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

FORM 10-Q

[X]Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended March 31, 1999.

[ ]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 1-8400.

AMR Corporation
(Exact name of registrant as specified in its charter)

Delaware	75-1825172
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4333 Amon Carter Blvd. Fort Worth, Texas	76155
(Address of principal executive offices)	(Zip Code)

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

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 X 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 - 153,557,877 as of May 1, 1999.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31, 1999	1998
Revenues		
Airline Group:		
Passenger - American Airlines, Inc.	$ 3,320	$ 3,578
- AMR Eagle	271	256
Cargo	145	163
Other	255	232
	3,991	4,229
Sabre	638	554
Other	20	17
Less: Intersegment revenues	(166)	(166)
Total operating revenues	4,483	4,634
Expenses		
Wages, salaries and benefits	1,665	1,559
Aircraft fuel	349	415
Depreciation and amortization	316	318
Commissions to agents	288	301
Maintenance, materials and repairs	257	230
Other rentals and landing fees	240	213
Food service	167	164
Aircraft rentals	160	142
Other operating expenses	883	744
Total operating expenses	4,325	4,086
Operating Income	158	548
Other Income (Expense)		
Interest income	25	34
Interest expense	(92)	(97)
Interest capitalized	33	18
Minority interest	(16)	(13)
Miscellaneous - net	65	(13)
	15	(71)
Income from Continuing Operations (net of applicable income taxes)	173	477
Income tax provision	79	192
Income from Continuing Operations	94	285
Income from Discontinued Operations (net of applicable income taxes)	-	5
Gain on Sale of Discontinued Operations (net of applicable income taxes)	64	-
Net Earnings	$ 158	$ 290

Continued on next page.

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

	Three Months Ended March 31,	
	1999	1998
Earnings Per Common Share		
Basic		
Income from Continuing Operations	$ 0.59	$ 1.65
Discontinued Operations	0.40	0.03
Net Earnings	$ 0.99	$ 1.68
Diluted		
Income from Continuing operations	$ 0.57	$ 1.59
Discontinued Operations	0.39	0.03
Net Earnings	$ 0.96	$ 1.62
Number of Shares Used in Computation		
Basic	159	173
Diluted	164	179

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

AMR CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited) (In millions)

	March 31, 1999	December 31, 1998 (Note 1)
Assets		
Current Assets		
Cash	$ 62	$ 95
Short-term investments	1,121	1,978
Receivables, net	1,704	1,543
Inventories, net	639	596
Deferred income taxes	476	476
Other current assets	238	187
Total current assets	4,240	4,875
Equipment and Property		
Flight equipment, net	9,565	8,712
Other equipment and property, net	1,903	1,903
Purchase deposits for flight equipment	1,465	1,624
	12,933	12,239
Equipment and Property Under Capital Leases		
Flight equipment, net	1,990	1,981
Other equipment and property, net	166	166
	2,156	2,147
Route acquisition costs, net	909	916
Other assets, net	1,986	2,126
	$ 22,224	$22,303
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 1,233	$ 1,152
Accrued liabilities	1,886	2,122
Air traffic liability	2,442	2,163
Current maturities of long-term debt	247	48
Current obligations under capital leases	165	154
Total current liabilities	5,973	5,639
Long-term debt, less current maturities	2,311	2,436
Obligations under capital leases,less current obligations	1,712	1,764
Deferred income taxes	1,531	1,491
Other liabilities, deferred gains, deferred credits and postretirement benefits	4,239	4,275
Stockholders' Equity		
Common stock	182	182
Additional paid-in capital	3,070	3,075
Treasury stock	(1,681)	(1,288)
Accumulated other comprehensive income	(4)	(4)
Retained earnings	4,891	4,733
	6,458	6,698
	$ 22,224	$22,303

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

AMR CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In millions)

	Three Months Ended March 31,	
	1999	1998
Net Cash Provided by Operating Activities	$ 178	$ 500
Cash Flow from Investing Activities:		
Capital expenditures, including purchase deposits for flight equipment	(1,008)	(505)
Net decrease in short-term investments	861	313
Acquisitions and other investments	(55)	(139)
Proceeds from sale of other investments	66	-
Proceeds from sale of equipment and property	19	90
Net cash used for investing activities	(117)	(241)
Cash Flow from Financing Activities:		
Repurchase of common stock	(407)	(164)
Payments on long-term debt and capital lease obligations	(89)	(93)
Proceeds from:		
Sale of discontinued operations	259	-
Issuance of long-term debt	83	-
Sale-leaseback transactions	54	-
Exercise of stock options	6	58
Net cash used for financing activities	(94)	(199)
Net increase (decrease) in cash	(33)	60
Cash at beginning of period	95	62
Cash at end of period	$ 62	$ 122
Cash Payments For:		
Interest	$ 72	$ 96
Income taxes	16	27
Financing Activities Not Affecting Cash:		
Capital lease obligations incurred	$ 54	$ -

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

AMR CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, these financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented herein are not necessarily indicative of results of operations for the entire year. The balance sheet at December 31, 1998 has been derived from the audited financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the AMR Corporation (AMR or the Company) Annual Report on Form 10-K for the year ended December 31, 1998. Certain amounts from 1998 have been reclassified to conform with the 1999 presentation.

2. Accumulated depreciation of owned equipment and property at March 31, 1999 and December 31, 1998, was $7.5 billion and $7.3 billion, respectively. Accumulated amortization of equipment and property under capital leases at March 31, 1999 and December 31, 1998, was $1.3 billion.

   Effective January 1, 1999, in order to more accurately reflect the expected useful life of its aircraft, the Company changed its estimate of the depreciable lives of certain aircraft types from 20 to 25 years and increased the residual value from five to 10 percent. As a result of this change, depreciation and amortization expense was reduced by approximately $40 million, and net earnings was increased by approximately $25 million, or $0.15 per common share diluted, for the three months ended March 31, 1999.

3. As discussed in the notes to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998, the Miami International Airport Authority is currently remediating various environmental conditions at Miami International Airport (Airport) and funding the remediation costs through landing fee revenues. Future costs of the remediation effort may be borne by carriers operating at the Airport, including American Airlines, Inc. (American), a wholly-owned subsidiary of the Company, through increased landing fees and/or other charges.

4. In April 1999, the Company exercised its purchase rights to acquire three Boeing 737-800s. The exercise of these aircraft purchase rights will allow the Company to replace three aircraft from the Reno Air (Reno) fleet that will not be permanently integrated into American's fleet. In addition, the Company is continuing to analyze which, if any, of the remaining Reno aircraft will be replaced by additional aircraft orders or if the aircraft will undergo modifications or enhancements to make them consistent with American's fleet. As of April 30, 1999, the Company had commitments to acquire the following aircraft: 96 Boeing 737-800s, 28 Boeing 777-200IGWs, one Boeing 767-300ER, one Boeing 757-200, 95 Embraer EMB-135s, 21 Embraer EMB-145s and 25 Bombardier CRJ-700s. Deliveries of these aircraft commence in 1999 and will continue through 2006. Payments for these aircraft will approximate $1.8 billion during the remainder of 1999, $2.1 billion in 2000, $1.8 billion in 2001 and an aggregate of approximately $1.5 billion in 2002 through 2006.

   Also in April 1999, the Company announced that it will accelerate the retirement of nine McDonnell Douglas DC-10 and 16 Boeing 727-200 aircraft earlier than anticipated, thereby eliminating American's entire DC-10 fleet by the end of 2000 and advancing the retirement of the Boeing 727 fleet to the end of 2003.

5. In early February 1999, some members of the Allied Pilots Association (APA) engaged in certain activities (increased sick time and declining to fly additional trips) that resulted in numerous cancellations across American's system. These actions were taken in response to the acquisition of Reno in December 1998. In an attempt to resolve the dispute, the Company and the APA have agreed to non-binding mediation. These actions adversely impacted

the Company's first quarter 1999 net earnings.

6. In connection with a secondary offering by Equant N.V. in February 1999, the Company sold approximately 923,000 depository certificates for proceeds of $66 million. The Company recorded a pre-tax gain of $66 million as a result of this transaction.

7. During the first quarter of 1999, the Company completed the sales of AMR Services, AMR Combs and TeleService Resources. As a result of these sales, the Company recorded a gain of approximately $64 million, net of income taxes of approximately $19 million.

   The results of operations for AMR Services, AMR Combs and TeleService Resources have been reflected in the consolidated statements of operations as discontinued operations. The amounts shown are net of income taxes of approximately $3.6 million for the three months ended March 31, 1998. Revenues from the operations of AMR Services, AMR Combs and TeleService Resources were $97 million and $133 million for the three months ended March 31, 1999 and 1998, respectively.

8. The following table sets forth the computations of basic and diluted earnings per share (in millions, except per share data):

	Three Months Ended March 31,	
	1999	1998
Numerator:		
Income from continuing operations - numerator for basic and diluted earnings per share	$ 94	$ 285
Denominator:		
Denominator for basic earnings per share - weighted-average shares	159	173
Effect of dilutive securities:		
Employee options and shares	12	14
Assumed treasury shares purchased	(7)	(8)
Dilutive potential common shares	5	6
Denominator for diluted earnings per share - adjusted weighted-average shares	164	179
Basic earnings per share from continuing operations	$ 0.59	$ 1.65
Diluted earnings per share from continuing operations	$ 0.57	$ 1.59

9. AMR's operations fall within two lines of business: the Airline Group and Sabre. The Airline Group consists primarily of American, one of the largest scheduled passenger airlines and air freight carriers in the world, and AMR Eagle Holding Corporation (AMR Eagle), a separate subsidiary of AMR. At March 31, 1999, AMR Eagle owns three regional airlines which operate as "American Eagle", and provides connecting service to American. Sabre provides electronic distribution of travel through its Sabre computer reservations system and information technology solutions to the travel and transportation industries.

Selected financial information by reportable segment is as follows (in millions):

	Airline Group	Sabre	Total
Three months ended March 31,1999			
Revenues from external customers	$3,980	$486	$4,466
Intersegment revenues	11	152	163
Operating income	37	112	149
Three months ended March 31,1998			
Revenues from external customers	$4,219	$403	$4,622
Intersegment revenues	10	151	161
Operating income	427	115	542

The following table provides a reconciliation of reportable segment revenues and operating income to the Company's consolidated financial statement totals (in millions):

	Three Months Ended March 31, 1999	1998
Revenues		
Total external revenues for reportable segments	$ 4,466	$ 4,622
Intersegment revenues for reportable segments	163	161
Other revenues	20	17
Elimination of intersegment revenues	(166)	(166)
Total consolidated revenues	$ 4,483	$ 4,634
Operating income		
Total operating income for reportable segments	$ 149	$ 542
Other operating income	9	6
Total consolidated operating income	$ 158	$ 548

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

RESULTS OF OPERATIONS

For the Three Months Ended March 31, 1999 and 1998

Summary AMR recorded net earnings for the three months ended March 31, 1999 of $158 million, or $0.96 per common share diluted. This compares to net earnings of $290 million, or $1.62 per common share diluted for the first quarter of 1998. AMR's operating income of $158 million decreased 71.2 percent, or $390 million, compared to $548 million for the same period in 1998. AMR's net earnings were adversely impacted by an illegal job action by members of the APA during the first quarter of 1999, which negatively impacted the Company's net earnings by an estimated $140 million, or $0.85 per common share diluted. This was partially offset by the gain on the sale of AMR Services, AMR Combs and TeleService Resources, and the gain from the sale of the Equant N.V. depository certificates, aggregating approximately $101 million after taxes, or $0.62 per common share diluted.

The following sections provide a discussion of AMR's results by reporting segment, which are described in Footnote 9 and in AMR's Annual Report on Form 10-K for the year ended December 31, 1998.

AIRLINE GROUP
FINANCIAL HIGHLIGHTS
(Unaudited) (Dollars in millions)

	Three Months Ended March 31,	
	1999	1998
Revenues		
Passenger - American Airlines, Inc.	$3,320	$ 3,578
- AMR Eagle	271	256
Cargo	145	163
Other	255	232
	3,991	4,229
Expenses		
Wages, salaries and benefits	1,462	1,384
Aircraft fuel	349	415
Commissions to agents	288	301
Maintenance, materials and repairs	257	229
Depreciation and amortization	253	258
Other rentals and landing fees	228	204
Food service	167	164
Aircraft rentals	160	142
Other operating expenses	790	705
Total operating expenses	3,954	3,802
Operating Income	37	427
Other Expense	(6)	(62)
Earnings Before Income Taxes	$ 31	$ 365
Average number of equivalent employees	94,100	91,000

RESULTS OF OPERATIONS (continued)

OPERATING STATISTICS

	Three Months Ended March 31, 1999	1998
American Airlines Jet Operations		
Revenue passenger miles (millions)	25,290	25,388
Available seat miles (millions)	37,703	37,707
Cargo ton miles (millions)	431	496
Passenger load factor	67.1%	67.3%
Breakeven load factor	66.4%	58.3%
Passenger revenue yield per passenger mile (cents)	13.13	14.09
Passenger revenue per available seat mile (cents)	8.81	9.49
Cargo revenue yield per ton mile (cents)	33.18	32.55
Operating expenses per available seat mile (cents)	9.63	9.35
Fuel consumption (gallons, in millions)	687	681
Fuel price per gallon (cents)	48.9	58.9
Fuel price per gallon, excluding fuel taxes (cents)	44.6	53.9
Operating aircraft at period-end	683	639
AMR Eagle		
Revenue passenger miles (millions)	706	615
Available seat miles (millions)	1,211	1,071
Passenger load factor	58.3%	57.4%
Operating aircraft at period-end	256	202

Operating aircraft at March 31, 1999, included:

American Airlines Aircraft:		AMR Eagle Aircraft:	
Airbus A300-600R	35	ATR 42	35
Boeing 727-200	76	Embraer 145	27
Boeing 737-800	5	Super ATR	43
Boeing 757-200	100	Saab 340A	21
Boeing 767-200	8	Saab 340B	105
Boeing 767-200 Extended Range	22	Saab 340B Plus	25
Boeing 767-300 Extended Range	46	Total	256
Boeing 777-200IGW	4		
Fokker 100	75		
McDonnell Douglas DC-10-10	11		
McDonnell Douglas DC-10-30	5		
McDonnell Douglas MD-11	11		
McDonnell Douglas MD-80	280		
McDonnell Douglas MD-90	5		
Total	683		

91% of American's aircraft fleet is Stage III, a classification of aircraft meeting noise standards as promulgated by the Federal Aviation Administration.

Average aircraft age is 10.7 years for American's aircraft and 6.2 years for AMR Eagle aircraft.

The Airline Group's revenues decreased $238 million, or 5.6 percent, in the first quarter of 1999 versus the same period last year. American's passenger revenues decreased by 7.2 percent, or $258 million, largely as a result of the illegal job action by members of the APA during the first quarter of 1999. American's yield (the average amount one passenger pays to fly one mile) of 13.13 cents decreased by 6.8 percent compared to the same period in 1998. Domestic yields decreased 5.5 percent from the first quarter of 1998. International yields decreased 7.5 percent, primarily due to a decrease of 19.5 percent, 11.0 percent and 6.8 percent in Pacific, Latin American, and European yields, respectively. The decrease in yield was due to the APA job action, and the continued effect of weak international economies coupled with large industry capacity additions.

American's traffic or revenue passenger miles (RPMs) decreased 0.4 percent to 25.3 billion miles for the quarter ended March 31, 1999. The decrease in RPMs was due primarily to the APA job action, which was substantially offset by additional capacity as a result of new aircraft deliveries in the first quarter of 1999. American's capacity or available seat miles (ASMs) of 37.7 billion miles was flat compared to the first quarter of 1998. American's domestic traffic decreased 0.1 percent on capacity decreases of 1.0 percent and international traffic decreased 1.1 percent on capacity growth of 2.3 percent. The decrease in international traffic was driven by a 4.2 percent decrease in traffic to Latin America on a capacity reduction of 5.5 percent and a 3.0 percent decrease in traffic to Europe on capacity growth of 3.2 percent. This was partially offset by a 36.6 percent increase in traffic to the Pacific on capacity growth of 74.0 percent, primarily due to the addition of several new routes.

Cargo revenue decreased 11.0 percent, or $18 million, due primarily to the impact of the APA illegal job action.

The Airline Group's other revenues increased $23 million, or 9.9 percent, primarily as a result of an increase in aircraft maintenance work performed by American for other airlines and increased service contracts, primarily related to ramp and consulting services.

The Airline Group's operating expenses increased 4.0 percent, or $152 million. American's Jet Operations cost per ASM increased 3.0 percent to 9.63 cents. Wages, salaries and benefits increased 5.6 percent, or $78 million, primarily due to an increase in the average number of equivalent employees and contractual wage rate and seniority increases that are built into the Company's labor contracts. Aircraft fuel expense decreased 15.9 percent, or $66 million, due to a 17.0 percent decrease in American's average price per gallon, including taxes, partially offset by a 0.9 percent increase in American's fuel consumption. Commissions to agents decreased 4.3 percent, or $13 million, due primarily to the decrease in passenger revenues and the benefit from the international commission structure change implemented in late 1998. Maintenance, materials and repairs expense increased $28 million, or 12.2 percent, due primarily to maintenance associated with the addition of Reno aircraft in December 1998 and the volume and timing of engine maintenance at American's maintenance bases. Other rentals and landing fees increased $24 million, or 11.8 percent, due to higher facilities rent and landing fees across American's system. Aircraft rentals increased $18 million, or 12.7 percent, due primarily to the addition of Reno aircraft. Other operating expense increased $85 million, or 12.1 percent, due primarily to an increase in outsourced services, booking fees, and travel and incidental costs.

Other Expense decreased 90.3 percent, or $56 million, due to an increase in capitalized interest on aircraft purchase deposits and a $31 million gain on the sale of a portion of American's interest in Equant N.V.

RESULTS OF OPERATIONS (continued)

SABRE
FINANCIAL HIGHLIGHTS
(Unaudited) (Dollars in millions)

	Three Months Ended March 31,	
	1999	1998
Revenues	$ 638	$ 554
Operating Expenses	526	439
Operating Income	112	115
Other Income	37	2
Earnings Before Income Taxes	$ 149	$ 117
Average number of equivalent employees	12,200	10,700

Revenues

Revenues for Sabre increased 15.2 percent, or $84 million. Electronic travel distribution revenues increased approximately $36 million, or 10.4 percent, due to growth in booking fees driven by an increase in booking volumes and an overall increase in the average price per booking. Revenues from information technology solutions increased approximately $48 million, or 23.0 percent, primarily due to the services performed under the information technology services agreement with U.S. Airways, Inc. (US Airways).

Expenses

Operating expenses increased 19.8 percent, or $87 million, due primarily to increases in salaries, benefits and employee-related costs, subscriber incentive expense, depreciation and amortization expense and other operating expenses. Salaries, benefits and employee-related costs increased due to an increase in the average number of employees necessary to support Sabre's business growth, and wage and salary increase for existing employees. Subscriber incentive expense increased in order to maintain and expand Sabre's travel agency subscriber base. The increase in depreciation and amortization expense is due to the acquisition of information technology assets to support the US Airways' contract, normal additions, and the amortization of the deferred asset associated with the stock options granted to US Airways. These increases were partially offset by a decrease in depreciation expense due to the sale of data center mainframe equipment to an unrelated party in October 1998. Other operating expenses increased partially due to increased data processing costs.

Other Income

Other income increased $35 million in the first quarter of 1999 due to a $35 million gain on the sale of Equant N.V. depository certificates held by American for the economic benefit of Sabre.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities in the three-month period ended March 31, 1999 was $178 million, a decrease of $322 million over the same period in 1998. This decrease resulted primarily from a decrease in net earnings and an increase in profit sharing payments in the first quarter of 1999 as compared to the same period in 1998. Capital expenditures for the first three months of 1999 were $1.0 billion, and included the acquisition of five Boeing 737-800s, four Boeing 777-200IGWs, four Boeing 757-200s, one Boeing 767-300ER and seven Embraer 145 aircraft, and computer-related equipment of approximately $76 million. These capital expenditures were financed with internally generated cash, except for the Embraer aircraft acquisitions which were funded through secured debt agreements, and one Boeing 757-200 aircraft which was financed through a sale-leaseback transaction.

In April 1999, the Company exercised its purchase rights to acquire three Boeing 737-800s. The exercise of these aircraft purchase rights will allow the Company to replace three aircraft from the Reno fleet that will not be permanently integrated into American's fleet. In addition, the Company is continuing to analyze which, if any, of the remaining Reno aircraft will be replaced by additional aircraft orders or if the aircraft will undergo modifications or enhancements to make them consistent with American's fleet. As of April 30, 1999, the Company had commitments to acquire the following aircraft: 96 Boeing 737-800s, 28 Boeing 777-200IGWs, one Boeing 767-300ER, one Boeing 757-200, 95 Embraer EMB-135s, 21 Embraer EMB-145s and 25 Bombardier CRJ-700s. Deliveries of these aircraft commence in 1999 and will continue through 2006. Payments for these aircraft will approximate $1.8 billion during the remainder of 1999, $2.1 billion in 2000, $1.8 billion in 2001 and an aggregate of approximately $1.5 billion in 2002 through 2006. The Company expects to fund its 1999 capital expenditures from the Company's existing cash and short-term investments, internally generated cash, and some new financing depending upon capital market conditions and the Company's evolving view of its long-term needs.

Subsequent to March 31, 1999, the Company entered into six aircraft mortgage agreements. As of May 12, 1999, the Company had borrowed approximately $300 million under these agreements.

During the three months ended March 31, 1999, the Company purchased approximately 6.9 million shares of its common stock at a cost of approximately $405 million. As of March 31, 1999, the Company had completed the $500 million share repurchase program initiated in October 1998. On March 17, 1999, the Company's Board of Directors authorized management to repurchase up to an additional $500 million of the Company's outstanding common stock. Share repurchases may be made from time to time, depending on market conditions, and may be discontinued at any time.

In March 1999, Sabre's Board of Directors authorized, subject to certain business and market conditions, the repurchase of up to 1.0 million shares of Sabre's Class A Common Stock. During the three months ended March 31, 1999, Sabre purchased approximately 50,000 shares at a cost of approximately $2 million.

In connection with a secondary offering by Equant N.V. in February 1999, the Company sold approximately 923,000 depository certificates for proceeds of $66 million. As of March 31, 1999, the Company holds approximately 2.3 million depository certificates which are subject to a final reallocation between the owners of the certificates during 1999. Thus, the number of certificates owned by the Company is subject to change.

YEAR 2000 READINESS

State of Readiness In 1995, the Company implemented a project (the Year 2000 Project) to ensure that hardware and software systems operated by the Company, including software licensed to or operated for third parties by Sabre, are designed to operate and properly manage dates beyond December 31, 1999 (Year 2000 Readiness). The Company has assessed (i) the Company's over 1,000 information technology and operating systems that will be utilized after December 31, 1999 (IT Systems); (ii) non-information technology systems, including embedded technology, facilities, and other systems (Non-IT Systems); and (iii) the Year 2000 Readiness of its critical third party service providers. The Year 2000 Project consists of six phases: (i) awareness, (ii) assessment, (iii) analysis, design and remediation, (iv) testing and validation, (v) quality assurance review (to ensure consistency throughout the Year 2000 Project) and (vi) creation of business continuity strategy, including plans in the event of Year 2000 failures. In developing the Company's proprietary software analysis, remediation and testing methodology for Year 2000 Readiness, it studied the best practices of the Institute of Electrical and Electronics Engineers and the British Standards Institution.

IT Systems The Company has completed the first three phases of the Year 2000 Project for all of its IT Systems. The Company has completed the testing and validation phase and quality assurance review phase for 94 percent of its IT Systems, including its computer reservations and flight operating systems that perform such "mission critical" functions as passenger bookings, ticketing, passenger check-in, aircraft weight and balance, flight planning and baggage and cargo processing. As of May 1, 1999, approximately 40 percent of the IT Systems (including the computer reservations systems) are already processing Year 2000 dates correctly.

Using dedicated testing environments and applying rigorous test standards, the Company is actively testing its other IT Systems to determine if they are Year 2000 ready or if further remediation is necessary. The Company expects to complete the testing and validation phase and quality assurance review phase for its remaining IT Systems, and the upgrading of certain hardware and software that supports its IT Systems by June 30, 1999.

Non-IT Systems The Company has substantially completed the testing and validation phase of its critical Non-IT Systems, such as aircraft avionics and flight simulators, and expects to complete the remainder of the testing and validation phase and the quality assurance review phase by June 30, 1999. In addition, the Company expects to complete the quality assurance review phase for substantially all of its other Non-IT Systems by June 30, 1999. The Company believes that its business, financial condition, and results of operations would not be materially adversely affected, and that it has adequate contingency plans to ensure business continuity if its other Non-IT Systems are not Year 2000 ready.

Third Party Services The Company relies on third party service providers for many services, such as telecommunications, electrical power, and data and credit card transaction processing. In addition, the Company's business is dependent upon entities which supply critical infrastructure to the airline industry, such as the air traffic control and related systems of the Federal Aviation Administration and international aviation authorities, the Department of Transportation, and airport authorities. Those service providers depend on their hardware and software systems and on interfaces with the Company's IT Systems. The Company has polled its critical service providers regarding their Year 2000 plans and state of readiness. The Company has received responses from approximately 82 percent of its critical service providers, other than providers of discretionary services that will not materially adversely affect the Company's business, financial condition, and results of operations. Most of the respondees assured the Company that their software and hardware is or will be Year 2000 ready. To the extent practical, the Company intends to seek alternatives for third party service providers that have not responded to their Year 2000 Readiness by June 30, 1999.

Costs of Year 2000 Project The Company expects to incur significant hardware, software and labor costs, as well as consulting and other expenses, in its Year 2000 Project. The Company's total estimated cost of the project is $215 to $250 million, of which approximately $194 million was incurred as of March 31, 1999. Costs associated with

the Year 2000 Project are expensed as incurred, other than capitalized hardware costs, and have been funded through cash from operations.

Risks of Year 2000 Non-readiness The economy in general, and the travel and transportation industries in particular, may be adversely affected by risks associated with the Year 2000. The Company's business, financial condition, and results of operations could be materially adversely affected if systems that it operates or systems that are operated by third party service providers upon which the Company relies are not Year 2000 ready in time. There can be no assurance that these systems will continue to properly function and interface and will otherwise be Year 2000 ready. Management believes that its most likely Year 2000 risks relate to the failure of third parties with whom it has material relationships to be Year 2000 ready.

Business Continuity Plans To the extent practical, the Company is identifying the most likely Year 2000 failures in an effort to develop and refine plans to continue its business in the event of failures of the Company's or third parties' systems to be Year 2000 ready. These plans include performing certain processes manually; maintaining dedicated staff to be available at crucial dates to remedy unforeseen problems; installing defensive code to protect real-time systems from improperly formatted date data supplied by third parties; repairing or obtaining replacement systems; and reducing or suspending certain aspects of the Company's services or operations. Because of the pervasiveness and complexity of the Year 2000 issue, and in particular the uncertainty concerning the efforts and success of third parties to be Year 2000 ready, the Company will continue to refine its contingency plans during 1999.

The costs of the project and the date on which the Company plans to complete the Year 2000 Readiness program are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved, and actual results could differ materially from these estimates. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, the failure of third parties to be Year 2000 ready and similar uncertainties.

DALLAS LOVE FIELD

In 1968, as part of an agreement between the cities of Fort Worth and Dallas to build and operate Dallas/Fort Worth Airport (DFW), a bond ordinance was enacted by both cities (the Bond Ordinance). The Bond Ordinance required both cities to direct all scheduled interstate passenger operations to DFW and was an integral part of the bonds issued for the construction and operation of DFW. In 1979, as part of a settlement to resolve litigation with Southwest Airlines, the cities agreed to expand the scope of operations allowed under the Bond Ordinance at Dallas' Love Field. Congress enacted the Wright Amendment to prevent the federal government from acting inconsistent with this agreement. The Wright Amendment limited interstate operations at Love Field to the four states contiguous to Texas (New Mexico, Oklahoma, Arkansas and Louisiana) and prohibited through ticketing to any destination outside that perimeter. In 1997, without the consent of either city, Congress amended the Wright Amendment by (i) adding three states (Kansas, Mississippi and Alabama) to the perimeter and (ii) removing some federal restrictions on large aircraft configured with 56 seats or less (the 1997 Amendment). In October 1997, the City of Fort Worth filed suit in state district court against the City of Dallas and others seeking to enforce the Bond Ordinance. Fort Worth contends that the 1997 Amendment does not preclude the City of Dallas from exercising its proprietary rights to restrict traffic at Love Field in a manner consistent with the Bond Ordinance and, moreover, that Dallas has an obligation to do so. American joined in this litigation. On October 15, 1998, the state district court granted summary judgment in favor of Fort Worth and American, which summary judgment is being appealed to the Fort Worth Court of Appeals. In the same lawsuit, DFW filed claims alleging that irrespective of whether the Bond Ordinance is enforceable, the DFW Use Agreement prohibits American and other DFW signatory airlines from moving any interstate operations to Love Field. These claims remain unresolved. Dallas filed a separate declaratory judgment action in federal district court seeking to have the court declare that, as a matter of law, the 1997 Amendment precludes Dallas from exercising any restrictions on operations at Love Field. Further, in May 1998, Continental Airlines and Continental Express filed a lawsuit in federal court seeking a judicial declaration that the Bond Ordinance

cannot be enforced to prevent them from operating flights from Love Field to Cleveland using regional jets. In December 1998, the Department of Transportation (DOT) issued an order on the federal law questions concerning the Bond Ordinance, local proprietary powers, DFW's Use Agreement with DFW carriers such as American, and the Wright and 1997 Amendments, and concluded that the Bond Ordinance was preempted by federal law and was therefore, not enforceable. The DOT also found that the DFW Use Agreement did not preclude American from conducting interstate operations at Love Field. Fort Worth, American and DFW have appealed the DOT's order to the Fifth Circuit Court of Appeals.

As a result of the foregoing, the future of interstate flight operations at Love Field and American's DFW hub are uncertain. An increase in operations at Love Field to new interstate destinations could adversely impact American's business.

OTHER INFORMATION

In April 1999, the Company announced that it will accelerate the retirement of nine McDonnell Douglas DC-10 and 16 Boeing 727-200 aircraft earlier than anticipated, thereby eliminating American's entire DC-10 fleet by the end of 2000 and advancing the retirement of the Boeing 727 fleet to the end of 2003. The accelerated retirement of these aircraft will allow American to keep capacity growth in line with global economic growth.

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 report, the words "expects," "plans," "anticipates," and similar expressions are intended to identify forward-looking statements. All forward-looking statements in this report are based upon information available to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward- looking statement, whether as a result of new information, future events or otherwise. Forward-looking statements are subject to a number of factors that could cause actual results to differ materially from our expectations. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings, included but not limited to the Form 10-K for the year ended December 31, 1998.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes from the information provided in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

In January 1985, American announced a new fare category, the "Ultimate SuperSaver," a discount, advance purchase fare that carried a 25 percent penalty upon cancellation. On December 30, 1985, a class action lawsuit was filed in Circuit Court, Cook County, Illinois entitled Johnson vs. American Airlines, Inc. The Johnson plaintiff alleges that the 10 percent federal excise transportation tax should have been excluded from the "fare" upon which the 25 percent penalty was assessed. Summary judgment was granted in favor of American but subsequently reversed and vacated by the Illinois Appellate Court. In August 1997, the Court denied the plaintiffs' motion for class certification. American is vigorously defending the lawsuit.

In connection with its frequent flyer program, American was sued in two purported class action cases (Wolens et al v. American Airlines, Inc. and Tucker v. American Airlines, Inc.) that were consolidated and are currently pending in the Circuit Court of Cook County, Illinois. The litigation arises from certain changes made to American's AAdvantage frequent flyer program in May 1988 which limited the number of seats available to participants traveling on certain awards. In the consolidated action, the plaintiffs seek to represent all persons who joined the AAdvantage program before May 1988 and accrued mileage credits before the seat limitations were introduced and allege that these changes breached American's contract with AAdvantage members. Plaintiffs seek money damages and attorney's fees. The complaint originally asserted several state law claims, however only the plaintiffs' breach of contract claim remains after the U. S. Supreme Court ruled that the Airline Deregulation Act preempted the other claims. Although the case has been pending for numerous years, it still is in its preliminary stages. The court has not ruled on the plaintiffs' motion for class certification. American is vigorously defending the lawsuit.

Gutterman et al. v. American Airlines, Inc. is also pending in the Circuit Court of Cook County, Illinois. In December 1993, American announced that the number of miles required to claim a certain travel award under American's AAdvantage frequent flyer program would be increased effective February 1, 1995, giving rise to the Gutterman litigation filed on that same date. The Gutterman plaintiffs claim that the increase in award mileage level violated the terms and conditions of the agreement between American and AAdvantage members. On June 23, 1998, the Court certified the case as a class action, although to date no notice has been sent to the class. The class consists of all members who earned miles between January 1, 1992 and February 1, 1995 (the date the change became effective). On July 13, 1998, the Court denied American's motion for summary judgment as to the claims brought by plaintiff Steven Gutterman. On July 30, 1998, the plaintiffs filed a motion for summary judgment as to liability, which motion has not been ruled upon. American is vigorously defending the lawsuit.

A federal grand jury in Miami is investigating whether American and American Eagle handled hazardous materials and processed courier shipments, cargo and excess baggage in accordance with applicable laws and regulations. In connection with this investigation, federal agents executed a search warrant at American's Miami facilities on October 22, 1997. Since that time, a number of employees have testified before the grand jury. In addition, American has been served with three subpoenas calling for the production of documents relating to the handling of courier shipments, cargo, excess baggage and hazardous materials handling and spills. American produced documents responsive to the three subpoenas. American intends to cooperate fully with the government's investigation.

On August 7, 1998, a purported class action was filed against American Airlines in state court in Travis County, Texas (Boon Ins. Agency v. American Airlines, Inc., et al.) claiming that the $75 reissuance fee for changes to non-refundable tickets is an unenforceable liquidated damages clause and seeking a refund of the fee on behalf of all passengers who paid it, as well as interest and attorneys' fees. On September 23, 1998, Continental, Delta and America West were added as defendants to the lawsuit. On February 2, 1999, prior to any discovery being taken and a class being certified, the court granted the defendants' motion for summary judgment holding that Plaintiff's claims are preempted by the Airline Deregulation

Act. Plaintiff has filed an appeal of the dismissal of the lawsuit. American intends to vigorously defend the granting of the summary judgment on appeal.

PART II

Item 1. Legal Proceedings (Continued)

On April 13, 1999, an antitrust class action lawsuit was filed against American Airlines, Inc., AMR Corporation and AMR Eagle Holding Corp. in the United States District Court for the Southern District of Florida (Zifrony v. American Airlines, Inc., et al.). The lawsuit alleges that American has illegally monopolized or attempted to monopolize the market for passenger air travel into and out of DFW International Airport (DFW) and Miami International Airport (MIA) by engaging in a wide array of exclusionary, anticompetitive and predatory practices and arrangements in violation of the federal antitrust laws. The as yet uncertified class includes all persons who purchased tickets for air travel on defendants into or out of DFW or MIA from April 1995 to the present. The relief sought is treble damages, injunctive relief, attorneys' fees, and costs. To date, defendants have not been served with the lawsuit. Defendants intend to defend vigorously the case.

On May 13, 1999, the Department of Justice sued AMR Corporation, American Airlines, Inc., and AMR Eagle Holding Corporation in federal court in Wichita, Kansas. The lawsuit alleges that American violated federal antitrust law by monopolizing and attempting to monopolize airline passenger service to and from Dallas/Fort Worth International Airport. 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. American intends to defend the lawsuit vigorously.

Item 5. Other Information

Legislation has been introduced in Congress that would, if enacted, provide financial assistance, in the form of guarantees and/or subsidized loans, to smaller carriers for aircraft purchases. In addition, the Department of Justice is investigating the competitive practices of major carriers at major hub airports, including American's practices at DFW (for further information, see Item 1. Legal Proceedings). Also, in April 1998, the DOT issued proposed pricing and capacity rules that would severely limit major carriers' ability to compete with new entrant carriers. The outcomes of the proposed legislation, the investigations and the proposed DOT rules are unknown. However, to the extent that (i) restrictions are imposed upon American's ability to respond to a competitor, or (ii) competitors have a financial advantage in the purchase of aircraft because of federal assistance, American's business may be adversely impacted.

PART II

Item 6. Exhibits and Reports on Form 8-K

The following exhibits are included herein:

10.1 AMR Corporation 1999 Directors' Stock Appreciation Rights Plan.

12 Computation of ratio of earnings to fixed charges for the three months ended March 31, 1999 and 1998.

27.1 Financial Data Schedule as of March 31, 1999.

27.2 Restated Financial Data Schedule as of March 31, 1998.

On January 21, 1999, AMR filed a report on Form 8-K relative to a press release issued to report the Company's fourth quarter and full year 1998 earnings.

On February 18, 1999, AMR filed a report on Form 8-K relative to a press release issued by American Airlines, Inc. to report certain of the estimated damages it had suffered as a consequence of the illegal job actions of the Allied Pilots Association.

On February 24, 1999, AMR filed a report on Form 8-K to announce the completion of the merger of American Airlines, Inc. and Reno Air, Inc.

On March 18, 1999, AMR filed a report on Form 8-K relative to a press release issued to announce that the Company's board of directors has authorized management to repurchase up to an additional $500 million of its outstanding common stock and to report the estimated pre-tax earnings impact of the Allied Pilots Association illegal job action during the first quarter of 1999.

On April 22, 1999, AMR filed a report on Form 8-K relative to a press release issued to report the Company's first quarter 1999 earnings and to announce the acceleration of the retirement of nine DC-10 widebody aircraft and 16 Boeing 727 narrowbody aircraft.

Exhibit 12

AMR CORPORATION

Computation of Ratio of Earnings to Fixed Charges

(in millions)

	Three Months Ended March 31,	
	1999	1998
Earnings:		
Earnings from continuing operations before income taxes	$ 173	$ 477
Add: Total fixed charges (per below)	308	283
Less: Interest capitalized	33	18
Total earnings	$ 448	$ 742
Fixed charges:		
Interest	$ 91	$ 96
Portion on rental expense representative of the interest factor	215	186
Amortization of debt expense	2	1
Total fixed charges	$ 308	$ 283
Ratio of earnings to fixed charges	1.45	2.62

Signature

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

AMR CORPORATION

Date: May 14, 1999

BY: /s/ Gerard J. Arpey
Gerard J. Arpey
Senior Vice President and Chief Financial Officer

5
1,000,000

3-MOS
DEC-31-1999
MAR-31-1999
62
1,121
1,737
33
639
4,240
23,930
8,841
22,224
5,973
4,023
0
0
1,571
4,887
22,224
0
4,483
0
4,325
0
0
92
173
79
94
64
0
0
158
.99
.96

5

1,000,000

3-MOS
DEC-31-1998
MAR-31-1998
122
2,057
1,554
22
632
4,973
21,271
7,987
21,255
5,661
3,808
0
0
2,710
3,690
21,255
0
4,634
0
4,086
0
0
97
477
192
285
5
0
0
290
1.68
1.62

 Exhibit 10.1

AMR CORPORATION

1999 Directors' Stock Appreciation Rights Plan

SECTION 1. Purpose, Definitions.

The purpose of the AMR Corporation 1999 Directors' Stock Appreciation Rights Plan is to enable AMR Corporation to attract and retain qualified Directors for the Board and to strengthen the mutuality of interests between the Directors and the Company's shareholders by offering such Directors' Stock Appreciation Rights.

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

(a) "Award" mean a grant of Stock Appreciation Rights pursuant to this Plan.

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

(c) A "Change in Control" means the happening of any of the following:

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

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

(iii) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets of another corporation (a "Business Combination"), in each case, unless, following such Business Combination: (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the then outstanding shares

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

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

(d) "Committee" means the Committee referred to in Section 2 of the Plan.

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

(f) "Director" means a duly elected member of the Board of Directors who is not also an employee of the Company or any Subsidiary or Affiliate.

(g) "Disability" means disability as determined under procedures established by the Committee for purposes of this Plan.

(h) "Early Retirement" means retirement from active service on the Board, with the express consent of the Board, before a Director reaches mandatory retirement age.

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

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

(k) "Normal Retirement" means retirement from active service on the Board at the then applicable mandatory retirement age.

(l) "Plan" means this AMR Corporation 1999 Directors' Stock Appreciation Rights Plan, as it may be amended from time to time.

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

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

(o) "Stock Appreciation Right" or "SAR" means the right pursuant to a grant under Section 4 to surrender to the Company all (or a portion) of an Award in exchange for a cash amount equal to the difference between: (i) the Fair Market Value, as of the date such SAR is surrendered; and (ii) the base price of such SAR.

SECTION 2. Administration.

(a) The Plan will be administered by a committee of not less than two members of the Board, who will be appointed by, and serve at the pleasure of, the Board. The functions of the Committee specified in the Plan will be exercised by the Board, if and to the extent that no Committee exists which has the authority to so administer the Plan.

(b) The Committee will have full authority to grant to Directors, pursuant to the terms of the Plan, Stock Appreciation Rights.

(c) In particular, the Committee will have the authority:

(i) to select the Directors to whom SARs may from time to time be granted hereunder;

(ii) subject to the provisions of Section 3, to determine the number of SARs to be covered by each Award; and

(iii) to determine the terms and conditions, not inconsistent with the terms of this Plan, of an Award (including, but not limited to, any restriction or limitation on, or any vesting acceleration regarding, such Award based in each case on such factors as the Committee will determine in its sole discretion).

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

(e) All decisions made by the Committee pursuant to the provisions of the Plan will be made in the Committee's sole discretion and will be final and binding on all persons, including the Company and the Directors.

SECTION 3. Number of SARs; Forfeiture; Reorganization

(a) The total number of SARs that may be granted under the Plan is 300,000, as such number may be adjusted pursuant to Section 3(d).

(b) The Committee will have the authority to grant an Award to a Director; provided, in no event will the number of SARs granted to any one Director during any calendar year exceed 5,000, as such number may be adjusted pursuant to Section 3(d).

(c) If any SARs that have been awarded cease to be subject to an Award or otherwise terminate without a cash payment being made to the Director, such SARs will again be available for distribution in connection with future Awards to Directors.

(d) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Stock, such substitution or adjustment will be made in the aggregate number of SARs remaining to be issued under the Plan and in the number and purchase price of outstanding SARs, as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of SARs subject to any Award will always be a whole number.

SECTION 4. Stock Appreciation Rights.

(a) An SAR may be exercised by a Director in accordance with the procedures established by the Committee. Upon such exercise, the Director will be entitled to receive a cash amount determined in accordance with Section 4(g).

(b) The base price for an SAR will be the Fair Market Value on the date the SAR is granted.

(c) SARs will be exercisable at such time or times and subject to such terms and conditions as will be determined by the Committee; provided, however, that except as determined by the Committee, no SAR will be exercisable (i) prior to the first anniversary date of its grant and (ii) more than ten (10) years after its grant date. If the Committee provides, in its sole discretion, that any SAR is exercisable only in installments, the Committee may waive such installment provisions at any time in whole or in part, based on such factors as the Committee will determine, in its sole discretion.

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

(e) If a Director's service on the Board terminates by reason of death, Disability or Retirement, any SAR held by such Director may thereafter be exercised in accordance with the terms and conditions established by the Committee.

(f) Unless otherwise determined by the Committee, if a Director's service on the Board terminates for any reason other than death, Disability or Retirement, the SAR will thereupon terminate.

(g) Upon the exercise of an SAR, a Director will be entitled to receive an amount in cash equal in value to the excess of the Fair Market Value over the base price per share specified in the related SAR multiplied by the number of SARs being exercised.

(h) In the event of a Change in Control, any SARs awarded under the Plan not previously exercisable and vested will become fully exercisable and vested. In the event that the transaction giving rise to the Change of Control is intended to be accounted for as a pooling of interest transaction, each Director shall receive, in lieu of a cash payment, the greatest number of whole shares of the class of common stock of the corporation whose common stock in publicly traded following the transaction as in equal to the quotient of (i) the product of (1) the excess of (A) the Fair Market Value over (B) the base price of an SAR, times (2) the number of shares of stock related to the SAR, divided by (ii) the mean of the highest and lowest quoted selling prices, regular way, of a share of such common stock on the principal securities exchange or national quotation system on which such stock is listed or qualified to trade. If the Change of Control does not relate to a pooling of interest transaction, each Director will receive a cash amount in lieu of his SARs equal to the dollar amount determined under subclause (i) of the immediately preceding sentence.

SECTION 5. Amendments and Termination.

(a) The Board may amend, alter, or discontinue the Plan, but no amendment, alteration, or discontinuation will be made which would impair the rights of a Director to an Award without the Director's consent.

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

SECTION 6. General Provisions.

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

(b) The adoption of the Plan will not confer upon a Director any right to continued service on the Board nor will it interfere in any way with the right of the Company to terminate the Director's service at any time.

(c) The Plan is intended to constitute an "unfunded" plan.

With respect to any payments not yet made to a Director by the Company, nothing contained herein will give any such Director any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to make payments with respect to Awards hereunder; provided, however, that unless the Committee otherwise determines with the consent of the affected Director, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

(d) The Plan, all Awards and all actions taken thereunder will be governed by and construed in accordance with the laws of the State of Delaware without regard to conflict of law principles.

SECTION 7. Term of Plan.

The Plan will be effective as of May 19, 1999. No Award will be granted pursuant to the Plan on or after the tenth anniversary of the effective date of the Plan, but Awards granted prior to such tenth anniversary may extend beyond that date, in accordance with their terms.