

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the Quarterly Period Ended September 30, 2003.

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

Commission file number 1-2691.

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

Delaware (State or other jurisdiction of incorporation or organization)	13-1502798 (I.R.S. Employer Identification No.)
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4333 Amon Carter Blvd. Fort Worth, Texas (Address of principal executive offices)	76155 (Zip Code)
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Registrant's telephone number, (817) 963-1234
including area code

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

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

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

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

Common Stock, \$1 par value - 1,000 shares as of October 21, 2003.

The registrant meets the conditions set forth in, and is filing
this form with the reduced disclosure format prescribed by,
General Instructions H(1)(a) and (b) of Form 10-Q.

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AMERICAN AIRLINES, INC.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

AMERICAN AIRLINES, INC.
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited) (In millions)

Captions>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues				
Passenger	\$3,805	\$ 3,754	\$ 10,743	\$ 10,985
Regional Affiliates	399	25	1,112	73
Cargo	135	137	409	411
Other revenues	257	241	756	662
Total operating revenues	4,596	4,157	13,020	12,131
Expenses				
Wages, salaries and benefits	1,585	2,012	5,335	6,001
Aircraft fuel	655	657	1,941	1,775
Depreciation and amortization	306	299	904	902
Regional payments	390	26	1,149	74
Other rentals and landing fees	279	291	822	843
Commissions, booking fees and credit card expense	281	247	796	850
Maintenance, materials and repairs	190	251	535	729
Aircraft rentals	159	203	515	630
Food service	158	189	456	536
Other operating expenses	521	619	1,628	1,781
Special charges (credits)	(24)	625	77	625
U. S. government grant		(10)	(315)	(10)
Total operating expenses	4,500	5,409	13,843	14,736
Operating Income (Loss)	96	(1,252)	(823)	(2,605)
Other Income (Expense)				
Interest income	19	18	40	54
Interest expense	(154)	(130)	(450)	(380)
Interest capitalized	15	21	50	62
Related party interest net	2	4	7	14
Miscellaneous net	(2)	3	(13)	(1)
	(120)	(84)	(366)	(251)

Loss Before Income Taxes and Cumulative Effect of Accounting Change	(24)	(1,336)	(1,189)	(2,856)
Income tax benefit		(485)		(977)
Loss Before Cumulative Effect of Accounting Change	(24)	(851)	(1,189)	(1,879)
Cumulative Effect of Accounting Change, Net of Tax Benefit				(889)
Net Loss	\$ (24)	\$ (851)	\$ (1,189)	\$ (2,768)

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

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

~~Captions >~~

	September 30, 2003	December 31, 2002
Assets		
Current Assets		
Cash	\$ 157	\$ 100
Short term investments	2,555	1,834
Restricted cash and short term investments	540	783
Receivables, net	876	836
Income tax receivable	24	539
Inventories, net	481	572
Other current assets	339	94
Total current assets	4,972	4,758
Equipment and Property		
Flight equipment, net	13,225	12,887
Other equipment and property, net	2,327	2,362
Purchase deposits for flight equipment	277	694
	15,829	15,943
Equipment and Property Under Capital Leases		
Flight equipment, net	1,306	1,329
Other equipment and property, net	87	89
	1,393	1,418
Route acquisition costs and airport operating and gate lease rights, net		
	1,230	1,257
Other assets	3,777	4,274
	\$27,201	\$ 27,650
Liabilities and Stockholder's Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 1,004	\$ 1,129
Accrued liabilities	2,137	2,409
Air traffic liability	3,046	2,614
Payable to affiliates, net	59	76
Current maturities of long term debt	407	603
Current obligations under capital leases	169	126
Total current liabilities	6,822	6,957
Long term debt, less current maturities	9,284	8,729
Obligations under capital leases, less current obligations	1,155	1,322
Postretirement benefits	2,763	2,654
Other liabilities, deferred gains and deferred credits	7,364	7,041
Stockholder's Equity (Deficit)		
Common stock		
Additional paid in capital	3,037	2,598
Accumulated other comprehensive loss	(1,568)	(1,184)
Retained deficit	(1,656)	(467)
	(187)	947
	\$27,201	\$ 27,650

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

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~~AMERICAN AIRLINES, INC.~~
~~CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS~~

(Unaudited) (In millions)

Captions>

	Nine Months Ended	
	September 30,	
	2003	2002
Net Cash Provided (Used) by Operating Activities	\$ 508	\$ (668)
Cash Flow from Investing Activities:		
Capital expenditures, including purchase deposits for flight equipment	(241)	(1,164)
Net (increase) decrease in short term investments	(721)	389
Net decrease (increase) in restricted cash and short term investments	243	(181)
Proceeds from sale of equipment and property	41	188
Proceeds from sale of interest in Worldspan	180	
Compensation for costs associated with strengthening flight deck doors	22	
Lease prepayments through bond redemption, net of bond reserve fund	(235)	
Other	23	(91)
Net cash used by investing activities	(688)	(859)
Cash Flow from Financing Activities:		
Payments on long term debt and capital lease obligations	(452)	(341)
Redemption of bonds	(86)	
Proceeds from issuance of long term debt	353	1,967
Funds transferred from affiliates, net	422	(85)
Net cash provided by financing activities	237	1,541
Net increase in cash	57	14
Cash at beginning of period	100	99
Cash at end of period	\$ 157	\$ 113

Activities Not Affecting Cash

Flight equipment acquired through seller financing	\$ 554	\$
Capital lease obligations incurred	\$ 131	\$
Reductions to capital lease obligations due to lease modifications	\$ (127)	\$

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

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

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals unless otherwise disclosed, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. American Airlines, Inc. (American or the Company) is a wholly owned subsidiary of AMR Corporation (AMR). For further information, refer to the consolidated financial statements and footnotes thereto included in the American Annual

~~Report on Form 10-K for the year ended December 31, 2002 (2002 Form 10-K). Certain amounts have been reclassified to conform with the current 2003 presentation.~~

~~The Company's Regional Affiliates include two wholly owned subsidiaries of AMR, American Eagle Airlines, Inc. (American Eagle) and Executive Airlines, Inc. (Executive) (collectively, AMR Eagle), and two independent carriers, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua). For the nine months ended September 30, 2002, American had a capacity purchase agreement with Chautauqua and revenue prorate agreements with AMR Eagle and Trans States. Effective January 1, 2003, American converted the AMR Eagle carriers from a revenue prorate agreement to a capacity purchase agreement (see Note 17 for additional information). For the nine months ended September 30, 2003, American also had capacity purchase agreements with Trans States and Chautauqua.~~

~~2. In February 2003, American asked its employees for approximately \$1.8 billion in annual savings through a combination of changes in wages, benefits and work rules. The requested \$1.8 billion in savings was divided by work group as follows: \$660 million pilots; \$620 million Transportation Workers Union represented employees; \$340 million flight attendants; \$100 million management and support staff; and \$80 million agents and representatives. References in this document to American's three major unions include: the Allied Pilots Association (the APA); the Transportation Workers Union (the TWU); and the Association of Professional Flight Attendants (the APFA).~~

~~In April 2003, American reached agreements with its three major unions (the Labor Agreements) and implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management (the Management Reductions). The anticipated cost savings arising from the Labor Agreements and the Management Reductions met the targeted annual savings of \$1.8 billion.~~

~~Of the approximately \$1.8 billion in estimated annual savings, approximately \$1.0 billion relate to wage and benefit reductions and \$0.8 billion relate to changes in work rules, which have resulted in job reductions and will continue to result in additional job reductions through June 2004. As a result of work rule related job reductions, the Company incurred \$60 million in severance charges in 2003 (see Note 5 for additional information). Wage reductions became effective on April 1, 2003 for officers and May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will continue to be phased in over time. In connection with the changes in wages, benefits and work rules, the Company provided approximately 38 million shares of AMR stock to its employees (excluding officers) in the form of stock options which will vest over a three year period with an exercise price of \$5 per share (see Note 12 for additional information).~~

~~In addition, the Company has reached concessionary agreements with certain vendors, lessors, lenders (see Notes 9 and 13 for additional information) and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements). Generally, under the terms of these Vendor Agreements the Company will receive the benefit of lower rates and charges for certain goods and services, and more favorable rent and financing terms with respect to certain of its aircraft. In return for these concessions, the Company provided approximately 2.5 million shares of AMR's common stock to Vendors.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~The Company's revenue environment improved during the second and third quarters of 2003 as reflected in improved unit revenues (revenue per available seat mile) in May through September 2003. Even with this improvement, however, the Company's revenues are still depressed relative to historical levels. Moreover, the Company's recent losses have adversely affected its financial condition. The Company therefore needs to see a combination of continued improvement in the revenue environment, cost reductions and productivity improvements before it can return to sustained profitability at acceptable levels.~~

~~To maintain sufficient liquidity as the Company implements its plan to return to sustained profitability, the Company will need continued access to additional funding, most likely through a combination of financings and asset sales. In addition, the Company's ability to return to sustained profitability will depend on a number of risk factors, many of which are largely beyond the Company's control. Among other things, the following factors have had and/or may have a negative impact on the Company's business and financial results: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit arrangements (see Note 13 for additional information); and the availability of future financing. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets or sell assets, it may be unable to fund its obligations and sustain its operations.~~

~~3. The Company accounts for its participation in AMR's stock based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant. The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock Based Compensation Transition and Disclosure". The following table illustrates the effect on net loss if the Company had applied the fair value recognition provisions of SFAS 123 to stock based employee compensation (in millions):~~

~~Captions>~~

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Net loss, as reported	\$(24)	\$(851)	\$(1,189)	\$(2,768)
Add: Stock based employee compensation expense included in reported net loss, net of tax	6	(2)	11	
Deduct: Total stock based employee compensation expense determined under fair value based methods for all awards, net of tax	(25)	(6)	(60)	(24)
Pro forma net loss	\$(43)	\$(859)	\$(1,238)	\$(2,792)

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)~~

~~4. In April 2003, the President signed the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act), which includes aviation related assistance provisions. The Act authorized payment of (i) \$100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) \$2.3 billion to reimburse air carriers for increased security costs, which was distributed in proportion to the amounts each carrier had paid or collected in passenger security and air carrier security fees to the Transportation Security Administration as of the Act's enactment (the Security Fee Reimbursement). In addition, the Act suspended the collection of the passenger security fee from June 1, 2003 until September 30, 2003 and authorized the extension of war risk insurance through August 31, 2004 (and permits further extensions~~

~~until December 31, 2004). The Act also limits the total cash compensation for the two most highly compensated named executive officers in 2002 for certain airlines, including the Company, during the period April 1, 2003 to April 1, 2004 to the amount of salary received by such officers, or their successors, in 2002. A violation of this executive compensation provision would require the carrier to repay the government for the amount of the Security Fee Reimbursement. The Company does not anticipate any difficulties in complying with this limitation on executive compensation and believes the likelihood of repaying the government for the amount of the Security Fee Reimbursement is remote. The Company's Security Fee Reimbursement was \$315 million (net of \$3 million and \$43 million in payments to independent regional carriers and AMR Eagle, respectively, who operated under revenue prorate agreements during a portion of the period covered by the compensation) and was recorded as a reduction to operating expenses during the second quarter of 2003. The Company's compensation for the direct costs associated with strengthening flight deck doors was \$22 million and was recorded as a basis reduction to capitalized flight equipment in the third quarter of 2003.~~

~~5. During the last two years, as a result of the events of September 11, 2001 and the Company's continuing restructuring activities, the Company has recorded a number of special charges. Special charges (credits) for the three and nine months ended September 30, 2003 and 2002 included the following (in millions):~~

~~Captions>~~

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Employee charges	\$ 4	\$ 57	\$ 76	\$ 57
Facility exit costs	1	3	50	3
Aircraft charges	30	565	10	565
Other	(68)		(68)	
Total Special charges (credits)	\$(24)	\$ 625	\$ 77	\$ 625

~~Employee Charges~~

~~2003~~

~~In the first quarter of 2003, as a part of its 2002 restructuring initiatives discussed below, the Company incurred \$25 million in severance charges which are included in Special charges in the consolidated statement of operations.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~The Company estimates that it will have reduced approximately 8,000 jobs by June 2004 in conjunction with the Management Reductions and the Labor Agreements discussed in Note 2. This reduction in workforce, which is in addition to the 2002 work force reductions discussed below, will affect all work groups (pilots, flight attendants, mechanics, fleet service clerks, agents, management and support staff personnel), and has been and will continue to be accomplished through various measures, including part time work schedules, furloughs in accordance with collective bargaining agreements, and permanent layoffs. As a result of this reduction in workforce, during the second quarter of 2003, the Company recorded an employee charge of approximately \$60 million, primarily for severance related costs, which is included in Special charges. Cash outlays for the \$60 million employee charge will be incurred over a period of up to twelve months. The Company does not expect to incur additional severance charges related to this reduction in workforce.~~

~~Also in conjunction with the Labor Agreements and the Management Reductions, during the second quarter of 2003, the Company reduced its vacation accrual by \$85 million to reflect new lower pay scales and maximum vacation caps, which was recorded as a reduction to Special charges.~~

~~In connection with the Labor Agreements, the Company agreed to forgive a \$26 million receivable from one its three major unions. During the second quarter of 2003, the Company recorded a \$26~~

~~million special charge to write off the receivable.~~

~~In addition, as discussed in Note 6, in the second quarter of 2003, the Company recognized a curtailment loss of \$46 million related to its defined benefit pension plans.~~

~~The Company incurred \$4 million in miscellaneous other employee related special charges during the nine months ended September 30, 2003.~~

~~2002~~

~~In August 2002, the Company announced that it would reduce an estimated 7,000 jobs by March 2003 to realign its workforce with planned capacity reductions, fleet simplification, and hub restructurings. This reduction in workforce, which affected all work groups, was accomplished through various measures, including limited voluntary programs, leaves of absence, part time work schedules, furloughs in accordance with collective bargaining agreements, and permanent layoffs. As a result of this reduction in workforce, during the third quarter of 2002, the Company recorded an employee charge of approximately \$57 million primarily related to voluntary programs in accordance with collective bargaining agreements with its pilot and flight attendant work groups.~~

~~Facility Exit Costs~~

~~In the second quarter of 2003, the Company determined that certain excess airport space would not be used by the Company in the future. As a result, the Company recorded a \$45 million charge, primarily related to the fair value of future lease commitments and the write off of certain prepaid rental amounts. Cash outlays related to the accrual of future lease commitments will occur over the remaining lease term, which extends through 2017.~~

~~The Company incurred \$5 million in miscellaneous other facility exit costs during the nine months ended September 30, 2003.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~Aircraft Charges~~

~~2003~~

~~In the second quarter of 2003, the Company determined that certain accruals for future lease return and other costs, initially recorded as a component of Special charges in the consolidated statement of operations, were no longer necessary. In the second quarter of 2003, the Company recorded a \$20 million reduction to Special charges to finalize these accruals.~~

~~In addition, in the third quarter of 2003, the Company retired five operating leased Boeing 757 aircraft. As a result, in the third quarter of 2003, the Company recorded a charge of approximately \$39 million related to future lease commitments and lease return condition costs on these aircraft. Cash outlays will occur over the remaining lease terms which extend through 2004.~~

~~2002~~

~~In the third quarter of 2002, in connection with a series of initiatives to reduce costs, reduce capacity, simplify the Company's aircraft fleet and enhance productivity, and related revisions to the Company's fleet plan to accelerate the retirement of its owned Fokker 100 aircraft, the Company determined that these aircraft were impaired under Statement of Accounting Standards Board No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". As a result of this determination, the Company recorded an asset impairment charge of approximately \$244 million reflecting the diminution in the fair value of these aircraft and related rotables; and a charge of approximately \$33 million reflecting the write down of certain related inventory to realizable value and the accrual of certain related costs.~~

~~Furthermore, the Company accelerated the retirement of nine operating leased Boeing 767-300 aircraft to the fourth quarter of~~

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

~~In addition, in the third quarter of 2002, as a result of revisions to its fleet plan, the Company recorded a charge of approximately \$90 million related primarily to contract cancellation costs and other costs related to discontinued aircraft modifications.~~

~~Other~~

~~As part of the Vendor Agreements discussed in Note 2, American sold 33 Fokker 100 aircraft (with a minimal net book value) in the third quarter of 2003. American also issued a \$23 million non interest-bearing note, payable in installments and maturing in December 2010, and entered into short term leases on these aircraft. Furthermore, the Company provided shares of AMR common stock as discussed in Note 2. In exchange, approximately \$130 million of debt related to certain of the Fokker 100 aircraft was restructured. However, the agreement contains provisions that would require American to repay additional amounts of the original debt if certain events occur prior to December 31, 2005, including: (i) an event of default (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. As a result of this transaction, including the sale of the 33 Fokker 100 aircraft, and the termination of the Company's interest rate swap agreements related to the debt that has been restructured, the Company recognized a gain of approximately \$68 million in the third quarter of 2003. If the conditions described above do not occur, the Company expects to recognize an additional gain of approximately \$37 million in December 2005.~~

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

~~On July 16, 2003, the Company announced that it would reduce the size of its St. Louis hub, effective November 1, 2003. As a result of this action, the Company expects to record additional charges in the fourth quarter of 2003, as the reductions occur, primarily employee severance and benefits charges and facility exit costs. Furthermore, the Company expects to incur additional aircraft charges in the fourth quarter of 2003 related to the retirement of additional operating leased Boeing 757 aircraft.~~

~~Summary~~

~~The following table summarizes the components of these charges and the remaining accruals for future lease payments, aircraft lease return and other costs, facilities closure costs and employee severance and benefit costs (in millions):~~

~~Captions>~~

	Aircraft Charges	Facility Exit Costs	Employee Charges	Other	Total
Remaining accrual at December 31, 2002	\$ 206	\$ 17	\$ 44	\$	\$ 267
Special charges	39	50	76	(68)	97
Adjustments	(20)				(20)
Non cash charges		(15)	22	68	75
Payments	(49)	(4)	(109)		(162)
Remaining accrual at September 30, 2003	\$ 176	\$ 48	\$ 33	\$	\$ 257

~~6. In the second quarter of 2003, as a result of the Labor Agreements and Management Reductions discussed in Note 2, the Company remeasured its defined benefit pension plans. The significant actuarial~~

~~assumptions used for the remeasurement were the same as those used as of December 31, 2002, except for the discount rate and salary scale, which were lowered to 6.50 percent, and 2.78 percent through 2008 and 3.78 thereafter, respectively. In addition, assumptions with respect to interest rates used to discount lump sum benefit payments available under certain plans were updated. In conjunction with the remeasurement, the Company recorded an increase in its minimum pension liability, primarily due to changes in discount rates, which resulted in an additional charge to stockholders' equity as a component of other comprehensive loss of \$334 million. Furthermore, as a result of workforce reductions related to the Labor Agreements and Management Reductions, the Company recognized a curtailment loss of \$46 million related to its defined benefit pension plans, in accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" (SFAS 88), which is included in Special charges in the consolidated statement of operations.~~

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

~~The following table provides a statement of funded status as of April 22, 2003 and December 31, 2002 for the Company's defined benefit pension plans (in millions):~~

~~Captions>~~

	April 22, 2003	December 31, 2002
Funded status		
Accumulated benefit obligation (ABO)	\$7,800	\$ 7,344
Projected benefit obligation (PBO)	8,345	8,757
Fair value of assets	5,369	5,323
Funded status	(2,976)	(3,434)
Unrecognized loss	2,185	2,709
Unrecognized prior service cost	184	330
Unrecognized transition asset	(4)	(4)
Net amount recognized	\$ (611)	\$ (399)

~~7. The Company has restricted cash and short term investments related to projected workers' compensation obligations and various other obligations. As of September 30, 2003, projected workers' compensation obligations were secured by restricted cash and short-term investments of \$398 million and various other obligations were secured by restricted cash and short term investments of \$142 million. In the first quarter of 2003, the Company redeemed \$339 million of tax exempt bonds that were backed by standby letters of credit secured by restricted cash and short term investments resulting in a reduction in restricted cash and short term investments. Of the \$339 million of tax exempt bonds that were redeemed, \$253 million were accounted for as operating leases. Payments to redeem these tax exempt special facility revenue bonds are generally considered prepaid facility rentals and reduce future operating lease commitments. The remaining \$86 million of tax-exempt bonds that were redeemed were accounted for as debt and had original maturities in 2014 through 2024.~~

~~As of September 30, 2003 the Company had approximately \$233 million in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the condensed consolidated balance sheet.~~

~~In June 2003, the Company sold its interest in Worldspan, a computer reservations company, for \$180 million in cash and a \$39 million promissory note, resulting in a gain of \$17 million which is included in Other income (loss) in the consolidated statement of operations.~~

~~8. As of September 30, 2003, the Company had commitments to acquire an aggregate of 47 Boeing 737 800s and nine Boeing 777 200ERs in 2006 through 2010. Future payments for these aircraft, including the estimated amounts for price escalation, will approximate \$106 million in 2005 and an aggregate of approximately \$2.7 billion in 2006 through 2010.~~

~~Boeing Capital provided backstop financing for all Boeing aircraft deliveries in 2003. In return, American granted Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~As discussed in the notes to the consolidated financial statements included in the Company's 2002 Form 10-K, Miami Dade County is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American has been named as a potentially responsible party (PRP) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American, in an attempt to recover its past and future cleanup costs (Miami Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. In addition, the Company is subject to environmental issues at various other airport and non airport locations for which it has accrued \$85 million at September 30, 2003. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change.~~

~~9. As discussed in Note 2, the Company reached concessionary agreements with certain lessors. The Vendor Agreements with these lessors affected the payments, lease term, and other conditions of certain leases. As a result of these changes to the payment and lease terms, 30 leases which were previously accounted for as operating leases were converted to capital leases, and one lease which was previously accounted for as a capital lease was converted to an operating lease. The remaining leases did not change from their original classification. The Company recorded the new capital leases at the fair value of the respective assets being leased. These changes did not have a significant effect on the Company's condensed consolidated balance sheet.~~

~~In addition, certain of the Vendor Agreements provide that the Company's obligations under the related lease revert to the original terms if certain events occur prior to December 31, 2005, including: (i) an event of default under the related lease (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. If any one of these events were to occur, the Company would be responsible for approximately \$17 million in additional operating lease payments and \$6 million in additional payments related to capital leases as of September 30, 2003. This amount will increase to approximately \$110 million in operating lease payments and \$111 million in payments related to capital leases prior to the expiration of the provision on December 31, 2005. Such amounts are being treated as contingent rentals and will only be recognized if they become due.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~The future minimum lease payments required under capital leases,~~

~~together with the present value of such payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2003 were as follows (these amounts reflect concessions as a result of the Vendor Agreements and exclude contingent rentals):~~

~~Captions>~~

Year Ending December 31,	Capital Leases	Operating Leases
2003 (as of September 30, 2003)	\$ 33	\$ 461
2004	282	1,065
2005	205	1,010
2006	227	945
2007	184	929
2008 and subsequent	1,329	9,268
	2,260	\$13,678 (1)
Less amount representing interest	936	
Obligations under capital leases	\$1,324	

~~(1) As of September 30, 2003, included in Accrued liabilities and Other liabilities and deferred credits on the accompanying condensed consolidated balance sheets is approximately \$1.4 billion relating to rent expense recorded in advance of future operating lease payments.~~

~~The aircraft leases can generally be renewed at rates based on fair market value at the end of the lease term for one to five years. Some aircraft leases have purchase options at or near the end of the lease term at fair market value, but generally not to exceed a stated percentage of the defined lessor's cost of the aircraft or at a predetermined fixed amount.~~

~~10. Accumulated depreciation of owned equipment and property at September 30, 2003 and December 31, 2002 was \$8.4 billion and \$7.8 billion, respectively. Accumulated amortization of equipment and property under capital leases at September 30, 2003 and December 31, 2002 was \$1.1 billion and \$971 million, respectively.~~

~~11. The Company has experienced significant cumulative losses and as a result generated net operating losses available to offset future taxes payable. As a result of the cumulative operating losses, a valuation allowance was established against the full amount of the Company's net deferred tax asset as of December 31, 2002. The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion or all of its deferred tax assets will not be realized. During 2003, the Company continued to record a valuation allowance against its net deferred tax assets, which results in no tax benefit being recorded for the pretax losses and the charge to Accumulated other comprehensive loss resulting from the minimum pension liability adjustment discussed in Note 6. The Company's deferred tax asset valuation allowance increased \$560 million in 2003, to \$1.3 billion as of September 30, 2003.~~

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

~~12. In March 2003, the Board of Directors of AMR approved the issuance of additional shares of AMR common stock to employees and Vendors in connection with ongoing negotiations concerning concessions. The maximum number of shares authorized for issuance was 30 percent of the number of shares of AMR's common stock outstanding on March 24, 2003 (156,359,955) or approximately 46.9 million shares. From the foregoing authorization, the Company provided approximately 2.5 million shares to Vendors at an average price of \$4.81 on the date of grant. Also in March 2003, the AMR Board of Directors adopted the 2003 Employee Stock Incentive Plan (2003 Plan) to provide equity awards to employees in connection with wage, benefit and work rule concessions. Under the 2003 Plan, all American employees are eligible to receive stock awards which may include stock~~

~~options, restricted stock and deferred stock. In April 2003, the Company reached final agreements with the unions representing American employees (the Labor Agreements, see Note 2). In connection with the changes in wages, benefits and work rules, the Labor Agreements provide for the issuance of up to 37.9 million shares of AMR stock in the form of stock options. Approximately 37.9 million stock options were granted to employees (excluding officers) at an exercise price of \$5.00 per share, which is equal to the closing price of AMR's common stock (NYSE) on April 17, 2003. These stock options will vest over a three-year period and will expire on April 17, 2013. These options were granted to members of the APA, the TWU, the APFA, agents, other non management personnel and certain management employees (excluding officers).~~

~~13. During the nine month period ended September 30, 2003, American borrowed approximately \$554 million under various seller financed debt agreements related to the purchase of aircraft. These debt agreements are secured by the related aircraft and have effective interest rates which are fixed and mature over various periods of time through 2013. As of September 30, 2003, the effective interest rate on these agreements ranged up to 9.12 percent.~~

~~In addition, in July 2003, American issued \$255 million of enhanced equipment trust certificates, secured by aircraft, which bear interest at 3.86 percent and are repayable in semi annual installments beginning in 2004, with a final maturity in 2010. These obligations are insured by a third party.~~

~~In September 2003, American transferred its two headquarters buildings located in Fort Worth, Texas to AA Real Estate Holding L.P., a wholly owned consolidated subsidiary of American. AA Real Estate Holding L.P. leased the buildings back to American pursuant to a triple net lease, and used the buildings and the lease as security for a loan consisting of four notes, in the aggregate principal amount of \$100.6 million, which is reflected as debt in the condensed consolidated balance sheet of the Company. Each note corresponds to a separate class of AA/Ft. Worth HQ Finance Trust Lease Revenue Commercial Mortgage Backed Pass Through Certificates, Series 2003 (the Certificates) issued by the AA/Ft. Worth HQ Finance Trust, which is not a subsidiary of American, in a private placement pursuant to Rule 144A under the Securities Act of 1933. The Certificates and corresponding notes have an average effective interest rate of 7.2 percent and a final maturity in 2010.~~

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

~~American has a fully drawn \$834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, (iii) modified the financial covenants applicable to subsequent periods, and (iv) increased the applicable margin for advances under the facility. On May 15, 2003, American pledged an additional 30 (non Section 1110 eligible) aircraft having an aggregate net book value as of April 30, 2003 of approximately \$450 million. Pursuant to the modified financial covenants, American is required to maintain at least \$1.0 billion of liquidity, consisting of unencumbered cash and short term investments, for the second quarter 2003 and beyond. While the Company was in compliance with the covenant at September 30, 2003, if the Company is adversely affected by the risk factors discussed in Note 2, it is uncertain whether the Company will be able to satisfy this liquidity requirement through the expiration of the facility at the end of 2005. Any failure to satisfy this requirement, if not waived, would result in a default under this facility and could trigger defaults under other debt arrangements.~~

~~In addition, as part of the modification of financial covenants, the required ratio of EBITDAR to fixed charges under the facility was reduced until the measurement period ending December 31, 2004, and the next test of such cash flow coverage ratio was postponed until March 31, 2004. The effective interest rate on the facility as of September 30, 2003 is 4.68 percent and will be reset on March~~

~~17, 2004. At American's option, interest on the facility can be calculated on one of several different bases. In most instances, American would anticipate choosing a floating rate based upon LIBOR.~~

~~In September 2003, AMR issued \$300 million principal amount of its 4.25 percent senior convertible notes due 2023 in a private placement. The notes, which are guaranteed by American, are convertible under certain circumstances, including if (i) the closing sale price of AMR's common stock reaches a certain level for a specified period of time, (ii) the trading price of the notes as a percentage of the closing sale price of AMR's common stock falls below a certain level for a specified period of time, (iii) AMR calls the notes for redemption, or (iv) certain corporate transactions occur. Holders of the notes may require AMR to repurchase all or any portion of the notes on September 23, 2008, 2013 and 2018 at a purchase price equal to the principal amount of the notes being purchased plus accrued and unpaid interest to the date of purchase. AMR may pay the purchase price in cash, common stock or a combination of cash and common stock. After September 23, 2008, AMR may redeem all or any portion of the notes for cash at a price equal to the principal amount of the notes being redeemed plus accrued and unpaid interest as of the redemption date.~~

~~As of September 30, 2003, AMR has issued guarantees covering approximately \$935 million of American's tax exempt bond debt and American has issued guarantees covering approximately \$936 million of AMR's unsecured debt, including the 4.25 percent senior convertible notes discussed above. In addition, as of September 30, 2003, American has issued guarantees covering approximately \$503 million of AMR Eagle's secured debt.~~

~~14. Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" (Interpretation 46), requires the primary beneficiary of a variable interest entity (VIE) to include the assets, liabilities, and results of the activities of the VIE in its consolidated financial statements, as well as disclosure of information about the assets and liabilities, and the nature, purpose and activities of consolidated variable interest entities. In addition, Interpretation 46 requires disclosure of information about the nature, purpose and activities of unconsolidated VIEs in which the Company holds a significant variable interest. The provisions of Interpretation 46 were effective immediately for any interests in VIEs acquired after January 31, 2003. In October 2003, the Financial Accounting Standards Board deferred the effective date of Interpretation 46 to the fourth quarter of 2003 for variable interests acquired before February 1, 2003.~~

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

~~The Company has completed its preliminary evaluation of certain of its interests in VIEs, including (i) special facility revenue bonds, (ii) certain aircraft operating leases with fixed price purchase options, (iii) American's capacity purchase agreements with its Regional Affiliates and (iv) certain fuel consortia arrangements. The Company has determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain entities established by municipalities for the purpose of issuing special facility revenue bonds and certain trusts that are the lessor under certain of its aircraft operating leases (discussed below). Furthermore, the Company has determined that it is neither the primary beneficiary of, nor holds a significant variable interest in, any entities related to the items listed in (iii) and (iv) above. As a result, Interpretation 46 is expected to have no impact on the Company's statement of operations or consolidated balance sheet.~~

~~Special facility revenue bonds have been issued by certain municipalities, or entities established by the municipalities for the purpose of issuing the special facility revenue bonds, primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately \$2.1 billion of these bonds, with total future payments of approximately \$5.2 billion as of September 30, 2003,~~

~~are guaranteed by American, AMR, or both. These guarantees are not collateralized and can only be invoked in the event American defaults on the lease obligation. The leases do not include residual value guarantees or fixed price purchase options. Of these special facility revenue bonds, \$1.9 billion, with total future payments of approximately \$4.7 billion, were issued by entities established by municipalities for the purpose of issuing the bonds. Although municipalities are not considered VIEs under Interpretation 46, the Company believes that entities established by municipalities for the purpose of issuing bonds do qualify as VIEs.~~

~~American has 88 operating leases where the lessor is a variable interest entity a trust and the lease contains a fixed price purchase option which allows American to purchase the aircraft at a predetermined price on a specified date. However, American does not guarantee the residual value of the aircraft. As of September 30, 2003, future lease payments required under these leases totaled \$3.2 billion.~~

~~Financial Accounting Standards Board Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (Interpretation 45), requires disclosures in interim and annual financial statements about obligations under certain guarantees issued by the Company. Furthermore, it requires recognition at the beginning of a guarantee of a liability for the fair value of the obligation undertaken in issuing the guarantee, with limited exceptions including: 1) a parent's guarantee of a subsidiary's debt to a third party, and 2) a subsidiary's guarantee of the debt owed to a third party by either its parent or another subsidiary of that parent. The disclosures required by Interpretation 45 have been included in Notes 7, 8 and 9 to the consolidated financial statements in the 2002 Form 10 K. The initial recognition and initial measurement provisions are only applicable on a prospective basis for guarantees issued or modified after December 31, 2002. This interpretation has had no impact on the Company's consolidated statement of operations or condensed consolidated balance sheets.~~

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~~AMERICAN AIRLINES, INC.~~

~~NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)~~

~~(Unaudited)~~

~~15. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). SFAS 142 requires the Company to test goodwill and indefinite lived intangible assets (for American, route acquisition costs) for impairment rather than amortize them. In 2002, the Company completed an impairment analysis for route acquisition costs in accordance with SFAS 142. The analysis did not result in an impairment charge. In addition, the Company completed an impairment analysis related to its \$1.3 billion of goodwill and determined the Company's entire goodwill balance was impaired. In arriving at this conclusion, the Company's net book value was determined to be in excess of the Company's fair value at January 1, 2002, using American as the reporting unit for purposes of the fair value determination. The Company determined its fair value as of January 1, 2002 using various valuation methods, ultimately using an allocation of AMR's fair value, which was determined using market capitalization as the primary indicator of fair value. As a result, the Company recorded a one time, non cash charge, effective January 1, 2002, of \$889 million (net of a tax benefit of \$363 million) to write off all of American's goodwill. This charge is nonoperational in nature and is reflected as a cumulative effect of accounting change in the consolidated statements of operations.~~

~~16. The Company includes changes in minimum pension liabilities, changes in the fair value of certain derivative financial instruments that qualify for hedge accounting and unrealized gains and losses on available for sale securities in comprehensive loss. For the three months ended September 30, 2003 and 2002, comprehensive loss was \$(46) million and \$(825) million, respectively. In addition, for the nine months ended September 30, 2003 and 2002, comprehensive loss was \$(1,573) million and \$(2,667) million, respectively. The difference between net loss and comprehensive loss is due primarily to the adjustment to the Company's minimum pension liability, as discussed in Note 6, and the accounting for the Company's derivative financial instruments under Statement of Financial Accounting Standards No. 133,~~

~~"Accounting for Derivative Instruments and Hedging Activities", as amended (SFAS 133).~~

~~American enters into jet fuel, heating oil and crude swap and option contracts to dampen the volatility in jet fuel prices. Beginning in March 2003, the Company revised its hedging strategy and, in June 2003, terminated substantially all of its contracts with maturities beyond March 2004. During the second quarter of 2003, the termination of these contracts resulted in the collection of approximately \$41 million in settlement of the contracts. The gain on these contracts will continue to be deferred in Accumulated other comprehensive loss until the time the original underlying jet fuel hedged is used. Commencing in October 2003, the Company began to enter into new fuel hedging contracts with maturities beyond March 2004 for a portion of its future fuel requirements.~~

~~At September 30, 2003, American had fuel hedging agreements with broker dealers on approximately 466 million gallons of fuel products. The fair value of the Company's fuel hedging agreements at September 30, 2003, representing the amount the Company would receive to terminate the agreements, totaled \$62 million, compared to \$212 million at December 31, 2002, and is included in Other current assets.~~

~~17. American sells tickets for flights on its AMR Eagle affiliate regional carriers which are subsidiaries of AMR. In 2002, the revenue collected for such tickets was prorated between American and the AMR Eagle carriers based on the segments flown by the respective carriers and industry standard mileage proration agreements, plus a specified connect incentive fee for passengers connecting with American flights which was recorded as a reduction to passenger revenue. Furthermore, American provided various marketing, management and operational services to AMR Eagle, for which AMR Eagle reimbursed American.~~

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

~~Effective January 2003, American Airlines and AMR Eagle implemented a preliminary capacity purchase agreement. Under this agreement, American pays AMR Eagle a fee per block hour and departure to operate regional aircraft. The initial block hour and departure fees were designed to cover AMR Eagle's fully allocated costs and were in effect for the first quarter of 2003. Effective April 2003, the Company revised the block hour and departure fees to incorporate a margin. Assumptions for highly volatile or uncontrollable costs such as fuel, landing fees, and aircraft ownership are trued up to actual values on a pass through basis. In consideration for these payments, American retains all passenger and other revenues resulting from the Eagle operation, and certain marketing and ground handling expenses related to AMR Eagle's operation are absorbed directly by American. The current agreement will expire on December 31, 2003.~~

~~American classifies certain receivables from its parent and affiliates against paid in capital. In September 2003, AMR transferred the proceeds from its convertible debt offering to American, reducing American's receivable from AMR by approximately \$293 million. As of September 30, 2003, the Company classified an \$369 million receivable from its parent and affiliates against paid in capital on the accompanying condensed consolidated balance sheet. Comparatively, as of December 31, 2002, the Company classified an \$808 million receivable from its parent and affiliates against paid in capital on the accompanying condensed consolidated balance sheet.~~

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

~~RESULTS OF OPERATIONS~~

~~For the Nine Months Ended September 30, 2003 and 2002~~

~~Summary American Airlines, Inc.'s (American or the Company) (a wholly owned subsidiary of AMR Corporation (AMR)) net loss for the nine months ended September 30, 2003 was \$1.2 billion compared to a net~~

~~loss of \$2.8 billion for the same period in 2002. The Company's 2003 results include (i) \$315 million in security cost reimbursements received under the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act) (see Note 4 to the condensed consolidated financial statements) and (ii) \$77 million in special charges. The Company's 2002 results include (i) a one time, non cash charge to record the cumulative effect of a change in accounting, effective January 1, 2002, of \$889 million to write off all of American's goodwill upon the adoption of Statement of Financial Accounting Standards Board No. 142 "Goodwill and Other Intangible Assets" (see Note 15 to the condensed consolidated financial statements) and (ii) \$625 million in special charges related to the initiatives announced in August 2002 to reduce its costs, reduce capacity, simplify its aircraft fleet and enhance productivity. See Note 5 to the condensed consolidated financial statements for additional information regarding special charges. American's operating loss of \$823 million decreased \$1.8 billion compared to the same period in 2002.~~

~~The Company's 2003 revenues increased year over year due to the Company's change to capacity purchase agreement from a revenue prorate agreement with American Eagle Airlines, Inc. (American Eagle) and Executive Airlines, Inc. (Executive) (collectively, AMR Eagle), discussed below and in Note 17 to the condensed consolidated financial statements, which was effective January 1, 2003. Excluding the impact of the Company's change to a capacity purchase agreement with AMR Eagle, the Company's 2003 revenues decreased year over year, but at a slower rate than its capacity. The Company's revenues through April continued to be negatively impacted by the economic slowdown, the war in Iraq and the outbreak of SARS. These trends however, began to reverse in May and continued to show improvement through September, and while capacity decreased year over year, the Company showed some unit revenue improvement. Overall, the Company's revenues increased approximately \$889 million, or 7.3 percent in 2003 from the same period in 2002. However, American's passenger revenues decreased by 2.2 percent, or \$242 million, in 2003 from the same period in 2002. American's domestic revenue per available seat mile (RASM) for the nine months ended September 30, however, increased 4.1 percent, to 8.64 cents, on a capacity decrease of 6.9 percent, to 87.7 billion available seat miles (ASMs). International RASM decreased to 8.75 cents, or 1.1 percent, on a capacity increase of 1.2 percent. The decrease in international RASM was due to a 14.5 percent and 0.2 percent decrease in Pacific and Latin American RASM slightly offset by a 0.7 percent increase in European RASM. The increase in international capacity was driven by a 7.1 percent and 2.9 percent increase in Pacific and European ASMs, respectively, slightly offset by a 1.2 percent reduction in Latin American ASMs.~~

~~The Company's Regional Affiliates include two wholly owned subsidiaries of AMR, American Eagle and Executive and two independent carriers, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua). In 2002, American had a capacity purchase agreement with Chautauqua, and prorate agreements with AMR Eagle and Trans States. In 2003, American has capacity purchase agreements with all three carriers. Regional Affiliates revenue increased \$1.0 billion due primarily to the change to capacity purchase agreements from prorate agreements with AMR Eagle and Trans States in 2003.~~

~~Other revenues increased 14.2 percent, or \$94 million, due primarily to increases in ticket change fees coupled with changes to the Company's change fee arrangements with travel agencies, increases in airfreight service fees due primarily to fuel surcharges, increases in AAdvantage fees and increases in employee travel service charges, somewhat offset by decreases in contract maintenance work that American performs for other airlines.~~

~~The Company's operating expenses decreased 6.1 percent, or \$893 million. Wages, salaries and benefits decreased 11.1 percent, or \$666 million, primarily due to the Labor Agreements and Management Reductions discussed in Note 2 to the condensed consolidated financial statements. Aircraft fuel expense increased 9.4 percent, or \$166 million, due primarily to an 18.3 percent increase in American's average price per gallon of fuel but was somewhat offset by a 7.0 percent decrease in American's fuel consumption. Regional payments increased \$1.1 billion primarily due to the Company's capacity purchase agreement with AMR Eagle in 2003. Commissions, booking fees and credit card expense decreased 6.4 percent, or \$54 million, due primarily to the benefit from the changes in the commission structure~~

~~implemented in March 2002 and a 2.2 percent decrease in passenger revenues, somewhat offset by the increase in Regional Affiliates revenue. Maintenance, materials and repairs decreased 26.6 percent, or \$194 million, due primarily to a decrease in airframe and engine volumes at the Company's maintenance bases resulting from a variety of factors, including the retirement of aircraft, the timing of sending engines to repair vendors and a decrease in the number of flights; and the receipt of certain vendor credits. The Company expects maintenance, materials and repairs costs to increase as aircraft utilization increases and the benefit from retiring aircraft subsides. Aircraft rentals decreased \$115 million, or 18.3 percent, due primarily to concessionary agreements with certain lessors and the removal of leased aircraft from service in prior periods. Food service decreased 14.9 percent, or \$80 million, due primarily to a decrease in the number of departures and passengers boarded and simplification of catering services. Other operating expenses decreased 8.6 percent or \$153 million due to decreases in data processing expenses, travel and incidental costs, insurance costs, contract maintenance work that American performs for other airlines, advertising and promotion costs and security costs. Special charges for the nine months ended September 30 include (i) a \$68 million gain resulting from a transaction involving 33 of the Company's Fokker 100 aircraft and related debt, (ii) \$76 million in employee charges, (iii) \$50 million in facility exit costs and (iv) \$39 million related to aircraft charges offset by a \$20 million aircraft related credit to finalize prior accruals. Comparatively, Special charges in 2002 included approximately (i) \$565 million related to aircraft charges and (ii) \$57 million in employee charges. See Note 5 to the condensed consolidated financial statements for additional information regarding Special charges. U.S. government grant includes a \$315 million benefit recognized for the reimbursement of security service fees from the U.S. government under the Act in 2003 and a \$10 million benefit recognized for the reimbursement from the U.S. government under the Air Transportation Safety and System Stabilization Act in 2002.~~

~~Other income (expense), historically a net expense, increased \$115 million due to the following: Interest income decreased 25.9 percent, or \$14 million, due primarily to lower short term investment balances and a decrease in interest rates. Interest expense increased \$70 million, or 18.4 percent, resulting primarily from the increase in the Company's long term debt. Miscellaneous net decreased \$12 million, primarily due to the write down of certain investments held by the Company during the first quarter of 2003.~~

~~The Company has experienced significant cumulative losses and as a result generated net operating losses available to offset future taxes payable. As a result of the cumulative operating losses, a valuation allowance was established against the full amount of the Company's net deferred tax asset as of December 31, 2002. The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion or all of its deferred tax assets will not be realized. During 2003, the Company continued to record a valuation allowance against its net deferred tax assets, which results in no tax benefit being recorded for the pretax losses and the charge to Accumulated other comprehensive loss resulting from the minimum pension liability adjustment discussed in Note 6 to the condensed consolidated financial statements. The Company's deferred tax asset valuation allowance increased \$560 million in 2003, to \$1.3 billion as of September 30, 2003.~~

~~The effective tax rate for the nine months ended September 30, 2002 was impacted by a \$40 million charge resulting from a provision in Congress' economic stimulus package that changed the period for carrybacks of net operating losses (NOLs).~~

~~OTHER INFORMATION~~

~~In February 2003, American asked its employees for approximately \$1.8 billion in annual savings through a combination of changes in wages, benefits and work rules. The requested \$1.8 billion in savings was divided by work group as follows: \$660 million pilots; \$620 million Transportation Workers Union represented employees; \$340 million flight attendants; \$100 million management and support staff; and \$80 million agents and representatives. References in this document to American's three major unions include: the Allied Pilots Association (the APA); the Transportation Workers Union (the TWU); and the Association of Professional Flight Attendants (the APFA).~~

~~In April 2003, American reached agreements with its three major unions~~

~~(the Labor Agreements) and implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management (the Management Reductions). The anticipated cost savings arising from the Labor Agreements and the Management Reductions met the targeted annual savings of \$1.8 billion.~~

~~Of the approximately \$1.8 billion in estimated annual savings, approximately \$1.0 billion relate to wage and benefit reductions and \$0.8 billion relate to changes in work rules, which have resulted in job reductions and will continue to result in additional job reductions through June 2004. As a result of work rule related job reductions, the Company incurred \$60 million in severance charges in 2003 (see Note 5 to the condensed consolidated financial statements for additional information). Wage reductions became effective on April 1, 2003 for officers and May 1, 2003 for all other employees. Reductions related to benefits and work rule changes will continue to be phased in over time. In connection with the changes in wages, benefits and work rules, the Company provided approximately 38 million shares of AMR stock to its employees (excluding officers) in the form of stock options which will vest over a three year period with an exercise price of \$5 per share (see Note 12 to the condensed consolidated financial statements for additional information).~~

~~In addition, the Company has reached concessionary agreements with certain vendors, lessors, lenders and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements). Generally, under the terms of these Vendor Agreements the Company will receive the benefit of lower rates and charges for certain goods and services, and more favorable rent and financing terms with respect to certain of its aircraft. In return for these concessions, the Company provided approximately 2.5 million shares of AMR's common stock to Vendors. As of September 30, 2003, the annual cost savings from the Vendors are estimated to be over \$200 million.~~

~~The Company's revenue environment improved during the second and third quarters of 2003 as reflected in improved unit revenues (revenue per available seat mile) in May through September 2003. Even with this improvement, however, the Company's revenues are still depressed relative to historical levels. Moreover, the Company's recent losses have adversely affected its financial condition. The Company therefore needs to see a combination of continued improvement in the revenue environment, cost reductions and productivity improvements before it can return to sustained profitability at acceptable levels.~~

~~To maintain sufficient liquidity as the Company implements its plan to return to sustained profitability, the Company will need continued access to additional funding, most likely through a combination of financings and asset sales. In addition, the Company's ability to return to sustained profitability will depend on a number of risk factors, many of which are largely beyond the Company's control. Among other things, the following factors have had and/or may have a negative impact on the Company's business and financial results: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit arrangements; and the availability of future financing. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets or sell assets, it may be unable to fund its obligations and sustain its operations.~~

~~During 2001 and 2002, the Company raised approximately \$7.5 billion of funding to finance capital commitments and to fund operating losses. The Company expects that it will need to continue to raise capital until such time as the Company has achieved acceptable levels of sustained profitability over a significant period of time. The Company had approximately \$2.7 billion in unrestricted cash and short term investments as of September 30, 2003. The Company's possible future financing sources include: (i) a limited amount of additional secured aircraft debt (virtually all of the Company's Section 1110 eligible aircraft are encumbered), (ii) securitization of future operating~~

~~receipts, (iii) debt secured by other assets, (iv) sale leaseback transactions of owned aircraft and (v) the potential sale of certain non core assets. However, the availability and level of these financing sources cannot be assured, particularly in light of the fact that the Company has fewer unencumbered assets available than it had in the past. To the extent that the Company's revenues deteriorate beyond normal seasonal trends or it is unable to access capital markets and raise additional capital, the Company may be unable to fund its obligations and sustain its operations.~~

~~In September 2003, the Company reached an agreement to sell its interest in Hotwire (Hotwire.com), a discount travel website company, pending regulatory approval. The Company expects to receive regulatory approval in the fourth quarter of 2003. If the sale becomes final, the Company expects to receive approximately \$80 million in proceeds, the majority of which would be recognized as a gain.~~

~~In July 2003, American issued \$255 million of enhanced equipment trust certificates, secured by aircraft, which bear interest at 3.86 percent and are repayable in semi annual installments beginning in 2004, with a final maturity in 2010. These obligations are insured by a third party.~~

~~In September 2003, American transferred its two headquarters buildings located in Fort Worth, Texas to AA Real Estate Holding L.P., a wholly owned consolidated subsidiary of American. AA Real Estate Holding L.P. leased the buildings back to American pursuant to a triple net lease, and used the buildings and the lease as security for a loan consisting of four notes, in the aggregate principal amount of \$100.6 million, which is reflected as debt in the condensed consolidated balance sheet of the Company. Each note corresponds to a separate class of AA/Ft. Worth HQ Finance Trust Lease Revenue Commercial Mortgage Backed Pass-Through Certificates, Series 2003 (the Certificates) issued by the AA/Ft. Worth HQ Finance Trust, which is not a subsidiary of American, in a private placement pursuant to Rule 144A under the Securities Act of 1933. The Certificates and corresponding notes have an average effective interest rate of 7.2 percent and a final maturity in 2010.~~

~~During the nine month period ended September 30, 2003, American borrowed approximately \$554 million under various seller financed debt agreements related to the purchase of aircraft. These debt agreements are secured by the related aircraft and have effective interest rates which are fixed and mature over various periods of time through 2013. As of September 30, 2003, the effective interest rate on these agreements ranged up to 9.12 percent.~~

~~The Company's significant indebtedness could have important consequences, such as (i) limiting the Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions and general purposes, (ii) requiring the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, (iii) making the Company more vulnerable to economic downturns, limiting its ability to withstand competitive pressures and reducing its flexibility in responding to changing business and economic conditions, and (iv) limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.~~

~~American's credit ratings are significantly below investment grade. In February 2003, Moody's downgraded the senior unsecured ratings of American and the ratings of most of American's secured debt. Also in February 2003, Standard & Poor's lowered its long term corporate credit ratings for American and lowered the secured debt rating of American. American's short term rating was withdrawn. Ratings on most of American's non enhanced equipment trust certificates were also lowered. In March 2003, Standard & Poor's further lowered its long term corporate credit ratings for American and lowered the secured debt rating of American. Ratings on most of American's non enhanced equipment trust certificates were also lowered. These previous reductions have increased the Company's borrowing costs. On June 9, 2003, Moody's affirmed the ratings of American, removed the ratings from review for possible downgrade, and gave the ratings a negative outlook. On June 20, 2003, Standard & Poor's raised its ratings of American and removed the ratings from Creditwatch. On September 4, 2003, Standard & Poor's lowered its credit ratings on some of American's enhanced equipment trust certificates as part of an industry wide downgrade of selected aircraft backed debt collateralized wholly or partially by Boeing or McDonnell Douglas~~

aircraft introduced into service during the 1980s, including Boeing 757-200 and McDonnell Douglas MD-80 aircraft. On October 22, 2003, Standard & Poor's revised the outlook on its long term ratings on American to stable. Additional significant reductions in American's credit ratings would further increase its borrowing or other costs and further restrict the availability of future financing.

American has a fully drawn \$834 million credit facility that expires December 15, 2005. On March 31, 2003, American and certain lenders in such facility entered into a waiver and amendment that (i) waived, until May 15, 2003, the requirement that American pledge additional collateral to the extent the value of the existing collateral was insufficient under the terms of the facility, (ii) waived American's liquidity covenant for the quarter ended March 31, 2003, (iii) modified the financial covenants applicable to subsequent periods, and (iv) increased the applicable margin for advances under the facility. On May 15, 2003, American pledged an additional 30 (non Section 1110 eligible) aircraft having an aggregate net book value as of April 30, 2003 of approximately \$450 million. Pursuant to the modified financial covenants, American is required to maintain at least \$1.0 billion of liquidity, consisting of unencumbered cash and short term investments, for the second quarter 2003 and beyond. While the Company was in compliance with the covenant at September 30, 2003, if the Company is adversely affected by the risk factors discussed in Note 2 to the condensed consolidated financial statements or elsewhere in this Report, it is uncertain whether the Company will be able to satisfy this liquidity requirement through the expiration of the facility at the end of 2005. Any failure to satisfy this requirement, if not waived, would result in a default under this facility and could trigger defaults under other debt arrangements.

In addition, as part of the modification of financial covenants, the required ratio of EBITDAR to fixed charges under the facility was reduced until the measurement period ending December 31, 2004, and the next test of such cash flow coverage ratio was postponed until March 31, 2004. The effective interest rate on the facility as of September 30, 2003 is 4.68 percent and will be reset on March 17, 2004. At American's option, interest on the facility can be calculated on one of several different bases. In most instances, American would anticipate choosing a floating rate based upon LIBOR.

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In April 2003, the President signed the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act), which includes aviation related assistance provisions. The Act authorized payment of (i) \$100 million to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks and (ii) \$2.3 billion to reimburse air carriers for increased security costs, which was distributed in proportion to the amounts each carrier had paid or collected in passenger security and air carrier security fees to the Transportation Security Administration as of the Act's enactment (the Security Fee Reimbursement). In addition, the Act suspended the collection of the passenger security fee from June 1, 2003 until September 30, 2003 and authorized the extension of war risk insurance through August 31, 2004 (and permits further extensions until December 31, 2004). The Act also limits the total cash compensation for the two most highly compensated named executive officers in 2002 for certain airlines, including the Company, during the period April 1, 2003 to April 1, 2004 to the amount of salary received by such officers, or their successors, in 2002. A violation of this executive compensation provision would require the carrier to repay the government for the amount of the Security Fee Reimbursement. The Company does not anticipate any difficulties in complying with this limitation on executive compensation and believes the likelihood of repaying the government for the amount of the Security Fee Reimbursement is remote. The Company's Security Fee Reimbursement was \$315 million (net of \$3 million and \$43 million in payments to independent regional carriers and AMR Eagle, respectively, who operated under revenue prorate agreements during a portion of the period covered by the compensation) and was recorded as a reduction to operating expenses during the second quarter of 2003. The Company's compensation for the direct costs associated with strengthening flight deck doors was \$22 million and was recorded as a basis reduction to capitalized flight equipment in the third quarter of 2003.

The Company has restricted cash and short term investments related to projected workers' compensation obligations and various other obligations of \$540 million as of September 30, 2003. In the first quarter of 2003, the Company redeemed \$339 million of tax exempt bonds that were backed by standby letters of credit secured by

~~restricted cash and short term investments resulting in a reduction in restricted cash and short term investments. Of the \$330 million of tax exempt bonds that were redeemed, \$253 million were accounted for as operating leases. Payments to redeem these tax exempt special facility revenue bonds are generally considered prepaid facility rentals and reduce future operating lease commitments. The remaining \$86 million of tax exempt bonds that were redeemed were accounted for as debt and had original maturities in 2014 through 2024.~~

~~As of September 30, 2003, the Company had approximately \$233 million in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the condensed consolidated balance sheet.~~

~~As discussed in Note 9 to the condensed consolidated financial statements, the Company reached concessionary agreements with certain lessors. The Vendor Agreements with these lessors affected the payments, lease term, and other conditions of certain leases. As a result of these changes to the payment and lease terms, 30 leases which were previously accounted for as operating leases were converted to capital leases, and one lease which was previously accounted for as a capital lease was converted to an operating lease. The remaining leases did not change from their original classification. The Company recorded the new capital leases at the fair value of the respective assets being leased. These changes did not have a significant effect on the Company's condensed consolidated balance sheet.~~

~~In addition, certain of the Vendor Agreements provide that the Company's obligations under the related lease revert to the original terms if certain events occur prior to December 31, 2005, including: (i) an event of default under the related lease (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. If any one of these events were to occur, the Company would be responsible for approximately \$17 million in additional operating lease payments and \$6 million in additional payments related to capital leases as of September 30, 2003. This amount will increase to approximately \$110 million in operating lease payments and \$111 million in payments related to capital leases prior to the expiration of the provision on December 31, 2005. Such amounts are being treated as contingent rentals and will only be recognized if they become due.~~

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~~As part of the Vendor Agreements discussed in Note 2 to the condensed consolidated financial statements, American sold 33 Fokker 100 aircraft (with a minimal net book value) in the third quarter of 2003. American also issued a \$23 million non-interest bearing note, payable in installments and maturing in December 2010, and entered into short-term leases on these aircraft. Furthermore, the Company provided shares of AMR common stock as discussed in Note 2 to the condensed consolidated financial statements. In exchange, approximately \$130 million of debt related to certain of the Fokker 100 aircraft was restructured. However, the agreement contains provisions that would require American to repay additional amounts of the original debt if certain events occur prior to December 31, 2005, including: (i) an event of default (which generally occurs only if a payment default occurs), (ii) an event of loss with respect to the related aircraft, (iii) rejection by the Company of the lease under the provisions of Chapter 11 of the U.S. Bankruptcy Code or (iv) the Company's filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. As a result of this transaction, including the sale of the 33 Fokker 100 aircraft, and the termination of the Company's interest rate swap agreements related to the debt that has been restructured, the Company recognized a gain of approximately \$68 million in the third quarter of 2003. If the conditions described above do not occur, the Company expects to recognize an additional gain of approximately \$37 million in December 2005.~~

~~Net cash provided by operating activities in the nine month period ended September 30, 2003 was \$508 million, an increase of \$1.2 billion over the same period in 2002. Included in net cash provided by operating activities the first nine months of 2003 was the receipt of a \$515 million federal tax refund and the receipt of \$315 million from the government under the Act. Included in net cash used by operating activities for the first nine months of 2002 was approximately \$569 million received by the Company as a result of the utilization of its~~

~~2001 NOLs. Capital expenditures for the first nine months of 2003 were \$795 million, \$554 million of which was seller financed, and included the acquisition of nine Boeing 767-300ER and two Boeing 777-200ER aircraft.~~

~~In June 2003, the Company sold its interest in Worldspan, a computer reservations company, for \$180 million in cash and a \$39 million promissory note, resulting in a gain of \$17 million which is included in Other income (loss) in the consolidated statement of operations.~~

~~As of September 30, 2003, the Company had commitments to acquire an aggregate of 47 Boeing 737-800s and nine Boeing 777-200ERs in 2006 through 2010. Future payments for these aircraft, including the estimated amounts for price escalation, will approximate \$106 million in 2005 and an aggregate of approximately \$2.7 billion in 2006 through 2010.~~

~~Boeing Capital provided backstop financing for all Boeing aircraft deliveries in 2003. In return, American granted Boeing a security interest in certain advance payments previously made and in certain rights under the aircraft purchase agreement between American and Boeing.~~

~~On July 16, 2003, the Company announced that it would reduce the size of its St. Louis hub, effective November 1, 2003. As a result of this action, the Company expects to record additional charges in the fourth quarter of 2003, as the reductions occur, primarily employee severance and benefits charges and facility exit costs. Furthermore, the Company expects to incur additional aircraft charges in the fourth quarter of 2003 related to the retirement of additional operating leased Boeing 757 aircraft.~~

~~Special facility revenue bonds have been issued by certain municipalities, or entities established by the municipalities for the purpose of issuing the special facility revenue bonds, primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately \$2.1 billion of these bonds (with total future payments of approximately \$5.2 billion as of September 30, 2003) are guaranteed by American, AMR, or both. Approximately \$730 million of these special facility revenue bonds contain mandatory tender provisions that require American to repurchase the bonds at various times through 2008. Although American has the right to remarket the bonds there can be no assurance that these bonds will be successfully remarketed. Any payments to redeem or purchase bonds that are not remarketed would generally be considered prepaid facility rentals and would reduce future operating lease commitments. Special facility revenue bonds with a principal balance of \$198 million have mandatory tender provisions that will be triggered in November 2003. The Company anticipates that these bonds will not be remarketed at this time, but may be remarketed or refunded if market conditions become more favorable.~~

~~In addition to the commitments summarized above, the Company is required to make contributions to its defined benefit pension plans. These contributions are required under the minimum funding requirements of the Employee Retirement Pension Plan Income Security Act (ERISA). The Company's 2003 minimum required contributions to its defined benefit pension plans were approximately \$186 million (all of which had been contributed by September 15, 2003) and the Company's estimated 2004 minimum required contributions to its defined benefit pension plans are between \$550 and \$650 million. In addition, in 2003, the Company has contributed \$141 million to its defined contribution pension plans. Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as pension plan benefit levels, interest rate levels and the amount and timing of asset returns, the Company is not able to reasonably estimate the amount of future required contributions to its defined benefit pension plans beyond 2004. However, based on the current regulatory environment and market conditions, the Company expects that its 2005 minimum required contributions to its defined benefit pension plans will significantly exceed its 2004 minimum required contributions.~~

~~A provision in the scope clause of American's prior contract with the Allied Pilots Associations (APA) limited the number of available seat miles (ASMs) and block hours that could be flown under American's marketing code (AA) by American's regional carrier partners when~~

~~American pilots are on furlough (the so called ASM cap). To ensure that American remained in compliance with the ASM cap, American and AMR Eagle took several steps in 2002 to reduce the number of ASMs flown by American's wholly owned commuter air carriers. As one of those measures, AMR Eagle signed a letter of intent to sell Executive Airlines, its San Juan-based subsidiary.~~

~~Another provision in the prior APA contract limited to 67 the total number of regional jets with more than 44 seats that could be flown under the AA code by American's regional carrier partners. As AMR Eagle continued to accept previously ordered Bombardier and Embraer regional jets this cap would have been reached in early 2003. To ensure that American remained in compliance with the 67 aircraft cap, AMR Eagle reached an agreement to dispose of 14 Embraer ERJ 145 aircraft from its fleet. Trans States Airlines, an AmericanConnection carrier, agreed to acquire these aircraft. Under the prior contract between AA and the APA, Trans States would have had to operate these aircraft under its AX code, rather than the AA* code, at its St. Louis hub.~~

~~The Labor Agreement with the APA (one of the Labor Agreements), ratified in April 2003, modified the provisions in the APA contract described in the immediately preceding two paragraphs to give the Company more flexibility with its American Eagle operations. The limitations on the use of regional jets were substantially reduced and are now tied to 110 percent of the size of American's narrowbody aircraft fleet. As a consequence of these modifications, it is no longer necessary to use Trans States' AX marketing code on flights operated by Trans States as AmericanConnection, and AMR Eagle has discontinued its plans to sell Executive Airlines. In addition, AMR Eagle has revised its agreement to dispose of 14 Embraer ERJ 145 aircraft to include ten rather than 14 aircraft.~~

~~The Company carries insurance for public liability, passenger liability, property damage and all risk coverage for damage to its aircraft. As a result of the September 11, 2001 events, aviation insurers have significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war risk coverage). At the same time, they have significantly increased the premiums for such coverage as well as for aviation insurance in general. The U.S. government has provided commercial war risk insurance for U.S. based airlines until December 10, 2003 covering losses to employees, passengers, third parties and aircraft. The Company believes this insurance coverage will be extended beyond December 10, 2003 because the Act provides for the insurance to remain in place until August 31, 2004, and the Department of Transportation has stated its intent to do so. In addition, the Secretary of Transportation may extend the policy until December 31, 2004, at his discretion. However, there is no assurance that it will be extended. In the event the commercial insurance carriers further reduce the amount of insurance coverage available to the Company or significantly increase the cost of aviation insurance, or if the Government fails to renew the war risk insurance that it provides, the Company's operations and/or financial position and results of operations would be materially adversely affected.~~

~~FORWARD-LOOKING INFORMATION~~

~~Statements in this report contain various forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify forward looking statements. Forward looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact on the Company of the events of September 11, 2001 and of its results of operations for the past two years and the sufficiency of its financial resources to absorb that impact. Other forward looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed or~~

~~assured. All forward looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Forward looking statements are subject to a number of risk factors that could cause actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause the Company's actual results to differ materially from those expressed in forward looking statements: the uncertain financial and business environment the Company faces; the struggling economy; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East; historically low fare levels and the general competitive environment; the ability of the Company to implement its restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to the Company's international operations; changes in its business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of SARS; the inability of the Company to satisfy existing liquidity requirements or other covenants in certain of its credit agreements; and the availability of future financing. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, including but not limited to the Form 10 K for the year ended December 31, 2002 and the Form 10 Qs for the quarters ended March 31, 2003 and June 30, 2003.~~

~~Item 3. Quantitative and Qualitative Disclosures about Market Risk~~

~~Market Risk Sensitive Instruments and Positions~~

~~Except as discussed below, there have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of the Company's 2002 Form 10 K.~~

~~The risk inherent in the Company's fuel related market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel. The sensitivity analysis presented does not consider the effects that such adverse changes may have on overall economic activity, nor does it consider additional actions management may take to mitigate the Company's exposure to such changes. Actual results may differ.~~

~~Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by using jet fuel, heating oil, and crude swap and option contracts. As of September 30, 2003, the Company had hedged approximately 28 percent of its expected fuel needs for the remainder of 2003, approximately 20 percent of its expected first quarter 2004 fuel needs and an insignificant percentage of its expected fuel needs beyond the first quarter of 2004, compared to approximately 32 percent of its estimated 2003 fuel requirements, 15 percent of its estimated 2004 fuel requirements, and approximately four percent of its estimated 2005 fuel requirements hedged at December 31, 2002. Beginning in March 2003, the Company revised its hedging strategy and, in June 2003, terminated substantially all of its contracts with maturities beyond March 2004. Commencing in October 2003, the Company began to enter into new fuel hedging contracts with maturities beyond March 2004 for a portion of its future fuel requirements. The Company's reduced credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future. For additional information see Note 16 to the condensed consolidated financial statements.~~

~~Item 4. Controls and Procedures~~

~~An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the design and operation of the Company's disclosure controls as of September 30, 2003. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the~~

~~Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls.~~

~~PART II: OTHER INFORMATION~~

~~Item 1. Legal Proceedings~~

~~On July 26, 1999, a class action lawsuit was filed, and in November 1999 an amended complaint was filed, against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, Airlines Reporting Corporation, and the Sabre Group Holdings, Inc. in the United States District Court for the Central District of California, Western Division (Westways World Travel, Inc. v. AMR Corp., et al.). The lawsuit alleges that requiring travel agencies to pay debit memos to American for violations of American's fare rules (by customers of the agencies): (1) breaches the Agent Reporting Agreement between American and AMR Eagle and the plaintiffs; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The certified class includes all travel agencies who have been or will be required to pay money to American for debit memos for fare rules violations from July 26, 1995 to the present. The plaintiffs seek to enjoin American from enforcing the pricing rules in question and to recover the amounts paid for debit memos, plus treble damages, attorneys' fees, and costs. The Company intends to vigorously defend the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision could impose restrictions on the Company's relationships with travel agencies which could have an adverse impact on the Company.~~

~~On May 13, 1999, the United States (through the Antitrust Division of the Department of Justice) sued AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in federal court in Wichita, Kansas (United States v. AMR Corporation, et al, No. 99-1180 JTM, United States District Court for the District of Kansas). The lawsuit alleges that American unlawfully monopolized or attempted to monopolize airline passenger service to and from Dallas/Fort Worth International Airport (DFW) by increasing service when new competitors began flying to DFW, and by matching these new competitors' fares. The Department of Justice seeks to enjoin American from engaging in the alleged improper conduct and to impose restraints on American to remedy the alleged effects of its past conduct. On April 27, 2001, the U.S. District Court for the District of Kansas granted American's motion for summary judgment. On June 26, 2001, the U.S. Department of Justice appealed the granting of American's motion for summary judgment (United States v. AMR Corporation, et al, No. 01-3203, United States District Court of Appeals for the Tenth Circuit), and on September 23, 2002, the parties presented oral arguments to the 10th Circuit Court of Appeals, which affirmed the summary judgment on July 3, 2003. The U.S. Department of Justice has indicated that it does not intend to appeal the decision of the 10th Circuit Court of Appeals.~~

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

On May 17, 2002, the named plaintiffs in Hall, et al. v. United Airlines, et al., pending in the United States District Court for the Eastern District of North Carolina, filed an amended complaint alleging that between 1995 and the present, American and over 15 other defendant airlines conspired to reduce commissions paid to U.S. based travel agents in violation of Section 1 of the Sherman Act. The court granted class action certification to the plaintiff on September 17, 2002, defining the plaintiff class as all travel agents in the United States, Puerto Rico, and the United States Virgin Islands, who, at any time from October 1, 1997 to the present, issued tickets, miscellaneous change orders, or prepaid ticket advices for travel on any of the defendant airlines. The case is stayed as to US Airways and United Air Lines, since they filed for bankruptcy. American is vigorously defending the lawsuit. Defendant carriers filed a motion for summary judgment on December 10, 2002. Trial is set to begin on February 2, 2004. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies or practices would have an adverse impact on the Company.

Between April 3, 2003 and June 5, 2003 three lawsuits were filed by travel agents who have opted out of the Hall class action (above) to pursue their claims individually against American Airlines, Inc., other airline defendants, and in one case against certain airline defendants and Orbitz LLC. (Tam Travel et al., v. Delta Air Lines et al., in the United States District Court for the Northern District of California San Francisco (51 individual agencies), Paula Fausky d/b/a Timeless Travel v. American Airlines, et al, in the United States District Court for the Northern District of Ohio Eastern Division (29 agencies) and Swope Travel et al. v. Orbitz et al. in the United States District Court for the Eastern District of Texas Beaumont Division (6 agencies)). Collectively, these lawsuits seek damages and injunctive relief alleging that the certain airline defendants and Orbitz LLC: (i) conspired to prevent travel agents from acting as effective competitors in the distribution of airline tickets to passengers in violation of Section 1 of the Sherman Act; (ii) conspired to monopolize the distribution of common carrier air travel between airports in the United States in violation of Section 2 of the Sherman Act; and that (iii) between 1995 and the present, the airline defendants conspired to reduce commissions paid to U.S. based travel agents in violation of Section 1 of the Sherman Act. American is vigorously defending these lawsuits. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's distribution practices would have an adverse impact on the Company.

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

On April 25, 2002, a Quebec travel agency filed a motion seeking a declaratory judgment of the Superior Court in Montreal, Canada (Voyages Montambault (1989) Inc. v. International Air Transport Association, et al.), that American and the other airline defendants owe a "fair and reasonable commission" to the agency, and that American and the other airline defendants breached alleged contracts with the agency by adopting policies of not paying base commissions. The motion was subsequently amended to add 40 additional travel agencies as petitioners. The current defendants are the International Air Transport Association, the Air Transport Association of Canada, Air Canada, American, America West Airlines, Delta Air Lines, Grupo TACA, Northwest Airlines/KLM Airlines, United Airlines, and Continental Airlines. American is vigorously defending the lawsuit. Although the Company believes that the litigation is without merit, a

~~final adverse court decision granting declaratory relief could expose the Company to claims for substantial money damages or force the Company to pay agency commissions, either of which would have an adverse impact on the Company.~~

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~~On May 13, 2002, the named plaintiffs in Always Travel, et. al. v. Air Canada, et. al., pending in the Federal Court of Canada, Trial Division, Montreal, filed a statement of claim alleging that between 1995 and the present, American, the other defendant airlines, and the International Air Transport Association conspired to reduce commissions paid to Canada based travel agents in violation of Section 45 of the Competition Act of Canada. The named plaintiffs seek to certify a nationwide class of travel agents. Plaintiffs have filed a motion for class certification, but that motion has not yet been decided. American is vigorously defending the lawsuit. A final adverse court decision awarding substantial money damages or placing restrictions on the Company's commission policies would have an adverse impact on the Company.~~

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

~~On August 19, 2002, a class action lawsuit was filed, and on May 7, 2003 an amended complaint was filed in the United States District Court for the Southern District of New York (Power Travel International, Inc. v. American Airlines, Inc., et al.) against American, Continental Airlines, Delta Air Lines, United Airlines, and Northwest Airlines, alleging that American and the other defendants breached their contracts with the agency and were unjustly enriched when these carriers at various times reduced their base commissions to zero. The as yet uncertified class includes all travel agencies accredited by the Airlines Reporting Corporation "whose base commissions on airline tickets were unilaterally reduced to zero by" the defendants. The case is stayed as to United Air Lines, since it filed for bankruptcy. American is vigorously defending the lawsuit. Although the Company believes that the litigation is without merit, a final adverse court decision awarding substantial money damages or forcing the Company to pay agency commissions would have an adverse impact on the Company.~~

~~Miami Dade County (the County) is currently investigating and remediating various environmental conditions at the Miami International Airport (MIA) and funding the remediation costs through landing fees and various cost recovery methods. American Airlines, Inc. and AMR Eagle have been named as potentially responsible parties (PRPs) for the contamination at MIA. During the second quarter of 2001, the County filed a lawsuit against 17 defendants, including American Airlines, Inc., in an attempt to recover its past and future cleanup costs (Miami Dade County, Florida v. Advance Cargo Services, Inc., et al. in the Florida Circuit Court). In addition to the 17 defendants named in the lawsuit, 243 other agencies and companies were also named as PRPs and contributors to the contamination. American's and AMR Eagle's portion of the cleanup costs cannot be reasonably estimated due to various factors, including the unknown extent of the remedial actions that may be required, the proportion of the cost that will ultimately be recovered from the responsible parties, and uncertainties regarding the environmental agencies that will ultimately supervise the remedial activities and the nature of that supervision. The Company is vigorously defending the lawsuit.~~

~~PART II~~

~~Item 6. Exhibits and Reports on Form 8-K~~

~~The following exhibits are included herein:~~

~~3.1 Restated Certificate of Incorporation of American Airlines, Inc., as amended.~~

~~3.2 Bylaws of American Airlines, amended as of April 24, 2003.~~

~~12 Computation of ratio of earnings to fixed charges for the three and nine months ended September 30, 2003 and 2002.~~

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

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

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

~~Form 8-Ks filed under Item 5 - Other Events~~

~~On July 3, 2003, American Airlines filed an amended report on Form 8-K to provide additional information regarding the unit cost expectations provided in a June 25, 2003 report on Form 8-K.~~

~~On August 1, 2003, American Airlines filed a report on Form 8-K to provide unit revenue expectations for July, capacity estimates for the remainder of 2003 and 2004 and highlights of an agreement with Sabre covering American Airlines' participation in Sabre's Direct Connect Availability program.~~

~~Form 8-Ks filed under Item 7 - Financial Statements and Exhibits~~

~~On July 2, 2003, American Airlines furnished a report on Form 8-K related to the incorporation of certain documents to a Prospectus Supplement related to the offering of American Airlines, Inc.'s Pass Through Certificates, Series 2003 by reference.~~

~~On August 29, 2003, American Airlines furnished a report on Form 8-K related to the incorporation of certain documents to a Prospectus Supplement related to the offering of American Airlines, Inc.'s Pass Through Certificates, Series 2003 by reference.~~

~~Form 8-Ks filed under Item 12 - Disclosure of Results of Operations and Financial Condition~~

~~On July 16, 2003, American Airlines filed a report on Form 8-K to furnish a press release issued by AMR to announce its second quarter 2003 results.~~

~~Signature~~

~~Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.~~

~~Date: October 24, 2003~~ ~~BY: /s/ Jeffrey C. Campbell~~
~~Jeffrey C. Campbell~~
~~Senior Vice President and Chief~~
~~Financial Officer~~

~~AMERICAN AIRLINES, INC.~~

~~Certification~~

~~Pursuant to Section 906 of the Sarbanes Oxley Act of 2002~~

~~(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18,
United States Code)~~

~~Pursuant to section 906 of the Sarbanes Oxley Act of 2002
(subsections (a) and (b) of section 1350, chapter 63 of title 18,
United States Code), each of the undersigned officers of American
Airlines, Inc., a Delaware corporation (the Company), does hereby
certify, to such officer's knowledge, that:~~

~~The Quarterly Report on Form 10 Q for the quarter ended September 30,
2003 (the Form 10 Q) of the Company fully complies with the
requirements of section 13(a) or 15(d) of the Securities Exchange Act
of 1934 and information contained in the Form 10 Q fairly presents,
in all material respects, the financial condition and results of
operations of the Company.~~

~~Date: October 24, 2003 /s/ Gerard J. Arpey
Gerard J. Arpey
President and Chief Executive Officer~~

~~Date: October 24, 2003 /s/ Jeffrey C. Campbell
Jeffrey C. Campbell
Senior Vice President and Chief
Financial Officer~~

~~The foregoing certification is being furnished solely pursuant to
section 906 of the Sarbanes Oxley Act of 2002 (subsections (a) and
(b) of section 1350, chapter 63 of title 18, United States Code) and
is not being filed as part of the Form 10 Q or as a separate
disclosure document.~~

~~RESTATED
CERTIFICATE OF INCORPORATION
OF
AMERICAN AIRLINES, INC.~~

~~AMERICAN AIRLINES, INC., a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:~~

~~1. The name of the corporation is AMERICAN AIRLINES, INC. The date of filing of its original Certificate of Incorporation with the Secretary of State was April 11, 1934.~~

~~2. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation of this corporation as heretofore amended or supplemented and there is not discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.~~

~~3. The text of the Certificate of Incorporation as amended or supplemented heretofore is hereby restated without further amendments or changes to read as herein set forth in full:~~

~~FIRST: The name of the corporation is AMERICAN AIRLINES, INC.~~

~~SECOND: The principal office or place of business of the corporation in the State of Delaware is to be located at 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its resident agent is The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware.~~

~~THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.~~

~~FOURTH: The total number of shares of all classes of stock that the corporation shall have authority to issue is 1,000 shares of Common Stock, par value \$1.00 per share.~~

~~FIFTH: The names and places of residence of each of the original incorporators are:
J. Vernon Pimm Philadelphia, Pa.
Albert G. Bauer Philadelphia, Pa.
R. L. Spurgeon Wilmington, Delaware~~

~~SIXTH: The corporation is to have perpetual existence.~~

~~SEVENTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever, and no action of the corporation shall be construed as a constructive assent to such liability.~~

~~EIGHTH: The business of the corporation shall be managed by a Board of Directors.~~

~~1. All corporate powers of the corporation shall be exercised by the Board of Directors, except as otherwise provided by law.~~

~~2. Directors need not be stockholders, nor residents of the State of Delaware.~~

~~3. The number of directors which shall constitute the whole Board shall be such as from time to time shall be fixed by, or in the manner provided in, the By Laws, but in no case shall the number be less than three.~~

~~4. By Laws of the corporation for the management of its property, the regulation and government of its affairs, and for the certification and transfer of its stock may originally be adopted by the incorporators. Thereafter, the directors shall have power from time to time to make, alter, or repeal By Laws, but any By Laws made by the Board of Directors may be altered, amended, or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.~~

~~5. The stockholders and directors may hold their meetings and have an office or offices outside the State of Delaware if the By Laws so provide.~~

~~6. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each committee to consist of two or more directors which, to the extent provided in said resolution or resolutions or in the By Laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have the power to authorize the seal of the corporation to be affixed to all papers which may require it.~~

~~7. The Board of Directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or as authorized by resolution of the Board of Directors.~~

~~8. The Board of Directors shall have power from time to time to fix the amount to be reserved by the corporation over and above its capital stock paid in and to fix and determine and to vary the amount of the working capital of the corporation, and to direct and determine the use and disposition of the working capital and of any surplus or net profits over and above the capital stock paid in.~~

~~9. At all meetings of stockholders and at all elections of directors, each holder of capital stock shall have one vote for each share of capital stock registered in his name on the books of the corporation.~~

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~~10. At all meetings of the stockholders the holders of one third of the number of shares of stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law.~~

~~11. In so far as the same is not contrary to the laws of Delaware, no contract or other transaction between the corporation and any other corporation, association, organization, society, or person shall be affected or invalidated by the fact that any one or more of the directors of this corporation is or are a director or officer, or directors or officers, of such other corporation, association, organization, or society, or by the fact that such other corporation, association,~~

~~organization, or society, is the owner or holder of any part of the capital stock of this corporation, or is interested in its property, and any director or directors, individually or jointly, may be a party or parties to, or may be interested in, any contract or transaction of this corporation or in which this corporation is interested; and no contract, act, or transaction of this corporation with any person or persons, firm or corporation, association, organization, or society, shall be affected or invalidated by the fact that any director or directors of this corporation is a party or are parties to or are interested in such contract, act, or transaction, or in any way connected with such person or persons, firm, corporation, organization, association or society, and each and every person who may become a director of this corporation is hereby relieved from any liability that might otherwise exist from contracting with the corporation for the benefit of himself or any firm, corporation, association, organization or society, in which he may be in any wise interested.~~

~~12. Any contract, transaction or act of the corporation or of the Board of Directors which shall be ratified by a majority in interest of a quorum of the stockholders of the corporation having voting power at any annual meeting or special meeting called for such purpose shall be as valid and as binding as though ratified by every stockholder of the corporation; provided, however, that any failure of the stockholders to approve or ratify such contract, transaction or act, when and if submitted, shall not be deemed in any way to invalidate the same or to deprive the corporation, its directors or officers, of their right to proceed with such contract, transaction or action.~~

~~NINTH: No director of the corporation shall be liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit.~~

~~TENTH: Whenever a compromise or arrangement is proposed between this corporation and its creditors or any class of them and/or between this corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this corporation under the provisions of Section 3883 of the Revised Code of 1915 of said State, or on the application of trustees in dissolution or of any receiver or receivers appointed for this corporation under the provisions of Section 43 of this Chapter, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this corporation, as the case may be, to be summoned in such manner as the said Court directs. If a majority in number representing three-fourths in value~~

~~38 of the creditors or class of creditors and/or of the stockholders or class of stockholders of this corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this corporation as consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the Court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this corporation, as the case may be, and also on this corporation.~~

~~ELEVENTH: No stockholder of the corporation shall have any preemptive or preferential right, nor shall be entitled as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of the corporation of any class, whether now or hereafter~~

~~authorized, and whether issued for money or for a consideration other than money, or of any issue of securities convertible into stock.~~

~~TWELFTH: The corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate in the manner now or hereafter prescribed by statute; and all rights herein conferred upon the stockholders are granted subject to this reservation.~~

~~4. This Restated Certificate of Incorporation was duly adopted by unanimous written consent of the stockholders in accordance with the applicable provisions of Section 228, and 245 of the General Corporation Law of the State of Delaware and written notice of the adoption of this Restated Certificate of Incorporation has been given as provided by Section 228 of the General Corporation Law of the State of Delaware to every stockholder entitled to such notice.~~

~~IN WITNESS WHEREOF, said AMERICAN AIRLINES, INC. has caused this Certificate to be signed by Teri L. Teat, its Vice President and attested by Charles D. MarLett, its Corporate Secretary, this 8th day of March, 1995.~~

~~AMERICAN AIRLINES, INC.~~

~~By /s/ Teri L. Teat
Vice President~~

~~ATTEST:~~

~~By /s/ Charles D. MarLett
Corporate Secretary~~

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~~CERTIFICATE OF OWNERSHIP AND MERGER
MERGING~~

~~AMR SERVICES PROPERTY CORPORATION,
a Delaware corporation~~

~~INTO~~

~~AMERICAN AIRLINES, INC.,
a Delaware corporation~~

~~(Pursuant to Section 253 of the
General Corporation Law of the State of Delaware)~~

~~American Airlines, Inc., a corporation incorporated under the General Corporation Law of the State of Delaware, does hereby certify that it owns one hundred percent (100%) of the outstanding shares of each class of capital stock of AMR Services Property Corporation, a corporation incorporated under the General Corporation Law of the State of Delaware, and that it, pursuant to resolutions of the Board of Directors of American Airlines, Inc., duly adopted at a meeting of the Board of Directors on November 18, 1998, determined to merge AMR Services Property Corporation with and into American Airlines, Inc., which resolutions are in the following words, to wit:~~

~~WHEREAS, American Airlines, Inc. ("American") is a corporation duly organized and validly existing under the laws of the State of Delaware; and~~

~~WHEREAS, AMR Services Property Corporation ("AMR Property") is a corporation duly organized and validly existing under the laws of the State of Delaware; and~~

~~WHEREAS, the members of the Board of Directors of American deem it to be in the best interests of American and AMR Property to merge AMR Property with and into American pursuant to a Plan of Merger attached hereto as Exhibit A (the "Plan of Merger"); now, therefore, be it~~

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~~RESOLVED that the form, terms and provisions of the Plan of Merger be, and the same hereby are, approved and adopted in all respects and that, pursuant to such Plan of Merger, AMR Property merge with and into American (the "Merger"), with the result that American will be the surviving corporation; and~~

~~FURTHER RESOLVED, that each outstanding share of common stock, par value \$1.00 per share, of AMR Property shall be retired and cancelled without entitlement to any consideration in the Merger; and~~

~~FURTHER RESOLVED, that any officer of American be, and the same hereby is, authorized, empowered and directed, for and in the name and on behalf of American, to execute and file the Plan of Merger and the Certificate of Ownership and Merger in the form such officer shall deem appropriate and any other certificates, articles, instruments and other documents in form and substance as such officer shall deem appropriate, all as may be required by the laws of the State of Delaware, to waive any and all conditions and to do all things necessary or helpful to carry out the purposes of the foregoing resolutions and the Plan of Merger adopted thereby, and all acts and deeds of the officers and agents of American which are consistent with the purposes and intent of the above resolutions shall be, and the same hereby are, in all respects, ratified, approved, confirmed and adopted as the acts and deeds of American.~~

~~* * * * *~~

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~~IN WITNESS WHEREOF, American has caused this Certificate to be signed by its Corporate Secretary as of November 19, 1998.~~

~~By: \s\ Charles D. MarLett
Charles D. MarLett
Corporate Secretary~~

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~~EXHIBIT A~~

~~PLAN OF MERGER~~

~~This Plan of Merger (the "Plan of Merger"), dated as of November 19, 1998, is made and entered into by and between American Airlines, Inc., a Delaware corporation ("American"), and AMR Services Property Corporation, a Delaware corporation ("AMR Property").~~

~~RECITALS~~

~~A. American is a corporation duly organized and validly existing under the laws of the State of Delaware.~~

~~B. AMR Property is a wholly owned subsidiary of American.~~

~~C. By an Assignment and Assumption Agreement dated November 19, 1998 (the "Assignment Agreement"), immediately prior to the execution of this Plan of Merger, AMR Property's affiliate, AMR Services Corporation, a Delaware corporation ("AMR Services"), transferred and assigned all of its rights and interests in and to that certain Love~~

~~Field Terminal and Air Cargo Facility Lease and Agreement between the City of Dallas, as lessor, and Braniff Airways, Incorporated, dated as of May 1, 1967, as amended and supplemented (collectively, the "Terminal Lease"), to AMR Property, and AMR Property became the successor lessee under the Terminal Lease. In addition, pursuant to the Assignment Agreement, AMR Services transferred and assigned to AMR Property all of its rights and interests in and under (i) that certain Agreement and Plan of Merger (the "Merger Agreement"), dated as of August 26, 1997, by and among AMR Services, Dalfort Aviation Services, L.P. and Asworth Corporation (pursuant to which Dalfort Aviation Services, L.P. was merged with and into AMR Services, with AMR Services continuing as the surviving corporation) and (ii) that certain Letter Agreement, dated as of August 26, 1997, by and between AMR Services and Asworth Corporation, regarding potential challenges to the merger contemplated by the Merger Agreement.~~

~~D. Pursuant to Article XVII of the Terminal Lease, no consent or approval of the lessor under the Terminal Lease is required in connection with AMR Property's transfer and assignment of its rights and interests under the Terminal Lease pursuant to the merger contemplated hereby (the "Merger") and the parties have been advised that upon consummation of the Merger, AMR Services and AMR Property, as the "lessees" under the Terminal Lease immediately prior to the Merger, will be released from their obligations under the Terminal Lease.~~

~~AGREEMENT~~

~~In consideration of the promises, the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that AMR Property shall be merged with and into American upon the terms and conditions hereinafter set forth.~~

~~ARTICLE I~~

~~43~~

~~Merger~~

~~On the effective date of the Merger as provided herein (the "Effective Date"), AMR Property shall be merged with and into American, the separate existence of AMR Property shall cease and American (hereinafter sometimes referred to as the "Surviving Corporation") shall continue to exist under the name of American Airlines, Inc. by virtue of, and shall be governed by, the laws of the State of Delaware.~~

~~ARTICLE II~~

~~Certificate of Incorporation of Surviving Corporation~~

~~The Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of American as in effect on the date hereof without change unless and until amended in accordance with applicable law.~~

~~ARTICLE III~~

~~Bylaws of the Surviving Corporation~~

~~The bylaws of the Surviving Corporation shall be the bylaws of American as in effect on the date hereof without change unless and until amended or repealed in accordance with applicable law.~~

~~ARTICLE IV~~

~~Effect of Merger on Stock of Constituent Corporations~~

~~On the Effective Date, each outstanding share of common stock, par value \$1.00 per share, of AMR Property held by American shall be retired and cancelled without entitlement to any consideration in the Merger. The capital stock of American shall not be effected in any manner by the consummation of the Merger.~~

~~ARTICLE V~~

~~Corporate Existence, Powers and Liabilities of
Surviving Corporation; Terminal Lease~~

~~5.01. On the Effective Date, the separate existence of AMR Property shall cease. AMR Property shall be merged with and into American, the Surviving Corporation, in accordance with the provisions of this Plan of Merger.~~

~~5.02. AMR Property agrees that it will execute and deliver, or cause to be executed and delivered, all such deeds, assignments and other instruments, and will take or cause to be taken such further or other action as the Surviving Corporation may deem necessary or desirable in order to vest in and confirm to the Surviving Corporation title to and possession of all the property, rights, privileges, immunities, powers, purposes and franchises, and all and every other interest, of AMR Property and otherwise to carry out the intent and purposes of this Plan of Merger.~~

~~5.03 In connection with consummation of the Merger, and not in limitation thereof, American expressly agrees to assume fully and satisfy, pay, perform and discharge fully all of the liabilities and obligations of AMR Property under the Terminal Lease. In addition, American represents and warrants to AMR Property and AMR Services that its independent public accounts, Ernst & Young, LLP, have determined that American's net worth on the date~~

~~hereof is in excess of \$100 million, which, to the knowledge of American, is in excess of the net worth of the "Lessee" on the date of execution of the First Supplement to the Terminal Lease, dated November 21, 1983 (constituting part of the Terminal Lease) as referred to in the last subclause of the third sentence of Article XVII of the Terminal Lease.~~

~~ARTICLE VI~~

~~Officers and Directors of Surviving Corporation~~

~~Upon the Effective Date, the officers and directors of the Surviving Corporation shall be the officers and directors of American in office at such date, and such persons shall hold office in accordance with the bylaws of the Surviving Corporation or until their respective successors shall have been appointed or elected.~~

~~ARTICLE VII~~

~~Amendment~~

~~The Board of Directors of American may amend this Plan of Merger at any time prior to the Effective Date.~~

~~ARTICLE VIII~~

~~Termination of Merger~~

~~This Plan of Merger may be terminated and the Merger abandoned at any time prior to the filing of the Certificate of Ownership and Merger with the Secretary of State of Delaware by the consent of the Board of Directors of American.~~

~~* * * * *~~

~~IN WITNESS WHEREOF, American Airlines, Inc., pursuant to the approval and authority duly given by resolutions adopted by its Board of Directors, has caused this Plan of Merger to be executed by an authorized officer as of the day and year first above written.~~

~~AMERICAN AIRLINES, INC.~~

~~By: /s/ Charles D. MarLett
Charles D. MarLett
Corporate Secretary~~

~~_____ Certificate of Ownership and Merger
_____ Merging
_____ RENO AIR, INC., A NEVADA CORPORATION
_____ Into
_____ AMERICAN AIRLINES, INC., A DELAWARE CORPORATION
(Pursuant to Section 253 of the General Corporation Law of
_____ Delaware)~~

~~AMERICAN AIRLINES, INC., A DELAWARE CORPORATION, a corporation incorporated, pursuant to the provisions of the General Corporation Law of the State of Delaware does hereby certify that this corporation owns all the capital stock of RENO AIR, INC., A NEVADA CORPORATION, and that this corporation, by a resolution of its board of directors duly adopted on the 18th day of November, 1998 determined to and did merge into itself said RENO AIR, INC., A NEVADA CORPORATION which resolution is substantially in the following words to wit:~~

~~_____ WHEREAS this corporation lawfully owns all the outstanding stock of RENO AIR, INC., A NEVADA CORPORATION, and~~

~~_____ WHEREAS this corporation desires to merge into itself the said RENO AIR, INC., A NEVADA CORPORATION and to be possessed of all the estate, property, rights, privileges and franchises of said corporation.~~

~~_____ WHEREAS a Plan of Merger by which Reno Air, Inc. merges into American Airlines, Inc. (the "Plan of Merger") has been duly adopted by each constituent corporation. A copy of the Plan of Merger is available without charge from American Airlines, Inc. at the address listed above.~~

~~_____ NOW, THEREFORE, BE IT RESOLVED, that this corporation merge into itself, and it does hereby merge into itself said RENO AIR, INC., A NEVADA CORPORATION on the terms and conditions set forth in the Plan of Merger and thereby assumes all of its liabilities and obligations, and~~

~~FURTHER RESOLVED, that the president or a vice president, and the secretary or treasurer of this corporation be and they hereby are directed to make and execute, under the corporate seal of this corporation, a certificate of ownership setting forth a copy of the resolution, to merge said RENO AIR, INC., A NEVADA CORPORATION and assume its liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of the State of Delaware.~~

~~FURTHER RESOLVED, that the merger of Reno Air, Inc. into American Airlines, Inc. shall be effective as of December 31, 1999 at 10:00 a.m., Pacific Standard Time.~~

~~FURTHER RESOLVED, that the officers of this corporation be and they hereby are authorized and directed to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger.~~

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IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by its authorized officer, the 20th day of December, 1999.~~

~~AMERICAN AIRLINES, INC., A DELAWARE CORPORATION~~

By: \s\ Donald J. Carty

President

~~AMERICAN AIRLINES, INC.~~

~~BYLAWS~~

~~(As amended April 24, 2003)~~

~~ARTICLE I~~

~~Offices~~

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

~~ARTICLE II~~

~~Meetings of Stockholders~~

~~Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.~~

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

~~Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.~~

~~Section 3. Nominees for Election as Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the~~

~~proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.~~

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

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~~fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.~~

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

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

~~Section 7. Quorum. At all meetings of the stock holders the holders of one third of the number of shares of the stock issued and outstanding and entitled to vote thereat, present~~

~~in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.~~

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

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~~transacted at the meeting as originally notified.~~

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

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

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

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

~~————— (d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.~~

~~————— Section 9. Action by Written Consent. Any stock holder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one~~

~~or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall~~

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~~be the fifteenth day following receipt of such request or such later date as may be specified by the requesting stockholder.~~

~~The date for determining whether an action has been consented to by the required number of stockholders shall be the thirty first day after written consent forms were mailed to stockholders or, if no such material is required to be mailed, the thirty first day following the record date.~~

~~Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.~~

~~Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the board of directors before or at the meeting, and if no such appointment shall have~~

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~~been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date~~

~~for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.~~

~~ARTICLE III~~

~~Directors: Number, Election, Etc.~~

~~Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.~~

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

~~Section 3. Resignation. Any director may resign at any time by giving written~~

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~~notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.~~

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

~~Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall~~

~~from time to time prescribe.~~

~~ARTICLE IV~~

~~Meetings of Directors~~

~~Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.~~

~~Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting.~~

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~~Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.~~

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

~~Section 4. Action without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.~~

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

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

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~~a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.~~

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

~~ARTICLE V~~

~~Powers of the Board of Directors~~

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

~~ARTICLE VI~~

~~Committees~~

~~Section 1. Reserved for future use.~~

~~Section 2. Reserved for future use.~~

~~Section 3. Reserved for future use.~~

~~Section 4. Diversity Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a diversity committee, to consist of three or more~~

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~~members. Two or more members of the committee shall constitute a~~

quorum.

~~The duties and responsibilities of the diversity committee shall be set forth in a charter that has been approved by the board of directors after review by the nominating/corporate governance committee of the AMR Corporation Board of Directors. Among the duties and responsibilities of the diversity committee is to review the efforts of the corporation to achieve and maintain a diverse workforce and such other matters as may be set forth in the charter, delegated to it by the board of directors or required by law or regulation. In performing its duties, the diversity committee may retain such professionals as it deems necessary and appropriate. In furtherance of its duties, the diversity committee shall consult with the chief executive officer of the corporation and such other officers as it deems necessary and appropriate.~~

~~Section 5. Committee Procedure, Seal.~~

~~(a) The diversity committee shall keep regular minutes of its meetings, which shall be reported to the board of directors, and shall fix its own rules of procedures.~~

~~(b) The diversity committee may authorize the seal of the corporation to be affixed to all papers that may require it.~~

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

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~~written consent executed by all of the members of the committee~~

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

~~ARTICLE VII~~

~~Indemnification~~

~~Section 1. Nature of Indemnity. The corporation~~

~~shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any~~

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~~criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.~~

~~The termination of any action, suit or proceeding by~~

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

~~Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.~~

~~Section 3. Determination That Indemnification Is Proper.~~

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

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

~~Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the~~

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~~corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.~~

~~Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section 1 of this Article, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) to~~

~~have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances~~

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~~because he has met the applicable standard of conduct set forth in Section 1 of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors or a committee thereof, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.~~

~~Section 6. Survival; Preservation of Other Rights.~~

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

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

~~Section 7. Insurance. The corporation shall~~

~~purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation,~~

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~~or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint~~

~~venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.~~

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

~~ARTICLE VIII~~

~~Officers~~

~~Section 1. General. The officers of the corporation shall be the chairman of the board, a vice chairman, a chief executive officer, a president, a chief operating officer, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors. As the board of directors deems appropriate, it may decide not to~~

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~~appoint a vice chairman, a chief operating officer and/or one or more vice presidents (including executive vice presidents and senior vice presidents).~~

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

~~Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respec~~

~~tive offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.~~

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

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

~~ARTICLE IX~~

~~Duties of Officers~~

~~Section 1. Chairman of the Board, Vice Chairman, Chief Executive Officer,~~

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~~President, Chief Operating Officer. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors and of the annual meeting. The chairman, in conjunction with the chief executive officer, shall also ensure that the other members of the board of directors are periodically advised as to the operations of the corporation. The chief executive officer of the corporation shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The vice chairman and the chief operating officer shall perform such duties as shall be assigned to each by the chief executive officer. The president shall have the general powers and duties of supervision and management of the corporation as the chief executive officer shall assign. The chief executive officer shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. Each of~~

~~the offices of (a) chairman, (b) vice chairman, (c) chief executive officer, (d) president or (e) chief operating officer may be filled by the same and/or different individuals. The office of chairman may, at the discretion of the Board, have the title of AExecutive Chairman@, ANon-Executive Chairman@ or other similar title.~~

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

~~Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stock holders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any~~

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~~part or all of the duties of the secretary may be delegated to one or more assistant secretaries.~~

~~Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers or may be assigned to the vice president (including an executive vice president or a senior vice president) who is responsible for financial matters.~~

~~Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized~~

~~officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation a bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, the president or such vice president (including an executive vice president or a senior vice president) as may be responsible for financial matters. Any or all of the duties of the treasurer may~~

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~~be delegated to one or more assistant treasurers or may be assigned to the vice president (including an executive vice president or a senior vice president) who is responsible for financial matters.~~

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

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

~~ARTICLE X~~

~~Stock~~

~~Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is~~

~~issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.~~

~~Section 2. Transfers. Shares of stock shall be transferable on the books of the~~

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~~corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.~~

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

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

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

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~~ARTICLE XI~~

~~Miscellaneous~~

~~Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 31st day of December, in each year.~~

~~Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall determine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.~~

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

~~ARTICLE XII~~

~~Amendments to Bylaws~~

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Earnings:				
Loss before income taxes and				
cumulative effect of accounting change	\$(24)	\$(1,336)	\$(1,189)	\$(2,856)
Add: Total fixed charges (per below)	377	385	1,138	1,156
Less: Interest capitalized	15	21	50	62
Total income (loss) before income				
taxes and cumulative effect of				
accounting change	\$338	\$(972)	\$(101)	\$(1,762)
Fixed charges:				
Interest, including interest				
capitalized	\$154	\$ 129	\$ 450	\$ 379
Portion of rental expense				
representative of the interest factor	220	254	682	773
Amortization of debt expense	3	2	6	4
Total fixed charges	\$377	\$ 385	\$1,138	\$1,156
Coverage deficiency	\$ 39	\$1,357	\$1,239	\$2,918

~~Note: In April 2001, the Board of Directors of American approved the guarantee by American of AMR's debt obligations. As of September 30, 2003, American has issued guarantees covering approximately \$936 million of unsecured debt and approximately \$503 million of secured debt. The impact of these unconditional guarantees is not included in the above computation.~~

I, Gerard J. Arpey, certify that:

~~1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;~~

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

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

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

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

~~(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and~~

~~(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and~~

~~5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):~~

~~(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and~~

~~(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.~~

Date: ~~October 24, 2003~~ /s/ Gerard J. Arpey
Gerard J. Arpey
President and Chief Executive Officer

I, ~~Jeffrey C. Campbell~~, certify that:

~~1. I have reviewed this quarterly report on Form 10-Q of American Airlines, Inc.;~~

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

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

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

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

~~(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and~~

~~(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and~~

~~5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):~~

~~(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and~~

~~(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.~~

Date: ~~October 24, 2003~~ /s/ ~~Jeffrey C. Campbell~~
~~Jeffrey C. Campbell~~
~~Senior Vice President and Chief~~
~~Financial Officer~~