such committee.

(b) The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under this Section 6.03 and shall include in the Schedule 14D-9 such information with respect to the Company and its officers and directors as is required under Section 14(f) and Rule 14f-1 to fulfill such obligations. Parent or Purchaser shall supply to the Company and be solely responsible for any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-l.

(c) Following the election of designees of Purchaser pursuant to this Section 6.03, prior to the Effective Time, any amendment of this Agreement or the Articles of Incorporation or By-laws of the Company, any termination of this Agreement by the Company, any extension by the Company of the time for the performance of any of the obligations or other acts of Parent or Purchaser or waiver of any of the Company's rights hereunder shall require the concurrence of a majority of the directors of the Company then in office who neither were designated by Purchaser nor are employees of the Company (the "Independent Directors"). If the number of Independent Directors shall be reduced below two for any reason whatsoever, the remaining Independent Director shall designate a person to fill such vacancy who shall be deemed to be an Independent Director for purposes of this Agreement or, if no Independent Directors then remain, the other directors shall designate two persons to fill such vacancies who shall not be officers or affiliates of the Company, or officers or affiliates of Parent or any of its Subsidiaries, and such persons shall be deemed to be Independent Directors for purposes of this Agreement. The Independent Directors shall have the authority to retain such counsel and other advisors at the expense of the Company as are reasonably appropriate to the exercise of their duties in connection with this Agreement, subject to approval by the Company of the terms of such retention, which approval shall not be unreasonably withheld. In addition, the Independent Directors shall have the authority to institute any action, on behalf of the Company, to enforce performance of this Agreement.

SECTION 6.04. Access to Information; Confidentiality. (a) From the date hereof to the Effective Time, the Company shall, and shall cause the officers, directors, employees, auditors and agents of the Company to, afford the officers, employees and agents of Parent and Purchaser complete access at all reasonable times to the officers, employees, agents, properties, offices, plants and other facilities, books and records of the Company, and shall furnish Parent and Purchaser with all financial, operating and other data and information as Parent or Purchaser, through its officers, employees or agents, may reasonably request.

(b) All information obtained by Parent or Purchaser pursuant to this Section 6.04 shall be kept confidential in accordance with the confidentiality agreement, dated June 12, 1998 (the "Confidentiality Agreement"), between Parent and the Company.

(c) Pursuant to the requirements of the Confidentiality Agreement, in the event of the termination of this Agreement in accordance with Section 8.01, Parent and Purchaser shall, and shall use their reasonable best efforts to cause their respective affiliates and their respective officers, directors, employees and agents to, (i) return promptly every document furnished to them by the Company or any officer, director, employee, auditor or agent of the Company in connection with the Transactions and containing Confidential Information and all copies thereof in their possession, and cause any other parties to whom such documents may have been furnished promptly to return such documents and all copies thereof, other than such documents as may have been filed with the SEC or otherwise be publicly available, and (ii) destroy promptly all documents created by them from any Confidential Information and all copies thereof in their possession, and cause any other parties to whom such documents may have been furnished to destroy promptly such documents and any copies thereof.

(d) No investigation pursuant to this Section 6.04 shall affect any representation or warranty in this Agreement of any party hereto or any condition to the obligations of the parties hereto.

SECTION 6.05. No Solicitation of Transactions. The Company shall not, directly or indirectly, through any officer, director, agent or otherwise, solicit, initiate or encourage the submission of any proposal or offer from any person relating to any acquisition or purchase of all or (other than in the ordinary course of business) any portion of the assets of, or any equity interest in, the Company or any business combination with the Company or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing; provided, however, that nothing contained in this Section 6.05 shall prohibit the Board from furnishing information to, or entering into discussions or negotiations with, any person in connection with an unsolicited (from the date of this Agreement) proposal in writing by such person to acquire the Company pursuant to a merger, consolidation, share exchange, share purchase, business combination or other similar transaction or to acquire all or substantially all of the assets of the Company, if, and only to the extent that, (i) the Board, after consultation with independent legal counsel (which may include its regularly engaged independent legal counsel), determines in good faith that such action is required for the Board to comply with its fiduciary duties to stockholders imposed by Nevada Law and (ii) prior to furnishing such information to, or entering into discussions or negotiations with, such person, the Company uses its reasonable best efforts to obtain from such person an executed confidentiality agreement on terms no less favorable to the Company than those contained in the Confidentiality Agreement. The Company immediately shall cease and cause to be terminated all existing

discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. The Company shall notify Parent promptly if any such proposal or offer, or any inquiry or contact with any person with respect thereto, is made and shall, in any such notice to Parent, indicate in reasonable detail the identity of the person making such proposal, offer, inquiry or contact and the terms and conditions of such proposal, offer, inquiry or contact. The Company agrees not to release any third party from, or waive any provision of, any confidentiality or standstill agreement to which the Company is a party.

SECTION 6.06. Existing Contracts Between Parent and the Company. From the date hereof until the earlier of the Effective Time and the termination of this Agreement in accordance with Section 8.01, Parent shall not terminate (or take other adverse action against the Company in respect of) the currently existing commercial contracts between Parent and the Company, provided, however, that no provision of this Section 6.06 shall restrict or prohibit Parent from exercising any rights of Parent in the event of a default by the Company under any such contract. Parent shall also include the Company in Parent's west coast promotions and advertisements for so long as there is a frequent flyer arrangement between Parent and the Company. Additionally, the Company shall be included in written frequent flyer promotional material (in-flight and newsletter) on a level equal to Parent's other frequent flyer partners.

SECTION 6.07. Directors' and Officers' Indemnification and Insurance. (a) The Articles of Incorporation and By-laws of the Surviving Corporation shall contain provisions no less favorable with respect to indemnification than are set forth in Article VIII of the Articles of Incorporation and Article VII of the By-laws of the Company, which provisions shall not be amended, repealed or otherwise modified for a period of six years from the Effective Time in any manner that would affect adversely the rights thereunder of individuals who at the Effective Time were directors, officers, employees, fiduciaries or agents of the Company, unless such modification shall be required by law.

(b) The Company shall, to the fullest extent permitted under applicable law and regardless of whether the Merger becomes effective, indemnify and hold harmless, and, after the Effective Time, the Surviving Corporation shall, to the fullest extent permitted under applicable law, indemnify and hold harmless, each present and former director, officer, employee, fiduciary and agent of the Company (collectively, the "Indemnified Parties") against all costs and expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), whether civil, criminal, administrative or investigative, arising out of or pertaining to, in whole or in part any action or omission in their capacity as an officer, director, employee, fiduciary or agent (including in connection with this Agreement and the transactions contemplated hereby), whether occurring before or after the Effective Time, for a six-year period after the date hereof. In the event of any such claim, action, suit, proceeding or investigation, (i) the Company or the Surviving Corporation, as the case may be, shall pay the reasonable fees and

expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to the Company or the Surviving Corporation, promptly after statements therefor are received and (ii) the Company and the Surviving Corporation shall cooperate in the defense of any such matter; provided, however, that neither the Company nor the Surviving Corporation shall be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed); and provided further that neither the Company nor the Surviving Corporation shall be obligated pursuant to this Section 6.07(b) to pay the fees and expenses of more than one counsel for all Indemnified Parties in any single action except to the extent that two or more of such Indemnified Parties shall have conflicting interests in the outcome of such action; and provided further that, in the event that any claim for indemnification is asserted or made within such six-year period, all rights to indemnification in respect of such claim shall continue until the final disposition of such claim.

(c) The Surviving Corporation shall use its best efforts to maintain in effect for six years from the Effective Time and for so long thereafter as any claim asserted prior to such date has not been fully adjudicated, if available, the current directors' and officers' liability insurance policies maintained by the Company or substitute therefor policies of at least the same amounts and coverage containing terms and conditions which are not materially less favorable to the insured parties with respect to matters occurring prior to the Effective Time; provided, however, that in no event shall the Surviving Corporation be required to expend pursuant to this Section 6.07(c) more than an amount per year equal to 150% of current annual premiums paid by the Company for such insurance (which premiums the Company represents and warrants to be approximately $175,000 in the aggregate).

(d) In the event the Company or the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then, and in each such case, proper provision shall be made so that the successors and assigns of the Company or the Surviving Corporation, as the case may be, or at Parent's option, Parent, shall assume the obligations set forth in this Section 6.07.

SECTION 6.08. Notification of Certain Matters. The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate and (ii) any failure of the Company, Parent or Purchaser, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.08 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 6.09. Further Action; Reasonable Best Efforts. Upon the terms and subject to the conditions hereof, each of the parties hereto shall (i) make promptly its respective filings, and thereafter make any other required submissions, under the HSR Act with respect to the Transactions and (ii) use its reasonable best efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the Transactions, including, without limitation, using its reasonable best efforts to obtain all licenses, permits (including, without limitation, Environmental Permits), consents, approvals, authorizations, qualifications and orders of governmental authorities and parties to contracts with the Company as are necessary for the consummation of the Transactions and to fulfill the conditions to the Offers and the Merger. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall use their reasonable best efforts to take all such action.

SECTION 6.10. Redemption of Convertible Notes. Immediately after the date on which the Purchaser shall have accepted for payment all Common Shares validly tendered and not withdrawn prior to the expiration date with respect to the Common Stock Offer, the Company shall call for the redemption of, and thereafter redeem, all of the outstanding Convertible Notes in accordance with their terms.

SECTION 6.11. Preferred Stock. The Company covenants and agrees as follows:

(a) Pursuant to Section 8 of the Certificate of Designations, as soon as practicable after the acceptance for payment of the Common Shares pursuant to the Common Stock Offer, the Company shall provide the holders of all Preferred Shares with a notice of "Ownership Change" (as defined in the Certificate of Designations). Each holder of Preferred Shares, upon the occurrence of the Ownership Change shall have the right, at the holder's option, to convert all, but not less than all, of such holder's Preferred Shares into Common Shares, at an adjusted conversion price per Common Share equal to the Special Conversion Price (as defined in the Certificate of Designations), subject to the option of the Company to provide to each such holder, in lieu of Common Stock, cash equal to the Market Value (as defined in the Certificate of Designations) of the Common Shares multiplied by the number of Common Shares into which such Preferred Shares would have been convertible at the Special Conversion Price.

(b) The Company shall exercise its option under Section 8 of the Certificate of Designations to satisfy its obligations thereunder by paying cash to the holders of Preferred Shares, in lieu of issuing to such holders Common Stock upon the conversion of their Preferred Shares.

SECTION 6.12. Public Announcements. Parent and the Company shall consult with each other before issuing any press release or otherwise making any public statements with respect to this Agreement or any Transaction and shall not issue any such press release or make any such public statement prior to such consultation, except as may be required by law or any listing agreement with a national securities exchange to which Parent or the Company is a party.

ARTICLE VII

CONDITIONS TO THE MERGER

SECTION 7.01. Conditions to the Merger. The respective obligations of each party to effect the Primary Merger or the Alternative Merger, as the case may be, shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) Stockholder Approval. This Agreement and the Primary Merger or the Alternative Merger contemplated hereby shall have been approved and adopted by the affirmative vote of the stockholders of the Company to the extent required by Nevada Law and the Articles of Incorporation of the Company;

(b) HSR Act. Any waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated;

(c) No Order. No foreign, United States or state governmental authority or other agency or commission or foreign, United States or state court of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making the acquisition of Shares by Parent or Purchaser or any affiliate of either of them illegal or otherwise restricting, preventing or prohibiting consummation of the Transactions; and

(d) Offers. Purchaser shall have purchased all Common Shares validly tendered and not withdrawn pursuant to the Common Stock Offer; provided, however, that this condition shall not be applicable to the obligations of Parent or Purchaser if, in breach of this Agreement or the terms of the Common Stock Offer, Purchaser fails to purchase any Common Shares validly tendered and not withdrawn pursuant to the Common Stock Offer.

ARTICLE VIII

TERMINATION, AMENDMENT AND WAIVER

SECTION 8.01. Termination. This Agreement may be terminated and the Merger and the other Transactions may be abandoned at any time prior to the Effective Time, notwithstanding any requisite approval and adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company:

(a) By mutual written consent duly authorized by the Boards of Directors of Parent, Purchaser and the Company; or

(b) By either Parent, Purchaser or the Company if (i) Purchaser shall not have purchased Common Shares pursuant to the Common Stock Offer on or before June 30, 1999; provided, however, that (x) the right to terminate this Agreement under this Section 8.01(b)(i) shall not be available to any such party if such party's failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of such purchase to occur on or before such date and (y) if the waiting period (and any extension thereof) applicable to the consummation of the Transactions under the HSR Act shall expire or terminate less than ten (10) business days prior to June 30, 1999, the right to terminate this Agreement pursuant to this clause (i) shall not become effective until the tenth business day following the date of such expiration or termination, or (ii) any court of competent jurisdiction or other governmental authority shall have issued an order, decree, ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger and such order, decree, ruling or other action shall have become final and nonappealable; or

(c) By Parent if due to an occurrence or circumstance that would result in a failure to satisfy any condition set forth in Annex A hereto and provided that, in the case of the conditions set forth in paragraph (e) or (f) thereof, Parent shall have provided five business days prior written notice of such failure to the Company and such condition shall have remained unsatisfied, Purchaser shall have (i) terminated the Common Stock Offer without having accepted any Common Shares for payment thereunder or (ii) failed to pay for Common Shares pursuant to the Common Stock Offer prior to June 30, 1999, unless such failure to pay for Common Shares shall have been caused by or resulted from the failure of Parent or Purchaser to perform in any material respect any material covenant or agreement of either of them contained in this Agreement or the material breach by Parent or Purchaser of any material representation or warranty of either of them contained in this Agreement; and

(d) By the Company, upon approval of the Board, if (i) due to an occurrence or circumstance that would result in a failure to satisfy any condition set forth in Annex A hereto, Purchaser shall have (A) terminated the Common Stock Offer without having accepted

any Common Shares for payment thereunder or (B) failed to pay for Common Shares pursuant to the Common Stock Offer prior to June 30, 1999, unless such failure to pay for Common Shares shall have been caused by or resulted from the failure of the Company to perform in any material respect any material covenant or agreement of it contained in this Agreement or the material breach by the Company of any material representation or warranty of it contained in this Agreement or (ii) prior to the purchase of Shares pursuant to the Offers, the Board shall have withdrawn or modified in a manner adverse to Purchaser or Parent its approval or recommendation of the Offers, this Agreement or the Merger in order to approve the execution by the Company of a definitive agreement providing for the acquisition of the Company or its assets by merger or other business combination or in order to approve a tender offer or exchange offer for Shares by a third party, in either case, as determined by the Board in the exercise of its good faith judgment and after consultation with its legal counsel and financial advisors, on terms more favorable to the Company's stockholders than the Offers and the Merger taken together, provided, however, that no termination pursuant to this Section 8.01(d)(ii) shall be effective prior to the payment by the Company of the Fee (as defined below) and the Expenses (as defined below).

SECTION 8.02. Effect of Termination. In the event of the termination of this Agreement pursuant to Section 8.01, this Agreement shall forthwith become void, and there shall be no liability on the part of any party hereto, except (i) as set forth in Sections 8.03 and 9.01 and (ii) nothing herein shall relieve any party from liability for any wilful breach hereof.

SECTION 8.03. Fees and Expenses; Commercial Arrangements.

(a) In the event that:

(i) any person (A) shall have become the beneficial owner of more than 30% of the then outstanding Common Shares (an "Acquiring Person") or (B) shall have commenced, proposed or communicated to the Company a proposal that is publicly disclosed for a tender or exchange offer for 30% or more (or which, assuming the maximum amount of securities which could be purchased, would result in any person beneficially owning 30% or more) of the then outstanding Common Shares or otherwise for the direct or indirect acquisition of the Company or all or substantially all of its assets for per Common Share consideration having a value greater than the Per Common Share Amount (a "Competing Proposal") and (w) the Offers shall have remained open for at least 20 business days, (x) the Minimum Condition shall not have been satisfied, (y) this Agreement shall have been terminated pursuant to Section 8.01 and (z) such Competing Proposal shall be consummated or a transaction of the type referred to in clause (B) above shall be consummated with an Acquiring Person, in either case within 18 months following the date of termination of this Agreement; or

(ii) this Agreement is terminated by the Company pursuant to 8.01(d)(ii);

then, in any such event, the Company shall pay Parent promptly (but in no event later than one business day after the first of such events shall have occurred) a fee of $3,000,000 (the "Fee"), which amount shall be payable in immediately available funds, plus all Expenses (as hereinafter defined).

(b) If the Company is required to make any payment pursuant to Section 8.03(a), then the Company shall reimburse each of Parent and Purchaser (not later than one business day after submission of statements therefor) for all out-of-pocket expenses and fees up to $1,000,000 in the aggregate (including, without limitation, fees and expenses payable to all banks, investment banking firms, other financial institutions and other persons and their respective agents and counsel, for arranging, committing to provide or providing any financing for the Transactions or structuring the Transactions and all fees of counsel, accountants, experts and consultants to Parent and Purchaser, and all printing and advertising expenses) actually incurred or accrued by either of them or on their behalf in connection with the Transactions, including, without limitation, the financing thereof, and actually incurred or accrued by banks, investment banking firms, other financial institutions and other persons and assumed by Parent or Purchaser in connection with the negotiation, preparation, execution and performance of this Agreement, the structuring and financing of the Transactions and any financing commitments or agreements relating thereto (all the foregoing being referred to herein collectively as the "Expenses").

(c) Except as set forth in this Section 8.03, all costs and expenses incurred in connection with this Agreement and the Transactions shall be paid by the party incurring such expenses, whether or not any Transaction is consummated.

(d) In the event that the Company shall fail to pay the Fee or any Expenses when due, the term "Expenses" shall be deemed to include the costs and expenses actually incurred or accrued by Parent and Purchaser (including, without limitation, fees and expenses of counsel) in connection with the collection under and enforcement of this Section 8.03, together with interest on such unpaid Fee and Expenses, commencing on the date that the Fee or such Expenses became due, at a rate equal to the rate of interest publicly announced by Citibank, N.A., from time to time, in the City of New York, as such bank's base rate plus 2.00%.

(e) If Parent terminates this Agreement pursuant to Section 8.01(b) or pursuant to Section 8.01(c) due to the failure to satisfy the conditions set forth in paragraphs (a), (b), (e) or (f) of Annex A (other than termination by Parent due to (i) a knowing or wilful breach by the Company of any of the representations, warranties, covenants or agreements referenced in paragraphs (e) or (f) of Annex A or (ii) a material breach by the Company of the covenant contained in Section 6.05 of this Agreement), then Parent and the Company shall take the following actions:

(i) extend the Amended and Restated Advantage Participating Carrier Agreement dated March 28, 1995 between Parent and the Company through April 30, 2001 (after which date such agreement shall be terminable pursuant to the current terms thereof);

(ii) extend the term of the Operations Agreement between Parent and the Company dated October 18, 1994 (the "Operations Agreement") with respect to 50% of the Slots covered thereby through December 31, 1999 and with respect to the remaining 50% of the Slots covered thereby through December 31, 2000 (which to the extent practicable shall consist of the most restrictive class of Slots) (after which date the Operations Agreement shall be terminable pursuant to the current terms thereof) and the Company agrees to waive any claims that it may have any proprietary interest in any Slots covered by the Operations Agreement;

(iii) for so long as there is a frequent flyer arrangement between Parent and the Company, Parent shall include the Company (A) in Parent's west coast promotions and advertisements and (B) in written frequent flyer promotional material (in-flight and newsletter) on a level equal to Parent's other frequent flyer partners; and

(iv) Parent shall take the following actions:

(A) discuss in good faith with the Company the provision to the Company of out-sourcing services in various fields, including reservations, purchasing, sales and yield management, subject to regulatory approval;

(B) review, on a case-by-case basis, exceptions to the exclusivity provisions of the codeshare and frequent flyer agreements between Parent and the Company, except that the consent of Parent shall not be required for any such arrangements with any airline that, as of the date hereof, (x) presently codeshares with Parent, or (y) is a member of "oneworld" (i.e., British Airways, Canadian Airlines International, Cathay Pacific Airways, Qantas Airways); and

(C) review the possibility of placing the Company's code on certain of Parent's flights, as Parent and the Company both determine to be mutually beneficial;

SECTION 8.04. Amendment. Subject to Section 6.03, this Agreement may be amended by the parties hereto by action taken by or on behalf of their respective Boards of Directors at any time prior to the Effective Time; provided, however, that, after the approval and adoption of this Agreement and the transactions contemplated hereby by the stockholders of the Company, no amendment may be made which would reduce the amount or change the type of consideration into which each Share shall be converted upon consummation of the Merger or the Alternative Merger. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 8.05. Waiver. At any time prior to the Effective Time, any party hereto may (i) extend the time for the performance of any obligation or other act of any other party hereto, (ii) waive any inaccuracy in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any agreement or condition contained

herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party or parties to be bound thereby.

ARTICLE IX

GENERAL PROVISIONS

SECTION 9.01. Non-Survival of Representations, Warranties and Agreements. The representations, warranties and agreements in this Agreement shall terminate at the Effective Time or upon the termination of this Agreement pursuant to Section 8.01, as the case may be, except that the agreements set forth in Article II and Section 6.07 shall survive the Effective Time indefinitely and those set forth in Sections 6.04(b), 6.04(c) and 8.03 shall survive termination indefinitely.

SECTION 9.02. Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by cable, telecopy, telegram or telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 9.02):

if to Parent or Purchaser:

American Airlines, Inc.
4333 Amon Carter Boulevard
Ft. Worth, TX 76155

Attn: Corporate Secretary
Attn: Vice President - Corporate Development & Treasurer

Fax: (817) 967-4313

with a copy to:

Shearman & Sterling
599 Lexington Avenue
New York, New York 10022

Attn: John A. Marzulli, Jr., Esq,

Fax: (212) 848-7179

if to the Company:

Reno Air, Inc.
220 Edison Way
Reno, Nevada 89502

Attn: General Counsel

Fax: (702) 954-5000

with a copy to:

Milbank, Tweed, Hadley & McCloy
1 Chase Manhattan Plaza
New York, New York 10005

Attn: Lawrence Lederman, Esq.
Robert Reder, Esq.

Fax: (212) 530-5219

SECTION 9.03. Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" of a specified person means a person who directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with, such specified person;

(b) "beneficial owner" with respect to any Common Shares means a person who shall be deemed to be the beneficial owner of such Common Shares (i) which such person or any of its affiliates or associates (as such term is defined in Rule 12b-2 promulgated under the Exchange Act) beneficially owns, directly or indirectly, (ii) which such person or any of its affiliates or associates has, directly or indirectly, (A) the right to acquire (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of consideration rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding or (iii) which are beneficially owned, directly or indirectly, by any other persons with whom such person or any of its affiliates or associates or person with whom such person or any of its affiliates or associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any Common Shares;

(c) "business day" means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in the City of New York;

(d) "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, as trustee or executor, by contract or credit arrangement or otherwise;

(e) "knowledge" and "best knowledge" mean, with respect to the Company, the actual knowledge of the executive officers of the Company and the persons who report directly to such executive officers;

(f) "person" means an individual, corporation, partnership, limited partnership, syndicate, person (including, without limitation, a "person" as defined in Section 13(d)(3) of the Exchange Act), trust, association or entity or government, political subdivision, agency or instrumentality of a government; and

(g) "subsidiary" or "subsidiaries" of any person means an affiliate controlled by such person, directly or indirectly, through one or more intermediaries.

SECTION 9.04. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the Transactions is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the Transactions be consummated as originally contemplated to the fullest extent possible.

SECTION 9.05. Entire Agreement; Assignment. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersede, except as set forth in Sections 6.04(c), all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof. This Agreement shall not be assigned by operation of law or otherwise, except that Parent and Purchaser may assign all or any of their rights and obligations hereunder to any affiliate of Parent provided that no such assignment shall relieve the assigning party of its obligations hereunder if such assignee does not perform such obligations.

SECTION 9.06. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is

intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than Section 6.07 (which is intended to be for the benefit of the persons covered thereby and may be enforced by such persons).

SECTION 9.07. Specific Performance. The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

SECTION 9.08. Governing Law. Except to the extent that Nevada Law applies to the Merger on a mandatory basis, this Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed in that State.

SECTION 9.09. Headings. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 9.10. Counterparts. This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

IN WITNESS WHEREOF, Parent, Purchaser and the Company have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

AMERICAN AIRLINES, INC.

Attest: ----------

By ----------
Title:

BONANZA ACQUISITIONS, INC.

Attest: ----------

By ----------
Title:

RENO AIR, INC.

Attest: ----------

By ----------
Title:

ANNEX A

Conditions to the Offers

Notwithstanding any other provision of the Offers, subject to the applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act, Purchaser shall not be required to accept for payment or pay for any Common Shares tendered pursuant to the Common Stock Offer, and may (except as provided in the Merger Agreement) terminate or amend the Common Stock Offer and may postpone the acceptance for payment of and payment for Common Shares tendered, if (i) the Minimum Condition shall not have been satisfied, (ii) any applicable waiting period under the HSR Act shall not have expired or been terminated prior to the expiration of the Common Stock Offer, or (iii) at any time on or after the date of this Agreement, and prior to the acceptance for payment of Common Shares, any of the following conditions shall exist:

(a) there shall have been instituted or be pending any action or proceeding by any court or governmental, administrative or regulatory authority or agency, domestic or foreign, (i) challenging or seeking to make illegal, materially delay or otherwise directly or indirectly restrain or prohibit or make materially more costly the making of the Offers, the acceptance for payment of, or payment for, any Shares by Parent, Purchaser or any other affiliate of Parent or the consummation of any other Transaction, or seeking to obtain material damages in connection with any Transaction; (ii) seeking to prohibit or limit materially the ownership or operation by the Company, Parent or any of their subsidiaries of all or any material portion of the business or assets of the Company, Parent or any of their subsidiaries, or to compel the Company, Parent or any of their subsidiaries to dispose of or hold separate all or any material portion of the business or assets of the Company, Parent or any of their subsidiaries, as a result of the Transactions; (iii) seeking to impose or confirm limitations on the ability of Parent, Purchaser or any other affiliate of Parent to exercise effectively full rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by Purchaser pursuant to the Offers or otherwise on all matters properly presented to the Company's stockholders, including, without limitation, the approval and adoption of this Agreement and the transactions contemplated hereby; (iv) seeking to require divestiture by Parent, Purchaser or any other affiliate of Parent of any Shares; or (v) which otherwise has a Material Adverse Effect or which is reasonably likely to have an adverse effect on the business, results of operations or financial condition of Parent that is material in relation to the benefits sought to be achieved by Parent in the Transactions;

(b) there shall have been any action taken, or any statute, rule, regulation, legislation, interpretation, judgment, order or injunction enacted, entered, enforced, promulgated, amended, issued or deemed applicable to (i) Parent, the Company or any subsidiary or affiliate of Parent or the Company or (ii) any Transaction, by any legislative body, court, government or governmental, administrative or regulatory authority or agency, domestic or foreign, other than the routine application of the waiting period provisions of the HSR Act to the Offers or the Merger, which is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above;

(c) there shall have occurred any change, condition, event or development that has a Material Adverse Effect;

(d) (i) it shall have been publicly disclosed or Purchaser shall have otherwise learned that beneficial ownership (determined for the purposes of this paragraph as set forth in Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the then outstanding Common Shares has been acquired by any person, other than Parent or any of its affiliates or (ii) (A) the Board or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Purchaser the approval or recommendation of the Offers, the Merger or the Merger Agreement or approved or recommended any takeover proposal or any other acquisition of Common Shares other than the Offers and the Merger or (B) the Board or any committee thereof shall have resolved to do any of the foregoing;

(e) any representation or warranty of the Company in the Merger Agreement (without regard to any materiality qualifiers contained therein) shall not be true and correct, in each case as if such representation or warranty was made as of such time on or after the date of this Agreement, but only if the aggregate effect of any failures of such representations and warranties to be true and correct would have a Material Adverse Effect, and the Company shall not have delivered to Parent a certificate of the Company to such effect signed by a duly authorized officer thereof and dated as of the date on which Parent shall first accept Common Shares for payment;

(f) the Company shall have failed to perform in any material respect any obligation or to comply in any material respect with any agreement or covenant of the Company to be performed or complied with by it under the Merger Agreement;

(g) the Merger Agreement shall have been terminated in accordance with its terms; or

(h) Purchaser and the Company shall have agreed that Purchaser shall terminate the Offers or postpone the acceptance for payment of or payment for Shares thereunder.

Notwithstanding any other provisions of the Offers, Purchaser shall not be required to accept for payment or pay for any Preferred Shares tendered pursuant to the Preferred Stock Offer unless and until the Purchaser has accepted for payment and paid for the Common Shares pursuant to the Common Stock Offer.

The foregoing conditions are for the sole benefit of Purchaser and Parent and may be asserted by Purchaser or Parent, subject to the terms of the Merger Agreement, regardless of the circumstances giving rise to any such condition or may be waived by Purchaser or Parent in whole or in part at any time and from time to time in their sole discretion. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right; the waiver of any such right with respect to particular facts and other circumstances shall not be deemed

a waiver with respect to any other facts and circumstances; and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time.

Annex B

Dividend Payment Date		Per Preferred Share Amount
December 15, 1998	110.00%	$27.50
March 15, 1999	109.33%	$27.33
June 15, 1999	108.68%	$27.17
September 15, 1999	108.02%	$27.01
December 15, 1999	107.34%	$26.83
March 15, 2000	106.64%	$26.66
June 15, 2000	105.95%	$26.49
September 15, 2000	105.25%	$26.31
December 15, 2000	104.53%	$26.13
December 20, 2000	104.50%	$26.13

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 19, 1998 by and among Reno Air, Inc., a Nevada corporation (the "Company"), American Airlines, Inc., a Delaware corporation ("American"), and Vicki W. Bretthauer (the "Executive").

The Executive, the Company, and American agree as follows:

1. Definitions. Capitalized terms used in this Agreement and not otherwise defined shall have the meanings assigned to them in Appendix l entitled "Employment Agreement Definitions."

2. Employment. American agrees to employ the Executive and the Executive agrees to be employed by American on the terms and conditions hereinafter set forth during the Employment Period.

3. Compensation and Benefits. The compensation and benefits payable to Executive for all services rendered by the Executive under this Agreement shall be as follows:

(a) Salary. During the Employment Period, the Executive shall receive a minimum base salary at the rate of $125,000 per year. Such salary shall be (i) payable no less frequently than on a monthly basis in accordance with American's standard payroll practices (and pro-rated for any partial pay period), and (ii) subject to review and increase (but not decrease) at any time at the discretion of the Board.

(b) Incentive Compensation. During the Employment Period, the Executive shall be entitled to receive benefits (including but not limited to the target level award) commensurate for level 8 employees provided for under American's incentive compensation plan. If this Agreement is in effect at the time payments under American's 1999 incentive compensation plan are made, then the Executive's benefits under the plan will be calculated as if the Executive had been a participant in the Plan since January 1, 1999.

(c) Performance Share Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Performance Share Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Performance Share Program to the extent provided in Section 3(n).

(d) Career Equity Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Career Equity Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Career Equity Program to the extent provided in Section 3(n).

(e) Business Expenses. During the Employment Period, American shall reimburse the Executive promptly for all reasonable travel and other business expenses incurred by her in the performance of her duties and responsibilities, subject to American's policies with respect to substantiation and documentation.

(f) Company Stock Options. Prior to or contemporaneously with the Effective Time of the Merger, the Executive shall be entitled to exercise any stock options granted under the Prior Agreement. All unexercised options will be canceled at the Effective Time of the Merger.

(g) American Stock Options. During the Employment Period, American shall grant to the Executive the same yearly number of options which are usually granted to a level 8 employee on the same or similar terms and conditions. The Executive agrees that she shall only receive stock options in 1999 to the extent provided in Section 3(n).

(h) Airline Travel. During the Employment Period, American shall provide or cause to provide to the Executive, the Executive's Spouse, the Executive's Parents and the Executive's Eligible Children the same travel privileges accorded to American's level 8 employees (the "Airline Travel Benefits").

(i) Other Benefits. During the Employment Period, the Executive and, to the extent applicable, the Executive's family, dependents and beneficiaries, shall each participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to level 8 employees of American. Such benefits, plans and programs may include, without limitation, profit sharing plans, thrift plans, health insurance or health care plans, life insurance, disability insurance, pension and other retirement plans, pass privileges, interline travel benefits, and the like.

(j) Vacation. During the Employment Period, the Executive may take up to 4 weeks of paid vacation a year.

(k) Company Car. During the Employment Period, American shall provide the

Executive with a company car, or, at its option, American may substitute a cash allowance therefor.

(l) Indemnification. American shall provide or cause to be provided to the Executive indemnification against all expenses (including attorneys' fees), judgements, fines and amounts paid in settlement in connection with any threatened, pending, or completed action, claim, suit or proceeding, whether civil, criminal, administrative, or investigative (including an action by or in the right of the Company) by reason of the Executive's having served as a director, officer or employee of the Company or any affiliate of the Company. American shall advance fees (including attorneys' fees) incurred by the Executive in the defense of any such action, claim, suit, or proceeding, and American shall maintain customary directors and officers liability insurance coverage. These provisions supplement and are not in lieu of any rights granted to the Company's officers and directors under the Company's articles of incorporation, bylaws, any corporate document (including insurance policies), or applicable law. American shall pay, or promptly reimburse on an as-incurred basis to the Executive, the reasonable fees and expenses of the Executive's legal counsel for its services rendered in connection with, the Executive's enforcement of this Agreement; provided, that if the Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Executive instituted the proceeding in bad faith, the Executive shall pay all costs and expenses, including attorneys' fees, of the Executive and American.

(m) Relocation Assistance. In the event that this Agreement: (i) is terminated by American (other than for Cause), (ii) is terminated by the Executive with Good Reason, or (iii) expires upon the occurrence of the Non-Renewal Event and the Executive relocates from the Reno area within 12 months after the date of termination or the Non-Renewal Event, American will reimburse or pay the Executive for basic and customary closing costs and the reasonable costs of packing and moving to a location in the continental United States selected by the Executive up to a maximum amount of $35,000, substantiated by actual receipts.

(n) Merger Bonus and 1999 Equity Grants. Upon the Effective Time of Merger, Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary as set forth in Section 3(a); (ii) 2,500 stock options, with an exercise price equal to the fair market value of AMR common stock on the day of grant, subject to terms and conditions similar to those of other level 8 participants; (iii) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Performance Share Program and (iv) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Career Equity

Program.

(o) American Service Credit. During the Employment Period, American shall calculate any years of service credit as if the Executive had been an employee of American as of the date of the Prior Agreement.

4. Termination and Termination Benefits

(a) Termination by American for Cause. American may terminate the Executive's employment for Cause. If the Chief Executive Officer of American determines in good faith that the Executive should be terminated for Cause, American shall send written notice to the Executive setting forth in reasonable detail the nature of the Cause. If terminated for Cause, the Executive will be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(b) Termination by American without Cause. The Executive's employment may be terminated by American without Cause provided that the Executive is afforded at least 30 days' prior written notice of such termination.

(c) Termination by the Executive. The Executive may terminate her employment with or without Good Reason by giving American not less than 30 days' prior written notice of termination of her employment, and she shall not be required to render any services to American after the date set forth in the notice of termination. In the event of a termination by the Executive without Good Reason, the Executive shall be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(d) Benefits Upon Termination Without Cause or for Good Reason. If this Agreement is terminated by American without Cause, or this Agreement is terminated by the Executive with Good Reason: (i) American shall pay to the Executive 2 times the Executive's annual base salary as set forth in Section 3(a); (ii) the Executive shall be entitled to receive medical, dental, life insurance, vision and similar benefits as well as Airlin Travel Benefits up until the 30-month anniversary of the Effective Time of the Merger as if the Executive continued to be a full time level 8 employee, and (iii) the Executive shall be entitled to exercise any stock options that were vested on the date of termination. The amount that would be due and payable under sub-clause (i) of this Section 4(d) shall be paid to the Executive in three equal installments on each of the 30th, 60th, and 90th day after the date of termination (or the immediately succeeding business day if any such day is not a business day). The Executive acknowledges that payments and benefits received pursuant to this Section 4(d) are in lieu of any other amounts to which the employee may be entitled upon

termination.

(e) Benefits Upon Expiration of the Employment Period. If upon expiration of the Employment Period, the Executive is not offered or does not accept a position with American (the "Non-Renewal Event"), the Executive shall be entitled to receive the same payments and benefits as if she had been terminated by American without Cause. The Executive acknowledges that payments and benefits received pursuant to this Section 4(e) are in lieu of any other amounts to which the employee may be entitled upon termination.

(f) Continued Employment with American. If upon expiration of the Employment Period, the Executive is offered and accepts a position with American, the Executive will receive a payment equal to 2 times her annual base salary as set forth in Section 3(a). Thereafter, the Executive's ongoing salary and benefits (including any travel privileges) shall be commensurate with the level of the position accepted by the Executive; provided, however, that the Executive shall be entitled to the Airline Travel Benefits accorded to American's level 8 employees up until the 30-month anniversary of the Effective Time of the Merger.

(g) No Duty to Mitigate/No Non-Compete. The Executive has no duty or obligation to mitigate the expenditures for salaries, bonuses, benefits or otherwise after termination of this Agreement and/or cessation of employment with American. Nothing in this Agreement is intended to serve as a "noncompete" or other limitation on the future employment opportunities for the Executive after termination of this Agreement.

5. Confidential Information. The Executive shall maintain a fiduciary duty to the Company and American for all confidential information, knowledge or data relating to the Company, American or any of their affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or American or any of their affiliates until such confidential information, knowledge or data become a matter of public record through disclosure by a person or persons other than the Executive or her representatives and which does not involve communication or disclosure, directly or indirectly, by the Executive or her representatives. The Executive shall not communicate or disclose any such information, knowledge, or data to anyone other than the Company, American and those designated by the Company or American. After termination of the Executive's employment with American, the Executive shall return all confidential and proprietary information in her possession or under her control and shall not, without the prior written consent of American, communicate or disclose any such information, knowledge or data to anyone other than American and those designated by American. Willful violation of this paragraph 5 shall void this Employment Agreement.

6. Successors and Assigns. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. This Agreement is personal to the Executive and without the prior written consent of American shall not be assignable by the Executive other than by will or the laws of descent and distribution.

7. General Contract Provisions.

(a) Governing Law/Headings/Amendments/Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire understanding of the Company, American, and the Executive with respect to the subject matter hereof and supersedes any and all other agreements (other than the Prior Agreement), either oral or written, between the Company and the Executive or American and the Executive with respect to the subject matter hereof effective immediately. All provisions of the Prior Agreement relating to the obligations of the Company or any successor to the QQ Business (as that term is defined in the Prior Agreement) (i) upon a Change in Control (as that term is defined in the Prior Agreement), (ii) as to post-Employment Period Airline Travel and Club Benefits (as that term is defined in the Prior Agreement) and (iii) lifetime medical coverage are superceded in their entirety by this Agreement effective immediately. All other provisions of the Prior Agreement shall be superseded in their entirety by this Agreement as of the Effective Time of the Merger.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Executive: to her address as set forth in the personnel records of the Company, if to the Company: to Reno Air, Inc., 220 Edison Way, Reno, Nevada 89502, Attention: Chief Executive Officer, with a copy to the attention of the Company's Corporate Secretary, if to American: American Airlines, Inc., 4333 Amon Carter Boulevard, MD 5675 HDQ, Fort Worth, Texas 76155, Attention: Corporate Secretary; or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Enforceability Issues. If any benefits to which the Executive shall otherwise be

entitled hereunder are not permitted to be provided to the Executive under any governing plan document or applicable law governing the payment or provision of such benefits, the Company shall pay or provide equivalent benefits to the Executive (or her representatives in the case of death). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. To the extent the provisions of Section 3(l) are inconsistent with the terms regarding subrogation in any officers' and directors' liability coverage, the terms of such insurance coverage shall prevail. A party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision thereof.

(d) Withholdings. American may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Release. The Executive agrees, on behalf of herself and all of her heirs or personal representatives, to release the Company, American, its parent company, AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans from any and all claims for relief of any kind, whether known to the Executive or unknown, which in any way arise out of or relate to the Executive's employment at the Company, concerning events occurring at any time up to the date set forth in the introductory paragraph; provided that by accepting the Merger Bonus described in Section 3(n), the Executive shall be deemed to have restated this release to include all claims with respect to all events occurring at any time up to the Effective Time of the Merger.

IN WITNESS WHEREOF, the Executive, the Company and American have executed this Employment Agreement as of the date first above written.

Reno Air, Inc. (the "Company")

By: /s/ Joseph R. O'Gorman
Name: Joseph R. O'Gorman
Title: Chairman, Chief Executive Officer and President

American Airlines, Inc. ("American")

By: /s/ Gerard J. Arpey
Name: Gerard J. Arpey
Title: Senior Vice President - Finance and Planning

/s/ Vicki W. Bretthauer
Executive

Employment Agreement Definitions

"Airline Travel Benefits" is defined in Section 3(h).

"American" shall mean American Airlines, Inc.

"Board" shall mean the Board of Directors of American.

"Cause" shall mean (i) an act or acts of personal dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of American, (ii) repeated violations by the Executive of the Executive's obligations under this Agreement which are demonstrably willful and deliberate on the Executive's part and which are not remedied in a reasonable period of time after receipt of written notice from American or, (iii) the conviction of the Executive of a felony.

"Company" shall mean the Company as defined above.

"Eligible Child" shall mean the Executive's "dependent children" as defined under American's non-revenue travel policies.

"Employment Period" shall mean the 24 month period commencing as of the Effective Time of the Merger.

"Executive's Parents" shall mean those family members defined as "Parents" under American's non-revenue travel policies.

"Executive's Spouse" shall mean that family member defined as "Spouse" under American's non-revenue travel policies.

"Effective Time of the Merger" shall have the meaning set forth in the Merger Agreement between the Company and American, dated as of November 19, 1998.

"Good Reason" shall mean any one or more of the following: (i) any failure by American to comply with its obligations under this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive, (ii) American's requiring the Executive to be based at any office or location other than within 35 miles of the Reno/Lake Tahoe International Airport, except for travel reasonably required in the performance of the Executive's responsibilities, or (iii) the assignment to the Executive of duties inconsistent with a reasonable level of management responsibilities commensurate with the Executive's level of experience, excluding for this purpose an

isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive.

"Non-Renewal Event" is defined in Section 4(e).

"Prior Agreement" shall mean that Employment Agreement, dated March 26, 1998 between Company and Executive.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 19, 1998 by and among Reno Air, Inc., a Nevada corporation (the "Company"), American Airlines, Inc., a Delaware corporation ("American"), and Beverley Grear (the "Executive").

The Executive, the Company, and American agree as follows:

1. Definitions. Capitalized terms used in this Agreement and not otherwise defined shall have the meanings assigned to them in Appendix 1 entitled "Employment Agreement Definitions."

2. Employment. American agrees to employ the Executive and the Executive agrees to be employed by American on the terms and conditions hereinafter set forth during the Employment Period.

3. Compensation and Benefits. The compensation and benefits payable to Executive for all services rendered by the Executive under this Agreement shall be as follows:

(a) Salary. During the Employment Period, the Executive shall receive a minimum base salary at the rate of $175,000 per year. Such salary shall be (i) payable no less frequently than on a monthly basis in accordance with American's standard payroll practices (and pro-rated for any partial pay period), and (ii) subject to review and increase (but not decrease) at any time at the discretion of the Board.

(b) Incentive Compensation. During the Employment Period, the Executive shall be entitled to receive benefits (including but not limited to the target level award) commensurate for level 8 employees provided for under American's incentive compensation plan. If this Agreement is in effect at the time payments under American's 1999 incentive compensation plan are made, then the Executive's benefits under the plan will be calculated as if the Executive had been a participant in the Plan since January 1, 1999.

(c) Performance Share Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Performance Share Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Performance Share Program to the extent provided in Section 3(n).

(d) Career Equity Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Career Equity Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Career Equity Program to the extent provided in Section 3(n).

(e) Business Expenses. During the Employment Period, American shall reimburse the Executive promptly for all reasonable travel and other business expenses incurred by her in the performance of her duties and responsibilities, subject to American's policies with respect to substantiation and documentation.

(f) Company Stock Options. Prior to or contemporaneously with the Effective Time of the Merger, the Executive shall be entitled to exercise any stock options granted under the Prior Agreement. All unexercised options will be canceled at the Effective Time of the Merger.

(g) American Stock Options. During the Employment Period, American shall grant to the Executive the same yearly number of options which are usually granted to a level 8 employee on the same or similar terms and conditions. The Executive agrees that she shall only receive stock options in 1999 to the extent provided in Section 3(n).

(h) Airline Travel. During the Employment Period, American shall provide or cause to provide to the Executive, the Executive's Spouse, the Executive's Parents and the Executive's Eligible Children the same travel privileges accorded to American's level 8 employees (the "Airline Travel Benefits").

(i) Other Benefits. During the Employment Period, the Executive and, to the extent applicable, the Executive's family, dependents and beneficiaries, shall each participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to level 8 employees of American. Such benefits, plans and programs may include, without limitation, profit sharing plans, thrift plans, health insurance or health care plans, life insurance, disability insurance, pension and other retirement plans, pass privileges, interline travel benefits, and the like.

(j) Vacation. During the Employment Period, the Executive may take up to 4 weeks of paid vacation a year.

(k) Company Car. During the Employment Period, American shall provide the

Executive with a company car, or, at its option, American may substitute a cash allowance therefor.

(l) Indemnification. American shall provide or cause to be provided to the Executive indemnification against all expenses (including attorneys' fees), judgements, fines and amounts paid in settlement in connection with any threatened, pending, or completed action, claim, suit or proceeding, whether civil, criminal, administrative, or investigative (including an action by or in the right of the Company) by reason of the Executive's having served as a director, officer or employee of the Company or any affiliate of the Company. American shall advance fees (including attorneys' fees) incurred by the Executive in the defense of any such action, claim, suit, or proceeding, and American shall maintain customary directors and officers liability insurance coverage. These provisions supplement and are not in lieu of any rights granted to the Company's officers and directors under the Company's articles of incorporation, bylaws, any corporate document (including insurance policies), or applicable law. American shall pay, or promptly reimburse on an as-incurred basis to the Executive, the reasonable fees and expenses of the Executive's legal counsel for its services rendered in connection with, the Executive's enforcement of this Agreement; provided, that if the Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Executive instituted the proceeding in bad faith, the Executive shall pay all costs and expenses, including attorneys' fees, of the Executive and American.

(m) Relocation Assistance. In the event that this Agreement: (i) is terminated by American (other than for Cause), (ii) is terminated by the Executive with Good Reason, or (iii) expires upon the occurrence of the Non-Renewal Event and the Executive relocates from the Reno area within 12 months after the date of termination or the Non-Renewal Event, American will reimburse or pay the Executive for basic and customary closing costs and the reasonable costs of packing and moving to a location in the continental United States selected by the Executive up to a maximum amount of $35,000, substantiated by actual receipts.

(n) Merger Bonus and 1999 Equity Grants. Upon the Effective Time of Merger, Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary as set forth in Section 3(a); (ii) 2,500 stock options, with an exercise price equal to the fair market value of AMR common stock on the day of grant, subject to terms and conditions similar to those of other level 8 participants; (iii) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Performance Share Program and (iv) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Career Equity

Program.

(o) American Service Credit. During the Employment Period, American shall calculate any years of service credit as if the Executive had been an employee of American as of the date of the Prior Agreement.

4. Termination and Termination Benefits

(a) Termination by American for Cause. American may terminate the Executive's employment for Cause. If the Chief Executive Officer of American determines in good faith that the Executive should be terminated for Cause, American shall send written notice to the Executive setting forth in reasonable detail the nature of the Cause. If terminated for Cause, the Executive will be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(b) Termination by American without Cause. The Executive's employment may be terminated by American without Cause provided that the Executive is afforded at least 30 days' prior written notice of such termination.

(c) Termination by the Executive. The Executive may terminate her employment with or without Good Reason by giving American not less than 30 days' prior written notice of termination of her employment, and she shall not be required to render any services to American after the date set forth in the notice of termination. In the event of a termination by the Executive without Good Reason, the Executive shall be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(d) Benefits Upon Termination Without Cause or for Good Reason. If this Agreement is terminated by American without Cause, or this Agreement is terminated by the Executive with Good Reason: (i) American shall pay to the Executive 2 times the Executive's annual base salary as set forth in Section 3(a); (ii) the Executive shall be entitled to receive medical, dental, life insurance, vision and similar benefits as well as Airline Travel Benefits up until the 30-month anniversary of the Effective Time of the Merger as if the Executive continued to be a full time level 8 employee, and (iii) the Executive shall be entitled to exercise any stock options that were vested on the date of termination. The amount that would be due and payable under sub-clause (i) of this Section 4(d) shall be paid to the Executive in three equal installments on each of the 30th, 60th, and 90th day after the date of termination (or the immediately succeeding business day if any such day is not a business day). The Executive acknowledges that payments and benefits received pursuant to this Section 4(d) are in lieu of any other amounts to which the employee may be entitled upon

termination.

(e) Benefits Upon Expiration of the Employment Period. If upon expiration of the Employment Period, the Executive is not offered or does not accept a position with American (the "Non-Renewal Event"), the Executive shall be entitled to receive the same payments and benefits as if she had been terminated by American without Cause. The Executive acknowledges that payments and benefits received pursuant to this Section 4(e) are in lieu of any other amounts to which the employee may be entitled upon termination.

(f) Continued Employment with American. If upon expiration of the Employment Period, the Executive is offered and accepts a position with American, the Executive will receive a payment equal to 2 times her annual base salary as set forth in Section 3(a). Thereafter, the Executive's ongoing salary and benefits (including any travel privileges) shall be commensurate with the level of the position accepted by the Executive; provided, however, that the Executive shall be entitled to the Airline Travel Benefits accorded to American's level 8 employees up until the 30-month anniversary of the Effective Time of the Merger.

(g) No Duty to Mitigate/No Non-Compete. The Executive has no duty or obligation to mitigate the expenditures for salaries, bonuses, benefits or otherwise after termination of this Agreement and/or cessation of employment with American. Nothing in this Agreement is intended to serve as a "noncompete" or other limitation on the future employment opportunities for the Executive after termination of this Agreement.

5. Confidential Information. The Executive shall maintain a fiduciary duty to the Company and American for all confidential information, knowledge or data relating to the Company, American or any of their affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or American or any of their affiliates until such confidential information, knowledge or data become a matter of public record through disclosure by a person or persons other than the Executive or her representatives and which does not involve communication or disclosure, directly or indirectly, by the Executive or her representatives. The Executive shall not communicate or disclose any such information, knowledge, or data to anyone other than the Company, American and those designated by the Company or American. After termination of the Executive's employment with American, the Executive shall return all confidential and proprietary information in her possession or under her control and shall not, without the prior written consent of American, communicate or disclose any such information, knowledge or data to anyone other than American and those designated by American. Willful violation of this paragraph 5 shall void this Employment Agreement.

6. Successors and Assigns. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. This Agreement is personal to the Executive and without the prior written consent of American shall not be assignable by the Executive other than by will or the laws of descent and distribution.

7. General Contract Provisions.

(a) Governing Law/Headings/Amendments/Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire understanding of the Company, American, and the Executive with respect to the subject matter hereof and supersedes any and all other agreements (other than the Prior Agreement), either oral or written, between the Company and the Executive or American and the Executive with respect to the subject matter hereof effective immediately. All provisions of the Prior Agreement relating to the obligations of the Company or any successor to the QQ Business (as that term is defined in the Prior Agreement) (i) upon a Change in Control (as that term is defined in the Prior Agreement), (ii) as to post-Employment Period Airline Travel and Club Benefits (as that term is defined in the Prior Agreement) and (iii) lifetime medical coverage are superceded in their entirety by this Agreement effective immediately. All other provisions of the Prior Agreement shall be superseded in their entirety by this Agreement as of the Effective Time of the Merger.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Executive: to her address as set forth in the personnel records of the Company, if to the Company: to Reno Air, Inc., 220 Edison Way, Reno, Nevada 89502, Attention: Chief Executive Officer, with a copy to the attention of the Company's Corporate Secretary, if to American: American Airlines, Inc., 4333 Amon Carter Boulevard, MD 5675 HDQ, Fort Worth, Texas 76155, Attention: Corporate Secretary; or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Enforceability Issues. If any benefits to which the Executive shall otherwise be

entitled hereunder are not permitted to be provided to the Executive under any governing plan document or applicable law governing the payment or provision of such benefits, the Company shall pay or provide equivalent benefits to the Executive (or her representatives in the case of death). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. To the extent the provisions of Section 3(l) are inconsistent with the terms regarding subrogation in any officers' and directors' liability coverage, the terms of such insurance coverage shall prevail. A party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision thereof.

(d) Withholdings. American may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Release. The Executive agrees, on behalf of herself and all of her heirs or personal representatives, to release the Company, American, its parent company, AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans from any and all claims for relief of any kind, whether known to the Executive or unknown, which in any way arise out of or relate to the Executive's employment at the Company, concerning events occurring at any time up to the date set forth in the introductory paragraph; provided that by accepting the Merger Bonus described in Section 3(n), the Executive shall be deemed to have restated this release to include all claims with respect to all events occurring at any time up to the Effective Time of the Merger.

IN WITNESS WHEREOF, the Executive, the Company and American have executed this Employment Agreement as of the date first above written.

Reno Air, Inc. (the "Company")

By: /s/ Joseph R. O'Gorman

Name: Joseph R. O'Gorman

Title: Chairman, Chief Executive Officer and President

American Airlines, Inc. ("American")

By: /s/ Gerard J. Arpey

Name: Gerard J. Arpey

Title: Senior Vice President - Finance and Planning

/s/ Beverley Grear

Executive

Appendix l

Employment Agreement Definitions

"Airline Travel Benefits" is defined in Section 3(h).

"American" shall mean American Airlines, Inc.

"Board" shall mean the Board of Directors of American.

"Cause" shall mean (i) an act or acts of personal dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of American, (ii) repeated violations by the Executive of the Executive's obligations under this Agreement which are demonstrably willful and deliberate on the Executive's part and which are not remedied in a reasonable period of time after receipt of written notice from American or, (iii) the conviction of the Executive of a felony.

"Company" shall mean the Company as defined above.

"Eligible Child" shall mean the Executive's "dependent children" as defined under American's non-revenue travel policies.

"Employment Period" shall mean the 24 month period commencing as of the Effective Time of the Merger.

"Executive's Parents" shall mean those family members defined as "Parents" under American's non-revenue travel policies.

"Executive's Spouse" shall mean that family member defined as "Spouse" under American's non-revenue travel policies.

"Effective Time of the Merger" shall have the meaning set forth in the Merger Agreement between the Company and American, dated as of November 19, 1998.

"Good Reason" shall mean any one or more of the following: (i) any failure by American to comply with its obligations under this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive, (ii) American's requiring the Executive to be based at any office or location other than within 35 miles of the Reno/Lake Tahoe International Airport, except for travel reasonably required in the performance of the Executive's responsibilities, or (iii) the assignment to the Executive of duties inconsistent with a reasonable level of management responsibilities commensurate with the Executive's level of experience, excluding for this purpose an

isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive.

"Non-Renewal Event" is defined in Section 4(e).

"Prior Agreement" shall mean that Employment Agreement, dated March 27, 1998 between Company and Executive.

Exhibit 99(c)(4)

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 19, 1998 by and among Reno Air, Inc., a Nevada corporation (the "Company"), American Airlines, Inc., a Delaware corporation ("American"), and W. Stephen Jackson (the "Executive").

The Executive, the Company, and American agree as follows:

1. Definitions. Capitalized terms used in this Agreement and not otherwise defined shall have the meanings assigned to them in Appendix l entitled "Employment Agreement Definitions."

2. Employment. American agrees to employ the Executive and the Executive agrees to be employed by American on the terms and conditions hereinafter set forth during the Employment Period.

3. Compensation and Benefits. The compensation and benefits payable to Executive for all services rendered by the Executive under this Agreement shall be as follows:

(a) Salary. During the Employment Period, the Executive shall receive a minimum base salary at the rate of $175,000 per year. Such salary shall be (i) payable no less frequently than on a monthly basis in accordance with American's standard payroll practices (and pro-rated for any partial pay period), and (ii) subject to review and increase (but not decrease) at any time at the discretion of the Board.

(b) Incentive Compensation. During the Employment Period, the Executive shall be entitled to receive benefits (including but not limited to the target level award) commensurate for level 8 employees provided for under American's incentive compensation plan. If this Agreement is in effect at the time payments under American's 1999 incentive compensation plan are made, then the Executive's benefits under the plan will be calculated as if the Executive had been a participant in the Plan since January 1, 1999.

(c) Performance Share Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Performance Share Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that he shall only be eligible to participate in AMR Corporation's 1999 Performance Share Program to the extent provided in Section 3(n).

(d) Career Equity Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Career Equity Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that he shall only be eligible to participate in AMR Corporation's 1999 Career Equity Program to the extent provided in Section 3(n).

(e) Business Expenses. During the Employment Period, American shall reimburse the Executive promptly for all reasonable travel and other business expenses incurred by him in the performance of his duties and responsibilities, subject to American's policies with respect to substantiation and documentation.

(f) Company Stock Options. Prior to or contemporaneously with the Effective Time of the Merger, the Executive shall be entitled to exercise any stock options granted under the Prior Agreement. All unexercised options will be canceled at the Effective Time of the Merger.

(g) American Stock Options. During the Employment Period, American shall grant to the Executive the same yearly number of options which are usually granted to a level 8 employee on the same or similar terms and conditions. The Executive agrees that he shall only receive stock options in 1999 to the extent provided in Section 3(n).

(h) Airline Travel. During the Employment Period, American shall provide or cause to provide to the Executive, the Executive's Spouse, the Executive's Parents and the Executive's Eligible Children the same travel privileges accorded to American's level 8 employees (the "Airline Travel Benefits").

(i) Other Benefits. During the Employment Period, the Executive and, to the extent applicable, the Executive's family, dependents and beneficiaries, shall each participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to level 8 employees of American. Such benefits, plans and programs may include, without limitation, profit sharing plans, thrift plans, health insurance or health care plans, life insurance, disability insurance, pension and other retirement plans, pass privileges, interline travel benefits, and the like.

(j) Vacation. During the Employment Period, the Executive may take up to 4 weeks of paid vacation a year.

(k) Company Car. During the Employment Period, American shall provide the

Executive with a company car, or, at its option, American may substitute a cash allowance therefor.

(l) Indemnification. American shall provide or cause to be provided to the Executive indemnification against all expenses (including attorneys' fees), judgements, fines and amounts paid in settlement in connection with any threatened, pending, or completed action, claim, suit or proceeding, whether civil, criminal, administrative, or investigative (including an action by or in the right of the Company) by reason of the Executive's having served as a director, officer or employee of the Company or any affiliate of the Company. American shall advance fees (including attorneys' fees) incurred by the Executive in the defense of any such action, claim, suit, or proceeding, and American shall maintain customary directors and officers liability insurance coverage. These provisions supplement and are not in lieu of any rights granted to the Company's officers and directors under the Company's articles of incorporation, bylaws, any corporate document (including insurance policies), or applicable law. American shall pay, or promptly reimburse on an as-incurred basis to the Executive, the reasonable fees and expenses of the Executive's legal counsel for its services rendered in connection with, the Executive's enforcement of this Agreement; provided, that if the Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Executive instituted the proceeding in bad faith, the Executive shall pay all costs and expenses, including attorneys' fees, of the Executive and American.

(m) Relocation Assistance. In the event that this Agreement: (i) is terminated by American (other than for Cause), (ii) is terminated by the Executive with Good Reason, or (iii) expires upon the occurrence of the Non-Renewal Event and the Executive relocates from the Reno area within 12 months after the date of termination or the Non-Renewal Event, American will reimburse or pay the Executive for basic and customary closing costs and the reasonable costs of packing and moving to a location in the continental United States selected by the Executive up to a maximum amount of $35,000, substantiated by actual receipts.

(n) Merger Bonus and 1999 Equity Grants. Upon the Effective Time of Merger, Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary as set forth in Section 3(a); (ii) 2,500 stock options, with an exercise price equal to the fair market value of AMR common stock on the day of grant, subject to terms and conditions similar to those of other level 8 participants; (iii) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Performance Share Program and (iv) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Career Equity

Program.

(o) American Service Credit. During the Employment Period, American shall calculate any years of service credit as if the Executive had been an employee of American as of the date of the Prior Agreement.

4. Termination and Termination Benefits

(a) Termination by American for Cause. American may terminate the Executive's employment for Cause. If the Chief Executive Officer of American determines in good faith that the Executive should be terminated for Cause, American shall send written notice to the Executive setting forth in reasonable detail the nature of the Cause. If terminated for Cause, the Executive will be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(b) Termination by American without Cause. The Executive's employment may be terminated by American without Cause provided that the Executive is afforded at least 30 days' prior written notice of such termination.

(c) Termination by the Executive. The Executive may terminate his employment with or without Good Reason by giving American not less than 30 days' prior written notice of termination of his employment, and he shall not be required to render any services to American after the date set forth in the notice of termination. In the event of a termination by the Executive without Good Reason, the Executive shall be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(d) Benefits Upon Termination Without Cause or for Good Reason. If this Agreement is terminated by American without Cause, or this Agreement is terminated by the Executive with Good Reason: (i) American shall pay to the Executive 2 times the Executive's annual base salary as set forth in Section 3(a); (ii) the Executive shall be entitled to receive medical, dental, life insurance, vision and similar benefits as well as Airline Travel Benefits up until the 30-month anniversary of the Effective Time of the Merger as if the Executive continued to be a full time level 8 employee, and (iii) the Executive shall be entitled to exercise any stock options that were vested on the date of termination. The amount that would be due and payable under sub-clause (i) of this Section 4(d) shall be paid to the Executive in three equal installments on each of the 30th, 60th, and 90th day after the date of termination (or the immediately succeeding business day if any such day is not a business day). The Executive acknowledges that payments and benefits received pursuant to this Section 4(d) are in lieu of any other amounts to which the employee may be entitled upon

termination.

(e) Benefits Upon Expiration of the Employment Period. If upon expiration of the Employment Period, the Executive is not offered or does not accept a position with American (the "Non-Renewal Event"), the Executive shall be entitled to receive the same payments and benefits as if he had been terminated by American without Cause. The Executive acknowledges that payments and benefits received pursuant to this Section 4(e) are in lieu of any other amounts to which the employee may be entitled upon termination.

(f) Continued Employment with American. If upon expiration of the Employment Period, the Executive is offered and accepts a position with American, the Executive will receive a payment equal to 2 times his annual base salary as set forth in Section 3(a). Thereafter, the Executive's ongoing salary and benefits (including any travel privileges) shall be commensurate with the level of the position accepted by the Executive; provided, however, that the Executive shall be entitled to the Airline Travel Benefits accorded to American's level 8 employees up until the 30-month anniversary of the Effective Time of the Merger.

(g) No Duty to Mitigate/No Non-Compete. The Executive has no duty or obligation to mitigate the expenditures for salaries, bonuses, benefits or otherwise after termination of this Agreement and/or cessation of employment with American. Nothing in this Agreement is intended to serve as a "noncompete" or other limitation on the future employment opportunities for the Executive after termination of this Agreement.

5. Confidential Information. The Executive shall maintain a fiduciary duty to the Company and American for all confidential information, knowledge or data relating to the Company, American or any of their affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or American or any of their affiliates until such confidential information, knowledge or data become a matter of public record through disclosure by a person or persons other than the Executive or his representatives and which does not involve communication or disclosure, directly or indirectly, by the Executive or his representatives. The Executive shall not communicate or disclose any such information, knowledge, or data to anyone other than the Company, American and those designated by the Company or American. After termination of the Executive's employment with American, the Executive shall return all confidential and proprietary information in his possession or under his control and shall not, without the prior written consent of American, communicate or disclose any such information, knowledge or data to anyone other than American and those designated by American. Willful violation of this paragraph 5 shall void this Employment Agreement.

6. Successors and Assigns. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. This Agreement is personal to the Executive and without the prior written consent of American shall not be assignable by the Executive other than by will or the laws of descent and distribution.

7. General Contract Provisions.

(a) Governing Law/Headings/Amendments/Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire understanding of the Company, American, and the Executive with respect to the subject matter hereof and supersedes any and all other agreements (other than the Prior Agreement), either oral or written, between the Company and the Executive or American and the Executive with respect to the subject matter hereof effective immediately. All provisions of the Prior Agreement relating to the obligations of the Company or any successor to the QQ Business (as that term is defined in the Prior Agreement) (i) upon a Change in Control (as that term is defined in the Prior Agreement), (ii) as to post-Employment Period Airline Travel and Club Benefits (as that term is defined in the Prior Agreement) and (iii) lifetime medical coverage are superceded in their entirety by this Agreement effective immediately. All other provisions of the Prior Agreement shall be superseded in their entirety by this Agreement as of the Effective Time of the Merger.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Executive: to his address as set forth in the personnel records of the Company, if to the Company: to Reno Air, Inc., 220 Edison Way, Reno, Nevada 89502, Attention: Chief Executive Officer, with a copy to the attention of the Company's Corporate Secretary, if to American: American Airlines, Inc., 4333 Amon Carter Boulevard, MD 5675 HDQ, Fort Worth, Texas 76155, Attention: Corporate Secretary; or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Enforceability Issues. If any benefits to which the Executive shall otherwise be

entitled hereunder are not permitted to be provided to the Executive under any governing plan document or applicable law governing the payment or provision of such benefits, the Company shall pay or provide equivalent benefits to the Executive (or his representatives in the case of death). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. To the extent the provisions of Section 3(l) are inconsistent with the terms regarding subrogation in any officers' and directors' liability coverage, the terms of such insurance coverage shall prevail. A party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision thereof.

(d) Withholdings. American may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Release. The Executive agrees, on behalf of himself and all of his heirs or personal representatives, to release the Company, American, its parent company, AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans from any and all claims for relief of any kind, whether known to the Executive or unknown, which in any way arise out of or relate to the Executive's employment at the Company, concerning events occurring at any time up to the date set forth in the introductory paragraph; provided that by accepting the Merger Bonus described in Section 3(n), the Executive shall be deemed to have restated this release to include all claims with respect to all events occurring at any time up to the Effective Time of the Merger.

IN WITNESS WHEREOF, the Executive, the Company and American have executed this Employment Agreement as of the date first above written.

Reno Air, Inc. (the "Company")

By: /s/ Joseph R. O'Gorman

Name: Joseph R. O'Gorman

Title: Chairman, Chief Executive Officer and President

American Airlines, Inc. ("American")

By: /s/ Gerard J. Arpey

Name: Gerard J. Arpey

Title: Senior Vice President - Finance and Planning

/s/ W. Stephen Jackson

Executive

Employment Agreement Definitions

"Airline Travel Benefits" is defined in Section 3(h).

"American" shall mean American Airlines, Inc.

"Board" shall mean the Board of Directors of American.

"Cause" shall mean (i) an act or acts of personal dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of American, (ii) repeated violations by the Executive of the Executive's obligations under this Agreement which are demonstrably willful and deliberate on the Executive's part and which are not remedied in a reasonable period of time after receipt of written notice from American or, (iii) the conviction of the Executive of a felony.

"Company" shall mean the Company as defined above.

"Eligible Child" shall mean the Executive's "dependent children" as defined under American's non-revenue travel policies.

"Employment Period" shall mean the 24 month period commencing as of the Effective Time of the Merger.

"Executive's Parents" shall mean those family members defined as "Parents" under American's non-revenue travel policies.

"Executive's Spouse" shall mean that family member defined as "Spouse" under American's non-revenue travel policies.

"Effective Time of the Merger" shall have the meaning set forth in the Merger Agreement between the Company and American, dated as of November 19, 1998.

"Good Reason" shall mean any one or more of the following: (i) any failure by American to comply with its obligations under this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive, (ii) American's requiring the Executive to be based at any office or location other than within 35 miles of the Reno/Lake Tahoe International Airport, except for travel reasonably required in the performance of the Executive's responsibilities, or (iii) the assignment to the Executive of duties inconsistent with a reasonable level of management responsibilities commensurate with the Executive's level of experience, excluding for this purpose an

isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive.

"Non-Renewal Event" is defined in Section 4(e).

"Prior Agreement" shall mean that Employment Agreement, dated June 3, 1998 between Company and Executive.

Exhibit 99(c)(5)

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 19, 1998 by and among Reno Air, Inc., a Nevada corporation (the "Company"), American Airlines, Inc., a Delaware corporation ("American"), and Joanne Dowty Smith (the "Executive").

The Executive, the Company, and American agree as follows:

1. Definitions. Capitalized terms used in this Agreement and not otherwise defined shall have the meanings assigned to them in Appendix l entitled "Employment Agreement Definitions."

2. Employment. American agrees to employ the Executive and the Executive agrees to be employed by American on the terms and conditions hereinafter set forth during the Employment Period.

3. Compensation and Benefits. The compensation and benefits payable to Executive for all services rendered by the Executive under this Agreement shall be as follows:

(a) Salary. During the Employment Period, the Executive shall receive a minimum base salary at the rate of $175,000 per year. Such salary shall be (i) payable no less frequently than on a monthly basis in accordance with American's standard payroll practices (and pro-rated for any partial pay period), and (ii) subject to review and increase (but not decrease) at any time at the discretion of the Board.

(b) Incentive Compensation. During the Employment Period, the Executive shall be entitled to receive benefits (including but not limited to the target level award) commensurate for level 8 employees provided for under American's incentive compensation plan. If this Agreement is in effect at the time payments under American's 1999 incentive compensation plan are made, then the Executive's benefits under the plan will be calculated as if the Executive had been a participant in the Plan since January 1, 1999.

(c) Performance Share Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Performance Share Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Performance Share Program to the extent provided in Section 3(n).

(d) Career Equity Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Career Equity Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that she shall only be eligible to participate in AMR Corporation's 1999 Career Equity Program to the extent provided in Section 3(n).

(e) Business Expenses. During the Employment Period, American shall reimburse the Executive promptly for all reasonable travel and other business expenses incurred by her in the performance of her duties and responsibilities, subject to American's policies with respect to substantiation and documentation.

(f) Company Stock Options. Prior to or contemporaneously with the Effective Time of the Merger, the Executive shall be entitled to exercise any stock options granted under the Prior Agreement. All unexercised options will be canceled at the Effective Time of the Merger.

(g) American Stock Options. During the Employment Period, American shall grant to the Executive the same yearly number of options which are usually granted to a level 8 employee on the same or similar terms and conditions. The Executive agrees that she shall only receive stock options in 1999 to the extent provided in Section 3(n).

(h) Airline Travel. During the Employment Period, American shall provide or cause to provide to the Executive, the Executive's Spouse, the Executive's Parents and the Executive's Eligible Children the same travel privileges accorded to American's level 8 employees (the "Airline Travel Benefits").

(i) Other Benefits. During the Employment Period, the Executive and, to the extent applicable, the Executive's family, dependents and beneficiaries, shall each participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to level 8 employees of American. Such benefits, plans and programs may include, without limitation, profit sharing plans, thrift plans, health insurance or health care plans, life insurance, disability insurance, pension and other retirement plans, pass privileges, interline travel benefits, and the like.

(j) Vacation. During the Employment Period, the Executive may take up to 4 weeks of paid vacation a year.

(k) Company Car. During the Employment Period, American shall provide the

Executive with a company car, or, at its option, American may substitute a cash allowance therefor.

(l) Indemnification. American shall provide or cause to be provided to the Executive indemnification against all expenses (including attorneys' fees), judgements, fines and amounts paid in settlement in connection with any threatened, pending, or completed action, claim, suit or proceeding, whether civil, criminal, administrative, or investigative (including an action by or in the right of the Company) by reason of the Executive's having served as a director, officer or employee of the Company or any affiliate of the Company. American shall advance fees (including attorneys' fees) incurred by the Executive in the defense of any such action, claim, suit, or proceeding, and American shall maintain customary directors and officers liability insurance coverage. These provisions supplement and are not in lieu of any rights granted to the Company's officers and directors under the Company's articles of incorporation, bylaws, any corporate document (including insurance policies), or applicable law. American shall pay, or promptly reimburse on an as-incurred basis to the Executive, the reasonable fees and expenses of the Executive's legal counsel for its services rendered in connection with, the Executive's enforcement of this Agreement; provided, that if the Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Executive instituted the proceeding in bad faith, the Executive shall pay all costs and expenses, including attorneys' fees, of the Executive and American.

(m) Relocation Assistance. In the event that this Agreement: (i) is terminated by American (other than for Cause), (ii) is terminated by the Executive with Good Reason, or (iii) expires upon the occurrence of the Non-Renewal Event and the Executive relocates from the Reno area within 12 months after the date of termination or the Non-Renewal Event, American will reimburse or pay the Executive for basic and customary closing costs and the reasonable costs of packing and moving to a location in the continental United States selected by the Executive up to a maximum amount of $35,000, substantiated by actual receipts.

(n) Merger Bonus and 1999 Equity Grants. Upon the Effective Time of Merger, Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary as set forth in Section 3(a); (ii) 2,500 stock options, with an exercise price equal to the fair market value of AMR common stock on the day of grant, subject to terms and conditions similar to those of other level 8 participants; (iii) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Performance Share Program and (iv) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Career Equity

Program.

(o) American Service Credit. During the Employment Period, American shall calculate any years of service credit as if the Executive had been an employee of American as of the date of the Prior Agreement.

4. Termination and Termination Benefits

(a) Termination by American for Cause. American may terminate the Executive's employment for Cause. If the Chief Executive Officer of American determines in good faith that the Executive should be terminated for Cause, American shall send written notice to the Executive setting forth in reasonable detail the nature of the Cause. If terminated for Cause, the Executive will be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(b) Termination by American without Cause. The Executive's employment may be terminated by American without Cause provided that the Executive is afforded at least 30 days' prior written notice of such termination.

(c) Termination by the Executive. The Executive may terminate her employment with or without Good Reason by giving American not less than 30 days' prior written notice of termination of her employment, and she shall not be required to render any services to American after the date set forth in the notice of termination. In the event of a termination by the Executive without Good Reason, the Executive shall be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(d) Benefits Upon Termination Without Cause or for Good Reason. If this Agreement is terminated by American without Cause, or this Agreement is terminated by the Executive with Good Reason: (i) American shall pay to the Executive 2 times the Executive's annual base salary as set forth in Section 3(a); (ii) the Executive shall be entitled to receive medical, dental, life insurance, vision and similar benefits as well as Airline Travel Benefits up until the 30-month anniversary of the Effective Time of the Merger as if the Executive continued to be a full time level 8 employee, and (iii) the Executive shall be entitled to exercise any stock options that were vested on the date of termination. The amount that would be due and payable under sub-clause (i) of this Section 4(d) shall be paid to the Executive in three equal installments on each of the 30th, 60th, and 90th day after the date of termination (or the immediately succeeding business day if any such day is not a business day). The Executive acknowledges that payments and benefits received pursuant to this Section 4(d) are in lieu of any other amounts to which the employee may be entitled upon

termination.

(e) Benefits Upon Expiration of the Employment Period. If upon expiration of the Employment Period, the Executive is not offered or does not accept a position with American (the "Non-Renewal Event"), the Executive shall be entitled to receive the same payments and benefits as if she had been terminated by American without Cause. The Executive acknowledges that payments and benefits received pursuant to this Section 4(e) are in lieu of any other amounts to which the employee may be entitled upon termination.

(f) Continued Employment with American. If upon expiration of the Employment Period, the Executive is offered and accepts a position with American, the Executive will receive a payment equal to 2 times her annual base salary as set forth in Section 3(a). Thereafter, the Executive's ongoing salary and benefits (including any travel privileges) shall be commensurate with the level of the position accepted by the Executive; provided, however, that the Executive shall be entitled to the Airline Travel Benefits accorded to American's level 8 employees up until the 30-month anniversary of the Effective Time of the Merger.

(g) No Duty to Mitigate/No Non-Compete. The Executive has no duty or obligation to mitigate the expenditures for salaries, bonuses, benefits or otherwise after termination of this Agreement and/or cessation of employment with American. Nothing in this Agreement is intended to serve as a "noncompete" or other limitation on the future employment opportunities for the Executive after termination of this Agreement.

5. Confidential Information. The Executive shall maintain a fiduciary duty to the Company and American for all confidential information, knowledge or data relating to the Company, American or any of their affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or American or any of their affiliates until such confidential information, knowledge or data become a matter of public record through disclosure by a person or persons other than the Executive or her representatives and which does not involve communication or disclosure, directly or indirectly, by the Executive or her representatives. The Executive shall not communicate or disclose any such information, knowledge, or data to anyone other than the Company, American and those designated by the Company or American. After termination of the Executive's employment with American, the Executive shall return all confidential and proprietary information in her possession or under her control and shall not, without the prior written consent of American, communicate or disclose any such information, knowledge or data to anyone other than American and those designated by American. Willful violation of this paragraph 5 shall void this Employment Agreement.

6. Successors and Assigns. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. This Agreement is personal to the Executive and without the prior written consent of American shall not be assignable by the Executive other than by will or the laws of descent and distribution.

7. General Contract Provisions.

(a) Governing Law/Headings/Amendments/Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire understanding of the Company, American, and the Executive with respect to the subject matter hereof and supersedes any and all other agreements (other than the Prior Agreement), either oral or written, between the Company and the Executive or American and the Executive with respect to the subject matter hereof effective immediately. All provisions of the Prior Agreement relating to the obligations of the Company or any successor to the QQ Business (as that term is defined in the Prior Agreement) (i) upon a Change in Control (as that term is defined in the Prior Agreement), (ii) as to post-Employment Period Airline Travel and Club Benefits (as that term is defined in the Prior Agreement) and (iii) lifetime medical coverage are superceded in their entirety by this Agreement effective immediately. All other provisions of the Prior Agreement shall be superseded in their entirety by this Agreement as of the Effective Time of the Merger.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Executive: to her address as set forth in the personnel records of the Company, if to the Company: to Reno Air, Inc., 220 Edison Way, Reno, Nevada 89502, Attention: Chief Executive Officer, with a copy to the attention of the Company's Corporate Secretary, if to American: American Airlines, Inc., 4333 Amon Carter Boulevard, MD 5675 HDQ, Fort Worth, Texas 76155, Attention: Corporate Secretary; or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Enforceability Issues. If any benefits to which the Executive shall otherwise be

entitled hereunder are not permitted to be provided to the Executive under any governing plan document or applicable law governing the payment or provision of such benefits, the Company shall pay or provide equivalent benefits to the Executive (or her representatives in the case of death). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. To the extent the provisions of Section 3(l) are inconsistent with the terms regarding subrogation in any officers' and directors' liability coverage, the terms of such insurance coverage shall prevail. A party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision thereof.

(d) Withholdings. American may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Release. The Executive agrees, on behalf of herself and all of her heirs or personal representatives, to release the Company, American, its parent company, AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans from any and all claims for relief of any kind, whether known to the Executive or unknown, which in any way arise out of or relate to the Executive's employment at the Company, concerning events occurring at any time up to the date set forth in the introductory paragraph; provided that by accepting the Merger Bonus described in Section 3(n), the Executive shall be deemed to have restated this release to include all claims with respect to all events occurring at any time up to the Effective Time of the Merger.

IN WITNESS WHEREOF, the Executive, the Company and American have executed this Employment Agreement as of the date first above written.

Reno Air, Inc. (the "Company")

By: /s/ Joseph R. O'Gorman
Name: Joseph R. O'Gorman
Title: Chairman, Chief Executive Officer and President

American Airlines, Inc. ("American")

By: /s/ Gerard J. Arpey
Name: Gerard J. Arpey
Title: Senior Vice President - Finance and Planning

/s/ Joanne Dowty Smith
Executive

Employment Agreement Definitions

"Airline Travel Benefits" is defined in Section 3(h).

"American" shall mean American Airlines, Inc.

"Board" shall mean the Board of Directors of American.

"Cause" shall mean (i) an act or acts of personal dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of American, (ii) repeated violations by the Executive of the Executive's obligations under this Agreement which are demonstrably willful and deliberate on the Executive's part and which are not remedied in a reasonable period of time after receipt of written notice from American or, (iii) the conviction of the Executive of a felony.

"Company" shall mean the Company as defined above.

"Eligible Child" shall mean the Executive's "dependent children" as defined under American's non-revenue travel policies.

"Employment Period" shall mean the 24 month period commencing as of the Effective Time of the Merger.

"Executive's Parents" shall mean those family members defined as "Parents" under American's non-revenue travel policies.

"Executive's Spouse" shall mean that family member defined as "Spouse" under American's non-revenue travel policies.

"Effective Time of the Merger" shall have the meaning set forth in the Merger Agreement between the Company and American, dated as of November 19, 1998.

"Good Reason" shall mean any one or more of the following: (i) any failure by American to comply with its obligations under this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive, (ii) American's requiring the Executive to be based at any office or location other than within 35 miles of the Reno/Lake Tahoe International Airport, except for travel reasonably required in the performance of the Executive's responsibilities, or (iii) the assignment to the Executive of duties inconsistent with a reasonable level of management responsibilities commensurate with the Executive's level of experience, excluding for this purpose an

isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive.

"Non-Renewal Event" is defined in Section 4(e).

"Prior Agreement" shall mean that Employment Agreement, dated April 6, 1998 between Company and Executive.

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 19, 1998 by and among Reno Air, Inc., a Nevada corporation (the "Company"), American Airlines, Inc., a Delaware corporation ("American"), and Steven A. Rossum (the "Executive").

The Executive, the Company, and American agree as follows:

1. Definitions. Capitalized terms used in this Agreement and not otherwise defined shall have the meanings assigned to them in Appendix l entitled "Employment Agreement Definitions."

2. Employment. American agrees to employ the Executive and the Executive agrees to be employed by American on the terms and conditions hereinafter set forth during the Employment Period.

3. Compensation and Benefits. The compensation and benefits payable to Executive for all services rendered by the Executive under this Agreement shall be as follows:

(a) Salary. During the Employment Period, the Executive shall receive a minimum base salary at the rate of $180,000 per year. Such salary shall be (i) payable no less frequently than on a monthly basis in accordance with American's standard payroll practices (and pro-rated for any partial pay period), and (ii) subject to review and increase (but not decrease) at any time at the discretion of the Board.

(b) Incentive Compensation. During the Employment Period, the Executive shall be entitled to receive benefits (including but not limited to the target level award) commensurate for level 8 employees provided for under American's incentive compensation plan. If this Agreement is in effect at the time payments under American's 1999 incentive compensation plan are made, then the Executive's benefits under the plan will be calculated as if the Executive had been a participant in the Plan since January 1, 1999.

(c) Performance Share Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Performance Share Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that he shall only be eligible to participate in AMR Corporation's 1999 Performance Share Program to the extent provided in Section 3(n).

(d) Career Equity Awards. During the Employment Period, the Executive shall be entitled to receive awards of deferred stock pursuant to AMR Corporation's Career Equity Program with terms and conditions similar to those of other level 8 participants in the program. The number of shares granted will be the same as the yearly number of shares awarded to other level 8 employees. The Executive agrees that he shall only be eligible to participate in AMR Corporation's 1999 Career Equity Program to the extent provided in Section 3(n).

(e) Business Expenses. During the Employment Period, American shall reimburse the Executive promptly for all reasonable travel and other business expenses incurred by him in the performance of his duties and responsibilities, subject to American's policies with respect to substantiation and documentation.

(f) Company Stock Options. Prior to or contemporaneously with the Effective Time of the Merger, the Executive shall be entitled to exercise any stock options granted under the Prior Agreement. All unexercised options will be canceled at the Effective Time of the Merger.

(g) American Stock Options. During the Employment Period, American shall grant to the Executive the same yearly number of options which are usually granted to a level 8 employee on the same or similar terms and conditions. The Executive agrees that he shall only receive stock options in 1999 to the extent provided in Section 3(n).

(h) Airline Travel. During the Employment Period, American shall provide or cause to provide to the Executive, the Executive's Spouse, the Executive's Parents and the Executive's Eligible Children the same travel privileges accorded to American's level 8 employees (the "Airline Travel Benefits").

(i) Other Benefits. During the Employment Period, the Executive and, to the extent applicable, the Executive's family, dependents and beneficiaries, shall each participate in all benefits, plans and programs, including improvements or modifications of the same, which are now, or may hereafter be, available to level 8 employees of American. Such benefits, plans and programs may include, without limitation, profit sharing plans, thrift plans, health insurance or health care plans, life insurance, disability insurance, pension and other retirement plans, pass privileges, interline travel benefits, and the like.

(j) Vacation. During the Employment Period, the Executive may take up to 4 weeks of paid vacation a year.

(k) Company Car. During the Employment Period, American shall provide the

Executive with a company car, or, at its option, American may substitute a cash allowance therefor.

(l) Indemnification. American shall provide or cause to be provided to the Executive indemnification against all expenses (including attorneys' fees), judgements, fines and amounts paid in settlement in connection with any threatened, pending, or completed action, claim, suit or proceeding, whether civil, criminal, administrative, or investigative (including an action by or in the right of the Company) by reason of the Executive's having served as a director, officer or employee of the Company or any affiliate of the Company. American shall advance fees (including attorneys' fees) incurred by the Executive in the defense of any such action, claim, suit, or proceeding, and American shall maintain customary directors and officers liability insurance coverage. These provisions supplement and are not in lieu of any rights granted to the Company's officers and directors under the Company's articles of incorporation, bylaws, any corporate document (including insurance policies), or applicable law. American shall pay, or promptly reimburse on an as-incurred basis to the Executive, the reasonable fees and expenses of the Executive's legal counsel for its services rendered in connection with, the Executive's enforcement of this Agreement; provided, that if the Executive institutes any proceeding to enforce this Agreement and the judge, arbitrator or other individual presiding over the proceeding affirmatively finds that the Executive instituted the proceeding in bad faith, the Executive shall pay all costs and expenses, including attorneys' fees, of the Executive and American.

(m) Relocation Assistance. In the event that this Agreement: (i) is terminated by American (other than for Cause), (ii) is terminated by the Executive with Good Reason, or (iii) expires upon the occurrence of the Non-Renewal Event and the Executive relocates from the Reno area within 12 months after the date of termination or the Non-Renewal Event, American will reimburse or pay the Executive for basic and customary closing costs and the reasonable costs of packing and moving to a location in the continental United States selected by the Executive up to a maximum amount of $35,000, substantiated by actual receipts.

(n) Merger Bonus and 1999 Equity Grants. Upon the Effective Time of Merger, Executive shall receive (i) a payment equal to 150% of the Executive's annual base salary as set forth in Section 3(a); (ii) 2,500 stock options, with an exercise price equal to the fair market value of AMR common stock on the day of grant, subject to terms and conditions similar to those of other level 8 participants; (iii) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Performance Share Program and (iv) 1,000 shares of deferred stock, subject to terms and conditions similar to those of other level 8 participants in AMR Corporation's Career Equity

Program.

(o) American Service Credit. During the Employment Period, American shall calculate any years of service credit as if the Executive had been an employee of American as of the date of the Prior Agreement.

4. Termination and Termination Benefits

(a) Termination by American for Cause. American may terminate the Executive's employment for Cause. If the Chief Executive Officer of American determines in good faith that the Executive should be terminated for Cause, American shall send written notice to the Executive setting forth in reasonable detail the nature of the Cause. If terminated for Cause, the Executive will be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(b) Termination by American without Cause. The Executive's employment may be terminated by American without Cause provided that the Executive is afforded at least 30 days' prior written notice of such termination.

(c) Termination by the Executive. The Executive may terminate his employment with or without Good Reason by giving American not less than 30 days' prior written notice of termination of his employment, and he shall not be required to render any services to American after the date set forth in the notice of termination. In the event of a termination by the Executive without Good Reason, the Executive shall be entitled to no additional compensation other than salary accrued prior to the effective date of termination.

(d) Benefits Upon Termination Without Cause or for Good Reason. If this Agreement is terminated by American without Cause, or this Agreement is terminated by the Executive with Good Reason: (i) American shall pay to the Executive 2 times the Executive's annual base salary as set forth in Section 3(a); (ii) the Executive shall be entitled to receive medical, dental, life insurance, vision and similar benefits as well as Airline Travel Benefits up until the 30-month anniversary of the Effective Time of the Merger as if the Executive continued to be a full time level 8 employee, and (iii) the Executive shall be entitled to exercise any stock options that were vested on the date of termination. The amount that would be due and payable under sub-clause (i) of this Section 4(d) shall be paid to the Executive in three equal installments on each of the 30th, 60th, and 90th day after the date of termination (or the immediately succeeding business day if any such day is not a business day). The Executive acknowledges that payments and benefits received pursuant to this Section 4(d) are in lieu of any other amounts to which the employee may be entitled upon

termination.

(e) Benefits Upon Expiration of the Employment Period. If upon expiration of the Employment Period, the Executive is not offered or does not accept a position with American (the "Non-Renewal Event"), the Executive shall be entitled to receive the same payments and benefits as if he had been terminated by American without Cause. The Executive acknowledges that payments and benefits received pursuant to this Section 4(e) are in lieu of any other amounts to which the employee may be entitled upon termination.

(f) Continued Employment with American. If upon expiration of the Employment Period, the Executive is offered and accepts a position with American, the Executive will receive a payment equal to 2 times his annual base salary as set forth in Section 3(a). Thereafter, the Executive's ongoing salary and benefits (including any travel privileges) shall be commensurate with the level of the position accepted by the Executive; provided, however, that the Executive shall be entitled to the Airline Travel Benefits accorded to American's level 8 employees up until the 30-month anniversary of the Effective Time of the Merger.

(g) No Duty to Mitigate/No Non-Compete. The Executive has no duty or obligation to mitigate the expenditures for salaries, bonuses, benefits or otherwise after termination of this Agreement and/or cessation of employment with American. Nothing in this Agreement is intended to serve as a "noncompete" or other limitation on the future employment opportunities for the Executive after termination of this Agreement.

5. Confidential Information. The Executive shall maintain a fiduciary duty to the Company and American for all confidential information, knowledge or data relating to the Company, American or any of their affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or American or any of their affiliates until such confidential information, knowledge or data become a matter of public record through disclosure by a person or persons other than the Executive or his representatives and which does not involve communication or disclosure, directly or indirectly, by the Executive or his representatives. The Executive shall not communicate or disclose any such information, knowledge, or data to anyone other than the Company, American and those designated by the Company or American. After termination of the Executive's employment with American, the Executive shall return all confidential and proprietary information in his possession or under his control and shall not, without the prior written consent of American, communicate or disclose any such information, knowledge or data to anyone other than American and those designated by American. Willful violation of this paragraph 5 shall void this Employment Agreement.

6. Successors and Assigns. This Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devises and legatees. This Agreement is personal to the Executive and without the prior written consent of American shall not be assignable by the Executive other than by will or the laws of descent and distribution.

7. General Contract Provisions.

(a) Governing Law/Headings/Amendments/Entire Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified other than by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire understanding of the Company, American, and the Executive with respect to the subject matter hereof and supersedes any and all other agreements (other than the Prior Agreement), either oral or written, between the Company and the Executive or American and the Executive with respect to the subject matter hereof effective immediately. All provisions of the Prior Agreement relating to the obligations of the Company or any successor to the QQ Business (as that term is defined in the Prior Agreement) (i) upon a Change in Control (as that term is defined in the Prior Agreement), (ii) as to post-Employment Period Airline Travel and Club Benefits (as that term is defined in the Prior Agreement) and (iii) lifetime medical coverage are superceded in their entirety by this Agreement effective immediately. All other provisions of the Prior Agreement shall be superseded in their entirety by this Agreement as of the Effective Time of the Merger.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Executive: to his address as set forth in the personnel records of the Company, if to the Company: to Reno Air, Inc., 220 Edison Way, Reno, Nevada 89502, Attention: Chief Executive Officer, with a copy to the attention of the Company's Corporate Secretary, if to American: American Airlines, Inc., 4333 Amon Carter Boulevard, MD 5675 HDQ, Fort Worth, Texas 76155, Attention: Corporate Secretary; or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

(c) Enforceability Issues. If any benefits to which the Executive shall otherwise be

entitled hereunder are not permitted to be provided to the Executive under any governing plan document or applicable law governing the payment or provision of such benefits, the Company shall pay or provide equivalent benefits to the Executive (or his representatives in the case of death). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. To the extent the provisions of Section 3(l) are inconsistent with the terms regarding subrogation in any officers' and directors' liability coverage, the terms of such insurance coverage shall prevail. A party's failure to insist upon strict compliance with any provision hereof shall not be deemed to be a waiver of such provision thereof.

(d) Withholdings. American may withhold from any amounts payable under this Agreement such federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) Release. The Executive agrees, on behalf of himself and all of his heirs or personal representatives, to release the Company, American, its parent company, AMR Corporation, all subsidiaries of either, and all of their present or former officers, directors, agents, employees, employee benefit plans and the trustees, administrators, fiduciaries and insurers of such plans from any and all claims for relief of any kind, whether known to the Executive or unknown, which in any way arise out of or relate to the Executive's employment at the Company, concerning events occurring at any time up to the date set forth in the introductory paragraph; provided that by accepting the Merger Bonus described in Section 3(n), the Executive shall be deemed to have restated this release to include all claims with respect to all events occurring at any time up to the Effective Time of the Merger.

IN WITNESS WHEREOF, the Executive, the Company and American have executed this Employment Agreement as of the date first above written.

Reno Air, Inc. (the "Company")

By: /s/ Joseph R. O'Gorman
Name: Joseph R. O'Gorman
Title: Chairman, Chief Executive Officer and President

American Airlines, Inc. ("American")

By: /s/ Gerard J. Arpey
Name: Gerard J. Arpey
Title: Senior Vice President - Finance and Planning

/s/ Steven A. Rossum
Executive

Employment Agreement Definitions

"Airline Travel Benefits" is defined in Section 3(h).

"American" shall mean American Airlines, Inc.

"Board" shall mean the Board of Directors of American.

"Cause" shall mean (i) an act or acts of personal dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of American, (ii) repeated violations by the Executive of the Executive's obligations under this Agreement which are demonstrably willful and deliberate on the Executive's part and which are not remedied in a reasonable period of time after receipt of written notice from American or, (iii) the conviction of the Executive of a felony.

"Company" shall mean the Company as defined above.

"Eligible Child" shall mean the Executive's "dependent children" as defined under American's non-revenue travel policies.

"Employment Period" shall mean the 24 month period commencing as of the Effective Time of the Merger.

"Executive's Parents" shall mean those family members defined as "Parents" under American's non-revenue travel policies.

"Executive's Spouse" shall mean that family member defined as "Spouse" under American's non-revenue travel policies.

"Effective Time of the Merger" shall have the meaning set forth in the Merger Agreement between the Company and American, dated as of November 19, 1998.

"Good Reason" shall mean any one or more of the following: (i) any failure by American to comply with its obligations under this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive, (ii) American's requiring the Executive to be based at any office or location other than within 35 miles of the Reno/Lake Tahoe International Airport, except for travel reasonably required in the performance of the Executive's responsibilities, or (iii) the assignment to the Executive of duties inconsistent with a reasonable level of management responsibilities commensurate with the Executive's level of experience, excluding for this purpose an

isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by American promptly after receipt of notice thereof given by the Executive.

"Non-Renewal Event" is defined in Section 4(e).

"Prior Agreement" shall mean that Employment Agreement, dated April 17, 1998 between Company and Executive.

Exhibit 99(c)(7)

[Confidentiality Agreement]

June 12, 1998

AMR Corporation
4333 Amon Carter Boulevard
Ft. Worth, Texas 76155

Attention: Senior Vice President and General Counsel

Ladies and Gentlemen:

In connection with your consideration of a possible negotiated transaction with Reno Air, Inc. (the "Company"), you have requested information regarding the Company.

1. As a condition to your being furnished with such information, you agree (and agree to cause your affiliates and associates) to treat any information concerning the Company which is furnished to you by or on behalf of the Company, from and after June 11, 1998 and regardless of the manner in which it is or was furnished, together with analyses, compilations, studies or other documents or records prepared by you or any of your directors, officers, employees, agents or advisors (including, without limitation, attorneys, accountants, consultants, bankers, financial advisors and any representatives of your advisors) (collectively, "Representatives") to the extent that such analyses, compilations, studies, documents or records contain or otherwise reflect or are generated from such information (hereinafter collectively referred to as the "Evaluation Material"), in accordance with provisions of this agreement. The term "Evaluation Material" does not include information which (i) was or becomes generally available to the public other than as a result of a disclosure by you or your Representatives, (ii) was or becomes available to you on a non-confidential basis from a source other than the Company or its advisors provided that such source is not known to you to be bound by a confidentiality agreement with the Company, or otherwise prohibited from transmitting the information to you by a contractual, legal or fiduciary obligation, or (iii) was within your possession prior to having been furnished to you by or on behalf of the Company, provided that the source of such information was not bound by a confidentiality agreement with the Company or otherwise prohibited from transmitting the information to you by a contractual, legal, or fiduciary obligation.

2. You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating a possible negotiated transaction between the Company and you, and that such information will be kept confidential by you and your Representatives;

provided, however, that (a) any of such information may be disclosed to your Representatives who need to know such information for the purpose of evaluating any such possible transaction between the Company and you (it being understood that such Representatives shall have been advised of this agreement and shall have agreed to be bound by the provisions hereof), and (b) any disclosure of such information may be made to which the Company consents in writing. In any event, you shall be responsible for any breach of this agreement by any of your Representatives and you agree, at your sole expense, to take all reasonable measures (including but not limited to court proceedings) to restrain your Representatives from prohibited or unauthorized disclosure or use of the Evaluation Material.

3. In addition, both you and the Company agree that, without the prior written consent of the other, each will not, and will direct its Representatives not to, disclose to any person (i) that the Evaluation Material has been made available to you or your Representatives, (ii) that discussions or negotiations are taking place concerning a possible transaction between the Company and you or (iii) any terms, conditions or other facts with respect to any such possible transaction, including the status thereof. Both you and the Company agree however, that, if in the reasonable opinion of counsel for either party, disclosure of the type described in sub-clauses (i), (ii), or (iii) of the immediately preceding sentence is required by applicable law, prior to making any such disclosure, the party required to so disclose will notify the other party in writing as soon as reasonably practicable. Such notice will set forth with the proposed text of the disclosure, the date and time when it is expected that the disclosure will be made, and the legal requirement and rationale for the disclosure.

4. In the event that you are requested or required (by interrogatories, requests for information or documents, subpoena, civil investigative demand or similar processes) to disclose any Evaluation Material, it is agreed that you will provide the Company with prompt notice of any such request or requirement (written or practical) so that the Company may seek an appropriate protective order or waive your compliance with the provisions of this agreement. If, failing the entry of a protective order or the receipt of a waiver hereunder, you are, in the opinion of your counsel, compelled to disclose Evaluation Material, you may disclose that portion of the Evaluation Material, which your counsel advises that you are compelled to disclose and you will exercise reasonable efforts to obtain assurance that confidential treatment will be accorded to that portion of the Evaluation Material which is being disclosed. In any event, you will not oppose any action by the

Company to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded the Evaluation Material.

5. It is understood that Steven A. Rossum- the Company's General Counsel - or his designee will arrange for appropriate contacts for due diligence purposes. All (i) communications regarding this transaction, (ii) requests for additional information, and (iii) discussions or questions regarding the Company's business or operations, will be confidentially submitted or directed to Mr. Rossum or to such other person or entity as he may designate in writing for such purpose during the period in which there are discussions conducted pursuant hereto.

6. You understand and acknowledge that any and all information contained in the Evaluation Material is being provided without any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material, on the part of the Company. You agree that neither the Company nor any of its representatives shall have any liability to you or any of your Representatives with respect thereto. It is understood that the scope of any representations and warranties to be given by the Company will be negotiated along with other terms and conditions in arriving at a mutually acceptable form of definitive agreement should discussions between you and the Company progress to such a point.

7. Each of us hereby acknowledges that it is aware and that it will advise its Representatives that the federal and state securities laws prohibit any person who has material, non-public information about a company from purchasing or selling securities of such a company or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

8. All Evaluation Material disclosed by the Company shall be and shall remain the property of the Company. In the event that the parties do not proceed with the transaction that is the subject of this letter within a reasonable time or within five days after being so requested by the Company, you shall return or destroy all documents constituting Evaluation Material furnished to you by the Company. Except to the extent a party is advised in writing by counsel that any such destruction is prohibited by law, you will also destroy all written material, memoranda, notes, copies, excerpts and other writings or recordings whatsoever prepared by you or your Representatives based upon, containing or otherwise reflecting any Evaluation Material. Any destruction of materials shall be verified by you in writing and signed by one of your officers. Any Evaluation Material that is not

returned or destroyed, including without limitation, any oral Evaluation Material shall remain subject to the confidentiality obligations set forth in this agreement.

9. You agree that unless and until a definitive agreement regarding a transaction between the Company and you has been executed, neither the Company nor you will be under any legal obligation of any kind whatsoever with respect to such a transaction by virtue of this agreement except for the matters specifically agreed to herein. You further acknowledge and agree that the Company and you reserve the right, in its sole discretion, to reject any and all proposals made by the other or any of its Representatives with regard to a transaction between the Company and you, and to terminate discussions and negotiations at any time.

10. It is understood and agreed that damages would not be a sufficient remedy for any breach of this agreement and that the Company and you shall be entitled to specific performance and injunctive or other equitable relief as a remedy for any such breach by the other. Such remedy shall not be deemed to be the exclusive remedy for breach of this agreement but shall be in addition to all other remedies available at law or equity.

11. In the event of litigation relating to this agreement, the unsuccessful party determined by a court of competent jurisdiction in a final, non-appealable order shall be liable and pay to the prevailing party the reasonable legal fees such prevailing party has incurred in connection with such litigation, including any appeal therefrom.

12. This agreement is for the benefit of each of the parties and its successors and shall be governed and construed in accordance with the laws of the State of New York, regardless of the laws that might otherwise govern under applicable principles of conflicts of law thereof. All obligations under this agreement shall expire one year from the date hereof, except as otherwise explicitly stated above. In case, any provision of this agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of the agreement shall not in any way be affected or impaired thereby.

13. This agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement. Faxed executed counterparts will be enforceable. Please confirm that the foregoing is in accordance with your understanding of our agreement by signing and returning to a copy of this letter to the Company's General Counsel.

Very truly yours,

Reno Air, Inc.

By:/s/ Steven A. Rossum

Its: Senior Vice President, General Counsel, and Corporate Secretary

Confirmed and Agreed:

AMR Corporation

By:/s/ Charles D. MarLett

Its:Corporate Secretary