SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☑ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For fiscal year ended December 31, 2003.

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

Commission file number 1-8400.

AMR Corporation

(Exact name of registrant as specified in its charter)

Delaware	75-1825172
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4333 Amon Carter Blvd. Fort Worth, Texas	76155
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common stock, $1 par value per share	New York Stock Exchange
9.00% Debentures due 2016	New York Stock Exchange
7.875% Public Income Notes due 2039	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2003, was approximately $1.7 billion. As of February 20, 2004, 159,584,639 shares of the registrant's common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates by reference certain information from the Proxy Statement for the Annual Meeting of Stockholders to be held May 19, 2004.

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PART I

ITEM 1. BUSINESS

AMR Corporation (AMR or the Company) was incorporated in October 1982. AMR's operations fall almost entirely in the airline industry. AMR's principal subsidiary, American Airlines, Inc. (American Airlines), was founded in 1934. On April 9, 2001, American Airlines (through a wholly owned subsidiary, TWA Airlines LLC (TWA LLC)) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. (TWA), the eighth largest U.S. carrier. American Airlines, including TWA LLC (collectively, American), is the largest scheduled passenger airline in the world. At the end of 2003, American provided scheduled jet service to approximately 150 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system.

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

AMR Investment Services, Inc. (AMR Investment), a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of assets of AMR's employee benefit plans, as well as its short-term investments. It also serves as the investment manager of the American AAdvantage Funds, a family of mutual funds with both institutional and retail shareholders, and provides customized fixed income portfolio management services. As of December 31, 2003, AMR Investment was responsible for management of approximately $30.2 billion in assets, including direct management of approximately $14.3 billion in short-term fixed income investments.

A. Recent Events

The events of the past several years have had a material adverse impact on the Company's finances. The Company incurred operating losses of $0.8 billion, $3.3 billion and $2.5 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The Company incurred net losses of $1.2 billion, $3.5 billion and $1.8 billion for the years ended December 31, 2003, 2002 and 2001, respectively.

These losses reflect, among other things, a substantial decrease in the Company's revenues, which began in early 2001. The revenue decrease has been driven by a number of factors, some of which the Company believes will persist indefinitely or permanently. These factors include: (i) a steep fall-off in the demand for air travel, particularly business travel, primarily caused by weakness in the U.S. economy, (ii) reduced pricing power, resulting mainly from greater cost sensitivity on the part of travelers, especially business travelers, increasing competition from low-cost carriers (LCCs) and the continuing increase in pricing transparency resulting from the use of the Internet and (iii) the aftermath of the terrorist attacks of September 11, 2001, which accelerated and exacerbated the trend of decreased demand and reduced industry revenues.

In response to decreased demand following the events of September 11, 2001, the Company reduced its operating schedule by approximately 20 percent and reduced its workforce by approximately 20,000 jobs. Subsequent to these reductions, the Company determined that achieving $4 billion in annual capacity-independent cost savings was necessary to offset the revenue decline and initiated the following restructuring activities to realize this goal:

- In 2002, the Company announced a series of initiatives to reduce its annual costs by $2 billion. These initiatives are being implemented through 2005, and involve: (i) scheduling efficiencies, including the de-peaking of certain of its hubs, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. As a result of the initiatives, the Company reduced an estimated 7,000 jobs by March 2003.

- 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. In April 2003, American reached agreements with its three unions and also implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management. In addition, the Company and American reached concessionary agreements with certain vendors, lessors, lenders and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements), resulting in approximately $200 million in annual cost savings. Generally, under the terms of these Vendor Agreements, the Company or American receives 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 the second quarter of 2003, in conjunction with some improvement in the U.S. economy, the Company's revenue environment began to improve, as reflected in higher unit revenues (revenue per available seat mile) in May through December 2003, when compared to May through December 2002, respectively. Even with this improvement, however, the Company's revenues remain depressed relative to historical levels. The Company therefore needs to see continued improvement in the revenue environment, additional cost reductions and further productivity improvements before it can return to sustained profitability at acceptable levels.

In 2003, the Company announced the Turnaround Plan, a four tenet plan designed to achieve sustained profitability.

- **Lower Costs To Compete:** As discussed above, one of the Company's critical goals is to reduce costs by $4 billion annually, including $2 billion from strategic initiatives, $1.8 billion from labor cost savings and $200 million from vendors, suppliers and creditors. Progress toward this goal helped the Company achieve a significant year-over-year decline in costs per available seat mile in the fourth quarter of 2003 and in 2003 as a whole. If not for rising fuel prices, the Company's progress in reducing costs would have been even more significant. The Company has returned underused gate space, consolidated terminal space, de-peaked its Chicago and Dallas/Fort Worth hub schedules (with its Miami hub to be de-peaked in 2004), closed a reservations center, reduced the size of its St. Louis hub, accelerated the retirement of certain aircraft, and improved aircraft utilization across its fleet.

- **Fly Smart, Give Customers What They Value:** This tenet focuses on customer service and revenue production, with emphasis on improving the Company's relative revenue performance compared to others in the airline industry. Actions in this area include adding seats to American's Boeing 757 and Airbus A300 fleets and restructuring the hubs at Chicago, Dallas/Fort Worth and St. Louis. Another step is expanding alliances. The Company's progress includes a domestic codeshare with Alaska Airlines, governmental approval of codesharing with British Airways, the addition of SWISS International to the **one**world alliance, and the recently announced codeshare linkage with Mexicana (which, subject to governmental approvals, will be launched in April 2004).

- **Pull Together, Win Together:** Fostering greater cooperation than ever with employees, the Company has launched an unprecedented level of openness with employee groups and labor unions. The Company's President and Chief Executive Officer holds regular "Town Hall"-style meetings with employees, and its Chief Financial Officer meets monthly with union leaders to discuss the Company's financial results with them in much the same way as he briefs AMR's Board of Directors. In addition, the Company has engaged a firm that works to bring union groups and management together, to help to promote a philosophy of active involvement.

- **Build A Financial Foundation For Our Future:** The Company ended the fourth quarter of 2003 with $2.6 billion in unrestricted cash and short-term investments and $527 million in restricted cash and short-term investments. The Company had $1.3 billion in unrestricted cash and short-term investments and $550 million in restricted cash and short-term investments at the close of the first quarter of 2003. From April 1 to December 31, 2003, cash flows from operations totaled $1.1 billion. The Company has also been able to sell some non-core assets, such as its stakes in Worldspan, a computer reservations company; Hotwire, a discount travel website company; and a portion of its stake in Orbitz, a travel planning website.

The Company believes that it has sufficient liquidity to fund its operations, including capital expenditures and commitments. However, to maintain sufficient liquidity over the long-term as the Company continues to implement the Turnaround Plan and seeks to return to sustained profitability at acceptable levels, the Company will need continued access to additional funding. In addition, the Company's ability to return to sustained profitability at acceptable levels will depend on a number of risk factors, many of which are largely beyond the Company's control. Some of the risk factors that have had and/or may have a negative impact on the Company's business and financial results are discussed in Risk Factors under Item 7. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets, it may be unable to fund its obligations and sustain its operations in the long-term.

B. Competition

Major Competitors The domestic airline industry is fiercely competitive. Currently, any U.S. air carrier deemed fit by the U.S. Department of Transportation (DOT) is free to operate scheduled passenger service between any two points within the U.S. and its possessions. Most major air carriers have developed hub-and-spoke systems and schedule patterns in an effort to maximize the revenue potential of their service. American operates five hubs: Dallas/Fort Worth (DFW), Chicago O'Hare, Miami, St. Louis and San Juan, Puerto Rico. Delta Air Lines (Delta) and United Air Lines (United) also have hub operations at DFW and Chicago O'Hare, respectively. The American Eagle carriers increase the number of markets the Company serves by providing connections at American's hubs and certain other major airports — Boston, Los Angeles, Raleigh/Durham and New York's LaGuardia and John F. Kennedy International Airports. The American Connection carriers provide connecting service to American through St. Louis. American's competitors also own or have marketing agreements with regional carriers which provide similar services at their major hubs and other locations.

On most of its domestic non-stop routes, the Company faces competing service from at least one, and sometimes more than one domestic airline including: AirTran Airways, Alaska Airlines, America West Airlines, ATA Airlines, Continental Airlines (Continental), Delta, Frontier Airlines, JetBlue Airways, Northwest Airlines (Northwest), Southwest Airlines, United and US Airways, and their affiliated regional carriers. Competition is even greater between cities that require a connection, where the major airlines may compete via their respective hubs. In addition, the Company faces competition on some of its routes from carriers operating point-to-point service on such routes. The Company also competes with all-cargo and charter carriers and, particularly on shorter segments, ground transportation. On all of its routes, pricing decisions are affected, in large part, by the need to meet competition from other airlines.

International Air Transportation In addition to its extensive domestic service, the Company provides international service to the Caribbean, Canada, Latin America, Europe and the Pacific. The Company's operating revenues from foreign operations were approximately 27 percent of the Company's total operating revenues in 2003 and 28 percent of the Company's total operating revenues in 2002 and 2001. Additional information about the Company's foreign operations is included in Note 14 to the consolidated financial statements.

In providing international air transportation, the Company competes with foreign investor-owned carriers, state-owned carriers and U.S. airlines that have been granted authority to provide scheduled passenger and cargo service between the U.S. and various overseas locations. The major U.S. air carriers have some advantage over foreign competitors in their ability to generate traffic from their extensive domestic route systems. In many cases, however, foreign governments limit U.S. air carriers' rights to carry passengers beyond designated gateway cities in foreign countries. To improve access to each other's markets, various U.S. and foreign air carriers — including American - have established marketing relationships with other airlines and rail companies. American currently has marketing relationships with Aer Lingus, Air Pacific, Air Tahiti Nui, Alaska Airlines, British Airways, Cathay Pacific, China Eastern Airlines, Deutsche Bahn, EL AL, EVA Air, Finnair, Gulf Air, Hawaiian Airlines, Iberia, Japan Airlines, LanChile, Mexicana (planned launch in April 2004, subject to governmental approvals), Qantas Airways, SN Brussels, SNCF, Southern Winds, Swiss International Air Lines, TACA Group, the TAM Group, Thalys and Turkish Airlines. In the coming years, the Company expects to develop these programs further and to evaluate new alliances with other carriers.

American is also a founding member of the **one**world alliance, which includes Aer Lingus, British Airways, Cathay Pacific, Finnair, LanChile, Iberia, and Qantas. On September 23, 2003, the alliance announced its intention for Swiss International Air Lines to join **one**world in 2004. The **one**world alliance links the networks of the member carriers to enhance customer service and smooth connections to the destinations served by the alliance, including linking the carriers' frequent flyer programs and access to the carriers' airport lounge facilities. Several of American's major competitors are members of marketing/operational alliances that enjoy antitrust immunity. To the extent that American and British Airways, the largest members of the **one**world alliance, are restricted in their relationship because they lack antitrust immunity, the carriers are at a competitive disadvantage vis-à-vis other alliances that have antitrust immunity. On May 30, 2003, the DOT finalized an order giving American and British Airways permission to codeshare on a wide number of flights beyond the carriers' gateways in the United Kingdom and the United States. On September 17, 2003, the carriers implemented their first phase of codeshare services and plan to expand this cooperation further in 2004.

Price Competition The airline industry is characterized by substantial price competition. Fare discounting by competitors has historically had a negative effect on the Company's financial results because the Company is generally required to match competitors' fares to maintain passenger traffic. During recent years, a number of new LCCs have entered the domestic market and several major airlines, including the Company, have implemented efforts to lower their costs. In addition, several air carriers have recently reorganized or are reorganizing under Chapter 11 of the United States Bankruptcy Code, including United and US Airways. In the past, air carriers involved in reorganizations have undertaken substantial fare discounting in order to maintain cash flows and enhance customer loyalty. Further fare reductions, domestic and international, may therefore occur in the future. If fare reductions are not offset by increases in passenger traffic, changes in the mix of traffic that improve yields (passenger revenue per passenger mile) and/or cost reductions, the Company's operating results will be negatively impacted.

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

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

C. Regulation

General The Airline Deregulation Act of 1978, as amended, eliminated most domestic economic regulation of passenger and freight transportation. However, the DOT and the Federal Aviation Administration (FAA) still exercise certain regulatory authority over air carriers. The DOT maintains jurisdiction over the approval of international codeshare agreements, international route authorities and certain consumer protection and unfair competition matters, such as advertising, denied boarding compensation and baggage liability.

The FAA regulates flying operations generally, including establishing personnel, aircraft and certain security standards. As part of that oversight, the FAA has implemented a number of requirements that the Company is incorporating into its maintenance programs. In 2003, the Company completed modifications to improve flight deck security on all fleet types. The Company is progressing toward the completion of over 100 airworthiness directives including McDonnell Douglas MD-80 metal-mylar insulation replacement, enhanced ground proximity warning systems, McDonnell Douglas MD-80 main landing gear piston improvements, Boeing 757 and Boeing 767 pylon improvements, Boeing 737 elevator and rudder improvements, inspections to monitor Airbus A300 vertical stabilizers and Airbus A300 structural improvements. Based on its current implementation schedule, the Company expects to be in compliance with the applicable requirements within the required time periods.

The Department of Justice (DOJ) has jurisdiction over airline antitrust matters. The U.S. Postal Service has jurisdiction over certain aspects of the transportation of mail and related services. Labor relations in the air transportation industry are regulated under the Railway Labor Act, which vests in the National Mediation Board (NMB) certain regulatory functions with respect to disputes between airlines and labor unions relating to union representation and collective bargaining agreements.

International International air transportation is subject to extensive government regulation. The Company’s operating authority in international markets is subject to aviation agreements between the U.S. and the respective countries or governments, and in some cases, fares and schedules require the approval of the DOT and/or the relevant foreign governments. Moreover, alliances with international carriers may be subject to the jurisdiction and regulations of various foreign agencies. Bilateral agreements between the U.S. and various foreign governments of countries served by the Company are periodically subject to renegotiation. Changes in U.S. or foreign government aviation policies could result in the alteration or termination of such agreements, diminish the value of route authorities, or otherwise adversely affect the Company’s international operations. In addition, at some foreign airports, an air carrier needs slots (landing and take-off authorizations) before the air carrier can introduce new service or increase existing service. The availability of such slots is not assured and the inability of the Company to obtain and retain needed slots could therefore inhibit its efforts to compete in certain international markets.

Security In November 2001, the Aviation and Transportation Security Act (ATSA) was enacted. The ATSA created a new government agency, the Transportation Security Administration (TSA), which is part of the Department of Homeland Security and is responsible for aviation security. The ATSA mandates that the TSA provide for the screening of all passengers and property, including U.S. mail, cargo, carry-on and checked baggage, and other articles that will be carried aboard a passenger aircraft. The ATSA also provides for increased security in flight decks of aircraft and requires federal air marshals to be present on certain flights.

Effective February 1, 2002, the ATSA imposed a $2.50 per enplanement security service fee ($5 one-way maximum fee), which is being collected by the air carriers and submitted to the government to pay for these enhanced security measures. Additionally, for the years 2002, 2003 and 2004, air carriers are required to submit to the government an amount equal to what the air carriers paid for screening passengers and property in 2000. After 2004, this fee may be assessed based upon some other allocation. The Emergency Wartime Supplemental Appropriations Act, 2003 temporarily suspended the collection of these fees from June 1, 2003 to September 30, 2003.

In addition, the ATSA requires air carriers to honor tickets for suspended service on other air carriers that are insolvent or have declared bankruptcy within 18 months of the passage of the ATSA. The Vision 100 — Century of Aviation Reauthorization Act, enacted in December 2003, extends this provision to 36 months after the passage of the ATSA. To be eligible, a passenger must make arrangements with the air carrier within 60 days after the date on which the passenger’s air transportation was suspended. This feature of the ATSA could have a significant impact on the Company. If the Company is not reimbursed for honoring such tickets, the impact could be adverse.

Airline Fares Airlines are permitted to establish their own domestic fares without governmental regulation. The DOT maintains authority over international fares, rates and charges. In addition, international fares and rates are sometimes subject to the jurisdiction of the governments of the foreign countries which the Company serves. While air carriers are required to file and adhere to international fare and rate tariffs, substantial commissions, overrides and discounts to travel agents, brokers and wholesalers characterize many international markets.

Airport Access The FAA has designated New York John F. Kennedy, New York LaGuardia, and Washington Reagan airports as high-density traffic airports. The high-density rule limits the number of Instrument Flight Rule operations — take-offs and landings — permitted per hour and requires that a slot support each operation. In April 2000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (Air 21 Act) was enacted. It will eliminate slot restrictions at New York John F. Kennedy and New York LaGuardia airports in 2007. The Company does not expect the elimination of these slot restrictions will have a material adverse impact on the Company's operations, or its financial condition, results of operations or cash flows.

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

Although the Company is constrained by slots, it currently has sufficient slot authorizations to operate its existing flights and has generally been able to obtain slots to expand its operations and change its schedules. However, there is no assurance that the Company will be able to obtain slots for these purposes in the future because, among other factors, slot allocations are subject to changes in government policies.

In January 2004, American reached an agreement with the FAA whereby it agreed to reduce operations at Chicago O'Hare during certain peak times. The FAA announced that a similar agreement between the FAA and United was reached. American does not anticipate that this agreement with the FAA will have any material impact on its operations.

Environmental Matters The Company is subject to various laws and government regulations concerning environmental matters and employee safety and health in the U.S. and other countries. U.S. federal laws that have a particular impact on the Company include the Airport Noise and Capacity Act of 1990 (ANCA), the Clean Air Act, the Resource Conservation and Recovery Act, the Clean Water Act, the Safe Drinking Water Act, and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or the Superfund Act). The Company is also subject to the oversight of the Occupational Safety and Health Administration (OSHA) concerning employee safety and health matters. The U.S. Environmental Protection Agency (EPA), OSHA, and other federal agencies have been authorized to promulgate regulations that have an impact on the Company's operations. In addition to these federal activities, various states have been delegated certain authorities under the aforementioned federal statutes. Many state and local governments have adopted environmental and employee safety and health laws and regulations, some of which are similar to or stricter than federal requirements.

The ANCA recognizes the rights of airport operators with noise problems to implement local noise abatement programs so long as they do not interfere unreasonably with interstate or foreign commerce or the national air transportation system. Authorities in several cities have promulgated aircraft noise reduction programs, including the imposition of nighttime curfews. The ANCA generally requires FAA approval of local noise restrictions on aircraft. While the Company has had sufficient scheduling flexibility to accommodate local noise restrictions imposed to date, the Company's operations could be adversely affected if locally-imposed regulations become more restrictive or widespread.

American has been named as a potentially responsible party (PRP) for contamination at the Double Eagle Superfund Site in Oklahoma City, OK. American's alleged volumetric contributions are small when compared with those of other PRPs. American is participating with a number of other PRPs in a Joint Defense Group that is actively conducting settlement negotiations with EPA and state officials. The group is seeking a settlement on behalf of its members that will enable American to resolve its past and present liabilities at the Site in exchange for a one-time, lump-sum settlement payment. American expects that its payment will be immaterial.

American, along with most other tenants at the San Francisco International Airport (SFIA), has been ordered by the California Regional Water Quality Control Board to engage in various studies of potential environmental contamination at the airport and to undertake remedial measures, if necessary. SFIA is also seeking to recover its past costs related to the contamination from the tenants. American's potential contribution is unknown, but is not expected to be material.

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

In 1999, American was ordered by the New York State Department of Environmental Conservation (NYSDEC) to conduct remediation of environmental contamination located at Terminals 8 and 9 at New York's John F. Kennedy International Airport (JFK). American is seeking to recover a portion of the remediation costs from previous users of the Terminals 8 and 9 premises. In 2002, American began negotiating an order with NYSDEC for the remediation of a JFK off-terminal hangar facility. American does not expect the costs associated with this remediation to be material.

In 1996, American and Executive, along with other tenants at the Luis Munoz Marin International Airport in San Juan, Puerto Rico were notified by the Port Authority that it considered them potentially responsible for environmental contamination at the airport. In 2003, the Port Authority requested that American, among other airport tenants, fund an ongoing subsurface investigation and site assessment. American denied liability for the related costs. No further action has been taken against American or Executive.

American Eagle Airlines, Inc. has been notified of its potential liability under New York law at an inactive hazardous waste site in Poughkeepsie, New York. Pursuant to an Administrative Order on Consent entered into with NYSDEC, American Eagle is implementing a final remedy to address contamination at the site. The costs of this final remedy are not material.

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

D. Labor

The airline business is labor intensive. Wages, salaries and benefits represented approximately 40 percent of the Company's consolidated operating expenses for the year ended December 31, 2003. The average equivalent number of employees of the Company's subsidiaries for the year ended December 31, 2003 was 96,400.

The majority of these employees are represented by labor unions and covered by collective bargaining agreements. Relations with such labor organizations are governed by the Railway Labor Act. Under this act, the collective bargaining agreements among the Company's subsidiaries and these organizations generally do not expire but instead become amendable as of a stated date. If either party wishes to modify the terms of any such agreement, it must notify the other party in the manner described in the agreement. After receipt of such notice, the parties must meet for direct negotiations, and if no agreement is reached, either party may request the National Mediation Board (NMB) to appoint a federal mediator. If no agreement is reached in mediation, the NMB may declare at some time that an impasse exists, and if an impasse is declared, the NMB proffers binding arbitration to the parties. Either party may decline to submit to arbitration. If arbitration is rejected by either party, a 30-day "cooling off" period commences. During that period (or after), a Presidential Emergency Board (PEB) may be established, which examines the parties' positions and recommends a solution. The PEB process lasts for 30 days and is followed by a "cooling off" period of 30 days. At the end of a "cooling off" period, unless an agreement is reached or action is taken by Congress, the labor organization may strike and the airline may resort to "self-help", including the imposition of any or all of its proposed amendments and the hiring of new employees to replace the striking workers.

In April 2003, American reached agreements with its three major unions — the Allied Pilots Association (the APA), the Transport Workers Union of America (AFL-CIO) (the TWU) and the Association of Professional Flight Attendants (the APFA) (the Labor Agreements). The Labor Agreements substantially reduced the labor costs associated with the employees represented by the unions. In conjunction with the Labor Agreements, American implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management (the Management Reductions). The Labor Agreements will not become amendable until 2008.

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

The Association of Flight Attendants (AFA), which represents the flight attendants of the American Eagle carriers, reached agreement with American Eagle effective March 2, 1998, to have all flight attendants of the American Eagle carriers covered by a single contract. The agreement became amendable on September 2, 2001. However, the parties agreed to commence negotiations over amendments to the agreement in March 2001. The mediation assistance of the NMB was requested and mediation commenced in November 2003; mediated negotiations continue. The other union employees at the American Eagle carriers are covered by separate agreements with the TWU, which were effective April 28, 1998, and were amendable April 28, 2003. American Eagle and the TWU have commenced negotiations. American Eagle cannot predict the result of the mediation or these negotiations.

The non-union employees formerly with TWA LLC have been integrated into American's work force. With respect to the integration of unionized employees formerly employed by TWA LLC, American reached integration agreements with the APA (with respect to pilot integration) and the APFA (with respect to flight attendant integration). American and the TWU participated in arbitration and resolved certain unionized ground employee integration issues in late February and early March 2002. In early April 2002, the NMB declared American and TWA LLC a single carrier for labor relations purposes and designated American's incumbent unions as the collective bargaining representatives of the relevant work groups at both American and TWA LLC. Since American's unions thereafter represented the relevant employees at both carriers, the integration mechanisms applicable to the unions at American could then begin to be effected. The integration of the unionized work groups is occurring in accordance with those mechanisms.

E. Fuel

The Company's operations and financial results are significantly affected by the availability and price of jet fuel. The Company's fuel costs and consumption for the years 2001 through 2003 were:

Year	Gallons Consumed (in millions)	Total Cost (in millions)	Average Cost Per Gallon (in cents)	Percent of AMR's Operating Expenses
2001	3,461	$ 2,888	81.4	13.5
2002	3,345	2,562	76.2	12.3
2003	3,161	2,772	87.7	15.2

The impact of fuel price changes on the Company and its competitors depends on various factors, including hedging strategies. The Company has a fuel hedging program in which it enters into jet fuel, heating oil and crude oil swap and option contracts to dampen the impact of the volatility of jet fuel prices. During 2003, 2002 and 2001, the Company's fuel hedging program reduced the Company's fuel expense by approximately $149 million, $4 million and $29 million, respectively. As of December 31, 2003, the Company had hedged, with option contracts, approximately 21 percent of its estimated first quarter 2004 fuel requirements, 16 percent of its second quarter 2004 estimated fuel requirements and six percent of its estimated fuel requirements for the remainder of 2004. The Company's credit rating, as discussed in Liquidity and Capital Resources under Item 7, has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future. See the Risk Factors under Item 7 for information regarding fuel.

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

F. Frequent Flyer Program

American established the AAdvantage frequent flyer program (AAdvantage) to develop passenger loyalty by offering awards to travelers for their continued patronage. The Company believes that the AAdvantage program is one of its competitive strengths. AAdvantage members earn mileage credits for flights on American, American Eagle and certain other participating airlines, or by using services of other program participants, including bank credit card issuers, hotels, car rental companies and phone service companies. American sells mileage credits and related services to the other companies participating in the program. American reserves the right to change the AAdvantage program at any time without notice and end the program with six months notice.

Mileage credits can be redeemed for free, discounted or upgraded travel on American, American Eagle or participating airlines, or for other travel industry awards. Once a member accrues sufficient mileage for an award, the member may book award travel on American. Most travel awards are subject to capacity controlled seating. Mileage credit does not expire, provided a customer has any type of qualifying activity at least once every 36 months.

American uses the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or American Eagle. American's frequent flyer liability is accrued each time a member accumulates sufficient mileage in his or her account to claim the lowest level of free travel award (25,000 miles) and the award is expected to be used for free travel. American includes fuel, food, and reservations/ticketing costs in the calculation of incremental cost. These estimates are generally updated based upon the Company's 12-month historical average of such costs. American also accrues a frequent flier liability for the mileage credits that are expected to be used for travel on participating airlines.

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

At December 31, 2003 and 2002, American estimated that approximately 9.3 million free travel awards were expected to be redeemed for free travel on American and American Eagle. In making the estimate of free travel awards, American has excluded mileage in inactive accounts, mileage related to accounts that have not yet reached the lowest level of free travel award, and mileage in active accounts that have reached the lowest level of free travel award but which are not expected to ever be redeemed for free travel on American or participating airlines. The Company's total liability for future AAdvantage award redemptions for free, discounted or upgraded travel on American, American Eagle or participating airlines and unrecognized revenue from selling AAdvantage miles to other companies was approximately $1.2 billion (and is recorded as a component of Air traffic liability in the consolidated balance sheets), representing 18.8 percent and 16.2 percent of AMR's total current liabilities, at December 31, 2003 and 2002, respectively.

The number of free travel awards used for travel on American and American Eagle in 2003 and 2002 was 2.5 million and 2.6 million, respectively, representing approximately 7.8 percent and 8.1 percent of passengers boarded, respectively. The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

G. Other Matters

Seasonality and Other Factors The Company's results of operations for any interim period are not necessarily indicative of those for the entire year, since the air transportation business is subject to seasonal fluctuations.

The results of operations in the air transportation business have also significantly fluctuated in the past in response to general economic conditions. In addition, fears of terrorism or war, fare initiatives, fluctuations in fuel prices, labor actions, weather and other factors could impact this seasonal pattern. Unaudited quarterly financial data for the two-year period ended December 31, 2003 is included in Note 15 to the consolidated financial statements.

No material part of the business of AMR and its subsidiaries is dependent upon a single customer or very few customers. Consequently, the loss of the Company's largest few customers would not have a materially adverse effect upon the Company.

Insurance The Company carries insurance for public liability, passenger liability, property damage and all-risk coverage for damage to its aircraft.

As a result of the September 11, 2001 events, aviation insurers 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, these insurers significantly increased the premiums for aviation insurance in general.

The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines until August 31, 2004 covering losses to employees, passengers, third parties and aircraft. 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. If the U.S. government does not extend the policy beyond August 31, 2004, the Company will attempt to purchase similar coverage with narrower scope from commercial insurers at an additional cost. To the extent this coverage is not available at commercially reasonable rates, the Company's results of operations would be negatively affected. In addition, in the event commercial insurance carriers further reduce the amount of insurance coverage available to the Company, or significantly increase its cost, the Company's operations and/or financial position and results of operations would be adversely affected.

Other Government Matters In time of war or during a national emergency or defense oriented situation, American and other air carriers can be required to provide airlift services to the Air Mobility Command under the Civil Reserve Air Fleet program (CRAF). The Air Mobility Command, which runs CRAF, activated Stage I of CRAF as part of the U.S. government's build-up for military action in Iraq during 2003. Stage I of CRAF was in effect from February 8, 2003 until June 18, 2003. American provided five airplanes, including three 777s and two 767-300s, with crews for Stage I of CRAF, which did not significantly impact its operations. In the event the Company has to provide a substantial number of aircraft and crew to the Air Mobility Command, its operations could be adversely impacted.

Available Information The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 available free of charge under the Investor Relations page on its website, www.amrcorp.com, as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission. In addition, the Company's code of ethics, which applies to all employees of the Company including the Company's Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Controller, is posted under the Investor Relations page on its website, www.amrcorp.com. The Company intends to disclose any amendments to the code of ethics, or waivers of the code of ethics on behalf of the CEO, CFO or Controller, under the Investor Relations page on its website, www.amrcorp.com.

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ITEM 2. PROPERTIES

Flight Equipment — Operating

Owned and leased aircraft operated by the Company at December 31, 2003 included:

Equipment Type	Seating Capacity	Owned	Capital Leased	Operating Leased	Total	Average Age (Years)
American Airlines Aircraft*						
Airbus A300-600R	266/267	10	—	24	34	14
Boeing 737-800	142	67	—	10	77	4
Boeing 757-200	168/176/188	84	9	47	140	9
Boeing 767-200 Extended Range	158	4	11	1	16	17
Boeing 767-300 Extended Range	212/213	40	7	11	58	10
Boeing 777-200 Extended Range	223/236/245	45	—	—	45	3
Fokker 100	87	14	—	24	38	11
McDonnell Douglas MD-80	129/131	148	72	142	362	15
Total		412	99	259	770	11
AMR Eagle Aircraft						
ATR 42	46	13	—	—	13	12
Bombardier CRJ-700	70	19	—	—	19	1
Embraer 135	37	39	—	—	39	4
Embraer 140	44	59	—	—	59	1
Embraer 145	50	52	—	—	52	4
Super ATR	64/66	40	—	2	42	9
Saab 340B/340B Plus	34	9	13	25	47	10
Total		231	13	27	271	7

* American Airlines aircraft totals include 60 McDonnell Douglas MD-80s on the TWA LLC operating certificate.

Of the operating aircraft listed above, one capital leased Boeing 767-200ER, 18 owned McDonnell Douglas MD-80s, ten operating leased McDonnell Douglas MD-80s and 11 operating leased Saab 340Bs were in temporary storage as of December 31, 2003.

In 2003, AMR Eagle agreed to sell 19 ATR 42 aircraft, with deliveries beginning in June 2003 and ending in December 2004 and American agreed to sell 14 Fokker 100 aircraft, with deliveries beginning in September 2003 and ending in August 2004. As of December 31, 2003, six ATR 42 and nine Fokker 100 aircraft have been delivered.

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Flight Equipment — Non-Operating

Owned and leased aircraft not operated by the Company at December 31, 2003 included:

Equipment Type	Owned	Capital Leased	Operating Leased	Total
American Airlines Aircraft				
Boeing 757-200	—	—	9	9
Boeing 767-200	9	—	—	9
Boeing 767-200 Extended Range	4	—	—	4
Fokker 100	9	—	—	9
McDonnell Douglas MD-80	—	—	3	3
Total	22	—	12	34
AMR Eagle Aircraft				
Embraer 145	10	—	—	10
Saab 340B/340B Plus	5	42	—	47
Total	15	42	—	57

In the fourth quarter of 2003, the Company decided to permanently retire its nine owned Boeing 767-200s and four owned Boeing 767-200ERs, which were previously in temporary storage. The Company has no plan to return these aircraft to service and is investigating disposition opportunities.

In addition, in early 2004, American agreed to sell 18 Fokker 100 aircraft (nine of which are operating aircraft as of December 31, 2003), with deliveries beginning in March 2004 and ending in November 2004.

AMR Eagle has leased its 10 owned Embraer 145s not operated by the Company to Trans States Airlines, Inc.

The Company is actively marketing its remaining owned non-operating aircraft and does not anticipate bringing these aircraft back into service.

For information concerning the estimated useful lives and residual values for owned aircraft, lease terms for leased aircraft and amortization relating to aircraft under capital leases, see Notes 1 and 5 to the consolidated financial statements.

Lease expirations for the leased aircraft included in the preceding table of operating flight equipment as of December 31, 2003, are:

Equipment Type	2004	2005	2006	2007	2008	2009 and Thereafter
American Airlines Aircraft						
Airbus A300-600R	—	—	—	—	3	21
Boeing 737-800	—	—	—	—	—	10
Boeing 757-200	3	—	—	15	6	32
Boeing 767-200 Extended Range	—	—	—	—	2	10
Boeing 767-300 Extended Range	1	4	2	—	3	8
Fokker 100	20	—	—	—	—	4
McDonnell Douglas MD-80	3	15	—	1	12	183
	27	19	2	16	26	268
AMR Eagle Aircraft						
Super ATR	2	—	—	—	—	—
Saab 340B/340B Plus	—	7	12	11	8	—
	2	7	12	11	8	—

Substantially all of the Company's aircraft leases include an option to purchase the aircraft or to extend the lease term, or both, with the purchase price or renewal rental to be based essentially on the market value of the aircraft at the end of the term of the lease or at a predetermined fixed amount.

Ground Properties

The Company leases, or has built as leasehold improvements on leased property: most of its airport and terminal facilities; its maintenance and training facilities in Fort Worth, Texas; its principal overhaul and maintenance bases at Tulsa International Airport (Tulsa, Oklahoma), Kansas City International Airport (Kansas City, Missouri) and Alliance Airport (Fort Worth, Texas); its regional reservation offices; and local ticket and administration offices throughout the system. American has entered into agreements with the Tulsa Municipal Airport Trust; the Alliance Airport Authority, Fort Worth, Texas; the New York City Industrial Development Agency; and the Dallas/Fort Worth, Chicago O'Hare, Newark, San Juan, and Los Angeles airport authorities to provide funds for constructing, improving and modifying facilities and acquiring equipment which are or will be leased to the Company. The Company also uses public airports for its flight operations under lease or use arrangements with the municipalities or governmental agencies owning or controlling them and leases certain other ground equipment for use at its facilities.

For information concerning the estimated lives and residual values for owned ground properties, lease terms and amortization relating to ground properties under capital leases, and acquisitions of ground properties, see Notes 1 and 5 to the consolidated financial statements.

ITEM 3. LEGAL PROCEEDINGS

On July 26, 1999, a class action lawsuit was filed, and in November 1999 an amended complaint was filed, against AMR Corporation, American Airlines, Inc., AMR Eagle Holding Corporation, Airlines Reporting Corporation, and the Sabre Group Holdings, Inc. in the United States District Court for the Central District of California, Western Division (Westways World Travel, Inc. v. AMR Corp., et al.). The lawsuit alleges that requiring travel agencies to pay debit memos to American for violations of American's fare rules (by customers of the agencies): (1) breaches the Agent Reporting Agreement between American and AMR Eagle and the plaintiffs; (2) constitutes unjust enrichment; and (3) violates the Racketeer Influenced and Corrupt Organizations Act of 1970 (RICO). The 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 alleged 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 sought 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, and on July 3, 2003, the 10th Circuit Court of Appeals affirmed. The Department of Justice did not seek to have the case reviewed by the U.S. Supreme Court.

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). In the light of the decision by the 10th Circuit Court of Appeals in the Department of Justice case (see immediately preceding paragraph), the plaintiffs in these class actions have dismissed their claims.

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 plaintiffs are seeking monetary damages and injunctive relief. The court granted class action certification to the plaintiffs 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, which the court granted on October 30, 2003. Plaintiffs have appealed that order to the 4th Circuit Court of Appeals, and that appeal remains pending. 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 some of whom 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. These cases have been consolidated in the United States District Court for the Northern District of Ohio Eastern Division. 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. 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). In light of the decision of the court in Hall et. al (discussed above), the plaintiffs voluntarily dismissed this action.

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, 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.

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 monetary damages and injunctive relief and 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 seeking monetary damages 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.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Company's security holders during the last quarter of its fiscal year ended December 31, 2003.

Executive Officers of the Registrant

The following information relates to the executive officers of AMR as of December 31, 2003 unless otherwise noted.

Gerard J. Arpey	Mr. Arpey was elected Chief Executive Officer of AMR and American in April 2003. He served as President and Chief Operating Officer of AMR and American from April 2002. He served as Executive Vice President — Operations of American from January 2000 to April 2002, Chief Financial Officer of AMR from 1995 through 2000 and Senior Vice President of American from 1992 to January 2000. Prior to that, he served in various management positions at American since 1982. Age 45.
Daniel P. Garton	Mr. Garton was elected Executive Vice President — Marketing of American in September 2002. He is also an Executive Vice President of AMR. He served as Executive Vice President — Customer Services of American from January 2000 to September 2002 and Senior Vice President — Customer Services of American from 1998 to January 2000. Prior to that, he served as President of AMR Eagle from 1995 to 1998. Except for two years service as Senior Vice President and CFO of Continental Airlines between 1993 and 1995, he has been with the Company in various management positions since 1984. Age 46.
James A. Beer	Mr. Beer became the Senior Vice President and Chief Financial Officer of AMR and American in January 2004. Prior to that, he served as a Vice President of American from 1998 to December 2003 and has served in various management positions of American since 1991. Age 43.
Gary F. Kennedy	Mr. Kennedy was elected Senior Vice President and General Counsel in January 2003. He is also the Corporation's Chief Compliance Officer. He served as Vice President — Corporate Real Estate of American from 1996 to January 2003. Prior to that, he served as an attorney and in various management positions at American since 1984. Age 48.
Charles D. MarLett	Mr. MarLett was elected Corporate Secretary in January 1988. He joined American as an attorney in June 1984. Age 49.

There are no family relationships among the executive officers of the Company named above.

There have been no events under any bankruptcy act, no criminal proceedings, and no judgments or injunctions material to the evaluation of the ability and integrity of any director or executive officer during the past five years.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the New York Stock Exchange (symbol AMR). The approximate number of record holders of the Company's common stock at February 20, 2004 was 16,739.

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

	2003		2002	
	High	Low	High	Low
Quarter Ended				
March 31	$ 6.95	$ 1.41	$29.05	$21.92
June 30	11.32	3.00	25.56	16.00
September 30	13.23	8.04	15.93	3.60
December 31	14.90	11.21	8.25	3.15

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

No cash dividends on common stock were declared for any period during 2003 or 2002.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(in millions, except per share amounts)

	2003[1]	2002[1,2]	2001 [1,3]	2000	1999
Total operating revenues	$17,440	$17,420	$18,969	$19,703	$17,730
Operating income (loss)	(844)	(3,330)	(2,470)	1,381	1,156
Income (loss) from continuing operations before cumulative effect of accounting change	(1,228)	(2,523)	(1,762)	770	656
Net earnings (loss)	(1,228)	(3,511)	(1,762)	813	985
Earnings (loss) per share from continuing operations before cumulative effect of accounting change:					
Basic	(7.76)	(16.22)	(11.43)	5.13	4.30
Diluted	(7.76)	(16.22)	(11.43)	4.76	4.17
Net earnings (loss) per share:					
Basic	(7.76)	(22.57)	(11.43)	5.43	6.46
Diluted	(7.76)	(22.57)	(11.43)	5.03	6.26
Total assets	29,330	30,267	32,841	26,213	24,374
Long-term debt, less current maturities	11,901	10,888	8,310	4,151	4,078
Obligations under capital leases, less current obligations	1,225	1,422	1,524	1,323	1,611
Obligation for pension and postretirement benefits	4,803	4,730	3,201	1,952	1,854
Stockholders' equity [4]	46	957	5,373	7,176	6,858

1 Includes special charges and U.S. government grant. For a further discussion of these items, see Note 2 to the consolidated financial statements.

2 Includes a one-time, non-cash charge, effective January 1, 2002, of $988 million, net of tax, to write-off all of AMR's goodwill. This charge resulted from the adoption of Statement of Financial Accounting Standards Board No. 142, "Goodwill and Other Intangible Assets" and is reflected as a cumulative effect of accounting change in the consolidated financial statements. For a further discussion of this item, see Note 11 to the consolidated financial statements.

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

4 As of December 31, 2002, the Company recorded an additional minimum pension liability adjustment resulting in an after tax charge to stockholders' equity of approximately $1.0 billion. The Company recorded a reduction to the additional minimum pension liability resulting in a credit to stockholders equity of approximately $337 million for the year ended December 31, 2003. Effective after the close of business on March 15, 2000, AMR distributed 0.722652 shares of Sabre Holdings Corporation (Sabre) Class A Common Stock for each share of AMR stock owned by AMR's shareholders, thus distributing its entire ownership interest in Sabre. The dividend of AMR's entire ownership in Sabre's common stock resulted in a reduction to AMR's retained earnings equal to the carrying value of the Company's investment in Sabre on March 15, 2000, which approximated $581 million.

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

Information on the comparability of results is included in Item 7, Management's Discussion and Analysis and the notes to the consolidated financial statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Information

The discussions under Business, Properties and Legal Proceedings and the following discussions under Management's Discussion and Analysis of Financial Condition and Results of Operations contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which represent the Company's expectations or beliefs concerning future events. When used in this document and in documents incorporated herein by reference, the words "expects," "plans," "anticipates," "believes," and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, without limitation, the Company's expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs, future financing needs, overall economic conditions, plans and objectives for future operations, and the impact on the Company of its results of operations for the past three 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. The risk factors listed at the end of this Item, in addition to other possible risk factors not listed, could cause the Company's actual results to differ materially from those expressed in forward-looking statements.

Overview

The events of the past several years have had a material adverse impact on the Company's finances. The Company incurred operating losses of $0.8 billion, $3.3 billion and $2.5 billion for the years ended December 31, 2003, 2002 and 2001, respectively. The Company incurred net losses of $1.2 billion, $3.5 billion and $1.8 billion for the years ended December 31, 2003, 2002 and 2001, respectively.

These losses reflect, among other things, a substantial decrease in the Company's revenues, which began in early 2001. The revenue decrease has been driven by a number of factors, some of which the Company believes will persist indefinitely or permanently. These factors include: (i) a steep fall-off in the demand for air travel, particularly business travel, primarily caused by weakness in the U.S. economy, (ii) reduced pricing power, resulting mainly from greater cost sensitivity on the part of travelers, especially business travelers, increasing competition from low-cost carriers (LCCs) and the continuing increase in pricing transparency resulting from the use of the Internet and (iii) the aftermath of the terrorist attacks of September 11, 2001, which accelerated and exacerbated the trend of decreased demand and reduced industry revenues.

In response to decreased demand following the events of September 11, 2001, the Company reduced its operating schedule by approximately 20 percent and reduced its workforce by approximately 20,000 jobs. Subsequent to these reductions, the Company determined that achieving $4 billion in annual capacity-independent cost savings was necessary to offset the revenue decline and initiated the following restructuring activities to realize this goal:

- In 2002, the Company announced a series of initiatives to reduce its annual costs by $2 billion. These initiatives are being implemented through 2005, and involve: (i) scheduling efficiencies, including the de-peaking of certain of its hubs, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. As a result of the initiatives, the Company reduced an estimated 7,000 jobs by March 2003.

- 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. In April 2003, American reached agreements with its three unions (the Labor Agreements) and also implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management (the Management Reductions). In addition, the Company and American reached concessionary agreements with certain vendors, lessors, lenders and suppliers (collectively, the Vendors, and the agreements, the Vendor Agreements), resulting in approximately $200 million in annual cost savings. Generally, under the terms of these Vendor Agreements, the Company or American receives 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.

See Note 2 to the consolidated financial statements for information on the special charges associated with the Company's ongoing restructuring activities.

In the second quarter of 2003, in conjunction with some improvement in the U.S. economy, the Company's revenue environment began to improve, as reflected in higher unit revenues (revenue per available seat mile) in May through December 2003, when compared to May through December 2002, respectively. Even with this improvement, however, the Company's revenues remain depressed relative to historical levels. The Company therefore needs to see continued improvement in the revenue environment, additional cost reductions and further productivity improvements before it can return to sustained profitability at acceptable levels.

In 2003, the Company announced the Turnaround Plan, a four tenet plan designed to achieve sustained profitability.

- **Lower Costs To Compete:** As discussed above, one of the Company's critical goals is to reduce costs by $4 billion annually, including $2 billion from strategic initiatives, $1.8 billion from labor cost savings and $200 million from vendors, suppliers and creditors. Progress toward this goal helped the Company achieve a significant year-over-year decline in costs per available seat mile in the fourth quarter of 2003 and in 2003 as a whole. If not for rising fuel prices, the Company's progress in reducing costs would have been even more significant. The Company has returned underused gate space, consolidated terminal space, de-peaked its Chicago and Dallas/Fort Worth hub schedules (with its Miami hub to be de-peaked in 2004), closed a reservations center, reduced the size of its St. Louis hub, accelerated the retirement of certain aircraft, and improved aircraft utilization across its fleet.

- **Fly Smart, Give Customers What They Value:** This tenet focuses on customer service and revenue production, with emphasis on improving the Company's relative revenue performance compared to others in the airline industry. Actions in this area include adding seats to American's Boeing 757 and Airbus A300 fleets and restructuring the hubs at Chicago, Dallas/Fort Worth and St. Louis. Another step is expanding alliances. The Company's progress includes a domestic codeshare with Alaska Airlines, governmental approval of codesharing with British Airways, the addition of SWISS International to the **one**world alliance, and the recently announced codeshare linkage with Mexicana (which, subject to governmental approvals, will be launched in April 2004).

- **Pull Together, Win Together:** Fostering greater cooperation than ever with employees, the Company has launched an unprecedented level of openness with employee groups and labor unions. The Company's President and Chief Executive Officer holds regular "Town Hall"-style meetings with employees, and its Chief Financial Officer meets monthly with union leaders to discuss the Company's financial results with them in much the same way as he briefs AMR's Board of Directors. In addition, the Company has engaged a firm that works to bring union groups and management together, to help to promote a philosophy of active involvement.

- **Build A Financial Foundation For Our Future:** The Company ended the fourth quarter of 2003 with $2.6 billion in unrestricted cash and short-term investments and $527 million in restricted cash and short-term investments. The Company had $1.3 billion in unrestricted cash and short-term investments and $550 million in restricted cash and short-term investments at the close of the first quarter of 2003. From April 1 to December 31, 2003, cash flows from operations totaled $1.1 billion. The Company has also been able to sell some non-core assets, such as its stakes in Worldspan, a computer reservations company; Hotwire, a discount travel website company; and a portion of its stake in Orbitz, a travel planning website.

The Company believes that it has sufficient liquidity to fund its operations, including capital expenditures and commitments. However, to maintain sufficient liquidity over the long-term as the Company continues to implement the Turnaround Plan and seeks to return to sustained profitability at acceptable levels, the Company will need continued access to additional funding. In addition, the Company's ability to return to sustained profitability at acceptable levels will depend on a number of risk factors, many of which are largely beyond the Company's control. Some of the risk factors that have had and/or may have a negative impact on the Company's business and financial results are discussed in Risk Factors at the end of this Item. In particular, if the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets, it may be unable to fund its obligations and sustain its operations in the long-term.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Short-Term Investments, Restricted Assets and Deposits

At December 31, 2003, the Company had $2.6 billion in unrestricted cash and short-term investments and $527 million in restricted cash and short-term investments. As of December 31, 2003, the Company had approximately $166 million in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the consolidated balance sheets.

Significant Indebtedness and Future Financing

During 2001, 2002 and 2003, the Company raised an aggregate of approximately $10.0 billion of financing to fund capital commitments (mainly for aircraft and ground properties) and operating losses. The Company expects that it will need to continue to raise capital until it has achieved acceptable levels of sustained profitability over a significant period of time. 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) debt secured by other assets, (iii) securitization of future operating receipts, (iv) sale-leaseback transactions of owned aircraft, (v) the potential sale of certain non-core assets, (vi) unsecured debt and (vii) equity and/or equity-like securities. 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 has 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 the long-term.

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, (iv) limiting its ability to withstand competitive pressures and reducing its flexibility in responding to changing business and economic conditions, and (v) limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.

Credit Ratings

AMR's and American's credit ratings are significantly below investment grade. Additional reductions in AMR's or American's credit ratings could further increase its borrowing or other costs and further restrict the availability of future financing.

Credit Facility Covenants

American has a fully drawn $834 million bank credit facility that expires December 15, 2005, which contains a liquidity covenant and an EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and rentals, adjusted for certain non-cash items) to fixed charges (generally, interest and total rentals) ratio covenant. The required EBITDAR to fixed charges ratio is 1.1 to 1.0 for the three-month period ending March 31, 2004, and increases on a quarterly basis up to 1.5 to 1.0 for each four consecutive quarters ending after December 31, 2004. The liquidity covenant requires American to maintain a minimum level of $1.0 billion of unrestricted cash and short-term investments. The Company expects to be able to continue to comply with these covenants. However, it cannot be sure that it will continue to be able to do so through the expiration of the facility. Failure to do so would result in a default under this facility and a significant amount of American's other debt.

Financing Activity

The Company, or its subsidiaries, issued the following debt during the year ended December 31, 2003 (in millions):

Enhanced equipment trust certificates (3.86% interest) (final maturity 2010)	$ 255
4.25% senior convertible notes due 2023	300
AA/Ft. Worth HQ securitization (7.2% effective interest) (final maturity 2010)	98
Various debt agreements related to the purchase of jet aircraft (effective interest rates ranging from 7.93% to 9.12%) (various maturities through 2013)	554
Various debt agreements related to the purchase of regional jet aircraft (effective interest rates ranging from 4.25% to 6.73%) (various maturities through 2020)	473
	$1,680

See Note 6 to the consolidated financial statements for additional information regarding the debt issuances listed above.

In February 2004, American issued $180 million of Fixed Rate Secured Notes due 2009. These notes are secured by certain spare parts and bear interest at 7.25 percent. Also in February 2004, AMR issued, and American guaranteed, $324 million of 4.5 percent senior convertible notes due 2024.

Other Operating and Investing Activities

The improved revenue environment and the effects of the Company's cost savings initiatives resulted in improved cash flow from operating activities in 2003. Net cash provided by operating activities during the year ended December 31, 2003 was $601 million, an increase of $1.7 billion over 2002. Included in net cash provided by operating activities in 2003 was the receipt of a $572 million federal tax refund and the receipt of $358 million from the U.S. government under the Emergency Wartime Supplemental Appropriations Act, 2003 (the Act), offset by $521 million of redemption payments under operating leases for special facility revenue bonds. Included in net cash provided (used) by operating activities during 2002 was the receipt of an approximately $658 million federal tax refund as a result of the utilization of the Company's 2001 net operating losses (NOLs). The Company does not expect to receive significant additional federal tax refunds.

Capital expenditures during 2003 were $1.4 billion, $735 million of which were seller financed, and included the acquisition of nine Boeing 767-300ERs, two Boeing 777-200 ERs, 16 Embraer 140s, six Embraer 145s and 11 Bombardier CRJ-700 aircraft.

During 2003, the Company sold its interests in Worldspan, a computer reservations company, and Hotwire, a discount travel website. The Company received $180 million in cash and a $39 million promissory note for its interest in Worldspan. It received $84 million in cash, $80 million of which was recognized as a gain, for its interest in Hotwire. In addition, during 2003, the Company sold a portion of its interest in Orbitz, a travel planning website, in connection with an Orbitz initial public offering and a secondary offering resulting in total proceeds of $65 million, and a gain of $70 million.

On April 9, 2001, TWA Airlines, LLC (TWA LLC), a wholly owned subsidiary of American, purchased substantially all of the assets of Trans World Airlines, Inc. (TWA) for approximately $742 million (which was funded from the Company's existing cash and short-term investments) and the assumption of certain liabilities.

Working Capital

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

Off Balance Sheet Arrangements

The Company has completed its evaluation of its interests in variable interest entities and determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain trusts that are the lessors under 88 of its aircraft operating leases. These leases contain 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 December 31, 2003, future lease payments required under these leases totaled $3.2 billion.

Special facility revenue bonds have been issued by certain municipalities primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately $1.8 billion of these bonds (with total future payments of approximately $4.8 billion as of December 31, 2003) are guaranteed by American, AMR, or both. Approximately $532 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds at various times: $112 million in 2004, $104 million in 2005, $28 million in 2006, $100 million in 2007 and $188 million in 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 reduce existing rent leveling accruals or be considered prepaid facility rentals and would reduce future operating lease commitments.

In addition, the Company has other operating leases, primarily for aircraft, with total future lease payments of $5.4 billion as of December 31, 2003. Entering into aircraft leases allows the Company to obtain aircraft without immediate cash outflows.

Contractual Obligations

The following table summarizes the Company's obligations and commitments as of December 31, 2003 (in millions):

	Payments Due by Year(s) Ended December 31,				
Contractual Obligations	Total	2004	2005 Through 2006	2007 Through 2008	2009 and Beyond
Operating lease payments for aircraft and facility obligations [1]	$13,431	$1,114	$2,046	$1,884	$ 8,387
Firm aircraft commitments [2]	4,058	755	1,380	1,314	609
Capacity purchase agreements [3]	325	95	139	91	—
Long-term debt [4]	12,504	603	2,552	1,679	7,670
Capital lease obligations	2,359	325	512	411	1,111
Other purchase obligations [5]	2,281	480	616	395	790
Other long-term liabilities [6,7]	2,039	197	399	401	1,042
Total obligations and commitments	$36,997	$3,569	$7,644	$6,175	$19,609

1 Certain special facility revenue bonds issued by municipalities — which are supported by operating leases executed by American — are guaranteed by AMR and/or American. The special facility revenue bonds with mandatory tender provisions discussed above are included in this table under their ultimate maturity date rather than their mandatory tender provision date. See Note 5 to the consolidated financial statements for additional information.

2 As of December 31, 2003, the Company had commitments to acquire: 36 Embraer regional jets and six Bombardier CRJ-700s in 2004; an aggregate of 38 Embraer regional jets in 2005 and 2006; and an aggregate of 47 Boeing 737-800s and nine Boeing 777-200ERs in 2006 through 2010. The Company has pre-arranged financing or backstop financing for all of its aircraft deliveries through June 2005 (42 aircraft in 2004 and 20 aircraft in 2005).

3 The table reflects minimum required payments under capacity purchase contracts between American and two regional airlines, Chautauqua Airlines, Inc. (Chautauqua) and Trans States Airlines Inc. However, based on expected utilization, the Company expects to make payments of $162 million in 2004, $164 million in 2005, $166 million in 2006, $168 million in 2007, $170 million in 2008 and $854 million in 2009 and beyond. In addition, if the Company terminates its contract with Chautauqua without cause, Chautauqua has the right to put its Embraer aircraft to the Company. If this were to happen, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019. These lease obligations are not included in the table above. See Note 4 to the consolidated financial statements for additional information.

4 Excludes related interest amounts.

5 Includes noncancelable commitments to purchase goods or services, primarily construction related costs at the John F. Kennedy International Airport and information technology related support. The Company has made estimates as to the timing of certain payments primarily for construction related costs. The actual timing of payments may vary from these estimates. Substantially all of the Company's purchase orders issued for other purchases in the ordinary course of business contain a 30-day cancellation clause that allows the Company to cancel an order with 30 days notice.

6 Includes expected other postretirement benefit payments through 2013.

7 Excludes a $2.9 billion accident liability, related to the events of September 11, 2001 and flight 587, recorded in Other liabilities and deferred credits, as discussed in Note 2 to the consolidated financial statements. This liability is offset in its entirety by a receivable, recorded in Other assets, which the Company expects to receive from insurance carriers as claims are resolved.

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 estimated 2004 minimum required contributions to its defined benefit pension plans are approximately $600 million. (This estimate assumes Congress passes legislation providing certain technical corrections to current ERISA funding requirements.) Due to uncertainties regarding significant assumptions involved in estimating future required contributions to its defined benefit pension plans, such as interest rate levels, the amount and timing of asset returns and the impact of proposed legislation, the Company is not able to reasonably estimate its future required contributions beyond 2004. However, based on the current regulatory environment and market conditions, the Company expects that its 2005 minimum required contributions will significantly exceed its 2004 minimum required contributions. Congress is also considering other legislation that, if passed, would further modestly reduce the Company's 2004 minimum required contributions and significantly reduce its 2005 minimum required contributions.

Agreements with Lessors and Lenders

As discussed in Note 5 to the consolidated financial statements, the Company reached concessionary agreements with certain lessors in 2003. Certain of the Vendor Agreements provide that the Company's obligations under the related lease revert to the original terms if certain events (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 $24 million in additional operating lease payments and $11 million in additional payments related to capital leases as of December 31, 2003. This amount will increase to approximately $119 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. These amounts are being accounted for as contingent rentals and will only be recognized if they become due.

In addition, as part of the Vendor Agreements, American sold 33 Fokker 100 aircraft (with a minimal net book value), issued a $23 million non-interest-bearing note, payable in installments and maturing in December 2010, entered into short-term leases on these aircraft and issued shares of AMR common stock as discussed in Note 9 to the consolidated financial statements. In exchange, approximately $130 million of debt related to certain of the Fokker 100 aircraft was retired. 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. 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 retired, the Company recognized a gain of approximately $68 million. If none of the Events occur, the Company expects to recognize an additional gain of approximately $37 million in December 2005.

Results of Operations

The Company's 2003 results reflect a weak revenue environment, particularly in the first four months of the year. They also reflect the benefit of the Company's cost reduction initiatives, especially the reduction in employee costs due to the Labor Agreements and Management Reductions that came into effect in the second quarter of 2003. The Company's unit costs are now among the lowest of the major network air carriers, and the Company believes it is now better positioned to compete against low-cost carriers (LCCs). However, as discussed in the Overview to this Item, the Company needs to see continued improvement in the revenue environment, additional cost reductions and further productivity improvements before it can return to sustained profitability at acceptable levels.

AMR's net loss in 2003 was $1.2 billion, or $7.76 per share, an improvement of $2.3 billion over AMR's net loss in 2002 of $3.5 billion, or $22.57 per share. The Company's 2003 results include several special items which are discussed in detail in the notes to the consolidated financial statements, including (i) $358 million in security cost reimbursements received under the Act (see Note 2 to the consolidated financial statements), (ii) $407 million in special charges (see Note 2 to the consolidated financial statements), (iii) $150 million in gains on the sale of the Company's investments in Hotwire and Orbitz (see Note 3 to the consolidated financial statements) and (iv) a $164 million reduction in previously accrued federal income taxes and related interest. In addition, the Company did not record a tax benefit associated with its 2003 losses. The Company's 2002 results include a one-time, non-cash charge to record the cumulative effect of a change in accounting, effective January 1, 2002, of $988 million, or $6.35 per share, to write-off all of AMR's goodwill upon the adoption of Statement of Financial Accounting Standards Board No. 142 "Goodwill and Other Intangible Assets" (see Note 11 to the consolidated financial statements), and special charges of $718 million (see Note 2 to the consolidated financial statements).

REVENUES

2003 Compared to 2002 The Company's revenues were relatively flat year-over-year, increasing approximately $20 million, or 0.1 percent, to $17.4 billion. During the first four months of the year, yields (passenger revenue per available seat mile) and load factors were down year-over-year, due to the impact of the war in Iraq and SARS. In the latter part of the year, both yields and load factors improved year-over-year, as the impact of the war in Iraq and SARS faded, and the U.S. economy began recovering. However, even with the recent improvements, the Company's unit revenues and yield are still depressed relative to historical measures.

For the full year, American's passenger revenues decreased by 0.7 percent, or $108 million, to $14.3 billion, on a capacity decrease of 4.1 percent to 165 billion available seat miles (ASMs). American's passenger load factor increased 2.1 points to 72.8 percent and passenger revenue yield per passenger mile increased by 0.4 percent, or 0.05 cents, to 11.91 cents, driving American's passenger revenue per available seat mile (RASM) up by 3.3 percent, or 0.28 cents, to 8.67 cents. In 2003, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations. Following is additional information regarding Americans domestic and international RASM and capacity:

	Year Ended December 31, 2003			
	RASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
Domestic	8.65	4.8%	116	(6.6)%
International	8.72	0.0	49	2.7
Latin America	9.08	(0.1)	24	2.0
Europe	8.53	1.6	21	3.0
Pacific	7.66	(6.8)	4	5.3

The Company's Regional Affiliates include two wholly owned subsidiaries, American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively, AMR Eagle), and two independent carriers with which American has capacity purchase agreements, Trans States Airlines, Inc. (Trans States) and Chautauqua Airlines, Inc. (Chautauqua). In 2003, American had capacity purchase agreements with Chautauqua and Trans States for the full year. In 2002, American had a capacity purchase agreement with Chautauqua for the full year and a capacity purchase agreement with Trans States beginning in November 2002.

Regional Affiliates' passenger revenues, which are based on industry standard mileage proration agreements for flights connecting to American flights, increased $88 million, or 6.1 percent, to $1.5 billion as a result of increased capacity and load factors. Regional Affiliates' traffic increased 20.5 percent, or 940 million revenue passenger miles (RPMs), to 5.5 billion RPMs, while capacity increased 18.6 percent, or 1.3 billion ASMs, to 8.6 billion ASMs. This is somewhat offset by the elimination, in 2003, of a fee, paid to AMR Eagle by American, for passengers connecting to American flights.

Cargo revenues remained relatively flat with a decrease of 0.5 percent, or $3 million, to $558 million.

Other revenues increased 4.4 percent, or $43 million, to $1.0 billion due to increases in (i) airfreight service fees due primarily to fuel surcharges, (ii) AAdvantage program fees, (iii) employee travel service charges, (iv) excess baggage fees and (v) ticket change fees coupled with changes to the Company's change fee arrangements with travel agencies. These increases were offset somewhat by decreases in contract maintenance work that American performs for other airlines.

2002 Compared to 2001 Although traffic continued to increase on reduced capacity following the events of September 11, 2001, the Company's 2002 revenues and yields were down materially year-over-year. In addition to the residual effects of September 11, the Company's revenues continued to be negatively impacted by the economic slowdown, seen largely in business travel declines and changes in business traveler profiles; the geographic distribution of the Company's network; and reduced fares due in part to increased competition from low-cost carriers. TWA LLC purchased substantially all of the assets and assumed certain liabilities of TWA on April 9, 2001. The results of operations of TWA LLC are included in the Company and American's results of operations beginning on that date. The Company's revenues decreased approximately $1.5 billion, or 8.2 percent, to $17.4 billion.

American's passenger revenues decreased by 8.5 percent, or $1.3 billion, to $14.4 billion. American's passenger load factor increased by 1.7 points to 70.7 percent while passenger revenue yield per passenger mile decreased by 9.3 percent, or 1.22 cents, to 11.86 cents, driving American's RASM down by 7.2 percent, or 0.65 cents, to 8.39 cents. In 2002, American derived approximately 70 percent of its passenger revenues from domestic operations and approximately 30 percent from international operations. Following is additional information regarding Americans domestic and international RASM and capacity:

	Year Ended December 31, 2002			
	RASM (cents)	Y-O-Y Change	ASMs (billions)	Y-O-Y Change
Domestic	8.26	(8.8)%	125	(1.0)%
International	8.72	(2.8)	47	(7.2)
Latin America	9.09	(7.1)	23	(3.3)
Europe	8.40	0.3	20	(7.9)
Pacific	8.22	6.5	4	(22.4)

Regional Affiliates' passenger revenues increased $3 million, or 0.2 percent, to $1.4 billion. AMR Eagle's traffic increased 11 percent, or 409 million RPMs, to 4.1 billion RPMs, while capacity increased 1.9 percent, or 121 million ASMs, to 6.6 billion ASMs.

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

Other revenues decreased 10.1 percent, or $111 million, to $988 million due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in codeshare revenue and employee travel service charges.

OPERATING EXPENSES

2003 Compared to 2002 The Company's operating expenses decreased 11.9 percent, or $2.5 billion, to $18.3 billion and American's mainline operating expenses per ASM decreased 8.9 percent to 10.15 cents, including the impact of special charges and the U.S. government grant. The decrease in operating expenses and operating expenses per ASM is largely due to the Company's cost savings initiatives coupled with security cost reimbursements from the U.S. government and a decrease in special charges.

(in millions) **Operating Expenses**	**Year ended December 31, 2003**	**Change from 2002**	**Percentage Change**	
Wages, salaries and benefits	$ 7,264	$(1,128)	(13.4)%	(a)
Aircraft fuel	2,772	210	8.2	(b)
Depreciation and amortization	1,377	11	0.8	
Other rentals and landing fees	1,173	(25)	(2.1)	
Commissions, booking fees and credit card expense	1,063	(100)	(8.6)	(c)
Maintenance, materials and repairs	860	(248)	(22.4)	(d)
Aircraft rentals	687	(153)	(18.2)	(e)
Food service	611	(87)	(12.5)	(f)
Other operating expenses	2,428	(287)	(10.6)	(g)
Special charges	407	(311)	(43.3)	(h)
U.S. government grant	(358)	(348)	NM	(i)
Total operating expenses	$18,284	$(2,466)	(11.9)%	

(a) Wages, salaries and benefits decreased due to lower wage rates and reduced headcount primarily as a result of the Labor Agreements and Management Reductions, effective in the second quarter of 2003.

(b) Aircraft fuel expense increased due to a 15.1 percent increase in the Company's price per gallon of fuel (net of the impact of fuel hedging), somewhat offset by a 5.5 percent decrease in the Company's fuel consumption.

(c) Commissions, booking fees and credit card expense decreased due primarily to commission structure changes implemented in March 2002.

(d) Maintenance, materials and repairs decreased 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 and temporary grounding of aircraft and a decrease in the numbers of flights. The Company expects maintenance, materials and repairs costs to increase as aircraft utilization increases and the benefit from retiring aircraft subsides, and as contractual rates in certain flight hour agreements for outsourced aircraft engine maintenance increase.

(e) Aircraft rentals decreased due primarily to the removal of leased aircraft from the fleet in prior periods as part of the Company's restructuring initiatives and concessionary agreements with certain lessors, which reduced future lease payment amounts and resulted in the conversion of 30 operating leases to capital leases.

(f) Food service decreased due primarily to a decrease in the number of departures and passengers boarded and simplification of catering services.

(g) Other operating expenses decreased primarily due to decreases in (i) data processing expenses of $87 million due primarily to introducing further efficiencies into data processing environments resulting in reduced consumption, and negotiating more favorable terms with vendors; (ii) travel and incidental costs of $61 million due primarily to decreased overnight stays for pilots and flight attendants as a result of changes in the scheduling of flights, lower average hotel rates, work rule changes and lower per diems; (iii) insurance costs of $44 million due primarily to lower premiums, (iv) security costs of $31 million due primarily to the assumption of certain security services by the Transportation Security Administration (TSA) and the suspension of security services payments to the TSA from June 1, 2003 to September 30, 2003 and (v) contract maintenance work that American performs for other airlines of $29 million.

(h) Special charges for 2003 included approximately (i) $341 million in aircraft charges offset by a $20 million credit to adjust prior accruals, (ii) $92 million in employee charges, (iii) $62 million in facility exit costs and a (iv) $68 million gain resulting from a transaction involving 33 of the Company's Fokker 100 aircraft and related debt. Special charges for 2002 are described on the following page. See a further discussion of Special charges in Note 2 to the consolidated financial statements.

(i) U.S. government grant includes a $358 million benefit recognized for the reimbursement of security service fees from the U.S. government under the Act in 2003. See a further discussion of U.S. government grant in Note 2 to the consolidated financial statements.

2002 Compared to 2001 The Company's operating expenses decreased 3.2 percent, or $689 million, to $20.8 billion. American's mainline operating expenses per ASM decreased 1.5 percent to 11.14 cents, including the impact of special charges and the U.S. government grant. The decrease in operating expenses and operating expenses per ASM is largely due to cost savings initiatives implemented in late 2001 and 2002.

(in millions) **Operating Expenses**	**Year ended December 31, 2002**	**Change from 2001**	**Percentage Change**	
Wages, salaries and benefits	$ 8,392	$ 360	4.5%	(a)
Aircraft fuel	2,562	(326)	(11.3)	(b)
Depreciation and amortization	1,366	(38)	(2.7)	
Other rentals and landing fees	1,198	1	0.1	
Commissions, booking fees and credit card expense	1,163	(377)	(24.5)	(c)
Maintenance, materials and repairs	1,108	(57)	(4.9)	
Aircraft rentals	840	11	1.3	
Food service	698	(80)	(10.3)	(d)
Other operating expenses	2,715	(281)	(9.4)	(e)
Special charges	718	(748)	(51.0)	(f)
U.S. government grant	(10)	846	(98.8)	(g)
Total operating expenses	$20,750	$(689)	(3.2)%	

(a) Wages, salaries and benefits increased, primarily due to (i) higher salaries, largely offset by a decrease in the average number of equivalent employees and (ii) increases in the Company's pension and health insurance costs, the latter reflecting rapidly rising medical care and prescription drug costs.

(b) Aircraft fuel expense decreased due to a 3.3 percent decrease in the Company's fuel consumption and a 6.4 percent decrease in the Company's average price per gallon.

(c) Commissions, booking fees and credit card expense decreased due primarily to a 7.8 percent decrease in passenger revenues and commission structure changes implemented in March 2002.

(d) Food service decreased due primarily to the Company's reduced operating schedule and reductions in the level of food service.

(e) Other operating expenses decreased due primarily to decreases in contract maintenance work that American performs for other airlines, and decreases in travel and incidental costs, advertising and promotion costs, and data processing expenses, which were partially offset by higher insurance and security costs.

(f) Special charges for 2002 included approximately (i) $658 million related to aircraft charges, (ii) $57 million in employee charges and (iii) $3 million in facility charges. Special charges for 2001 included approximately (i) $1.2 billion related to aircraft charges, (ii) $115 million in facility charges, (iii) $71 million in employee charges and (iv) $43 million in other charges. See a further discussion of Special charges in Note 2 to the consolidated financial statements.

(g) U.S. government grant includes a $10 million and $856 million benefit recognized for the reimbursement from the U.S. government under the Air Transportation Safety and System Stabilization Act for 2002 and 2001, respectively. See a further discussion of U.S. government grant in Note 2 to the consolidated financial statements.

OTHER INCOME (EXPENSE)

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

2003 Compared to 2002 Other expense decreased $66 million, or 12.5 percent, to $464 million due primarily to the following: Interest income decreased $16 million, or 22.5 percent, to $55 million due primarily to decreases in interest rates. Interest expense increased $18 million, or 2.6 percent, to $703 million resulting primarily from the approximately $903 million increase in the Company's long-term debt, offset by an $84 million reduction in interest expense related to the agreement reached with the IRS discussed below. Interest capitalized decreased $15 million, or 17.4 percent, to $71 million due primarily to a decrease in purchase deposits for flight equipment. Miscellaneous-net increased $115 million to $113 million, due primarily to an $80 million gain on the sale of the Company's investment in Hotwire and a $70 million gain related to an initial public offering by Orbitz, offset by the write-down of certain investments held by the Company during the first quarter of 2003.

2002 Compared to 2001 Other expense increased $244 million, or 85.3 percent, to $530 million due primarily to the following: Interest income decreased $39 million, or 35.5 percent, to $71 million due primarily to decreases in interest rates. Interest expense increased $147 million, or 27.3 percent, to $685 million resulting primarily from the increase in the Company's long-term debt of approximately $2.7 billion. Interest capitalized decreased $58 million, or 40.3 percent, to $86 million due primarily to a decrease in purchase deposits for flight equipment.

INCOME TAX BENEFIT

2003 The Company did not record a net tax benefit associated with its 2003 losses due to the Company providing a valuation allowance, as discussed in Note 8 to the consolidated financial statements. Additionally, in 2003, the Company reached an agreement with the IRS covering tax years 1990 through 1995. As a result of this agreement, the Company recorded an $80 million tax benefit to reduce previously accrued income tax liabilities and an $84 million reduction in interest expense to reduce previously accrued interest related to the accrued income tax liabilities.

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

OPERATING STATISTICS

The following table provides statistical information for American and Regional Affiliates for the years ended December 31, 2003, 2002 and 2001.

	Year Ended December 31,		
	2003	2002	2001(*)
American Airlines, Inc. Mainline Jet Operations			
Revenue passenger miles (millions)	120,328	121,747	120,606
Available seat miles (millions)	165,209	172,200	174,688
Cargo ton miles (millions)	2,000	2,007	2,130
Passenger load factor	72.8%	70.7%	69.0%
Passenger revenue yield per passenger mile (cents)	11.91	11.86	13.08
Passenger revenue per available seat mile (cents)	8.67	8.39	9.04
Cargo revenue yield per ton mile (cents)	27.87	27.73	30.80
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (**)	10.15	11.14	11.31
Fuel consumption (gallons, in millions)	2,956	3,163	3,294
Fuel price per gallon (cents)	87.5	76.0	81.3
Operating aircraft at year-end	770	819	881
Regional Affiliates			
Revenue passenger miles (millions)	5,516	4,576	3,749
Available seat miles (millions)	8,597	7,248	6,515
Passenger load factor	64.2%	63.2%	57.5%

(*) On April 9, 2001, TWA LLC purchased substantially all of the assets and assumed certain liabilities of TWA. Accordingly, the 2001 financial information above includes the operating results of TWA LLC since the date of acquisition.

(**) Excludes $1,757 million, $129 million and $7 million of expense incurred related to Regional Affiliates in 2003, 2002 and 2001, respectively. In 2003, this expense related to capacity purchase agreements with AMR Eagle, Trans States and Chautauqua for the full year. In 2002, this expense related to capacity purchase agreements with Chautauqua for the full year and Trans Sates beginning in November 2002. In 2001, this expense related to a capacity purchase agreement with Chautauqua beginning in April 2001.

Note: Certain amounts have been reclassified to conform with the 2003 presentation.

Government Assistance

In April 2003, the President signed 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 (the Security Fee Reimbursement). The Company's Security Fee Reimbursement was $358 million (net of payments to independent regional affiliates) and was recorded as a reduction to operating expenses. 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).

Outlook

Capacity for American's mainline jet operations is expected to increase about six percent in 2004, despite removing aircraft from the fleet and reducing mainline departures. This is due to increased efficiencies, driven by three factors: (i) American operated with a low base number of flights in 2003 as a result of the war in Iraq and SARS, (ii) American is adding seats back to its Boeing 757 and Airbus A300 aircraft and (iii) as American realigns its mid-continent hubs and de-peaks its Miami schedule, its aircraft productivity levels will improve.

American's goal is to improve its unit costs by 17 percent in the first quarter of 2004 compared to the first quarter of 2003, and by ten percent for the full year, compared to 2003. American will have a full year of labor savings from its Labor Agreements and Management Reductions and more fully realize the savings from its other strategic cost savings initiatives. However, there are significant cost challenges in 2004 that may affect its ability to achieve this goal, primarily from medical benefits costs, airport fees and maintenance, materials and repairs costs (due to flight hour agreement contractual rate increases and the benefit from retiring aircraft subsiding). In addition, the Company expects fuel prices to remain high during 2004. See "Risk Factors".

Other Information

Environmental Matters Subsidiaries of AMR have been notified of potential liability with regard to several environmental cleanup sites and certain airport locations. At sites where remedial litigation has commenced, potential liability is joint and several. AMR's alleged volumetric contributions at all but one of these sites are minimal compared to others. AMR does not expect these matters, individually or collectively, to have a material impact on its results of operations, financial position or liquidity. Additional information is included in Part C of Item 1 and Note 4 to the consolidated financial statements.

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

Long-lived assets — The Company has approximately $20 billion of long-lived assets as of December 31, 2003, including approximately $19 billion related to flight equipment and other fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of policy elections made by the Company, including estimated useful lives and salvage values. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets and the net book value of the assets exceeds their estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair value of the assets, and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service and estimated salvage values. A change in the Company's fleet plan has been the primary indicator that has resulted in an impairment charge. The Company recorded impairment charges related to its Fokker 100, Saab 340 and ATR 42 aircraft in 2001 and 2002. In 2003, the Company recorded an impairment charge related to its Airbus A300 aircraft as a result of accelerating the planned retirement of this fleet. In addition, in 2003, the Company recorded impairment charges related to its Boeing 767-200 aircraft and four of its Boeing 767-200ER aircraft as a result of permanently retiring these aircraft. Also in 2003, the Company analyzed its remaining Boeing 767-200ER aircraft and determined that these aircraft were not impaired based on anticipated future cash flows. See Notes 1 and 2 to the consolidated financial statements for additional information with respect to these impairment charges and each of the policies and assumptions used by the Company which affect the recorded values of long-lived assets.

Passenger revenue — Passenger ticket sales are initially recorded as a component of Air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the industry's pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized, including breakage. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience and are generally recognized at the time of sale. The Company's estimation techniques have been applied consistently from year to year. However, due to changes in the Company's ticket refund policy and changes in the travel profile of customers, historical trends may not be representative of future results.

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

Pensions and other postretirement benefits — The Company's pension and other postretirement benefit costs and liabilities are calculated using various actuarial assumptions and methodologies. The Company uses certain assumptions including, but not limited to, the selection of the: (i) discount rate, (ii) expected return on plan assets, and (iii) expected health care cost trend rate.

These assumptions as of December 31 were:

	2003	2002
Discount rate	6.25%	6.75%
Expected return on plan assets	9.00%	9.25%
Expected health care cost trend rate:		
Pre-65 individuals		
Initial	5.0%	6.0%
Ultimate (2005)	4.5%	4.5%
Post-65 individuals		
Initial	11.0%	12.0%
Ultimate (2010)	4.5%	4.5%

The Company's discount rate is determined based upon the review of high quality corporate bond rates, the change in these rates during the year, and year-end rate levels. Lowering the discount rate by 0.5 percent as of December 31, 2003 would increase the Company's pension and postretirement benefits liability by approximately $532 million and $169 million, respectively, and increase estimated 2004 pension and postretirement benefits expense by $66 million and $10 million, respectively.

The expected return on plan assets is based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions. The expected return on plan assets component of the Company's net periodic benefit cost is calculated based on the fair value of plan assets and the Company's target asset allocation of 40 percent longer duration corporate bonds, 25 percent U.S. value stocks, 20 percent international stocks, five percent emerging markets stocks and bonds and 10 percent alternative (private) investments. The Company monitors its actual asset allocation and believes that its long-term asset allocation will continue to approximate its target allocation. The Company's historical annualized ten-year rate of return on plan assets, calculated using a geometric compounding of monthly returns, is approximately 10.5 percent as of December 31, 2003. Lowering the expected long-term rate of return on plan assets by 0.5 percent as of December 31, 2003 would increase estimated 2004 pension expense by approximately $32 million.

The health care cost trend rate is based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions. Increasing the assumed health care cost trend rate by 1.0 percent would increase estimated 2004 postretirement benefits expense by $41 million.

The Company has pension and postretirement benefit unrecognized net actuarial losses as of December 31, 2003, of approximately $1.6 billion and $407 million, respectively. The unrecognized net actuarial losses represent changes in the amount of the projected benefit obligation, the postretirement accumulated benefit obligation and plan assets resulting from (i) changes in assumptions and (ii) actual experience differing from assumptions. The amortization of unrecognized net actuarial loss component of the Company's 2004 pension and postretirement benefit net periodic benefit costs are expected to be approximately $58 million and $8 million, respectively. The Company's total 2004 defined benefit pension expense and postretirement expense is currently estimated to be approximately $428 million and $264 million (including the impact of the Medicare legislation discussed in Note 10 to the consolidated financial statements), respectively.

The Company records an additional minimum pension liability when its accumulated benefit obligation exceeds the pension plans' assets in excess of amounts previously accrued for pension costs. As of December 31, 2003, the Company's additional minimum pension liability was $1.1 billion, down from $1.6 billion as of December 31, 2002, primarily as a result of significantly improved asset performance. The decrease in the Company's minimum pension liability resulted in a 2003 credit to equity of approximately $337 million. An additional minimum pension liability is recorded as an increase to the pension liability, an increase to other assets (to the extent that a plan has unrecognized prior service costs) and a charge to stockholders' equity as a component of Accumulated other comprehensive loss. See Note 10 to the consolidated financial statements for additional information regarding the Company's pension and other postretirement benefits.

Income taxes — The Company accounts for income taxes in accordance with Financial Accounting Standards No. 109, “Accounting for Income Taxes”. Accordingly, the Company records a deferred tax asset valuation allowance when it is more likely than not that some portion or all of its deferred tax assets will not be realized. The Company considers its historical earnings, trends, and outlook for future years in making this determination. The Company has a deferred tax valuation allowance of $663 million as of December 31, 2003. See Note 8 to the consolidated financial statements for additional information.

Tax contingencies — The Company has reserves for taxes and associated interest that may become payable in future years as a result of audits by tax authorities. Although the Company believes that the positions taken on previously filed tax returns are appropriate, it nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken by the Company resulting in additional liabilities for taxes and interest. The tax reserves are reviewed as circumstances warrant and adjusted as events occur that affect the Company’s potential liability for additional taxes, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, release of administrative guidance, or rendering of a court decision affecting a particular tax issue. In 2003, the Company reached an agreement with the IRS covering tax years 1990 through 1995 and as a result, recorded an $80 million tax benefit to reduce previously accrued income tax liabilities and an $84 million reduction in interest expense to reduce previously accrued interest related to accrued tax liabilities.

Risk Factors

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:

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

Substantial Indebtedness The Company has, and will continue to have, a significant amount of indebtedness. In addition, the Company, American and their respective subsidiaries may incur substantial additional debt, including secured debt, in the future. As discussed earlier in this Report, the Company’s substantial indebtedness could have important consequences. For example, it could (i) limit the Company’s ability to obtain additional financing for working capital, capital expenditures, acquisitions and general corporate purposes, (ii) require the Company to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the funds available for other purposes, (iii) make the Company more vulnerable to economic downturns, (iv) limit its ability to withstand competitive pressures and reduce its flexibility in responding to changing business and economic conditions and, (v) limit the Company’s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates.

Credit Facility Covenants American has a fully drawn $834 million bank credit facility that expires December 15, 2005, which contains a liquidity covenant and an EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and rentals, adjusted for certain non-cash items) to fixed charges (generally, interest and total rentals) ratio covenant. The Company expects to be able to continue to comply with these covenants. However, it cannot be sure that it will continue to be able to do so through the expiration of the facility. Failure to do so would result in a default under this facility and a significant amount of American’s other debt.

Fuel Prices / Supply Due to the competitive nature of the airline industry, in the event of continuing increases in the price of jet fuel, there can be no assurance that the Company will be able to pass on increased fuel prices to its customers by increasing its fares. Likewise, increased fare competition and lower revenues for all air carriers may offset any potential benefit of lower fuel prices. As of December 31, 2003, the Company had hedged approximately 21 percent of its expected first quarter 2004 fuel requirements, and a much lower percentage of its expected fuel requirements beyond March 31, 2004.

While the Company does not currently anticipate a significant reduction in fuel availability, dependency on foreign imports of crude oil and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. In the event there is an outbreak of hostilities or other conflicts in oil producing areas or elsewhere, there could be reductions in the production and/or importation of crude oil and/or significant increases in the cost of fuel. If there were major reductions in the availability of jet fuel or significant increases in its cost, or if current high prices are sustained for a significant period of time, the Company's business, as well as that of the entire industry, would be adversely affected.

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

Restructuring Program As discussed in the Overview to this Item, the Company is continuing to implement a restructuring program. The ability of the Company to successfully implement the program without affecting operational performance and service levels is not assured.

Changing Business Strategy The Company evaluates its assets on an ongoing basis with a view to maximizing their value to the Company and determining which are core to its operations. It also evaluates its business strategies. The Company may change its business strategy in the future and may not pursue some of the goals stated herein.

Reduced Pricing Power The Company has reduced pricing power, resulting mainly from greater cost sensitivity on the part of travelers, especially business travelers, and increasing competition from low cost carriers. The percentage of routes on which the Company competes with carriers having substantially lower operating costs has grown significantly over the past decade. The Company now competes with low cost carriers on most of its domestic network. At the same time, the continuous increase in pricing transparency resulting from the use of the Internet has enabled cost conscious customers to more easily obtain the lowest fare on any given route.

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

Military Involvement Prior to the war in Iraq, the increased threat of U.S. military involvement in overseas operations had a significant adverse impact on the Company's business, financial position (including access to capital markets) and results of operations and on the airline industry in general. Furthermore, the war in Iraq had a significant adverse impact on international and domestic revenues and future bookings. The continuing U.S. military involvement in Iraq, or other conflicts in the Middle East or elsewhere, may result in a similar adverse impact.

Terrorist Attacks As described elsewhere in this Report, the events of September 11, 2001 had a material adverse impact on the Company. The occurrence of another terrorist attack (whether domestic or international and whether against the Company or another entity) would again have a material adverse impact on the Company, its finances and/or its operations.

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

Diseases In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (SARS), which primarily had an adverse impact on the Company's Pacific operations. If there were another outbreak of a disease (such as SARS) that affects travel behavior, it could have a material adverse impact on the Company's operations.

Uncertainty of Future Collective Bargaining Agreements and Events The Company's operations could be adversely affected by failure of the Company to reach agreement with any labor union representing the Company's employees. In addition, a dispute between the Company and an employee work group (outside the confines of a collective bargaining agreement) could adversely impact the Company's operations.

Need for Additional Liquidity The Company needs additional liquidity because of its significant debt obligations maturing in the next several years, as well as substantial, and increasing pension funding obligations. The Company's ability to obtain future financing or to sell assets may also be adversely affected because American has fewer unencumbered assets available than in years past. In recent years, a large portion of the aircraft assets (including virtually all of the aircraft eligible for benefits of Section 1110 of the U.S. Bankruptcy Code) have been encumbered. The ability to borrow against or sell those assets on acceptable terms is uncertain and, in any event, those assets may not maintain their current market value. To maintain sufficient liquidity as the Company continues to implement the Turnaround Plan, the Company will need continued access to additional funding. If the revenue environment deteriorates beyond normal seasonal trends, or the Company is unable to access the capital markets, it may be unable to fund its obligations and sustain its operations in the long-term.

Credit Ratings Since the September 11, 2001 terrorist attacks, AMR's and American's credit ratings have been lowered significantly. These reductions have increased borrowing costs and limited borrowing options. Additional significant reductions in the credit ratings could further increase borrowing or other costs and further restrict the availability of future financing.

Insurance Costs 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 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, these insurers significantly increased the premiums for aviation insurance in general. The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines until August 31, 2004, covering losses to employees, passengers, third parties and aircraft. 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. If the U.S. government does not extend the policy beyond August 31, 2004, the Company will attempt to purchase similar coverage with narrower scope from commercial insurers at an additional cost. To the extent this coverage is not available at commercially reasonable rates, the Company's results of operations would be negatively affected. In addition, in the event commercial insurance carriers further reduce the amount of insurance coverage available to the Company, or significantly increase its cost, the Company's operations and/or financial position and results of operations would be adversely affected.

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

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Therefore, actual results may differ. The Company does not hold or issue derivative financial instruments for trading purposes. See Note 7 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by using jet fuel, heating oil, and crude oil swap and option contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2003 and 2002 cost per gallon of fuel. Based on projected 2004 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $268 million in 2004, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2003, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2003 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $205 million in 2003, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2002. The change in market risk is due to the increase in fuel prices and a decrease in the amount of fuel hedged. Beginning in March 2003, because of the Company's then existing financial condition, the Company stopped entering into new hedge contracts 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. As of December 31, 2003, the Company had hedged, with option contracts, approximately 12 percent of its estimated 2004 fuel requirements, or approximately 21 percent of its estimated first quarter 2004 fuel requirements, 16 percent of its second quarter 2004 estimated fuel requirements and six percent of its estimated fuel requirements for the remainder of 2004. Comparatively, as of December 31, 2002 the Company had hedged 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. The Company's credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. Previously, the Company used options to hedge a portion of its anticipated foreign currency-denominated ticket sales. After determining its foreign currency hedge program's impact was no longer materially beneficial, the Company discontinued entering into foreign currency hedges. The Company plans to periodically evaluate its foreign currency exposure to determine whether its foreign currency hedge program should be reinstated. The result of a uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2003 and 2002 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $77 million and $65 million for the years ending December 31, 2004 and 2003, respectively, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2004 and 2003 foreign currency-denominated revenues and expenses as of December 31, 2003 and 2002, respectively.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company's largest exposure with respect to variable-rate debt comes from changes in the London Interbank Offered Rate (LIBOR). The Company had variable-rate debt instruments representing approximately 37 percent and 43 percent of its total long-term debt at December 31, 2003 and 2002, respectively, and interest rate swaps on notional amounts of approximately $138 million at December 31, 2002. If the Company's interest rates average 10 percent more in 2004 than they did at December 31, 2003, the Company's interest expense would increase by approximately $13 million and interest income from cash and short-term investments would increase by approximately $4 million. In comparison, at December 31, 2002, the Company estimated that if interest rates averaged 10 percent more in 2003 than they did at December 31, 2002, the Company's interest expense would have increased by approximately $15 million and interest income from cash and short-term investments would have increased by approximately $5 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company's variable-rate long-term debt, interest rate swap agreements, and cash and short-term investment balances at December 31, 2003 and 2002.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately $372 million and $395 million as of December 31, 2003 and 2002, respectively. The change in market risk is due primarily to the increase in the Company's fixed-rate long-term debt during 2003. The fair values of the Company's long-term debt were estimated using quoted market prices or discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

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

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AMR Corporation

We have audited the accompanying consolidated balance sheets of AMR Corporation as of December 31, 2003 and 2002, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMR Corporation at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 11 to the consolidated financial statements, effective January 1, 2002 the Company changed its method of accounting for its goodwill and other intangible assets as required by Statement of Financial Accounting Standards No. 142, "Accounting for Goodwill and Other Intangible Assets."

/s/ **ERNST & YOUNG LLP**

Dallas, Texas
February 16, 2004

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

	Year Ended December 31,		
	2003	2002	2001
Revenues			
Passenger — American Airlines	$14,332	$14,440	$15,780
— Regional Affiliates	1,519	1,431	1,428
Cargo	558	561	662
Other revenues	1,031	988	1,099
Total operating revenues	17,440	17,420	18,969
Expenses			
Wages, salaries and benefits	7,264	8,392	8,032
Aircraft fuel	2,772	2,562	2,888
Depreciation and amortization	1,377	1,366	1,404
Other rentals and landing fees	1,173	1,198	1,197
Commissions, booking fees and credit card expense	1,063	1,163	1,540
Maintenance, materials and repairs	860	1,108	1,165
Aircraft rentals	687	840	829
Food service	611	698	778
Other operating expenses	2,428	2,715	2,996
Special charges	407	718	1,466
U.S. government grant	(358)	(10)	(856)
Total operating expenses	18,284	20,750	21,439
Operating Loss	(844)	(3,330)	(2,470)
Other Income (Expense)			
Interest income	55	71	110
Interest expense	(703)	(685)	(538)
Interest capitalized	71	86	144
Miscellaneous — net	113	(2)	(2)
	(464)	(530)	(286)
Loss Before Income Taxes and Cumulative Effect of Accounting Change	(1,308)	(3,860)	(2,756)
Income tax benefit	(80)	(1,337)	(994)
Loss Before Cumulative Effect of Accounting Change	(1,228)	(2,523)	(1,762)
Cumulative Effect of Accounting Change, Net of Applicable Income Taxes	—	(988)	—
Net Loss	$ (1,228)	$ (3,511)	$ (1,762)
Loss Per Share:			
Basic and Diluted			
Loss before cumulative effect of accounting change	$ (7.76)	$ (16.22)	$ (11.43)
Cumulative effect of accounting change	—	(6.35)	—
Net loss	$ (7.76)	$ (22.57)	$ (11.43)

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

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

	December 31,	
	2003	2002
Assets		
Current Assets		
Cash	$ 120	$ 104
Short-term investments	2,486	1,846
Restricted cash and short-term investments	527	783
Receivables, less allowance for uncollectible accounts (2003 - $62; 2002 - $66)	796	909
Income tax receivable	—	572
Inventories, less allowance for obsolescence (2003 - $428; 2002 - $450)	516	627
Other current assets	237	96
Total current assets	4,682	4,937
Equipment and Property		
Flight equipment, at cost	21,366	21,158
Less accumulated depreciation	6,047	6,117
	15,319	15,041
Purchase deposits for flight equipment	359	767
Other equipment and property, at cost	4,820	4,738
Less accumulated depreciation	2,409	2,288
	2,411	2,450
	18,089	18,258
Equipment and Property Under Capital Leases		
Flight equipment	2,291	2,245
Other equipment and property	167	165
	2,458	2,410
Less accumulated amortization	1,087	974
	1,371	1,436
Other Assets		
Route acquisition costs and airport operating and gate lease rights, less accumulated amortization (2003 - $284; 2002 - $257)	1,253	1,292
Other	3,935	4,344
	5,188	5,636
Total Assets	$29,330	$30,267

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

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

	December 31,	
	2003	**2002**
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	$ 967	$ 1,198
Accrued salaries and wages	528	705
Accrued liabilities	1,461	1,855
Air traffic liability	2,799	2,614
Current maturities of long-term debt	603	713
Current obligations under capital leases	201	155
Total current liabilities	6,559	7,240
Long-Term Debt, Less Current Maturities	11,901	10,888
Obligations Under Capital Leases, Less Current Obligations	1,225	1,422
Other Liabilities and Credits		
Deferred gains	520	487
Pension and postretirement benefits	4,803	4,730
Other liabilities and deferred credits	4,276	4,543
	9,599	9,760
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock — 20,000,000 shares authorized; None issued	—	—
Common stock — $1 par value; 750,000,000 shares authorized; 182,350,259 shares issued	182	182
Additional paid-in capital	2,605	2,795
Treasury shares at cost: 2003 — 22,768,027; 2002 — 26,260,620	(1,405)	(1,621)
Accumulated other comprehensive loss	(785)	(1,076)
Retained (deficit) earnings	(551)	677
	46	957
Total Liabilities and Stockholders' Equity	$29,330	$30,267

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

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AMR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2003	2002	2001
Cash Flow from Operating Activities:			
Net Loss	$(1,228)	$(3,511)	$(1,762)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	1,222	1,210	1,122
Amortization	155	156	282
Provisions for asset impairments and special charges	190	463	1,214
Goodwill impairment	—	988	—
Gain on sale of investments	(154)	—	—
Deferred income taxes	—	(845)	(731)
Additional tax refunds due to tax law change	—	371	—
Redemption payments under operating leases for special facility revenue bonds	(521)	—	—
Change in assets and liabilities:			
Decrease (increase) in receivables	690	(66)	120
Decrease (increase) in inventories	56	48	(39)
Increase (decrease) in accounts payable and accrued liabilities	(198)	(32)	379
Increase (decrease) in air traffic liability	184	(154)	(276)
Increase in other liabilities and deferred credits	245	188	165
Other, net	(40)	73	68
Net cash provided (used) by operating activities	601	(1,111)	542
Cash Flow from Investing Activities:			
Capital expenditures, including purchase deposits on flight equipment	(680)	(1,881)	(3,640)
Acquisition of Trans World Airlines, Inc.	—	—	(742)
Net (increase) decrease in short-term investments	(640)	540	(242)
Net decrease (increase) in restricted cash and short-term investments	256	(248)	(535)
Proceeds from sale of equipment and property and other investments	395	220	401
Other	24	(24)	18
Net cash used for investing activities	(645)	(1,393)	(4,740)
Cash Flow from Financing Activities:			
Payments on long-term debt and capital lease obligations	(886)	(687)	(922)
Proceeds from:			
Issuance of long-term debt	945	3,099	4,744
Sale-leaseback transactions	—	91	352
Exercise of stock options	1	3	37
Net cash provided by financing activities	60	2,506	4,211
Net increase in cash	16	2	13
Cash at beginning of year	104	102	89
Cash at end of year	$ 120	$ 104	$ 102
Activities Not Affecting Cash			
Flight equipment acquired through seller financing	$ 735	$ —	$ —
Capital lease obligations incurred	$ 140	$ —	$ —
Reduction to capital lease and other obligations	$ (190)	$ —	$ —

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

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

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at January 1, 2001	$182	$2,911	$(1,865)	$ (2)	$ 5,950	$ 7,176
Net loss	—	—	—	—	(1,762)	(1,762)
Adjustment for minimum pension liability	—	—	—	(161)	—	(161)
Changes in fair value of derivative financial instruments	—	—	—	(75)	—	(75)
Unrealized gain on investments	—	—	—	5	—	5
Income tax effect	—	—	—	87	—	87
Total comprehensive loss						(1,906)
Issuance of 2,421,838 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax of $58	—	(46)	149	—	—	103
Balance at December 31, 2001	182	2,865	(1,716)	(146)	4,188	5,373
Net loss	—	—	—	—	(3,511)	(3,511)
Adjustment for minimum pension liability	—	—	—	(1,122)	—	(1,122)
Changes in fair value of derivative financial instruments	—	—	—	143	—	143
Unrealized loss on investments	—	—	—	(6)	—	(6)
Income tax effect	—	—	—	55	—	55
Total comprehensive loss						(4,441)
Issuance of 1,533,760 shares from Treasury pursuant to stock option, deferred stock and restricted stock incentive plans, net of tax of $2	—	(70)	95	—	—	25
Balance at December 31, 2002	182	2,795	(1,621)	(1,076)	677	957
Net loss	—	—	—	—	(1,228)	(1,228)
Adjustment for minimum pension liability	—	—	—	337	—	337
Changes in fair value of derivative financial instruments	—	—	—	(43)	—	(43)
Unrealized loss on investments	—	—	—	(3)	—	(3)
Income tax effect	—	—	—	—	—	—
Total comprehensive loss						(937)
Issuance of 3,492,593 shares from Treasury to vendors and employees pursuant to stock option and deferred stock incentive plans	—	(190)	216	—	—	26
Balance at December 31, 2003	$182	$2,605	$(1,405)	$ (785)	$ (551)	$ 46

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

1. Summary of Accounting Policies

Basis of Presentation The accompanying consolidated financial statements include the accounts of AMR Corporation (AMR or the Company) and its wholly owned subsidiaries, including its principal subsidiary American Airlines, Inc. (American). On April 9, 2001, American (through a wholly owned subsidiary, TWA Airlines LLC (TWA LLC)) purchased substantially all of the assets of Trans World Airlines, Inc. (TWA) and assumed certain liabilities. TWA was the eighth largest U.S. carrier, with a primary domestic hub in St. Louis. American funded the acquisition of TWA's assets with its existing cash and short-term investments. The acquisition of TWA was accounted for under the purchase method of accounting and, accordingly, the operating results of TWA LLC since the date of acquisition have been included in the accompanying consolidated financial statements. All significant intercompany transactions have been eliminated. Certain amounts have been reclassified to conform with the 2003 presentation.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted Cash and Short-term Investments The Company has restricted cash and short-term investments related primarily to collateral held to support projected workers' compensation obligations and various other obligations.

Inventories Spare parts, materials and supplies relating to flight equipment are carried at average acquisition cost and are expensed when used in operations. Allowances for obsolescence are provided — over the estimated useful life of the related aircraft and engines — for spare parts expected to be on hand at the date aircraft are retired from service. Allowances are also provided for spare parts currently identified as excess. These allowances are based on management estimates, which are subject to change.

Maintenance and Repair Costs Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except costs incurred for maintenance and repair under flight hour maintenance contract agreements, which are accrued based on contractual terms.

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

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

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

1. Summary of Accounting Policies (Continued)

Equipment and Property The provision for depreciation of operating equipment and property is computed on the straight-line method applied to each unit of property, except that major rotable parts, avionics and assemblies are depreciated on a group basis. The depreciable lives used for the principal depreciable asset classifications are:

	Depreciable Life
American jet aircraft and engines	20 – 30 years
ATR 42 aircraft	2004[1]
Saab 340 aircraft	2005[1]
Other regional aircraft and engines	16 – 20 years
Major rotable parts, avionics and assemblies	Life of equipment to which applicable
Improvements to leased flight equipment	Term of lease
Buildings and improvements (principally on leased land)	10-30 years or term of lease
Furniture, fixtures and other equipment	3-10 years
Capitalized software	3-10 years

1 Approximate final aircraft retirement date.

Residual values for aircraft, engines, major rotable parts, avionics and assemblies are generally five to ten percent, except when guaranteed by a third party for a different amount.

Equipment and property under capital leases are amortized over the term of the leases or, in the case of certain aircraft, over their expected useful lives. Lease terms vary but are generally ten to 25 years for aircraft and seven to 40 years for other leased equipment and property.

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

Regional Affiliates Revenue from ticket sales is generally recognized when service is provided. Regional Affiliates revenues for flights connecting to American flights are allocated based on industry standard mileage proration agreements.

Passenger Revenue Passenger ticket sales are initially recorded as a component of Air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized, including breakage. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company’s historical experience, and are generally recorded at the time of sale.

1. Summary of Accounting Policies (Continued)

Frequent Flyer Program The estimated incremental cost of providing free travel awards is accrued when such award levels are reached. American sells mileage credits and related services to companies participating in its frequent flyer program. The portion of the revenue related to the sale of mileage credits, representing the revenue for air transportation sold, is valued at current market rates and is deferred and amortized over 28 months, which approximates the expected period over which the mileage credits are used. The remaining portion of the revenue, representing the marketing products sold and administrative costs associated with operating the AAdvantage program, is recognized upon sale, as the related services have been provided.

Tax Contingencies The Company has reserves for taxes and associated interest that may become payable in future years as a result of audits by tax authorities. Although the Company believes that the positions taken on previously filed tax returns are appropriate, it nevertheless has established tax and interest reserves in recognition that various taxing authorities may challenge the positions taken by the Company resulting in additional liabilities for taxes and interest. The tax reserves are reviewed as circumstances warrant and adjusted as events occur that affect the Company's potential liability for additional taxes, such as lapsing of applicable statutes of limitations, conclusion of tax audits, additional exposure based on current calculations, identification of new issues, release of administrative guidance, or rendering of a court decision affecting a particular tax issue.

Advertising Costs The Company expenses the costs of advertising as incurred. Advertising expense was $150 million, $161 million and $202 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Stock Options The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Under APB 25, no compensation expense is recognized for stock option grants if the exercise price of the Company's stock option grants is at or above the fair market value of the underlying stock on the date of grant. The Company has adopted the pro forma disclosure features of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". As required by SFAS 123, pro forma information regarding net loss and loss per share have been determined as if the Company had accounted for its employee stock options and awards granted using the fair value method prescribed by SFAS 123. The fair value for the stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2003, 2002 and 2001: risk-free interest rates ranging from 2.93% to 4.58%; dividend yields of 0%; expected stock volatility ranging from 45% to 55%; and expected life of the options ranging from 3.6 years to 4.5 years.

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

	Year Ended December 31,		
	2003	2002	2001
Net Loss, as reported	$(1,228)	$(3,511)	$(1,762)
Add: Stock-based employee compensation expense included in reported net loss, net of tax	20	5	14
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards, net of tax	(79)	(36)	(31)
Pro forma net loss	$(1,287)	$(3,542)	$(1,779)
Basic and diluted loss per share:			
As reported	$ (7.76)	$(22.57)	$(11.43)
Pro forma	$ (8.13)	$(22.77)	$(11.54)

2. Special charges and U.S. government grant

In early 2001, the economic slowdown in the U.S. resulted in a sharp decline in the Company's revenues. This slowdown was accelerated and exacerbated by the terrorist attacks on September 11, 2001. As a result, the Company reduced its operating schedule by approximately 20 percent and reduced its workforce by approximately 20,000 jobs in the fourth quarter 2001. Subsequent to these events, the Company determined that the revenue decrease would likely persist indefinitely and that achieving $4 billion in annual capacity-independent cost savings was necessary to offset the revenue decline. The Company initiated the following restructuring activities to realize this goal:

- In 2002, the Company announced a series of initiatives to reduce its costs by $2 billion. These initiatives are being implemented through 2005, and involve: (i) scheduling efficiencies, including the de-peaking of certain of its hubs, (ii) fleet simplification, (iii) streamlined customer interaction, (iv) distribution modifications, (v) in-flight product changes, (vi) operational changes and (vii) headquarters/administration efficiencies. As a result of the initiatives, the Company reduced an estimated 7,000 jobs by March 2003.

- 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. In April 2003, American reached agreements with its three unions (the Labor Agreements) and also implemented various changes in the pay plans and benefits for non-unionized personnel, including officers and other management (the Management Reductions), which resulted in additional workforce reductions. In addition, the Company and American 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 or American 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.

As a result of the Company's continuing restructuring activities, the Company has recorded a number of special charges. Special charges (credits) for the years ended December 31, 2003, 2002 and 2001 included the following (in millions):

	Year Ended December 31,		
	2003	2002	2001
Aircraft charges	$321	$658	$1,237
Employee charges	92	57	71
Facility exit costs	62	3	115
Other	(68)	—	43
Total special charges	$407	$718	$1,466

Year	Description of Charge	Amount (millions)
Aircraft charges		
2003	Accelerated the planned retirement of Airbus A300 aircraft and permanently retired Boeing 767-200 aircraft and four Boeing 767-200 ER aircraft. Aircraft and related Airbus A300 rotables were written down to fair value.*	$264
	Retired 11 Boeing 757 leased aircraft and accrued future lease commitments and lease return condition costs	77
	Adjusted prior accruals for lease return and other costs initially recorded as a component of Special charges	(20)
		$321

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2. Special charges and U.S. government grant (Continued)

Year	Description of Charge	Amount (millions)
Aircraft charges (Continued)		
2002	Accelerated the planned retirement of Fokker 100, Saab 340 and ATR 42 aircraft. Aircraft and related rotables and excess inventory were written down to fair value. *	$ 370
	Retired nine leased Boeing 767-300 aircraft and accelerated the retirement of four leased Fokker 100 aircraft. Accrued future lease commitments and lease return costs. Excess Boeing 767-300 inventory and related rotables were written down to fair value.	189
	Accrued contract cancellation costs and other costs related to discontinued aircraft modifications	99
		$ 658
2001	Accelerated the planned retirement of Fokker 100, Saab 340 and ATR 42 aircraft and retired five Boeing 727-200 and one McDonnell Douglas MD-80 aircraft. Aircraft, related Fokker 100, Saab 340 and ATR 42 rotables and certain other aircraft modifications were written down to fair value. *	$1,172
	Retired leased McDonnell Douglas DC-9 and Boeing 717 aircraft and eight leased McDonnell Douglas MD-80 aircraft and accrued future lease commitments and lease return costs	65
		$1,237
Employee charges		
2003	Reduced approximately 9,300 jobs across all work groups** (by June 2004) in conjunction with the Management Reductions and the Labor Agreements and the reduction of the St. Louis hub. Accrued primarily severance costs.	$ 76
	Recognized curtailment loss as discussed in Note 10	46
	Accrued severance charges related to the 2002 workforce reduction discussed below	25
	Other	4
	Reduced vacation accrual to reflect new lower pay scales and maximum vacation caps and wrote off a note receivable from one of the Company's three major unions in conjunction with the Labor Agreements and the Management Reductions	(59)
		$ 92
2002	Reduced approximately 7,000 jobs by March 2003 across all work groups** to realign workforce with planned capacity reductions, fleet simplification, and hub restructurings. Accrued severance and benefits related to voluntary programs in accordance with collective bargaining agreements with pilot and flight attendant work groups.	$ 57

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2. Special charges and U.S. government grant (Continued)

Year	Description of Charge	Amount (millions)
Employee charges (Continued)		
2001	Reduced workforce by approximately 20,000 jobs across all work groups**. Accrued primarily severance and benefits.	$ 71
Facility exit costs		
2003	Accrued the fair value of future lease commitments and wrote-off certain prepaid rental amounts and leasehold improvements related to certain excess airport space that will no longer be used	$ 45
	Reduced the size of the St. Louis hub and accrued the fair value of certain future lease commitments	12
	Other	5
		$ 62
2001	Discontinued service at Dallas Love Field Airport and closed six Admiral's Clubs, five airport Platinum Service Centers and approximately 105 off-airport Travel Centers in 37 cities. Accrued the fair value of future lease commitments and wrote-off certain leasehold improvements and fixed assets.	$ 87
	Sold terminal facilities lease rights at the Raleigh-Durham International Airport to the Raleigh-Durham Airport Authority. Accrued residual cost less sales proceeds.	28
		$115

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

** Work groups include pilots, flight attendants, mechanics, fleet service clerks, agents, management and support staff personnel.

2. Special charges and U.S. government grant (Continued)

Other

As part of the Vendor Agreements discussed above, American sold 33 Fokker 100 aircraft (with a minimal net book value), issued a $23 million non-interest-bearing note, payable in installments and maturing in December 2010, entered into short-term leases on these aircraft and issued shares of AMR common stock as discussed in Note 9. In exchange, approximately $130 million of debt related to certain of the Fokker 100 aircraft was retired. 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 retired, the Company recognized a gain of approximately $68 million. If the certain events described above do not occur, the Company expects to recognize an additional gain of approximately $37 million in December 2005.

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):

	Aircraft Charges	Facility Exit Costs	Employee Charges	Other	Total
2001					
Special charges	$ 1,237	$115	$ 71	$ 43	$ 1,466
Non-cash charges	(1,179)	(93)	—	—	(1,272)
Payments	—	(2)	(71)	(43)	(116)
Remaining accrual at December 31, 2001	58	20	—	—	78
2002					
Special charges	658	3	57	—	718
Non-cash charges	(460)	(3)	—	—	(463)
Payments	(47)	(3)	(13)	—	(63)
Remaining accrual at December 31, 2002	209	17	44	—	270
2003					
Special charges	341	62	92	(68)	427
Adjustments	(20)				(20)
Non-cash charges	(264)	(17)	23	68	(190)
Payments	(69)	(6)	(133)	—	(208)
Remaining accrual at December 31, 2003	$ 197	$ 56	$ 26	$ —	$ 279

Cash outlays related to the accruals, as of December 31, 2003, for aircraft charges, facility exit costs and employee charges will occur through 2014, 2018 and 2004, respectively.

2. Special charges and U.S. government grant (Continued)

U.S. government grant

In April 2003, the President signed the Emergency Wartime Supplemental Appropriations Act, 2003 (the Appropriations Act), which includes provisions authorizing payment of $2.3 billion to reimburse air carriers for increased security costs in proportion to the amounts each carrier had paid or collected in passenger security and air carrier security fees to the Transportation Security Administration (the Security Fee Reimbursement). The Company's Security Fee Reimbursement was $358 million (net of payments to independent regional affiliates) and is included in U.S. government grant in the accompanying consolidated statement of operations. The Appropriations 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 its Security Fee Reimbursement. The Company does not anticipate any difficulties in complying with this limitation on executive compensation.

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Stabilization Act). The Company received a total of $866 million from the U.S. government under the airline compensation provisions of the Stabilization Act. For the years ended December 31, 2002 and 2001, the Company recognized approximately $10 million and $856 million, respectively, which is included in U.S. government grant on the accompanying consolidated statements of operations.

In addition, the Stabilization Act provides for compensation to individual claimants who were physically injured or killed as a result of the terrorist attacks of September 11, 2001. Furthermore, the Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist-related events of September 11, 2001 against any air carrier shall not exceed the liability coverage maintained by the air carrier. Based upon estimates provided by the Company's insurance providers, the Company recorded a liability of approximately $2.3 billion for claims arising from the events of September 11, 2001, after considering the liability protections provided for by the Stabilization Act. The Company has also recorded a liability of approximately $637 million related to flight 587, which crashed on November 12, 2001. In addition, the Company has recorded a receivable for these amounts, which the Company expects to recover from its insurance carriers as claims are resolved. These insurance receivables and liabilities are classified as Other assets and Other liabilities and deferred credits on the accompanying consolidated balance sheets, respectively, and are based on reserves established by the Company's insurance carriers. These estimates may be revised as additional information becomes available concerning the expected claims. One of the Company's insurance carriers has entered liquidation. The carrier provides approximately five percent of the Company's coverage related to the events of September 11, 2001 and flight 587, as well as other covered items. This results in approximately $100 million in receivables, net of reserves, from the insurance carrier as of December 31, 2003. The Company expects to recover the net receivable via the liquidation process or other means available.

3. Investments

Short-term investments consisted of (in millions):

	December 31,	
	2003	2002
Overnight investments and time deposits	$ 718	$ 572
Corporate and bank notes	1,245	832
U. S. government agency notes	496	285
U. S. government agency mortgages	17	142
Other	10	15
	$2,486	$1,846

Short-term investments at December 31, 2003, by contractual maturity included (in millions):

Due in one year or less	$1,495
Due between one year and three years	974
Due after three years	17
	$2,486

All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses, net of deferred taxes, are reflected as a component of Accumulated other comprehensive loss.

As of December 31, 2003, the Company had approximately $166 million in fuel prepayments and credit card holdback deposits classified as Other current assets and Other assets in the accompanying consolidated balance sheet.

During 2003, the Company sold its interests in Worldspan, a computer reservations company, and Hotwire, a discount travel website. The Company received $180 million in cash and a $39 million promissory note for its interest in Worldspan. It received $84 million in cash, $80 million of which was recognized as a gain, for its interest in Hotwire. In addition, during 2003, the Company sold a portion of its interest in Orbitz, a travel planning website, in connection with an Orbitz initial public offering and a secondary offering, resulting in total proceeds of $65 million, and a gain of $70 million. The gains on the sale of the Company’s interests in Hotwire and Orbitz are included in Miscellaneous-net in the accompanying consolidated statement of operations.

4. Commitments, Contingencies and Guarantees

As of December 31, 2003, the Company had commitments to acquire: 36 Embraer regional jets and six Bombardier CRJ-700s in 2004; an aggregate of 38 Embraer regional jets in 2005 and 2006; and an aggregate of 47 Boeing 737-800s and nine Boeing 777-200ERs in 2006 through 2010. Future payments for all aircraft, including the estimated amounts for price escalation, will approximate $755 million in 2004, $711 million in 2005, $669 million in 2006 and an aggregate of approximately $1.9 billion in 2007 through 2010. The Company has pre-arranged financing or backstop financing for all of its aircraft deliveries through June 2005 (42 aircraft in 2004 and 20 aircraft in 2005).

American has granted Boeing a security interest in American’s purchase deposits with Boeing. These purchase deposits totaled $277 million as of December 31, 2003.

4. Commitments, Contingencies and Guarantees (Continued)

The Company has contracts related to facility construction or improvement projects, primarily at airport locations. The contractual obligations related to these projects totaled approximately $600 million as of December 31, 2003. The Company expects to make payments related to these projects as follows: $250 million in 2004, $188 million in 2005, $93 million in 2006 and $69 million in 2007. In addition, the Company has an information technology support related contract that requires minimum annual payments of $158 million through 2013.

The Company has capacity purchase agreements with two regional airlines, Chautauqua Airlines, Inc. (Chautauqua) and Trans States Airlines, Inc. (collectively the American Connection carriers) to provide Embraer EMB-140/145 regional jet services to certain markets under the brand “American Connection”. Under these arrangements, the Company pays the American Connection carriers a fixed fee per block hour to operate the aircraft. The block hour fees are designed to cover the American Connection carriers’ fully allocated costs. Assumptions for highly volatile or uncontrollable costs such as fuel, landing fees, insurance, and aircraft ownership are trued up to actual values on a pass through basis. In addition to covering the cost of operations, the Company also pays a designed profit margin to the American Connection carriers. In consideration for these payments, the Company retains all passenger and other revenues resulting from the operation of the American Connection regional jets. Minimum payments under the contracts are $95 million in 2004, $69 million in 2005, $70 million in 2006, $71 million in 2007 and $20 million in 2008. However, based on expected utilization, the Company expects to make payments of $162 million in 2004, $164 million in 2005, $166 million in 2006, $168 million in 2007, $170 million in 2008 and $854 million in 2009 and beyond. In addition, if the Company terminates the Chautauqua contract without cause, Chautauqua has the right to put its Embraer aircraft to the Company. If this were to happen, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019.

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. The Company is not able to estimate the potential amount of any liability resulting from the indemnities. These indemnities are discussed in the following paragraphs.

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

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

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

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

4. Commitments, Contingencies and Guarantees (Continued)

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

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

AMR and American have event risk covenants in approximately $2.0 billion of indebtedness and operating leases as of December 31, 2003. These covenants permit the holders of such obligations to receive a higher rate of return (between 100 and 650 basis points above the stated rate) if a designated event, as defined, should occur and the credit ratings of such obligations are downgraded below certain levels within a certain period of time. No designated event, as defined, has occurred as of December 31, 2003.

The Company is subject to environmental issues at various other airport and non-airport locations for which it has accrued $72 million and $92 million, which are included in Accrued liabilities on the accompanying consolidated balance sheets, at December 31, 2003 and 2002, respectively. Management believes, after considering a number of factors, that the ultimate disposition of these environmental issues is not expected to materially affect the Company's consolidated financial position, results of operations or cash flows. Amounts recorded for environmental issues are based on the Company's current assessments of the ultimate outcome and, accordingly, could increase or decrease as these assessments change.

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

5. Leases

As discussed in Note 2, in 2003, 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, 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 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 accompanying 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 $24 million in additional operating lease payments and $11 million in additional payments related to capital leases as of December 31, 2003. This amount will increase to approximately $119 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. These amounts are being accounted for as contingent rentals and will only be recognized if they become payable.

5. Leases (Continued)

AMR's subsidiaries lease various types of equipment and property, primarily aircraft and airport facilities. The future minimum lease payments required under capital leases, together with the present value of such payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2003, were (in millions):

Year Ending December 31,	Capital Leases	Operating Leases
2004	$ 325	$ 1,114
2005	256	1,056
2006	256	990
2007	187	968
2008	224	916
2009 and subsequent	1,111	8,387
	2,359	$13,431(1)
Less amount representing interest	933	
Present value of net minimum lease payments	$1,426	

(1) As of December 31, 2003, included in Accrued liabilities and Other liabilities and deferred credits on the accompanying consolidated balance sheet is approximately $1.3 billion relating to rent expense being recorded in advance of future operating lease payments.

At December 31, 2003, the Company had 259 jet aircraft and 27 turboprop aircraft under operating leases and 99 jet aircraft and 13 turboprop aircraft under capital leases. 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 a predetermined fixed amount.

Special facility revenue bonds have been issued by certain municipalities primarily to purchase equipment and improve airport facilities that are leased by American and accounted for as operating leases. Approximately $1.8 billion of these bonds (with total future payments of approximately $4.8 billion as of December 31, 2003) are guaranteed by American, AMR, or both. Approximately $532 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds at various times: $112 million in 2004, $104 million in 2005, $28 million in 2006, $100 million in 2007 and $188 million in 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 reduce existing rent leveling accruals or be considered prepaid facility rentals and would reduce future operating lease commitments. The special facility revenue bonds that contain mandatory tender provisions are included in the table above at their ultimate maturity date rather than their mandatory tender provision date.

Rent expense, excluding landing fees, was $1.4 billion, $1.6 billion and $1.7 billion in 2003, 2002 and 2001, respectively.

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5. Leases (Continued)

Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities", revised in December 2003, (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 an unconsolidated VIE in which the Company holds a significant variable interest. The provisions of Interpretation 46 were effective immediately for any interest in a VIE acquired after January 31, 2003 and beginning in the fourth quarter of 2003 for any interest in a VIE commonly referred to as special-purpose entity that was acquired before February 1, 2003. The Financial Accounting Standards Board deferred the effective date of Interpretation 46 to the first quarter of 2004 for any other interests in a VIE acquired before February 1, 2003. Certain entities, including entities established by municipalities for the purpose of issuing special facility revenue bonds, are not subject to the provisions of Interpretation 46. In addition, certain entities with which the Company has capacity purchase agreements are not considered VIEs, as they are considered businesses as defined by Interpretation 46.

The Company has completed its evaluation of its interests in VIEs, including certain aircraft operating leases with fixed price purchase options and certain fuel consortia arrangements. The Company has determined that it holds a significant variable interest in, but is not the primary beneficiary of, 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 of its various fuel consortia arrangements. As a result, Interpretation 46 has had no impact on the Company's consolidated statement of operations or balance sheet.

American has 88 aircraft 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 December 31, 2003, future lease payments required under these leases totaled $3.2 billion.

6. Indebtedness

Long-term debt consisted of (in millions):

	December 31,	
	2003	2002
Secured variable and fixed rate indebtedness due through 2021 (effective rates from 1.61% - 9.16% at December 31, 2003)	$ 6,041	$ 5,474
Enhanced equipment trust certificates due through 2011 (rates from 1.8% - 9.1% at December 31, 2003)	3,747	3,623
6.0% - 8.5% special facility revenue bonds due through 2036	947	1,035
Credit facility agreement due in 2005 (4.68% at December 31, 2003)	834	834
9.0% - 10.20% debentures due through 2021	330	330
7.88% - 10.55% notes due through 2039	303	303
4.25% senior convertible notes due 2023	300	—
Other	2	2
	12,504	11,601
Less current maturities	603	713
Long-term debt, less current maturities	$11,901	$10,888

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 2004 — $603 million; 2005 — $1.4 billion; 2006 — $1.2 billion; 2007 — $1.1 billion; 2008 — $570 million.

6. Indebtedness (Continued)

American has a fully drawn $834 million bank credit facility that expires December 15, 2005, which contains a liquidity covenant and an EBITDAR (generally, earnings before interest, taxes, depreciation, amortization and rentals, adjusted for certain non-cash items) to fixed charges (generally, interest and total rentals) ratio covenant. The required EBITDAR to fixed charges ratio is 1.1 to 1.0 for the three-month period ending March 31, 2004, and increases on a quarterly basis up to 1.5 to 1.0 for each four consecutive quarters ending after December 31, 2004. The liquidity covenant requires American to maintain a minimum level of $1.0 billion of unrestricted cash and short-term investments. The Company expects to be able to continue to comply with these covenants. However, it cannot be sure that it will continue to be able to do so through the expiration of the facility. Failure to do so would result in a default under this facility and a significant amount of American's other debt.

During the year ended December 31, 2003, American borrowed approximately $554 million, under 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 December 31, 2003, the effective interest rate on these agreements ranged up to 9.12 percent.

During the year ended December 31, 2003, AMR Eagle borrowed approximately $473 million, under various debt agreements, related to the purchase of regional jet aircraft, including certain seller financed agreements. These debt agreements are secured by the related aircraft and have effective interest rates, which are fixed or variable based on LIBOR plus a spread and mature over various periods of time through 2020. As of December 31, 2003, the effective interest rate on these agreements ranged up to 6.73 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 partially insured by a third party.

In September 2003, the Company issued $300 million principal amount of its 4.25 percent senior convertible notes due 2023 in a private placement. Each note is convertible into AMR common stock at a conversion rate of 57.61 shares per $1,000 principal amount of notes (which represents an equivalent conversion price of $17.36 per share), subject to adjustment in certain circumstances. The notes are convertible under certain circumstances, including if (i) the closing sale price of the Company'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 the Company's common stock falls below a certain level for a specified period of time, (iii) the Company calls the notes for redemption, or (iv) certain corporate transactions occur. Holders of the notes may require the Company 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. The Company may pay the purchase price in cash, common stock or a combination of cash and common stock. After September 23, 2008, the Company 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. These notes are guaranteed by American.

Also 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. This entity 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 amount of $98 million (net of discount of $2 million), which is reflected as debt in the accompanying 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.

6. Indebtedness (Continued)

In 2002, the Regional Airports Improvement Corporation and the New York City Industrial Development Agency issued facilities sublease revenue bonds at the Los Angeles International Airport and John F. Kennedy International Airport, respectively, to provide reimbursement to American for certain facility construction and other related costs. The Company has recorded the total amount of the issuances of $759 million (net of $38 million discount) as long-term debt on the accompanying consolidated balance sheet as of December 31, 2002. These obligations bear interest at fixed rates, with an average effective rate of 8.54 percent, and mature over various periods of time, with a final maturity in 2028. The Company has received approximately $687 million in reimbursements of certain facility construction and other related costs through December 31, 2003. Of the remaining $72 million of bond issuance proceeds not yet received, classified as Other assets on the accompanying consolidated balance sheet, $25 million are held by the trustee for reimbursement of future facility construction costs and will be available to the Company in the future, and $47 million are held in a debt service reserve fund.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately $12.6 billion.

As of December 31, 2003, AMR has issued guarantees covering approximately $932 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 December 31, 2003, AMR and American have issued guarantees covering approximately $503 million of AMR Eagle's secured debt, and AMR has issued guarantees covering an additional $1.9 billion of AMR Eagle's secured debt.

Cash payments for interest, net of capitalized interest, were $661 million, $564 million and $343 million for 2003, 2002 and 2001, respectively.

In February 2004, American issued $180 million of Fixed Rate Secured Notes due 2009. These notes are secured by certain spare parts and bear interest at 7.25 percent. Also in February 2004, AMR issued, and American guaranteed, $324 million of 4.5 percent senior convertible notes due 2024.

7. Financial Instruments and Risk Management

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

The Company is exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. The credit exposure related to these financial instruments is represented by the fair value of contracts with a positive fair value at the reporting date, reduced by the effects of master netting agreements. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty. The Company also maintains industry-standard security agreements with a number of its counterparties which may require the Company or the counterparty to post collateral if the value of selected instruments exceed specified mark-to-market thresholds or upon certain changes in credit ratings. The Company's outstanding posted collateral as of December 31, 2003 is included in restricted cash and short-term investments and is not material. The Company's credit rating has limited its ability to enter into certain types of fuel hedge contracts. A further deterioration of its credit rating or liquidity position may negatively affect the Company's ability to hedge fuel in the future.

7. Financial Instruments and Risk Management (Continued)

Fuel Price Risk Management

American enters into jet fuel, heating oil and crude oil swap and option contracts to dampen the impact of the volatility in jet fuel prices. These instruments generally have maturities of up to 24 months. The Company accounts for its fuel swap and option contracts as cash flow hedges and records the fair value of its fuel hedging contracts in Other current assets, Other assets and Accumulated other comprehensive loss on the accompanying consolidated balance sheets. The Company determines the ineffective portion of its fuel hedge contracts by comparing the cumulative change in the total value of the fuel hedge contract, or group of fuel hedge contracts, to the cumulative change in the forecasted value of the jet fuel being hedged. If the total cumulative change in value of the fuel hedge contract more than offsets the total cumulative change in the forecasted value of the jet fuel being hedged, the difference is considered ineffective and is immediately recognized as a component of Aircraft fuel expense. Effective gains or losses on fuel hedging contracts are deferred in Accumulated other comprehensive loss and are recognized in earnings as a component of Aircraft fuel expense when the underlying jet fuel being hedged is used.

The Company monitors the commodities used in its fuel hedging programs to determine that these commodities are expected to be “highly effective” in offsetting changes in its forecasted jet fuel prices. In doing so, the Company uses a regression model to determine the correlation of the percentage change in prices of the commodities used to hedge jet fuel (i.e., WTI Crude oil and NYMEX Heating oil) to the percentage change in prices of jet fuel over a 12 to 24 month period. The fuel hedge contracts are deemed to be “highly effective” if this correlation is within 80 percent to 125 percent.

Beginning in March 2003, because of the Company’s then existing financial condition, the Company stopped entering into new hedge contracts and, in June 2003, terminated substantially all of its contracts with maturities beyond March 2004. 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 and recognized in earnings when the original underlying jet fuel hedged is used. Commencing in October 2003, the Company began to enter into new option contracts with maturities beyond March 2004 for a portion of its future fuel requirements.

For the years ended December 31, 2003, 2002 and 2001, the Company recognized net gains of approximately $149 million, $4 million and $29 million, respectively, as a component of fuel expense on the accompanying consolidated statements of operations related to its fuel hedging agreements. The net gains recognized in 2003, 2002 and 2001 included approximately $1 million, $13 million and $72 million, respectively, of expense related to ineffectiveness. The fair value of the Company’s fuel hedging agreements at December 31, 2003 and 2002, representing the amount the Company would receive to terminate the agreements, totaled $54 million and $212 million, respectively.

Interest Rate Risk Management

American uses interest rate swap contracts to effectively convert a portion of its fixed-rate capital lease obligations to floating-rate obligations. The Company accounts for its interest rate swap contracts as fair value hedges whereby the fair value of the related interest rate swap agreement is reflected in Other assets with the corresponding liability being recorded as a component of Obligations Under Capital Leases on the accompanying consolidated balance sheets. The Company has no ineffectiveness with regard to its interest rate swap contracts. The fair value of the Company’s interest rate swap agreements related to capital lease obligations, representing the amount the Company would receive if the agreements were terminated at December 31, 2003 and 2002, was approximately $9 million and $14 million, respectively.

7. Financial Instruments and Risk Management (Continued)

Foreign Exchange Risk Management

The Company has entered into Japanese yen currency exchange agreements to hedge certain yen-based capital lease obligations (effectively converting these obligations into dollar-based obligations). The Company accounts for its Japanese yen currency exchange agreements as cash flow hedges whereby the fair value of the related Japanese yen currency exchange agreements is reflected in Other liabilities and deferred credits and Accumulated other comprehensive loss on the accompanying consolidated balance sheets. The Company has no ineffectiveness with regard to its Japanese yen currency exchange agreements. The fair values of the Company's yen currency exchange agreements, representing the amount the Company would pay to terminate the agreements, were $33 million and $44 million as of December 31, 2003 and 2002, respectively. The exchange rates on the Japanese yen agreements range from 66.5 to 105.1 yen per U.S. dollar.

Fair Values of Financial Instruments

The fair values of the Company's long-term debt were estimated using quoted market prices where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts and estimated fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	2003		2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured variable and fixed rate indebtedness	$ 6,041	$ 5,307	$ 5,474	$4,569
Enhanced equipment trust certificates	3,747	3,454	3,623	3,153
6.0% - 8.5% special facility revenue bonds	947	797	1,035	658
Credit facility agreement	834	834	834	834
9.0% - 10.20% debentures	330	267	330	153
7.88% - 10.55% notes	303	257	303	149
4.25% senior convertible notes	300	309	—	—
Other	2	2	2	2
	$12,504	$11,227	$11,601	$9,518

The Company has other investments for which the fair value exceeds carrying value by $121 million. All other financial instruments are either carried at fair value or their carrying value approximates fair value.

8. Income Taxes

The significant components of the income tax benefit for loss before cumulative effect of accounting change were (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current	$(80)	$ (863)	$(263)
Deferred	—	(474)	(731)
	$(80)	$(1,337)	$(994)

8. Income Taxes (Continued)

The income tax benefit includes a federal income tax benefit of $76 million, $1,235 million and $911 million and a state income tax benefit of $4 million, $107 million and $90 million for the years ended December 31, 2003, 2002 and 2001, respectively.

In the fourth quarter of 2003, the Company reached an agreement with the IRS covering tax years 1990 through 1995 and, as a result, recorded an $80 million tax benefit to reduce previously accrued income tax liabilities.

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

	Year Ended December 31,		
	2003	2002	2001
Statutory income tax benefit	$(458)	$(1,351)	$(965)
State income tax benefit, net of federal tax effect	(31)	(103)	(58)
IRS audit settlement	(80)	—	—
Meal expense	11	16	18
Expiration of foreign tax credits	9	39	—
Foreign tax credit carryforwards	—	—	(7)
Deferred tax assets not benefited	465	50	7
Other, net	4	12	11
Income tax benefit	$ (80)	$(1,337)	$(994)

The deferred tax assets not benefited in 2003 relate primarily to net operating loss carryforwards. The deferred tax assets not benefited in 2002 related to the Company's uncertainty regarding the realization of the foreign tax credit carryforwards and state net operating losses, and in 2001 related to the Company's uncertainty regarding the realization of the foreign tax credit carryforwards.

Additionally, as of December 31, 2003, the recording of other comprehensive income items, primarily the minimum pension liability, resulted in a decrease to the net deferred tax asset. The Company recorded a $111 million reduction to the valuation allowance as a component of Accumulated other comprehensive income related to such net deferred tax asset. As of December 31, 2002, the recording of other comprehensive income items, primarily the minimum pension liability, resulted in a net deferred tax asset. The Company recorded a $313 million valuation allowance as a component of Accumulated other comprehensive income related to such net deferred tax asset. The total change in the valuation allowance was $293 million and $363 million in 2003 and 2002, respectively.

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

8. Income Taxes (Continued)

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

	December 31, 2003	December 31, 2002
Deferred tax assets:		
Postretirement benefits other than pensions	$ 1,067	$ 1,005
Rent expense	851	815
Alternative minimum tax credit carryforwards	427	500
Operating loss carryforwards	1,228	597
Pensions	525	589
Frequent flyer obligation	467	444
Gains from lease transactions	212	185
Other	693	745
Valuation allowance	(663)	(370)
Total deferred tax assets	4,807	4,510
Deferred tax liabilities:		
Accelerated depreciation and amortization	(4,441)	(4,076)
Other	(366)	(434)
Total deferred tax liabilities	(4,807)	(4,510)
Net deferred tax liability	$ —	$ —

At December 31, 2003, the Company had available for federal income tax purposes an alternative minimum tax credit carryforward of approximately $427 million, which is available for an indefinite period, and federal net operating losses of approximately $2.9 billion for regular tax purposes, which will fully expire, if unused, in 2022 and 2023. The Company had available for state income tax purposes net operating losses of $2.9 billion, which expire, if unused, in years 2005 through 2023.

Cash refunds for income taxes were $575 million, $646 million and $28 million for 2003, 2002 and 2001, respectively. The amounts received in 2003 and 2002 relate primarily to net operating loss carryback claims, including a carryback claim filed as a result of a provision in Congress' economic stimulus package that changes the period for carrybacks of net operating losses (NOLs). This change allows the Company to carry back 2001 and 2002 NOLs for five years, rather than two years under the previous law, allowing the Company to more quickly recover its NOLs.

9. Stock Awards and Options

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 negotiations concerning concessions. The maximum number of shares authorized for issuance was 30 percent of the number of shares of the Company's common stock outstanding on March 24, 2003 (156,359,955) or approximately 46.9 million shares. From the foregoing authorization, the Company issued approximately 2.5 million shares to Vendors from treasury stock, resulting in a re-allocation from Treasury stock to Additional paid-in capital of $142 million.

In 2003, the Company established the 2003 Employee Stock Incentive Plan (the 2003 Plan) to provide equity awards to employees in connection with the Labor Agreements and Management Reductions discussed in Note 2. Under the 2003 Plan, employees may be granted stock options, restricted stock and deferred stock. The total number of shares authorized for distribution under the 2003 Plan is 42,680,000 shares.

9. Stock Awards and Options (Continued)

Under the 1998 Long Term Incentive Plan, as amended, officers and key employees of AMR and its subsidiaries may be granted stock options, stock appreciation rights (SARs), restricted stock, deferred stock, stock purchase rights, other stock-based awards and/or performance-related awards, including cash bonuses. The total number of common shares authorized for distribution under the 1998 Long Term Incentive Plan is 23,700,000 shares. The 1998 Long Term Incentive Plan, the successor to the 1988 Long Term Incentive Plan, will terminate no later than May 21, 2008.

Options granted under the 1988 and 1998 Long Term Incentive Plans (collectively, the LTIP Plans) and the 2003 Plan are awarded with an exercise price equal to the fair market value of the stock on date of grant, become exercisable in equal annual installments over periods ranging from two to five years following the date of grant and expire no later than ten years from the date of grant. As of December 31, 2003, approximately 7.1 million shares were available for future grant under the LTIP Plans and the 2003 Plan.

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

Stock option activity under the LTIP Plans, the Pilot Plan and the 2003 Plan was:

	Year Ended December 31,					
	2003		2002		2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at January 1	30,842,767	$23.66	29,327,611	$23.49	27,559,097	$22.30
Granted	40,751,272	5.39	2,495,500	25.86	4,180,595	28.35
Exercised	(112,432)	13.28	(197,393)	23.63	(2,126,056)	26.87
Canceled	(2,597,898)	17.92	(782,951)	24.90	(286,025)	23.04
Outstanding at December 31	68,883,709	$13.08	30,842,767	$23.66	29,327,611	$23.49
Exercisable at December 31	22,912,273	$22.36	20,557,681	$21.31	16,976,671	$19.85

The following table summarizes information about the stock options outstanding at December 31, 2003:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
$1-$5	37,223,406	9.29	$ 5.00	7,900	$ 4.42
$5-$20	14,189,954	4.34	16.04	11,547,184	17.27
$20-$30	10,945,642	6.31	24.63	7,154,448	24.41
Over $30	6,524,707	6.48	33.42	4,202,741	32.89
	68,883,709	7.53	$13.08	22,912,273	$22.36

9. Stock Awards and Options (Continued)

The weighted-average grant date fair value per share of all stock option awards granted during 2003, 2002 and 2001 was $2.32, $11.42 and $12.23, respectively.

Shares of deferred stock are awarded at no cost to officers and key employees under the LTIP Plans' Career Equity Program and will be issued upon the individual's retirement from AMR or, in certain circumstances, will vest on a pro rata basis. Deferred stock activity was:

	Year Ended December 31,		
	2003	2002	2001
Outstanding at January 1	3,596,508	4,785,712	4,956,497
Granted	—	—	—
Issued	(858,262)	(1,091,149)	(98,566)
Canceled	(275,185)	(98,055)	(72,219)
Outstanding at December 31	2,463,061	3,596,508	4,785,712

A performance share plan was implemented in 1993 under the terms of which shares of deferred stock are awarded at no cost to officers and key employees under the LTIP Plans and, in 2003, under the 2003 Plan. The fair value of the performance shares granted is equal to the market price of the Company's stock at the date of grant. The shares vest over a three-year performance period based upon certain specified financial measures of the Company. Performance share activity was:

	Year Ended December 31,		
	2003	2002	2001
Outstanding at January 1	1,230,104	2,486,802	2,507,755
Granted	512,885	507,350	913,422
Issued	—	(178,596)	(194,128)
Awards settled in cash	—	(495,897)	(706,302)
Canceled	(172,491)	(1,089,555)	(33,945)
Outstanding at December 31	1,570,498	1,230,104	2,486,802

The weighted-average grant date fair value per share of performance share awards granted during 2003, 2002 and 2001 was $10.50, $25.98 and $28.27, respectively.

In 2003, 2002 and 2001, the total charge for stock compensation expense included in wages, salaries and benefits expense, primarily related to the Company's performance share plan, was $20 million, $9 million and $21 million, respectively. No compensation expense was recognized for stock option grants under the LTIP Plans or the 2003 Plan, since the exercise price was equal to the fair market value of the underlying stock on the date of grant.

10. Retirement Benefits

All regular employees of the Company are eligible to participate in pension plans. The defined benefit plans provide benefits for participating employees based on years of service and average compensation for a specified period of time before retirement. The Company uses a December 31 measurement date for all of its defined benefit plans. Airline pilots also participate in a defined contribution plan for which Company contributions are determined as a percentage of participant compensation.

Effective January 1, 2001, American established a defined contribution plan for non-contract employees in which the Company will match the employees before-tax contribution on a dollar-for-dollar basis, up to 5.5 percent of their pensionable pay. During 2000, American provided a one-time election for current non-contract employees to remain in the defined benefit plan or discontinue accruing future credited service in the defined benefit plan as of January 1, 2001 and begin participation in the defined contribution plan. Effective January 1, 2002, all new non-contract employees of the Company become members of the defined contribution plan.

In addition to pension benefits, other postretirement benefits, including certain health care and life insurance benefits (which provide secondary coverage to Medicare), are provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Substantially all regular employees of American and employees of certain other subsidiaries may become eligible for these benefits if they satisfy eligibility requirements during their working lives.

Certain employee groups make contributions toward funding a portion of their retiree health care benefits during their working lives. AMR funds benefits as incurred and makes contributions to match employee prefunding.

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

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 percent thereafter, respectively. In addition, assumptions with respect to interest rates used to discount lump sum benefit payments available under certain plans were updated. 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, which is included in Special charges in the accompanying consolidated statement of operations. Net periodic benefit cost for defined benefit pension plans includes eight months of expense calculated based upon the revised measurement.

In December 2003, the President signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Modernization Act), which introduces a prescription drug benefit under Medicare, into law. In January 2004, the Financial Accounting Standards Board (FASB) issued a FASB Staff Position which permits companies to elect to defer accounting for the effects of the Modernization Act. The Company has not elected this deferral and has recognized the effect of the Modernization Act in the calculation of its postretirement benefit liability as of December 31, 2003. The effect of the Modernization Act was to reduce the Company's accumulated postretirement benefit obligation (APBO) by $415 million by decreasing unrecognized net actuarial losses. This decrease is due to a reduction in the expected per capita claims cost along with a reduction in the expected rates of participation in the plan. The decrease in the APBO will be reflected in the Company's postretirement benefits expense in future periods through amortization of unrecognized gains/losses. Additionally, the service and interest cost components of postretirement benefits expense will be reduced in future periods. Final authoritative guidance on accounting for the Modernization Act has not been issued and could require the Company to change previously reported information.

10. Retirement Benefits (Continued)

The following table provides a reconciliation of the changes in the defined benefit plans' benefit obligations and fair value of assets for the years ended December 31, 2003 and 2002, and a statement of funded status as of December 31, 2003 and 2002 (in millions):

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Reconciliation of benefit obligation				
Obligation at January 1	$ 8,757	$ 7,422	$ 3,299	$ 2,759
Service cost	370	352	85	77
Interest cost	569	569	218	207
Actuarial (gain) loss	(96)	820	(138)	391
Plan amendments	(90)	65	(58)	—
Benefit payments	(554)	(394)	(143)	(135)
Curtailments	(60)	—	—	—
Settlements	(2)	(77)	—	—
Obligation at December 31	$ 8,894	$ 8,757	$ 3,263	$ 3,299
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	$ 5,323	$ 5,482	$ 100	$ 95
Actual return on plan assets	1,268	(16)	25	(13)
Employer contributions	195	328	138	153
Benefit payments	(554)	(394)	(143)	(135)
Settlements	(2)	(77)	—	—
Fair value of plan assets at December 31	$ 6,230	$ 5,323	$ 120	$ 100
Funded status				
Accumulated benefit obligation (ABO)	$ 8,209	$ 7,344	$ —	$ —
Projected benefit obligation (PBO)	8,894	8,757	—	—
Accumulated postretirement benefit obligation (APBO)	—	—	3,263	3,299
Fair value of assets	6,230	5,323	120	100
Funded status at December 31	(2,664)	(3,434)	(3,143)	(3,199)
Unrecognized loss	1,649	2,709	407	581
Unrecognized prior service cost	173	330	(81)	(36)
Unrecognized transition asset	(3)	(4)	—	—
Net amount recognized	$ (845)	$ (399)	$(2,817)	$(2,654)

As of December 31, 2003 and 2002, the accumulated benefit obligation exceeded the fair value of plan assets for all of the Company's defined benefit plans.

At December 31, 2003 and 2002, other benefits plan assets of approximately $118 million and $98 million, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

10. Retirement Benefits (Continued)

The following tables provide the components of net periodic benefit cost for the years ended December 31, 2003, 2002 and 2001 (in millions):

	Pension Benefits		
	2003	2002	2001
Components of net periodic benefit cost			
Defined benefit plans:			
Service cost	$ 370	$ 352	$ 260
Interest cost	569	569	515
Expected return on assets	(473)	(501)	(539)
Amortization of:			
Transition asset	(1)	(1)	(1)
Prior service cost	18	21	11
Unrecognized net loss	106	49	22
Curtailment loss	46	—	—
Settlement loss	—	33	—
Net periodic benefit cost for defined benefit plans	635	522	268
Defined contribution plans	181	213	244
Total	$ 816	$ 735	$ 512

	Other Benefits		
	2003	2002	2001
Components of net periodic benefit cost			
Service cost	$ 85	$ 77	$ 66
Interest cost	218	207	175
Expected return on assets	(9)	(9)	(9)
Amortization of:			
Prior service cost	(9)	(6)	(5)
Unrecognized net loss	20	—	—
Net periodic benefit cost	$305	$269	$227

The following table provides the amounts recognized in the accompanying consolidated balance sheets as of December 31, 2003 and 2002 (in millions):

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Prepaid benefit cost	$ 3	$ 54	$ —	$ —
Accrued benefit liability	(848)	(453)	(2,817)	(2,654)
Additional minimum liability	(1,138)	(1,623)	—	—
Intangible asset	182	330	—	—
Accumulated other comprehensive loss	956	1,293	—	—
Net amount recognized	$ (845)	$ (399)	$(2,817)	$(2,654)

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10. Retirement Benefits (Continued)

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	6.25%	6.75%	6.25%	6.75%
Salary scale (ultimate)	3.78	3.78	—	—

	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31				
Discount rate	6.57%	7.50%	6.57%	7.50%
Salary scale (ultimate)	3.78	3.93	—	—
Expected return on plan assets	9.00	9.25	9.00	9.25

The Company estimates the long-term rate of return on plan assets will be nine percent, based on the target asset allocation as of December 31, 2003. Expected returns on longer duration bonds are based on yields to maturity of the bonds held at year-end. Expected returns on other assets are based on a combination of long-term historical returns, actual returns on plan assets achieved over the last ten years, current and expected market conditions, and expected value to be generated through active management, currency overlay and securities lending programs. The Company's annualized ten-year rate of return on plan assets, as of December 31, 2003, is approximately 10.5 percent.

The Company's pension plan weighted-average asset allocations at December 31, by asset category, are as follows:

	2003	2002
Long duration bonds	35%	41%
U.S. stocks	32	29
International stocks	22	20
Emerging markets stocks and bonds	6	5
Alternative (private) investments	5	5
Total	100%	100%

The Company's target asset allocation is 40 percent longer duration corporate and U.S. government/agency bonds, 25 percent U.S. stocks, 20 percent developed international stocks, five percent emerging markets stocks and bonds, and ten percent alternative (private) investments. Each asset class is actively managed and has produced returns in excess of the expected rate over the last ten years, net of management fees. Stocks and emerging market bonds are used to provide diversification and are expected to generate higher returns over the long-term than longer duration U.S. bonds. Public stocks are managed using a value investment approach in order to participate in the returns generated by stocks in the long-term, while reducing year-over-year volatility. Longer duration U.S. bonds are used to partially hedge the assets from declines in interest rates. Alternative (private) investments are used to provide expected returns in excess of the public markets over the long-term. Additionally, the Company engages currency overlay managers in an attempt to increase returns by protecting non-U.S. dollar denominated assets from a rise in the relative value of the U.S. dollar. The Company also participates in securities lending programs in order to generate additional income by loaning plan assets to borrowers on a fully collateralized basis.

10. Retirement Benefits (Continued)

	Pre-65 Individuals		Post-65 Individuals	
	2003	2002	2003	2002
Assumed health care trend rates at December 31				
Health care cost trend rate assumed for next year	5.0%	6.0%	11.0%	12.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2005	2005	2010	2010

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

	One Percent Increase	One Percent Decrease
Impact on 2003 service and interest cost	$ 26	$ (24)
Impact on postretirement benefit obligation as of December 31, 2003	$250	$(239)

The Company expects to contribute approximately $600 million to its defined benefit pension plans and $14 million to its postretirement benefit plan in 2004. The Company's estimate of its 2004 defined benefit pension plan contributions assumes Congress passes legislation providing certain technical corrections to current Employee Retirement Income Security Act pension plan funding requirements. Congress is also considering other legislation that, if passed, would further reduce the Company's 2004 minimum funding requirements.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Other
2004	$ 410	$ 197
2005	436	204
2006	464	195
2007	537	200
2008	575	201
2009 – 2013	3,404	1,042

11. Goodwill and Other Intangible Assets

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

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

The Company had route acquisition costs (including international slots) of $829 million as of December 31, 2003 and 2002. The Company's impairment analysis for route acquisition costs did not result in an impairment charge in 2003 or 2002.

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

	2003		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$517	$199	$318
Gate lease rights	191	85	106
Total	$708	$284	$424

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

Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value. The Company recorded amortization expense related to these intangible assets of approximately $28 million for each of the years ended December 31, 2003 and 2002 and $29 million for the year ended December 31, 2001. The Company expects to record annual amortization expense of approximately $28 million in each of the next five years related to these intangible assets.

12. Accumulated Other Comprehensive Loss

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

	Minimum Pension Liability	Unrealized Gain/(Loss) on Investments	Unrealized Gain/(Loss) on Derivative Financial Instruments	Total
Balance at December 31, 2000	$ (6)	$ 4	$ —	$ (2)
Current year net change	(161)	5	—	(156)
Cumulative effect of adoption of SFAS 133 as of January 1, 2001	—	—	102	102
Reclassification of derivative financial instruments into earnings	—	—	(99)	(99)
Change in fair value of derivative financial instruments	—	—	(78)	(78)
Income tax effect	60	(2)	29	87
Balance at December 31, 2001	(107)	7	(46)	(146)
Current year net change	(1,122)	(6)	—	(1,128)
Reclassification of derivative financial instruments into earnings	—	—	5	5
Change in fair value of derivative financial instruments	—	—	138	138
Income tax effect	109	2	(56)	55
Balance at December 31, 2002	(1,120)	3	41	(1,076)
Current year net change	337	(3)	—	334
Reclassification of derivative financial instruments into earnings	—	—	(146)	(146)
Change in fair value of derivative financial instruments	—	—	103	103
Balance at December 31, 2003	$ (783)	$ —	$ (2)	$ (785)

Total Accumulated other comprehensive loss is net of tax of $145 million.

13. Loss Per Share

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

	Year Ended December 31,		
	2003	2002	2001
Numerator:			
Numerator for loss per share — loss before cumulative effect of accounting change	$(1,228)	$(2,523)	$(1,762)
Denominator:			
Denominator for basic and diluted loss per share — weighted-average shares	158	156	154
Basic and diluted loss per share before cumulative effect of accounting change	$ (7.76)	$(16.22)	$(11.43)

For the years ended December 31, 2003, 2002 and 2001, approximately 14 million, four million and 11 million potential dilutive shares, respectively, were not added to the denominator because inclusion of such shares would be antidilutive. In addition, for the year ended December 31, 2003, approximately 17 million shares issuable upon conversion of the Company's 4.25 percent convertible notes discussed in Note 6 were not added to the denominator because the inclusion of such shares would be antidilutive.

14. Segment Reporting

The Company's operations of American and AMR Eagle are managed as a single business unit providing for an integrated route network. The aircraft of these carriers are combined to form one fleet, which is deployed through a combined route scheduling system to maximize the operating results of the entire fleet. The Company's chief operating decision maker makes resource allocation decisions to maximize the Company's consolidated financial results, not the individual results of American or AMR Eagle. Based on the way the Company's operations are managed and the manner in which resource allocation decisions are made, the Company has only one operating segment consisting of the operations of American and AMR Eagle.

Following the acquisition of TWA in April 2001, American is the largest scheduled passenger airline in the world. At the end of 2003, American provided scheduled jet service to approximately 150 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system. AMR Eagle owns two regional airlines, which do business as "American Eagle" — American Eagle Airlines, Inc. and Executive Airlines, Inc. The American Eagle carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, and the Caribbean.

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

14. Segment Reporting (Continued)

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

	Year Ended December 31,		
	2003	2002	2001
Domestic	$12,687	$12,556	$13,652
Latin America	2,477	2,530	2,738
Europe	1,980	1,921	2,080
Pacific	296	413	499
Total consolidated revenues	$17,440	$17,420	$18,969

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

15. Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2003 and 2002 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Operating revenues	$ 4,120	$4,324	$ 4,605	$4,391
Operating income (loss)	(869)	87	165	(227)
Net earnings (loss)	(1,043)	(75)	1	(111)
Earnings (loss) per share:				
Basic and diluted	(6.68)	(0.47)	—	(0.70)
2002				
Operating revenues	$ 4,163	$4,508	$ 4,524	$4,225
Operating loss	(729)	(601)	(1,321)	(679)
Loss before cumulative effect of accounting change (*)	(575)	(495)	(924)	(529)
Net loss	(1,563)	(495)	(924)	(529)
Loss per share:				
Basic and diluted	(10.09)	(3.19)	(5.93)	(3.39)

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

15. Quarterly Financial Data (Unaudited) (Continued)

The following table summarizes the Special charges and U.S. government grant reimbursement recorded by the Company by quarter (in millions):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Aircraft charges	$—	$ (20)	$ 39	$302
Employee charges	25	47	4	16
Facility exit costs	—	49	1	12
Other	—	—	(68)	—
Total Special charges	$25	$ 76	$ (24)	$330
U.S. government grant	$—	$(358)	$ —	$ —
2002				
Aircraft charges	$—	$ —	$658	$ —
Employee charges	—	—	57	—
Facility exit costs	—	—	3	—
Other	—	—	—	—
Total Special charges	$—	$ —	$718	$ —
U.S. government grant	$—	$ —	$ (10)	$ —

See Note 2 for a further discussion of Special charges and U.S. government grant.

In addition to the above items, in the fourth quarter of 2003, the Company reached an agreement with the IRS covering tax years 1990 through 1995. As a result of this agreement, the Company recorded an $80 million tax benefit to reduce previously accrued income tax liabilities and an $84 million reduction in interest expense to reduce previously accrued interest related to the accrued income tax liabilities.

Also in the fourth quarter of 2003, the Company recognized an $80 million gain on the sale of the Company's investment in Hotwire and a $70 million gain related to an Orbitz initial public offering and a related secondary offering.

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

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The term “disclosure controls and procedures” is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company’s disclosure controls and procedures as of December 31, 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 as of December 31, 2003. There have been no significant changes in the Company’s internal controls or in other factors that could significantly affect internal controls over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference from the Company’s definitive proxy statement for the annual meeting of stockholders on May 19, 2004. Information concerning the executive officers is included in Part I of this report on page 17 and information concerning the Company’s code of ethics is included in Part I of this report on page 10.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company’s definitive proxy statement for the annual meeting of stockholders on May 19, 2004.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	19,983,105	$26.13	8,003,927**
Equity compensation plans not approved by security holders	48,900,604*	$ 7.75	3,533,986***
Total	68,883,709	$13.08	11,537,913

* Represents 9,790,288 options granted under the Pilot Stock Option Plan and 39,110,316 options granted under the 2003 Employee Stock Incentive Plan (the ESIP). The Pilot Stock Option Plan and the ESIP were implemented in accordance with the rules of the New York Stock Exchange.

** Includes 4,003,118 shares available for future grant under the 1998 Long Term Incentive Plan, as amended, and shares granted but not vested and issued under the following programs: 1,086,214 shares of deferred stock available for issue under the Performance Share Program, 2,463,061 shares of deferred stock available for issue under the Career Equity Program and 451,534 shares available for issue under the 1994 Stock Incentive Plan for Directors (the DSIP). The DSIP will expire by its own term in May 2004.

*** Includes 3,049,702 shares available for future grant under the ESIP and 484,284 shares granted but not vested and issued under the Performance Share Program.

See Note 9 to the consolidated financial statements for additional information regarding the equity compensation plans included above.

The information required by Item 403 of Regulation S-K is incorporated herein by reference from the Company’s definitive proxy statement for the annual meeting of stockholders on May 19, 2004.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company’s definitive proxy statement for the annual meeting of stockholders on May 19, 2004.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated herein by reference from the Company’s definitive proxy statement for the annual meeting of stockholders on May 19, 2004.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

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

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

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

(3) Exhibits required to be filed by Item 601 of Regulation S-K. (Where the amount of securities authorized to be issued under any of AMR's long-term debt agreements does not exceed 10 percent of AMR's assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, AMR hereby agrees to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.)

Exhibit

3.1 Restated Certificate of Incorporation of AMR, incorporated by reference to AMR's Registration Statement on Form S-4, file number 33-55191.

3.2 Bylaws of AMR Corporation, amended as of April 24, 2003, incorporated by reference to Exhibit 3.2 to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.

3.3 Amendments to the AMR Corporation Certificate of Incorporation, incorporated by reference to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.

10.1	Compensation and Benefit Agreement relative to the retirement of Robert L. Crandall, between AMR and Robert L. Crandall, dated September 18, 1998, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.2	Description of informal arrangement relating to deferral of payment of directors' fees, incorporated by reference to Exhibit 10(c)(11) to American's Registration Statement No. 2-76709.
10.3	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.4	Deferred Compensation Agreement, dated as of November 16, 2002 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.27 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.5	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and John W. Bachmann.
10.6	Deferred Compensation Agreement, dated as of June 1, 1998, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.15 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.7	Deferred Compensation Agreement, dated as of January 11, 2000, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.15(a) to AMR's report on Form 10-K for the year ended December 31, 1999.
10.8	Changes to the Deferred Compensation Agreement, dated as of June 2, 1998, between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.14 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.9	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Edward A. Brennan, incorporated by reference to Exhibit 10.2 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.10	Deferred Compensation Agreement, dated as of November 14, 2002 between AMR and Edward A. Brennan incorporated by reference to Exhibit 10.24 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.11	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Edward A. Brennan.
10.12	Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and David L. Boren, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.
10.13	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and David L. Boren.
10.14	Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.15 to AMR's report on Form 10-K for the year ended December 31, 1997.
10.15	Deferred Compensation Agreement, dated as of January 13, 1999, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.19 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.16	Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.17	Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.18	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.6 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.19	Deferred Compensation Agreement, dated as of December 13, 2002 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.28 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.20	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Armando M. Codina.
10.21	Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.2 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.
10.22	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Earl G. Graves.
10.23	Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Ann M. Korologos, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.
10.24	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Ann M. Korologos.
10.25	Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.4 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.
10.26	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Michael A. Miles.
10.27	Deferred Compensation Agreement, dated as of January 19, 2001, between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.26 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.28	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.29	Deferred Compensation Agreement, dated as of November 15, 2002 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.29 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.30	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Philip J. Purcell.

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10.31	Deferred Compensation Agreement, dated as of January 14, 2002 between AMR and Joe M. Rodgers, incorporated by reference to Exhibit 10.3 to AMR’s report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.32	Deferred Compensation Agreement, dated as of November 22, 2002 between AMR and Joe M. Rodgers, incorporated by reference to Exhibit 10.25 to AMR’s report on Form 10-K for the year ended December 31, 2002.
10.33	Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Joe M. Rodgers, incorporated by reference to Exhibit 10.5 to AMR’s report on Form 10-Q for the quarterly period ended March 31, 2003.
10.34	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Joe M. Rodgers.
10.35	Deferred Compensation Agreement, dated as of July 16, 1997, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.22 to AMR’s report on Form 10-K for the year ended December 31, 1997.
10.36	Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.23 to AMR’s report on Form 10-K for the year ended December 31, 1997.
10.37	Deferred Compensation Agreement, dated as of January 7, 1999, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.30 to AMR’s report on Form 10-K for the year ended December 31, 1998.
10.38	Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.29 to AMR’s report on Form 10-K for the year ended December 31, 1999.
10.39	Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.25 to AMR’s report on Form 10-K for the year ended December 31, 2000.
10.40	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.4 to AMR’s report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.41	Deferred Compensation Agreement, dated as of November 20, 2002 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.26 to AMR’s report on Form 10-K for the year ended December 31, 2002.
10.42	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Judith Rodin.
10.43	Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.1 to AMR’s report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.44	Deferred Compensation Agreement, dated as of November 18, 2002 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.23 to AMR’s report on Form 10-K for the year ended December 31, 2002.
10.45	Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Roger T. Staubach.

10.46	AMR Corporation 1998 Long-Term Incentive Plan, as amended.
10.47	AMR Corporation 2003 Employee Stock Incentive Plan, incorporated by reference to Exhibit 10.31 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.48	Current form of Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.
10.49	Current form of Stock Option Agreement under the 2003 Employee Stock Incentive Plan.
10.50	Current form of Career Equity Program Deferred Stock Award Agreement for Corporate Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.41 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.51	Current form of Career Equity Program Deferred Stock Award Agreement for non-officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.52	Current form of Career Equity Program Deferred Stock Award Agreement for Senior Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42(a) to AMR's report on Form 10-K for the year ended December 31, 1998.
10.53	Current form of Career Equity Program Deferred Stock Award Agreement for Employees under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.44 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.54	Current form of Deferred Stock Award Agreement.
10.55	AMR Corporation 2001 — 2003 Performance Share Plan for Officers and Key Employees under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.52 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.56	AMR Corporation 2001 — 2003 Performance Share Program Deferred Stock Award Agreement under the 1998 Long-Term Incentive Program, as amended, incorporated by reference to Exhibit 10.53 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.57	AMR Corporation 2002 — 2004 Performance Share Plan for Officers and Key Employees under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.10 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.58	AMR Corporation 2002 — 2004 Performance Share Program Deferred Stock Award Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.11 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.
10.59	AMR Corporation 2003 — 2005 Performance Unit Plan for Officers and Key Employees, incorporated by reference to Exhibit 10.41 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.60	AMR Corporation 2003 — 2005 Performance Unit Agreement.

10.61	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gerard J. Arpey, dated May 21, 1998, incorporated by reference to Exhibit 10.61 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.62	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Peter M. Bowler, dated May 21, 1998, incorporated by reference to Exhibit 10.63 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.63	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Daniel P. Garton, dated May 21, 1998, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.64	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Monte E. Ford, dated November 15, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.65	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Henry C. Joyner, dated January 19, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.66	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Charles D. MarLett, dated May 21, 1998, incorporated by reference to Exhibit 10.70 to AMR's report on Form 10-K for the year ended December 31, 1998.
10.67	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Susan M. Oliver, dated September 22, 2000, incorporated by reference to Exhibit 10.81 to AMR's report on Form 10-K for the year ended December 31, 2000.
10.68	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and William K. Ris, Jr., dated October 20, 1999, incorporated by reference to Exhibit 10.79 to AMR's report on Form 10-K for the year ended December 31, 1999.
10.69	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Ralph L. Richardi dated September 26, 2002, incorporated by reference to Exhibit 10.54 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.70	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gary F. Kennedy dated February 3, 2003, incorporated by reference to Exhibit 10.55 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.71	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Robert W. Reding dated May 20, 2003.
10.72	Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and James A. Beer dated January 5, 2004.
10.73	Employment agreement between AMR, American Airlines and William K. Ris, Jr. dated November 11, 1999.

10.74	Supplemental Executive Retirement Program for Officers of American Airlines, Inc., as amended on October 15, 2002, incorporated by reference to Exhibit 10.60 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.75	Trust Agreement under Supplemental Retirement Program for Officers of American Airlines, Inc., dated October 14, 2002, incorporated by reference to Exhibit 10.61 to AMR's report on Form 10-K for the year ended December 31, 2002.
10.76	Aircraft Purchase Agreement by and between American Airlines, Inc. and The Boeing Company, dated October 31, 1997, incorporated by reference to Exhibit 10.48 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.77	Aircraft Purchase Agreement by and between AMR Eagle Holding Corporation and Bombardier Inc., dated January 31, 1998, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.78	Aircraft Purchase Agreement by and between AMR Eagle, Inc. and Embraer-Empresa Brasileira de Aeronautica S.A., dated December 22, 1997, incorporated by reference to Exhibit 10.50 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.
10.79	Aircraft Purchase Agreement by and between AMR Eagle Holding Corporation and Embraer-Empresa Brasileira de Aeronautica S.A., dated September 30, 1998, incorporated by reference to Exhibit 10.76 to AMR's report on Form 10-K for the year ended December 31, 1998. Confidential treatment was granted as to a portion of this document.
12	Computation of ratio of earnings to fixed charges for the years ended December 31, 1999, 2000, 2001, 2002 and 2003.
21	Significant subsidiaries of the registrant as of December 31, 2003.
23	Consent of Independent Auditors.
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).

(b) Reports on Form 8-K:

Form 8-Ks filed under Item 5 — Other Events

On December 5, 2003, AMR filed a report on Form 8-K to provide a press release issued on December 5, 2003 to report, among other things, the appointment of James Beer as Senior Vice President and Chief Financial Officer of the Company.

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

On October 9, 2003, AMR furnished a report on Form 8-K to announce AMR's intent to host a conference call on October 22, 2003 with the financial community relating to its third quarter 2003 earnings.

On October 29, 2003, AMR filed a report on Form 8-K to announce that Gerard Arpey, President and CEO of AMR Corporation, would be presenting to the Society of Airline Analysts on November 6, 2003.

On November 4, 2003, AMR filed a report on Form 8-K to announce that Jeffrey Campbell, Senior Vice President of Finance and CFO of AMR Corporation, would be speaking at the Citigroup Smith Barney 18th Annual Transportation Conference on November 12, 2003.

Form 8-Ks furnished under Item 7 — Financial Statements and Exhibits

On October 22, 2003, AMR filed a report on Form 8-K to provide a press release issued on October 22, 2003 to report the Company's third quarter 2003 earnings.

Form 8-Ks furnished under Item 12 — Disclosure of Results of Operations and Financial Condition

On October 24, 2003, AMR filed a report on Form 8-K to provide a press release issued on October 22, 2003 to report the Company's third quarter 2003 earnings.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMR CORPORATION

By: /s/ Gerard J. Arpey

Gerard J. Arpey
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 27, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates noted:

/s/ Gerard J. Arpey

Gerard J. Arpey
Director, President and Chief Executive Officer
(Principal Executive Officer)

/s/ James A. Beer

James A. Beer
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ John W. Bachmann

John W. Bachmann, Director

/s/ David L. Boren

David L. Boren, Director

/s/ Edward A. Brennan

Edward A. Brennan, Director and Executive Chairman

/s/ Armando M. Codina

Armando M. Codina, Director

/s/ Earl G. Graves

Earl G. Graves, Director

/s/ Ann McLaughlin Korologos

Ann McLaughlin Korologos, Director

/s/ Michael A. Miles

Michael A. Miles, Director

/s/ Philip J. Purcell

Philip J. Purcell, Director

/s/ Joe M. Rodgers

Joe M. Rodgers, Director

/s/ Judith Rodin

Judith Rodin, Director

/s/ Roger T. Staubach

Roger T. Staubach, Director

Date: February 27, 2004

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
AMR Corporation

We have audited the consolidated financial statements of AMR Corporation as of December 31, 2003 and 2002, and for each of the three years in the period ended December 31, 2003, and have issued our report thereon dated February 16, 2004. Our audits also included Schedule II — Valuation and Qualifying Accounts and Reserves. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits.

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

/s/ **ERNST & YOUNG LLP**

Dallas, Texas
February 16, 2004

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

	Balance at beginning of year	Changes charged to statement of operations accounts	Increases charged to other accounts	Payments	Write-offs (net of recoveries)	Sales, retirements and transfers	Balance at end of year
			(Note)				
Year ended December 31, 2003							
Allowance for obsolescence of inventories	$450	$ 71	$—	$ —	$ —	$(93)	$428
Allowance for uncollectible accounts	66	14	—	—	(18)	—	62
Reserves for environmental remediation costs	92	(12)	—	(8)	—	—	72
Reserves for litigation	4	—	—	—	—	—	4
Allowance for insurance receivable	12	10	—	—	—	—	22
Year ended December 31, 2002							
Allowance for obsolescence of inventories	383	71	—	—	—	(4)	450
Allowance for uncollectible accounts	52	27	—	—	(13)	—	66
Reserves for environmental remediation costs	84	25	—	(17)	—	—	92
Reserves for litigation	6	(2)	—	—	—	—	4
Allowance for insurance receivable	—	12	—	—	—	—	12
Year ended December 31, 2001							
Allowance for obsolescence of inventories	332	67	—	—	—	(16)	383
Allowance for uncollectible accounts	27	19	—	—	6	—	52
Reserves for environmental remediation costs	70	24	19	(29)	—	—	84
Reserves for litigation	29	6	—	(29)	—	—	6

Note: Amount was established as part of the April 2001 acquisition of TWA and was charged to goodwill on the consolidated balance sheets.

EXHIBIT 10.5

January 12, 2004

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

Dear John:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

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

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

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ John W. Bachmann
- ------------------------------
John W. Bachmann

1/23/2004
- ------------------------------
Date

EXHIBIT 10.11

January 12, 2004

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

Dear Ed:

You've elected to defer your retainer and meeting fees for calendar year 2004.

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

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Deferral of 2004 fees to be in accordance with June 2, 1998 letter:

AGREED: /s/ Edward A. Brennan DATE: 1/19/2004

Edward A. Brennan

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

Attachment

EXHIBIT 10.13

January 12, 2004

Mr. David L. Boren
Office of the President
University of Oklahoma
660 Parrington Oval, Room 110
Norman, OK 73019

Dear David:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004 , will be deferred and paid to you in accordance with this letter agreement.

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

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

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to your named beneficiary under the Director's Term Life Insurance Policy maintained by the Corporation.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ David L. Boren
- ---------------------------------
David L. Boren

1/21/2004
- ---------------------------------
Date

EXHIBIT 10.20

January 12, 2004

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

Dear Armando:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

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

3. On or before January 31, 2014, all the Stock Equivalent Units will be converted to cash and paid to you by multiplying the number of Stock Equivalent Units as of December 31, 2013, by the arithmetic mean of the high and low of AMR stock ("fair market value") during December 2013.

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Armando M. Codina
- -----------------------------
Armando M. Codina

1/22/04
- -----------------------------
Date

EXHIBIT 10.22

January 12, 2004

Mr. Earl G. Graves
Chairman and CEO
Earl G. Graves Ltd.
130 Fifth Avenue
New York, New York 10011

Dear Earl:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004 , will be deferred and paid to you in accordance with this letter agreement.

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

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

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to your named beneficiary under the Director's Term Life Insurance Policy maintained by the Corporation.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Earl G Graves
- ----------------------------
Earl G. Graves

1/20/2004
- ----------------------------
Date

EXHIBIT 10.24

January 12, 2004

Mrs. Ann M. Korologos
3150 South Street, NW
Washington, D.C. 20007

Dear Ann:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004 , will be deferred and paid to you in accordance with this letter agreement.

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

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

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to your named beneficiary under the Director's Term Life Insurance Policy maintained by the Corporation.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Ann M. Korologos
- -------------------------------
Ann M. Korologos

1/19/2004
- -------------------------------
Date

EXHIBIT 10.26

January 12, 2004

Mr. Michael A. Miles
1350 Lake Road
Lake Forest, IL 60045

Dear Mike:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004 , will be deferred and paid to you in accordance with this letter agreement.

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

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

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to your named beneficiary under the Director's Term Life Insurance Policy maintained by the Corporation.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Michael A. Miles
- --------------------------
Michael A. Miles

1/24/2004
- --------------------------
Date

EXHIBIT 10.30

January 12, 2004

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

Dear Phil:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

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

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

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Philip J. Purcell
- ------------------------------
Philip J. Purcell

1/20/2004
- ------------------------------
Date

EXHIBIT 10.34

January 12, 2004

Mr. Joe M. Rodgers
Chairman
The JMR Group
P. O. Box 158838
Nashville, TN 37215-8838

Dear Joe:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

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

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

4. AMR's obligation to make the payment pursuant to paragraph 3 hereof will not be released or modified by reason of your death. In such event, the cash payment contemplated by paragraph 3 will be made to your named beneficiary under the Director's Term Life Insurance Policy maintained by the Corporation.

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

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

1/22/2004
- --------------------------------
Date

EXHIBIT 10.42

January 12, 2004

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

Dear Judith:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

2. Interest will be accrued on the amounts to be paid on a deferred basis pursuant to paragraph 1 above, from the date such fees would otherwise have been paid to the date actually paid, at the prime rate which The Chase Manhattan Bank (National Association) from time to time charges in New York for 90-day loans to responsible commercial borrowers, such interest to be compounded monthly.

3. The total amount to be paid on a deferred basis plus the aggregate amount of interest accrued thereon will be paid to you in a lump sum distribution within 30 days of the date when you cease to be a Director of AMR Corporation.

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Judith Rodin
- ---------------------------
Judith Rodin

1/22/2004
- ---------------------------
Date

EXHIBIT 10.45

January 12, 2004

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

Dear Roger:

This will confirm the following agreement relating to the deferral of your director's fees in 2004.

1. All director's fees and retainers ("Fees") payable to you in connection with your service on the boards of directors (including committees of such boards) of AMR Corporation and American Airlines, Inc. for the period January 1, 2004 through December 31, 2004, will be deferred and paid to you in accordance with this letter agreement.

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

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

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

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

Very truly yours,

Charles D. MarLett
Corporate Secretary

Accepted and agreed:

/s/ Roger T. Staubach
- -------------------------------
Roger T. Staubach

1/20/2004
- -------------------------------
Date

EXHIBIT 10.46

AMR CORPORATION

1998 LONG TERM INCENTIVE PLAN, AS AMENDED

SECTION 1. Purpose, Definitions.

The purpose of the AMR Corporation 1998 Long Term Incentive Plan, as amended (the "Plan") is to enable AMR Corporation (the "Company") to attract, retain and reward key employees of the Company and its Subsidiaries and Affiliates, and strengthen the mutuality of interests between such key employees and the Company's shareholders, by offering such key employees performance-based stock incentives and/or other equity interests or equity-based incentives in the Company, as well as performance-based incentives payable in cash.

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

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

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

(c) "Book Value" means, as of any given date, on a per share basis (i) the Stockholders' Equity in the Company as of the end of the immediately preceding fiscal year as reflected in the Company's audited consolidated balance sheet, subject to such adjustments as the Committee shall specify, divided by (ii) the number of then outstanding shares of Stock as of such year-end date (as adjusted by the Committee for subsequent events).

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

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

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

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

(h) "Deferred Stock" means the right to receive Stock at the end of a specified deferral period pursuant to Section 8.

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

(j) "Early Retirement" means retirement, with the express consent for purposes of this Plan of the Company at or before the time of such retirement, from active employment with the Company and any Subsidiary or Affiliate.

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

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

(m) "Incentive Stock Option" means any Stock Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

(n) "Non-Qualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

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

(p) "Other Stock Based Award" means an award under Section 10 below that is valued in whole or in part by reference to, or is otherwise based on, Stock.

(q) "Performance Related Awards" means an award made pursuant to Section 11 of Restricted Stock or Deferred Stock or Other Stock Based Awards upon the determination by the Committee that performance objectives established by the Committee have been attained, in whole or in part.

(r) "Plan" means this AMR Corporation 1998 Long Term Incentive Plan, as it may be amended from time to time.

(s) "Restricted Stock" means shares of Stock that are subject to restrictions under Section 7 below.

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

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

(v) "Stock Appreciation Right" means the right pursuant to an award granted under Section 6 below to surrender to the Company all (or a portion) of a Stock Option in exchange for an amount equal to the difference between: (i) the Fair Market Value, as of the date such Stock Option (or such portion thereof) is surrendered, of the shares of Stock covered by such Stock Option (or such portion thereof), subject, where applicable, to the pricing provisions in Section 6(b)(ii); and (ii) the aggregate exercise price of such Stock Option (or such portion thereof).

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

(x) "Stock Purchase Right" means the right to purchase Stock pursuant to Section 9.

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

In addition, the terms "LTIP Awards," "Performance Criteria", "Change in Control," "Potential Change in Control" and "Change in Control Price" shall have the meanings set forth, respectively, in Sections 2, 11(a), 12(b), (c) and (d) below.

SECTION 2. Administration.

The Plan shall be administered by a committee of not less than two members of the Board, who shall be appointed by, and serve at the pleasure of, the Board. In selecting the members of the Committee, the Board shall take into account the requirements for the members of the Committee to be treated as "Outside Directors" within the meaning of Section 162(m) of the Code and "Non-Employee Directors" for purposes of Rule 16b-3, as promulgated under Section 16 of the Exchange Act. The functions of the Committee specified in the Plan shall be exercised by the Board, if and to the extent that no Committee exists which has the authority to so administer the Plan, or to the extent that the Committee is not comprised solely of Non-Employee Directors for purposes of Rule 16b-3, as promulgated under Section 16 of the Exchange Act.

The Committee shall have full authority to grant, pursuant to the terms of the Plan, to officers and other key employees eligible under Section 4: (i) Stock Options and Incentive Stock Options; (ii) Stock Appreciation Rights; (iii) Restricted Stock; (iv) Deferred Stock; (v) Stock Purchase Rights; (vi) Other Stock Based Awards; and/or (vii) Performance Related Awards (collectively, the "LTIP Awards").

In particular the Committee shall have the authority:

(a) to select the officers and other key employees of the Company and its Subsidiaries and Affiliates to whom LTIP Awards may from time to time be granted hereunder;

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

(c) subject to the provisions of Sections 3, 5 and 11, to determine the number of shares to be covered by each such award granted hereunder;

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

(e) to determine whether, to what extent and under what circumstances a Stock Option may be settled in cash, Restricted Stock and/or Deferred Stock under Section 5(k) or 5(1), as applicable, instead of Stock;

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

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

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

(i) to determine the terms and restrictions applicable to Stock Purchase Rights and the Stock purchased by exercising such Rights;

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

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

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

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

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

SECTION 3. Stock Subject to Plan.

The total number of shares of Stock reserved and available for distribution under the Plan shall be 5,000,000 shares, plus any shares remaining available for issuance under the 1988 Long Term Incentive Plan, as amended, as of the Effective Date hereof. Such shares may consist, in whole or in part, of authorized and unissued shares or treasury shares.

Subject to Section 6(b)(iv) below, if any shares of Stock that have been optioned cease to be subject to a Stock Option, or if any such shares of Stock that are subject to any Restricted Stock or Deferred Stock award, Stock Purchase Right, Other Stock Based Award or Performance Related Award granted hereunder or granted under the 1988 Long Term Incentive Plan, as amended, are forfeited or any such award otherwise terminates without a payment being made to the participant in the form of Stock, such shares shall again be available for distribution in connection with future awards under the Plan.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Stock, such substitution or adjustment shall be made in the aggregate number of shares reserved for issuance under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan, in the number and purchase price of shares subject to outstanding Stock Purchase Rights under the Plan, and in the number of shares subject to other outstanding awards granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any award shall always be a whole number. Such adjusted option price shall also be used to determine the amount payable by the Company upon the exercise of any Stock Appreciation Right associated with any Stock Option.

SECTION 4. Eligibility.

Officers and other key employees of the Company and its Subsidiaries and Affiliates (but excluding members of the Committee and any person who serves only as a director) who are responsible for, or contribute to, the management, growth and/or profitability of the business of the Company and/or its Subsidiaries and Affiliates are eligible for awards under the Plan.

SECTION 5. Stock Options.

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

Stock Options granted under the Plan may be of two types: (i) Incentive Stock Options; and (ii) Non-Qualified Stock Options.

The Committee shall have the authority to grant to any optionee Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options (in each case with or without Stock Appreciation Rights); provided that, in no event shall the number of shares of Stock subject to any Stock Options granted to any employee during any calendar year exceed 250,000 shares, as such number may be adjusted pursuant to Section 3.

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

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

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

(c) Exercisability. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee; provided, however, that except as determined by the Committee, no Stock Option shall be exercisable prior to the first anniversary date of the granting of the Option. If the Committee provides, in its sole discretion, that any Stock Option is exercisable only in installments, the Committee may waive such installment exercise provisions at any time in whole or in part, based on such factors as the Committee shall determine, in its sole discretion.

(d) Method of Exercise. Subject to whatever installment exercise provisions apply under Section 5(c) and subject to whatever restrictions may be imposed by the Company, Stock Options may be exercised in whole or in part at any time during the option period, by giving written notice of exercise to the Company specifying the number of shares to be purchased.

Such notice shall be accompanied by payment in full of the purchase price. Without limiting the generality of the foregoing, payment of the option price may be made: (i) in cash or its equivalent; (ii) by exchanging shares of Stock owned by the optionee (which are not the subject of any pledge or other security interest), including in the case of a Non-Qualified Stock Option, Restricted Stock or Deferred Stock subject to an award hereunder (or an award under the terms of the 1988 Long Term Incentive Plan, as amended); (iii) through an arrangement with a broker approved by the Company whereby payment of the exercise price is accomplished with the proceeds of the sale of Stock; or (iv) by any combination of the foregoing, provided that the combined value of all cash and cash equivalents paid and the Fair Market Value of any such Stock so tendered to the Company, valued as of the date of such tender, is at least equal to such option price.

If payment of the option exercise price of a Non-Qualified Stock Option is made in whole or in part in the form of Restricted Stock or Deferred Stock, such Restricted Stock or Deferred Stock (and any replacement shares relating thereto) shall remain (or be) restricted or deferred, as the case may be, in accordance with the original terms of the Restricted Stock award or Deferred Stock award in question, and any additional Stock received upon the exercise shall be subject to the same forfeiture restrictions or deferral limitations, unless otherwise determined by the Committee, in its sole discretion.

No shares of Stock shall be issued upon exercise of a stock option until full payment therefor has been made. An optionee shall generally have the rights to dividends or other rights of a shareholder with respect to shares subject to the Option when the optionee has given written notice of exercise, has paid in full for such shares, and, if requested, has given the representation described in Section 15(a).

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

(f) Termination by Death. Subject to Section 5(j), if an optionee's employment by the Company and any Subsidiary or Affiliate terminates by reason of death, any Stock Option held by such optionee may thereafter be exercised in accordance with the terms and conditions established by the Committee.

(g) Termination by Reason of Disability. Subject to Section 5(j), if an optionee's employment by the Company and any Subsidiary or Affiliate terminates by reason of Disability, any Stock Option held by such optionee may thereafter be exercised by the optionee in accordance with the terms and conditions established by the Committee. In the event of termination of employment by reason of Disability, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(h) Termination by Reason of Retirement. Subject to Section 5(j), if an optionee's employment by the Company and any Subsidiary or Affiliate terminates by reason of Normal or Early Retirement, any Stock Option held by such optionee may thereafter be exercised by the optionee in accordance with the terms and conditions established by the Committee. In the event of termination of employment by reason of Retirement, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock Option.

(i) Other Termination. Unless otherwise determined by the Committee, if an optionee's employment by the Company or any Subsidiary or Affiliate terminates for any reason other than death, Disability or Normal or Early Retirement, the Stock Option shall thereupon terminate.

(j) Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the optionee(s) affected, to disqualify any Incentive Stock Option under such Section 422.

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

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

SECTION 6. Stock Appreciation Rights.

(a) Grant and Exercise. Stock Appreciation Rights may be granted in conjunction with all or part of any Stock Option granted under the Plan. In the case of a Non-Qualified Stock Option, such rights may be granted either at or after the time of the grant of such Stock Option. In the case of an Incentive Stock Option, such rights may be granted only at the time of grant of such Stock Option.

A Stock Appreciation Right or applicable portion thereof granted with respect to a given Stock Option shall terminate and no longer be exercisable upon the termination or exercise of the related Stock Option, subject to such provisions as the Committee may specify at grant where a Stock Appreciation Right is granted with respect to less than the full number of shares covered by a related Stock Option.

A Stock Appreciation Right may be exercised by an optionee, subject to Section 6(b), in accordance with the procedures established by the Committee for such purposes. Upon such exercise, the optionee shall be entitled to receive an amount determined in the manner prescribed in Section 6(b). Stock Options relating to exercised Stock Appreciation Rights shall no longer be exercisable to the extent that the related Stock Appreciation Rights have been exercised.

(b) Terms and Conditions. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(i) Stock Appreciation Rights shall be exercisable only at such time or times and to the extent that the Stock Options to which they relate shall be exercisable in accordance with the provisions of Section 5 and this Section 6 of the Plan.

(ii) Upon the exercise of a Stock Appreciation Right, an optionee shall be entitled to receive an amount in cash and/or shares of Stock equal in value to the excess of the Fair Market Value of one share of Stock over the option price per share specified in the related Stock Option multiplied by the number of shares in respect of which the Stock Appreciation Right shall have been exercised, with the Committee having the right to determine the form of payment. When payment is to be made in shares, the number of shares to be paid shall be calculated on the basis of the Fair Market Value of the shares on the date of exercise.

(iii) Stock Appreciation Rights shall be transferable only when and to the extent that the underlying Stock Option would be transferable under Section 5(e) of the Plan.

(iv) Upon the exercise of a Stock Appreciation Right, the Stock Option or part thereof to which such Stock Appreciation Right is related shall be deemed to have been exercised for the purpose of the limitation set forth in Section 3 of the Plan on the number of shares of Stock exercised under the Plan, but only to the extent of the number of shares issued under the Stock Appreciation Right at the time of exercise based on the value of the Stock Appreciation Right at such time.

(v) The Committee, in its sole discretion, may provide that, in the event of a Change in Control and/or a Potential Change in Control, the amount to be paid upon the exercise of a Stock Appreciation Right shall be based on the Change in Control Price, subject to such terms and conditions as the Committee may specify at grant.

SECTION 7. Restricted Stock

(a) Administration. Shares of Restricted Stock may be issued either alone, in addition to, or in tandem with, other awards granted under the Plan and/or awards made outside of the Plan. The Committee shall determine the eligible persons to whom, and the time or times at which, grants of Restricted Stock will be made, the number of shares to be awarded, the price (if any) to be paid by the recipient of Restricted Stock (subject to Section 7(b)), the time or times within which such awards may be subject to forfeiture, and all other terms and conditions of the awards.

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

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

(b) Awards and Certificates. The prospective recipient of a Restricted Stock award shall not have any rights with respect to such award, unless and until the Company and such recipient have executed an agreement evidencing the award and the recipient has delivered a fully executed copy thereof to the Company, and has otherwise complied with the applicable terms and conditions of such award.

(i) The purchase price for shares of Restricted Stock shall be equal to or less than their par value and may be zero.

(ii) Awards of Restricted Stock must be accepted within a reasonable period (or such specific period as the Committee may specify at grant) after the award date, by executing a Restricted Stock award agreement and paying whatever price (if any) is required under Section 7(b)(i).

(iii) Each participant receiving a Restricted Stock award shall be issued a stock certificate in respect of such shares of Restricted Stock. Such certificate shall be registered in the name of such participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such award.

(iv) The Committee shall require that the stock certificates evidencing such shares be held in custody by the Company until the restrictions thereon shall have lapsed, and that, as a condition of any Restricted Stock award, the participant shall have delivered a stock power, endorsed in blank, relating to the Stock covered by such award.

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

(i) Subject to the provisions of this Plan and the award agreement, during a period set by the Committee commencing with the date of such award (the "Restriction Period"), the participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock awarded under the Plan. Within these limits and subject to Sections 7(c)(iv) and/or 7(c)(v), the Committee, in its sole discretion, may provide for the lapse of such restrictions in installments and may accelerate or waive such restrictions in whole or in part, based on service, Performance Criteria and/or such other factors as the Committee may determine, in its sole discretion.

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

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

(iv) An award of Restricted Stock, where the Restriction Period is based on Performance Criteria, shall have a Restriction Period of at least one (1) year.

(v) An award of Restricted Stock, where the Restriction Period is based on service, shall have a Restriction Period of at least three (3) years.

(d) Minimum Value Provisions. In order to better ensure that award payments actually reflect the performance of the Company and service of the participant, the Committee may provide, in its sole discretion, for a tandem performance-based or other award designed to guarantee a minimum value, payable in cash or Stock to the recipient of a Restricted Stock award, subject to such Performance Criteria, future service, deferral and other terms and conditions as may be specified by the Committee.

SECTION 8. Deferred Stock.

(a) Administration. Deferred Stock may be awarded either alone, in addition to, or in tandem with, other awards granted under the Plan and/or awards made outside of the Plan. The Committee shall determine the eligible persons to whom and the time or times at which Deferred Stock shall be awarded, the number of shares of Deferred Stock to be awarded to any person, the duration of the period (the "Deferral Period") during which, and the conditions under which, receipt of the Stock will be deferred, and the other terms and conditions of the award in addition to those set forth in Section 8(b).

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

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

(b) Terms and Conditions. The shares of Deferred Stock awarded pursuant to this Section 8 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement referred to in Section 8(b)(iv) below, Deferred Stock awards may not be sold, assigned, transferred, pledged or otherwise encumbered during the Deferral Period. At the expiration of the Deferral Period (or the Elective Deferral Period referred to in Section 8(b)(iii), where applicable), stock certificates shall be delivered to the participant, or his legal representative, in a number equal to the shares covered by the Deferred Stock award (unless the Committee decides pursuant to Section 2(f) to settle the award in cash).

(ii) Subject to Sections 8(b)(vi) and/or 8(b)(vii), the Committee may accelerate the vesting of all or any part of any Deferred Stock award and/or waive the deferral limitations in whole or in part, based on service, Performance Criteria and/or such other factors as the Committee may determine, in its sole discretion.

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

(iv) Each award shall be confirmed by, and subject to the terms of, a Deferred Stock agreement executed by the Company and the participant.

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

(vi) An award of Deferred Stock, where the Deferral Period is based on Performance Criteria, shall have a Deferral Period of at least one (1) year.

(vii) An award of Deferred Stock, where the Deferral Period is based on service, shall have a Deferral Period of at least three (3) years.

(c) Minimum Value Provisions. In order to better ensure that award payments actually reflect the performance of the Company and service of the participant, the Committee may provide, in its sole discretion, for a tandem performance-based or other award designed to guarantee a minimum value, payable in cash or Stock to the recipient of a Deferred Stock award, subject to such Performance Criteria, future service, deferral and other terms and conditions as may be specified by the Committee.

SECTION 9. Stock Purchase Rights.

(a) Awards and Administration. The Committee may grant eligible participants Stock Purchase Rights which shall enable such participants to purchase Stock (including Deferred Stock and Restricted Stock) at price(s) determined by the Committee at or after grant, in its sole discretion.

The Committee shall also impose such deferral, forfeiture and/or other terms and conditions as it shall determine, in its sole discretion, on such Stock Purchase Rights or the exercise thereof.

The terms of Stock Purchase Rights awards need not be the same with respect to each participant.

Each Stock Purchase Right award shall be confirmed by, and be subject to the terms of, a Stock Purchase Rights agreement.

(b) Exercisability. Stock Purchase Rights shall be exercisable for such period after grant as is determined by the Committee.

SECTION 10. Other Stock Based Awards.

(a) Administration. Other awards of Stock and other awards that are valued in whole or in part by reference to, or are otherwise based on, Stock ("Other Stock Based Awards"), including, without limitation, stock purchase rights, performance shares, convertible preferred stock, convertible debentures, exchangeable securities and Stock awards or options valued by reference to Book Value or subsidiary performance, may be granted either alone, in addition to, or in tandem with, Stock Options, Stock Appreciation Rights, Restricted Stock, Deferred Stock, Stock Purchase Rights or Performance Related Awards granted under the Plan and/or cash awards made outside of the Plan.

Subject to the provisions of the Plan, the Committee shall have authority to determine the persons to whom and the time or times at which such awards shall be made, the amount of such awards, and all other conditions of the awards including any dividend and/or voting rights. Subject to Sections 10(b)(iv) and 10(b)(v), the Committee may also provide for the grant of Stock upon the attainment of specified Performance Criteria or such other factors as the Committee may determine, in its sole discretion.

The provisions of Other Stock Based Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Other Stock Based Awards made pursuant to this Section 10 shall be subject to the following terms and conditions:

(i) Subject to the provisions of this Plan and the award agreement referred to in Section 10(b)(ii) below, awards made under this Section 10 may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which any shares are issued or amounts are paid, or, if later, the date on which any applicable restriction, performance or deferral period lapses. Subject to Sections 10(b)(iv) and/or 10(b)(v), the Committee, in its sole discretion, may accelerate the vesting of all or any part of any Other Stock Based Award, and/or waive any restrictions or deferral limitations in whole or in part, based on service, Performance Criteria and/or other factors as the Committee may determine, in its sole discretion.

(ii) Each award under this Section 10 shall be confirmed by, and subject to the terms of, an agreement or other instrument by the Company and by the participant.

(iii) Stock (including securities convertible into Stock) issued on a bonus basis under this Section 10 may be issued for no cash consideration. Stock (including securities convertible into Stock) purchased pursuant to a purchase right awarded under this Section 10 shall be purchased at price(s) determined by the Committee, in its sole discretion.

(iv) Any Other Stock Based Award that has a Restriction Period or Deferral Period that is based on Performance Criteria shall have a Restriction Period or Deferral Period, as the case may be, of at least one (1) year.

(v) Any Other Stock Based Award that has a Restriction Period or Deferral Period that is based on service shall have a Restriction Period or Deferral Period, as the case may be, of at least three (3) years.

SECTION 11. Performance Related Awards.

(a) Performance Objectives. Notwithstanding anything else contained in the Plan to the contrary, unless the Committee otherwise determines at the time of grant, any award of Restricted Stock or Deferred Stock or Other Stock Based Awards to an officer who is subject to the reporting requirements of Section 16(a) of the Exchange Act other than an award which will vest solely on the basis of the passage of time, shall become vested, if at all, upon the determination by the Committee that performance objectives established by the Committee have been attained, in whole or in part (a "Performance Award"). Such performance objectives shall be determined over a measurement period or periods established by the Committee (which period or periods shall not be less than one (1) year) and related to at least one of the following criteria, which may be determined solely by reference to the performance of: (i) the Company; (ii) a Subsidiary; (iii) an Affiliate; (iv) a division or unit of any of the foregoing or based on comparative performance of any of the foregoing relative to past performance or to other companies: (A) return on equity; (B) total shareholder return; (C) revenues; (D) cash flows, revenues and/or earnings relative to other parameters (e.g., net or gross assets); (E) operating income; (F) return on investment; (G) changes in the value of the Stock; and (H) return on assets (the "Performance Criteria"). Excluding Stock Options and/or Stock Appreciation Rights granted hereunder, the maximum number of shares of Stock that may be subject to any such Performance Award granted to any key employee in any calendar year shall not exceed 100,000 shares, as such number may be adjusted pursuant to Section 3.

(b) Annual Incentive Compensation. The Committee may, in addition to the Performance Awards described above, pay cash amounts under the Plan or any other plan or arrangement approved by the Committee, provided such other plan or arrangement is in conformity with the provisions of this Section 11(b), to any officer of the Company or any Subsidiary who is subject to the reporting requirements of Section 16(a) of the Exchange Act upon the achievement, in whole or in part, of performance goals or objectives established in writing by the Committee with respect to such performance periods as the Committee shall determine. Any such goals or objectives shall be based on one or more of the Performance Criteria. Notwithstanding anything else contained herein to the contrary, the maximum amount of any such cash payment to any single officer with respect to any calendar year shall not exceed the lesser of (i) $2,000,000; or (ii) twice the officer's annual base salary as in effect on the last day of the preceding fiscal year.

(c) Interpretation. Notwithstanding anything else contained in the Plan to the contrary, to the extent required to so qualify any Performance Award as other performance based compensation within the meaning of Section 162(m)(4)(C) of the Code, the Committee shall not be entitled to exercise any discretion otherwise authorized under the Plan (such as the right to accelerate vesting without regard to the achievement of the relevant performance objectives) with respect to such Performance Award if the ability to exercise such discretion (as opposed to the exercise of such discretion) would cause such award to fail to qualify as other performance based compensation.

SECTION 12. Change in Control Provisions.

(a) Impact of Event. Notwithstanding the provisions of Sections 7(c)(iv), 7(c)(v), 8(b)(vi), 8(b)(vii), 10(b)(iv), and 10(b)(v), in the event of:

(i) a "Change in Control" as defined in Section 12(b), or

(ii) a "Potential Change in Control" as defined in Section 12(c), but only if and to the extent so determined by the Committee or the Board (subject to any right of approval expressly reserved by the Committee or the Board at the time of such determination):

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

(B) The restrictions and deferral limitations applicable to any Restricted Stock, Deferred Stock, Stock Purchase Rights, Other Stock Based Awards and Performance Related Awards, in each case to the extent not already vested under the Plan, shall lapse and such shares and awards shall be deemed fully vested and any Performance Criteria shall be deemed met at target; and

(C) The value of all outstanding LTIP Awards to the extent vested may at the sole discretion of the Committee at or after grant but prior to any Change in Control, be cashed out on the basis of the "Change in Control Price" as defined in Section 12(d) as of the date such Change in Control or such Potential Change in Control is determined to have occurred or such other date as the Committee may determine prior to the Change in Control.

(b) Definition of "Change in Control". For purposes of Section 12(a), a "Change in Control" means the happening of any of the following:

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

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

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

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

(c) Definition of Potential Change in Control. For purposes of Section 12(a), a "Potential Change in Control" means the happening of any one of the following:

(i) The approval by shareholders of an agreement by the Company, the consummation of which would result in a Change in Control of the Company as defined in Section 12(b); or

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

(d) Change in Control Price. For the purposes of this Section 12, "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange Composite Index, or paid or offered in any bona fide transaction related to a potential or actual Change in Control of the Company at any time during the sixty (60) day period immediately preceding the occurrence of the Change in Control (or, where applicable, the occurrence of the Potential Change in Control event), in each case as determined by the Committee except that, in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, such price shall be based only on transactions reported for the date on which the optionee exercises such Stock Appreciation Rights or, where applicable, the date on which a cashout occurs under Section 12(a)(ii)(C).

SECTION 13. Amendments and Termination.

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

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

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

SECTION 14. Unfunded Status of Plan.

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

SECTION 15. General Provisions.

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

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

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

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

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

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

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

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

SECTION 16. Effective Date of Plan.

As amended, the Plan shall be effective as of May 21, 1998.

SECTION 17. Term of Plan.

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

SECTION 18. Applicability to Grants under 1988 Plan.

The provisions of the Plan relating to stock options, stock appreciation rights, restricted stock awards, deferred stock awards, stock purchase rights, other stock-based awards or performance related awards shall apply to, and govern existing and subsequent stock options, stock appreciation rights, restricted stock awards, deferred stock awards, stock purchase rights, other stock-based awards or performance related awards granted under the 1988 Long Term Incentive Plan, as amended.

STOCK OPTION
2003 EMPLOYEE STOCK INCENTIVE PLAN

STOCK OPTION granted ______ by AMR Corporation, a Delaware corporation (the "Corporation"), and __________ employee number ________, an employee of the Corporation or one of its Subsidiaries or Affiliates (the "Optionee").

WITNESSETH:

WHEREAS, the Board of Directors of the Corporation (the "Board"), has approved the 2003 Employee Stock Incentive Plan (such plan, as may be amended from time to time, to be referenced the "2003 Plan"); and

WHEREAS, the 2003 Plan provides for the grant of an option to purchase shares of the Corporation's Common Stock (as later defined) to those individuals selected by the Committee or, in lieu thereof, the Board of Directors of AMR Corporation (the "Board"); and

WHEREAS, the Board has determined that the Optionee is eligible under the 2003 Plan and that it is to the advantage and interest of the Corporation to grant the option provided for herein to the Optionee as an incentive for Optionee to remain in the employ of the Corporation or one of its Subsidiaries or Affiliates, and to encourage ownership by the Optionee of the Corporation's Common Stock, $1 par value (the "Common Stock").

NOW, THEREFORE:

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

Exercisable On and After	Number of Shares

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

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

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

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

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

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

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

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

(e) In the event of a Change in Control or a Potential Change in Control of the Corporation, this option shall become exercisable in accordance with the 2003 Plan, or its successor.

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

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

7. Miscellaneous.

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

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

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

(d) In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. ("American") or its Affiliates to any unauthorized party and (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or its Affiliates or after such employment is terminated, and (iii) not to solicit any then current employees of American or any other subsidiaries of the Corporation to join the employee at his or her new place of employment after his or her employment with American or its Affiliates is terminated.

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

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

9. Option Subject to 2003 Plan. This option shall be subject to all the terms and provisions of the 2003 Plan and the Optionee shall abide by and be bound by all rules, regulations and determinations of the Board now or hereafter made in connection with the administration of the 2003 Plan. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the 2003 Plan.

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

AMR Corporation

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Optionee

Charles D. MarLett
Corporate Secretary

EXHIBIT 10.54

DEFERRED STOCK AWARD AGREEMENT

This AGREEMENT made as of this ___________, by and between AMR Corporation, a Delaware corporation (the "Corporation"), and _________ (the "Officer").

WHEREAS, the stockholders of the Corporation approved the 1998 Long Term Incentive Plan, as amended (the "1998 Plan") at the Corporation's annual meeting held on May 20, 1998; and

WHEREAS, the Compensation Committee of the Board of Directors has determined that Officer is a key executive and has further determined to make an award of Deferred Stock to the Officer (subject to terms of the 1998 Plan and this Agreement), as an inducement for the Officer to remain with the Corporation (or a Subsidiary or Affiliate thereof) and to motivate the Officer during such employment.

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

1. Grant of Award.

The Officer is hereby granted as of ___________ (the "Grant Date") a Deferred Stock Award (the "Award"), subject to the terms and conditions of this Agreement, with respect to _______ shares of Common Stock, $1.00 par value, of the Corporation (the "Stock"). The shares of Stock covered by the Award will vest, if at all in accordance with Sections 2 and 3. VESTING DATE is hereby established as the "Vesting Date" of the Award.

2. Distribution of Award on and after the Vesting Date.

Distribution of the Award on and after the Vesting Date will occur, if at all, in accordance with the following terms and conditions:

(a) If the Officer is on the payroll of a Subsidiary that is wholly owned by the Corporation as of the Vesting Date, the Award will be distributed to the Officer in accordance with the following schedule:

Number of
Shares Date
of
Distribution
Tranche ---

-- --------

- -------

Provided, however, if the Officer's employment with the Corporation (or a Subsidiary or Affiliate thereof) is terminated after the Vesting Date but prior to the complete distribution of the Award due to the Officer's death, Disability, Retirement or termination not for Cause (each an "Early Termination"), the distribution of any portion of the Award not already distributed will be accelerated so as to occur as soon as practicable after such Early Termination.

(b) In the event of a Change in Control or Potential Change in Control of the Corporation after the Vesting Date but prior to the complete distribution of the Award, the Award will be paid in accordance with the 1998 Plan or its successor.

(c) Notwithstanding the terms of Section 2(a), the Award will be forfeited in its entirety if after the Vesting Date but prior to the Award's complete distribution:

(i) The Officer's employment with the Corporation (or Subsidiary or Affiliate thereof) is terminated for Cause, or if the Officer terminates his/her employment with the Corporation (or Subsidiary or Affiliate thereof);

(ii) The Officer becomes an employee of a Subsidiary that is not wholly owned by the Corporation; or

(iii) The Officer takes a leave of absence without reinstatement rights, unless otherwise agreed in writing between the Corporation and the Officer.

3. Distribution prior to Vesting Date.

(a) In the event the Officer's employment with the Corporation (or a Subsidiary or Affiliate thereof) terminates prior to the Vesting Date due to an Early Termination, the Award will be distributed on a prorata basis (as described in the second sentence of this Section 3(a)) and will be paid to the Officer (or, in the event of the Officer's death, the Officer's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Officer's estate) as soon as practicable after such Early Termination. The prorata basis will be a percentage where (i) the numerator is the number of months from the GRANT DATE to the month of early termination, inclusive and (ii) the denominator is 36 for Tranche 1, 48 for Tranche 2 and 60 for Tranche 3.

For example, assuming an Early Termination occurring in month six, and an Award of 300 shares for each of Tranche 1, Tranche 2 and Tranche 3, the payment would be made with respect to:

Tranche	Months in Plan	# Months per Tranche	# of Shares	Shares
1	6	/ 36	X 300	= 50
2	6	/ 48	X 300	= 37.5
3	6	/ 60	X 300	= 30
Total				117.5

(b) In the event of a Change in Control or Potential Change in Control of the Corporation prior to the Vesting Date, the Award will be paid in accordance with the 1998 Plan or its successor.

(c) The Award will be forfeited in its entirety if prior to the Vesting Date:

(i) The Officer's employment with the Corporation (or and Subsidiary or Affiliate thereof) is terminated for Cause, or if the Officer terminates his employment with the Corporation (or any Subsidiary or Affiliate thereof);

(ii) The Officer becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation; or

(iii) The Officer takes a leave of absence without reinstatement rights, unless otherwise agreed in writing between the Corporation and the Officer

4. Transfer Restrictions.

Unless otherwise permitted by the CEO, this award is non-transferable other than by will or by the laws of descent and distribution, and may not be assigned, pledged or hypothecated and will not be subject to execution, attachment or similar process. Upon any attempt by the Officer (or the Officer's successor in the interest after the Officer's death) to effect any such disposition, or upon the levy of any such process, the Award may immediately become null and void, at the discretion of the CEO.

5. Miscellaneous.

This Agreement (a) will be binding upon and inure to the benefit of any successor of the Corporation, (b) will be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Officer. No contract or right of employment will be implied by this Agreement. In the event Officer does not forward to the Corporation, within the applicable period, required taxes with respect to any Award distributed pursuant to this Agreement, the

Corporation may withhold from any payments to by made to the Officer by the Corporation (or any Subsidiary or Affiliate thereof) an amount(s) equal to such taxes.

6. Adjustments in Awards.

In the event of a Stock dividend, Stock split, merger consolidation, re-organization, re-capitalization or other change in the corporate structure of the Company, appropriate adjustments may be made by the Board of Directors in the number of shares awarded.

7. Securities Law Requirements.

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

The CEO may require the Officer to furnish to the Corporation, prior to distribution of the Stock in connection with this Award, an agreement, in such form as the CEO may from time to time deem appropriate, in which the Officer represents that the shares acquired by him/her under the Award are being acquired for investment and not with a view to the sale or distribution thereof.

8. Incorporation of 1998 Plan Provisions.

This agreement is made pursuant to the 1998 Plan and is subject to all of the terms and provisions of the 1998 Plan as if the same were fully set forth herein. Capitalized terms not otherwise defined herein will have the meanings set forth for such terms in the 1998 Plan, as amended.

IN WITNESS HEREOF, the Officer and the Corporation have executed this Deferred Stock Agreement as of the day and year first above written.

Officer	AMR CORPORATION
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	Charles D. MarLett Corporate Secretary

EXHIBIT 10.60

2003 - 2005 PERFORMANCE UNIT AGREEMENT

This performance unit agreement ("Agreement") is made this ____ day of ____ 2003, by and between AMR Corporation, a Delaware corporation (the "Corporation"), and _____________ (the "Employee" or "Recipient"), employee number ________.

WHEREAS, pursuant to the Performance Unit Program (the "Program") adopted by the Board of Directors of the Corporation (the "Board"), the Board has determined to make a Program grant to the Employee of performance units (subject to the terms of the 2003 Performance Unit Plan (the "2003 Unit Plan") and this Agreement), as an inducement for the Employee to remain an employee of the Corporation (or a Subsidiary of Affiliate thereof), and to retain and motivate such Employee during such employment.

This Agreement sets forth the terms and conditions attendant to the performance units granted under the 2003 Unit Plan.

1. Grant of Award. The Recipient is hereby granted as of ______, (the "Grant Date") performance units (the "Award"), subject to the terms and conditions of this Agreement with respect to _____ performance units (collectively, the "Units"). The Units covered by the Award shall vest, if at all, in accordance with Section 2. On the date the Units vest (if at all), Recipient will receive, net of applicable withholding or applicable social security taxes, a payment representing the product of (i) the number of vested Units and (ii) the average of the high and low price of the Corporation's Common Stock, $1.00 par value per share, on a date chosen by the Board, which date shall be as soon as practicable after the end of the Measurement Period (as defined below).

2. Vesting.

(a) The Units will vest, if at all, in accordance with Schedule A, attached hereto and made a part of this Agreement.

(b) In the event Recipient's employment with the Corporation (or a Subsidiary or Affiliate thereof) is terminated prior to the end of the three year measurement period set forth in Schedule A (the "Measurement Period") due to the Recipient's death, Disability, Retirement or termination not for Cause (each an "Early Termination") the Award will vest, if at all, on a prorata basis and will be paid to the Employee (or, in the event of the Employee's death, the Employee's designated beneficiary for purposes of the Award, or in the absence of an effective beneficiary designation, the Employee's estate). The prorata shares will be a percentage where the denominator is 36 and the numerator is the number of months from January 1, 2003 through the month of Early Termination, inclusive. The Award will be paid to the Recipient at or around the same time as payments are made to then current employees who have been granted Units under the 2003 Unit Plan.

(c) In the event Recipient's employment with the Corporation (or any Subsidiary or Affiliate thereof) is terminated for Cause, or if the Recipient terminates his/her employment with the Corporation (or any Subsidiary or Affiliate thereof), each occurring prior to the payment contemplated by this Agreement, the Award shall be forfeited in its entirety.

(d) If prior to the payment contemplated by this Agreement, the Recipient becomes an employee of a Subsidiary that is not wholly owned, directly or indirectly, by the Corporation, or if the Recipient begins a leave of absence without reinstatement rights, then in each case the Award shall be forfeited in its entirety.

(e) In the event of a Change in Control or Potential Change in Control of the Corporation, the Award shall vest in accordance with the 2003 Unit Plan, or its successor.

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

4. Miscellaneous. This Agreement (a) shall be binding upon and inure to the benefit of any successor of the Corporation, (b) shall be governed by the laws of the State of Texas and any applicable laws of the United States, and (c) may not be amended without the written consent of both the Corporation and the Recipient. No contract or right of employment shall be implied by this Agreement.

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. ("American") or its Affiliates to any unauthorized party and (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American or its Affiliates or after such employment is terminated, and (iii) not to solicit any then current employees of American or any other Subsidiaries of the Corporation to join the employee at his or her new place of employment after his or her employment with American or its Affiliates is terminated.

5. Adjustments in Awards. In the event of a Stock dividend, Stock split, merger, consolidation, re-organization, re-capitalization or other change in the corporate structure of the Corporation, appropriate adjustments may be made by the Board of Directors in the number of shares awarded.

6. Incorporation of 1998 Plan Provisions. Capitalized terms not otherwise defined herein (inclusive of Schedule A) shall have the meanings set forth for such terms in the Corporation's 1998 Long Term Incentive Plan, as amended.

IN WITNESS HEREOF, the Recipient and the Corporation have executed this Performance Unit Agreement as of the day, month and year set forth above.

RECIPIENT	AMR CORPORATION
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	Charles D. MarLett Corporate Secretary

2003 - 2005 PERFORMANCE UNIT PLAN
FOR OFFICERS AND KEY EMPLOYEES

Purpose

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

Definitions

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

"Affiliate" is defined as a subsidiary of AMR or any entity that is designated by the Committee as a participating employer under the Plan, provided that AMR directly or indirectly owns at least 20% of the combined voting power of all classes of stock of such entity.

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

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

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

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

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

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

Accumulation of Units

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

Granted Shares - Percent of Target Based on Rank -

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

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

5 Comparators

Granted Units - Percent of Target Based on Rank -

- Rank

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

4 Comparators

Granted
Units
-
Percent
of
Target
Based
on
Rank -

-- ---

-- ---

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

3 Comparators

Granted
Units
-
Percent
of
Target
Based
on
Rank -

-- ---

-- ---

-- ---

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

Administration

The Committee shall have authority to administer and interpret the Plan, establish administrative rules, approve eligible participants, and take any other action necessary for the proper and efficient operation of the Plan. The distribution percentage of units, if any, will be determined based on an audit of AMR's TSR rank by the General Auditor of American Airlines, Inc. A summary of awards under the Plan shall be provided to the Board of Directors at the first regular meeting following determination of the awards. THE AWARDS WILL BE PAID IN CASH.

General

Neither this Plan nor any action taken hereunder shall be construed as giving any employee or participant the right to be retained in the employ of American Airlines, Inc. or an Affiliate.

Nothing in the Plan shall be deemed to give any employee any right, contractually or otherwise, to participate in the Plan or in any benefits hereunder, other than the right to receive an award as may have been expressly awarded by the Committee subject to the terms and conditions of the award agreement between the Corporation and the employee.

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

In consideration of the employee's privilege to participate in the Plan, the employee agrees (i) not to disclose any trade secrets of, or other confidential/restricted information of, American Airlines, Inc. or its Affiliates to any unauthorized party and, (ii) not to make any unauthorized use of such trade secrets or confidential or restricted information during his or her employment with American Airlines, Inc. or its Affiliates or after such employment is terminated, and (iii) not to solicit any then current employees of American Airlines, Inc. or any other Subsidiaries of the Corporation to join the employee at his or her new place of employment after his or her employment with American Airlines, Inc. or its Affiliates is terminated.

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

EXHIBIT 10.71

AMENDED AND RESTATED
EXECUTIVE TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE TERMINATION BENEFITS AGREEMENT (this "Agreement"), dated as of the 20th day of May, 2003 is among AMR CORPORATION, a Delaware corporation, AMERICAN AIRLINES, INC., a Delaware corporation (collectively the "Company"), and ROBERT W. REDING (the "Executive").

WITNESSETH:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event an effort is made to obtain control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Company's Board of Directors (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change in control of the Company;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive any proposal from a third person concerning a possible business combination with or acquisition of equity securities of the Company, the Board believes it imperative that the Company and the Board be able to rely upon the Executive to continue in his position, and that the Company be able to receive and rely upon his advice as to the best interests of the Company and its stockholders without concern that he might be distracted by the personal uncertainties and risks created by such a proposal; and

WHEREAS, should the Company receive any such proposals, in addition to the Executive's regular duties, he may be called upon to assist in the assessment of such proposals, advise management and the Board as to whether such proposals would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control

For purposes of this Agreement, a Change in Control of the Company shall be deemed to have taken place if:

(a) any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and

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

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

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

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2. Circumstances Triggering Receipt of Severance Benefits

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control;

(iii) by the Executive pursuant to Section 2(d); or

(iv) by the Company or the Executive pursuant to Section 2(e).

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" with the right to benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company and/or a subsidiary (or any successor thereto) if the Executive shall have been a director of the Company and/or a subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and/or any subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's annual base salary rate and annual incentive compensation target to be received from the Company and/or any subsidiary, or (C) the termination or denial of the Executive's rights to Employee Benefits (as defined below) or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (directly or by operation of law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have his principal location of work changed, to any location that is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 calendar days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of Executive due to illness, accident or other physical or mental disability to perform his duties for any period of six consecutive months or for any period of eight months out of any 12-month period, as determined by an independent physician selected by the Company and reasonably acceptable to the Executive (or his legal representative), provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and its subsidiaries on account of the Executive's retirement at or after age 65, pursuant to the Company's Retirement Benefit Plan; or

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, or the Executive's wilful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting

"Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, stock plans, programs and arrangements and/or under any Employment Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any subsidiary for any reason, or without reason, by providing Notice of Termination pursuant to Section 3 during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to the benefits set forth in Section 4.

(e) Any termination of employment of the Executive, including a termination for "Good Reason," but excluding a termination for "Cause," or the removal of the Executive from the office or position in the Company or any subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

3. Notice of Termination

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of

Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure after provision of written notice by the Executive to effect a remedy pursuant to the final clause of Section 2(b)(ii), 2(b)(iii) or 2(b)(vi).

4. Termination Benefits

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) Compensation

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) "Incentive Pay" equal to the greater of (x) the target annual bonus payable to the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (y) the highest annual bonus earned by the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan (whether paid currently or on a deferred basis) with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred, plus (iii) "Performance Returns" equal to the highest annual payment of performance returns paid to the Executive with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred.

(b) Welfare Benefits

For a period of 36 months following the Termination Date (the "Continuation Period"), the Company shall arrange to provide the Executive with benefits, including travel accident, major medical, dental, vision care and other welfare benefit programs in effect immediately prior to the Change in Control ("Employee Benefits") substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(C)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(c) Retirement Benefits

The Executive shall be deemed to be completely vested in Executive's currently accrued benefits under the Company's Retirement Benefit Plan and Supplemental Executive Retirement Plan ("SERP") in effect as of the date of Change in Control (collectively, the

"Plans"), regardless of his actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn service credit for benefit calculation purposes thereunder for the Continuation Period. Benefits under the Plans will become payable at any time designated by the Executive following termination of the Executive's employment with the Company and its subsidiaries after the Executive reaches age 55, subject to the terms of the Plans regarding the actuarial adjustment of benefit payments commencing prior to normal retirement age. The benefits to be paid pursuant to the Plans shall be calculated as though the Executive's compensation rate for each of the five years immediately preceding his retirement equaled the sum of Base Pay plus Incentive Pay plus Performance Returns. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company's Retirement Benefit Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code")) shall be paid directly by the Company out of its general assets.

(d) Relocation Benefits

If the Executive moves his residence in order to pursue other business or employment opportunities during the Continuation Period and requests in writing that the Company provide relocation services, he will be reimbursed for any expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive's home and all other assistance and benefits which were customarily provided by the Company to transferred executives prior to the Change in Control.

(e) Executive Outplacement Counseling

At the request of the Executive made in writing during the Continuation Period, the Company shall engage an outplacement counseling service of national reputation to assist the Executive in obtaining employment.

(f) Stock Based Compensation Plans

(i) Any issued and outstanding Stock Options (to the extent they have not already become exercisable) shall become exercisable as of the date on which the Change in Control occurs, unless otherwise specifically provided at the time such options are granted.

(ii) The Company's right to rescind any award of stock to the Executive under the Company's 1988 Long Term Incentive Plan or the Company's 1998 Long Term Incentive Plan (or any successor plan) shall terminate upon a Change in Control, and all restrictions on the sale, pledge, hypothecation or other disposition of shares of stock awarded pursuant to such plan shall be removed at the Termination Date, unless otherwise specifically provided at the time such award(s) are made.

(iii) The Executive's rights under any other stock based compensation plan shall vest (to the extent they have not already vested) and any performance criteria shall be deemed met at target as of the date on which a Change in Control occurs, unless otherwise specifically provided at the time such right(s) are granted.

(g) Split Dollar Life Insurance

The Company shall pay to the Executive a lump sum equal to the cost on the Termination Date of purchasing, at standard independent insurance premium rates, an individual paid up insurance policy providing benefits equal to the benefits provided by the Company's Split Dollar Life Insurance coverage immediately prior to the date of the Change in Control.

(h) Other Benefits

(i) The Executive shall have all flight privileges provided by the Company to Directors as of the date of Change in Control until the Executive reaches age 55, at which time he shall have all flight privileges provided by the Company to its retirees who held the same or similar position as the Executive immediately prior to the Change in Control.

(ii) The Executive, at the Executive's option, shall be entitled to continue the use of the Executive's Company-provided automobile during the Continuation Period under the same terms that applied to the automobile immediately prior to the Change in Control, or to purchase the automobile at its book value as of the Termination Date.

(iii) The Company shall pay to the Executive an amount equal to the cost to the Company of providing any other perquisites and benefits of the Company in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period.

(i) Accrued Amounts

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

(j) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a), 4(g) and 4(h)(iii) in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts due pursuant to Section 4(i) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 5(h), in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting

Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any

Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to the Executive, (ii) the aggregate "present value" of the "parachute payments" to be paid or provided to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (iii) but for this sentence, the net after-tax benefit to the Executive of the Gross-Up Payment would not exceed $50,000 (taking into account both income taxes and any Excise Tax), then the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f)) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 5(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Accounting Firm. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5(h) will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5(h), the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5(h). The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(b).

7. Legal Fees and Expenses.

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Section 7 shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party, which amounts deposited shall in the aggregate be not less than $2,000,000, providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any subsidiary.

8. Continuing Obligations

(a) The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of his employment with the Company or pursuant to any court order or other legal process.

(b) The Executive hereby agrees that during the Continuation Period, he will not directly or indirectly solicit any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. Successors

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to terminate his employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

10. Notices

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as FedEx, UPS, or Purolator, addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

12. Miscellaneous

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4, 5 and 7 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of his death, his designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term

This Agreement will be effective and binding as of the date first above written immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term (as defined below), without further action, this Agreement shall become immediately operative. For purposes of this Agreement, "Term" means the period commencing as of the date first above written and expiring as of the later of (i) the fifth anniversary of the date first above written or (ii) the second anniversary of the first occurrence of a Change in Control; provided, however, that (A) commencing on the fifth anniversary of the date first above written and each fifth anniversary date thereafter, the Term of this Agreement will automatically be extended for an additional five years unless, not later than 180 days preceding each such fifth anniversary date, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to Section 2(e), if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of Executive's employment between the Company and any subsidiary, or among any subsidiaries.

16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17 Prior Agreement. This Agreement supersedes and terminates any and all prior Executive Termination Benefits Agreements by and among Company and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth, thereby mutually and voluntarily agreeing that this Agreement supersedes and replaces any prior similar agreements for such termination benefits.

AMR CORPORATION

By: /s/ Gerard J. Arpey

AMERICAN AIRLINES, INC.

By: /s/ Susan M. Oliver

ROBERT W. REDING

/s/ Robert W. Reding

EXHIBIT 10.72

AMENDED AND RESTATED
EXECUTIVE TERMINATION BENEFITS AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE TERMINATION BENEFITS AGREEMENT (this "Agreement"), dated as of the 5th day of January, 2004, is among AMR CORPORATION, a Delaware corporation, AMERICAN AIRLINES, INC., a Delaware corporation (collectively the "Company"), and JAMES A. BEER (the "Executive").

WITNESSETH:

WHEREAS, the Company considers it essential to the best interests of the Company and its stockholders that its management be encouraged to remain with the Company and to continue to devote full attention to the Company's business in the event an effort is made to obtain control of the Company through a tender offer or otherwise;

WHEREAS, the Company recognizes that the possibility of a change in control and the uncertainty and questions which it may raise among management may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders;

WHEREAS, the Company's Board of Directors (the "Board") has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management to their assigned duties without distraction in the face of the potentially disturbing circumstances arising from the possibility of a change in control of the Company;

WHEREAS, the Executive is a key Executive of the Company;

WHEREAS, the Company believes the Executive has made valuable contributions to the productivity and profitability of the Company;

WHEREAS, should the Company receive any proposal from a third person concerning a possible business combination with or acquisition of equity securities of the Company, the Board believes it imperative that the Company and the Board be able to rely upon the Executive to continue in his position, and that the Company be able to receive and rely upon his advice as to the best interests of the Company and its stockholders without concern that he might be distracted by the personal uncertainties and risks created by such a proposal; and

WHEREAS, should the Company receive any such proposals, in addition to the Executive's regular duties, he may be called upon to assist in the assessment of such proposals, advise management and the Board as to whether such proposals would be in the best interests of the Company and its stockholders, and to take such other actions as the Board might determine to be appropriate.

NOW, THEREFORE, to assure the Company that it will have the continued undivided attention and services of the Executive and the availability of his advice and counsel notwithstanding the possibility, threat or occurrence of a bid to take over control of the Company, and to induce the Executive to remain in the employ of the Company, and for other good and valuable consideration, the Company and the Executive agree as follows:

1. Change in Control

For purposes of this Agreement, a Change in Control of the Company shall be deemed to have taken place if:

(a) any person as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and as used in Sections 13(d) and

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

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

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

(d) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

2. Circumstances Triggering Receipt of Severance Benefits

(a) Subject to Section 2(c), the Company will provide the Executive with the benefits set forth in Section 4 upon any termination of the Executive's employment:

(i) by the Company at any time within the first 24 months after a Change in Control;

(ii) by the Executive for "Good Reason" (as defined in Section 2(b) below) at any time within the first 24 months after a Change in Control;

(iii) by the Executive pursuant to Section 2(d); or

(iv) by the Company or the Executive pursuant to Section 2(e).

(b) In the event of the occurrence of a Change in Control, the Executive may terminate employment with the Company and/or any subsidiary for "Good Reason" with the right to benefits set forth in Section 4 upon the occurrence of one or more of the following events (regardless of whether any other reason, other than Cause as provided below, for such termination exists or has occurred, including without limitation other employment):

(i) Failure to elect or reelect or otherwise to maintain the Executive in the office or the position, or a substantially equivalent office or position, of or with the Company and/or a subsidiary, as the case may be, which the Executive held immediately prior to a Change in Control, or the removal of the Executive as a director of the Company and/or a subsidiary (or any successor thereto) if the Executive shall have been a director of the Company and/or a subsidiary immediately prior to the Change in Control;

(ii) (A) A significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and/or any subsidiary which the Executive held immediately prior to the Change in Control, (B) a reduction in the aggregate of the Executive's annual base salary rate and annual incentive compensation target to be received from the Company and/or any subsidiary, or (C) the termination or denial of the Executive's rights to Employee Benefits (as defined below) or a reduction in the scope or value thereof, any of which is not remedied by the Company within 10 calendar days after receipt by the Company of written notice from the Executive of such change, reduction or termination, as the case may be;

(iii) A determination by the Executive (which determination will be conclusive and binding upon the parties hereto provided it has been made in good faith and in all events will be presumed to have been made in good faith unless otherwise shown by the Company by clear and convincing evidence) that a change in circumstances has occurred following a Change in Control, including, without limitation, a change in the scope of the business or other activities for which the Executive was responsible immediately prior to the Change in Control, which has rendered the Executive substantially unable to carry out, has substantially hindered Executive's performance of, or has caused the Executive to suffer a substantial reduction in, any of the authorities, powers, functions, responsibilities or duties attached to the position held by the Executive immediately prior to the Change in Control, which situation is not remedied within 10 calendar days after written notice to the Company from the Executive of such determination;

(iv) The liquidation, dissolution, merger, consolidation or reorganization of the Company or transfer of all or substantially all of its business and/or assets, unless the successor or successors (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (directly or by operation of law) assumed all duties and obligations of the Company under this Agreement pursuant to Section 9(a);

(v) The Company relocates its principal executive offices, or requires the Executive to have his principal location of work changed, to any location that is in excess of 50 miles from the location thereof immediately prior to the Change in Control, or requires the Executive to travel away from his office in the course of discharging his responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Executive in any of the three full years immediately prior to the Change in Control without, in either case, his prior written consent; or

(vi) Without limiting the generality or effect of the foregoing, any material breach of this Agreement by the Company or any successor thereto, which breach is not remedied within 10 calendar days after written notice to the Company from the Executive describing the nature of such breach.

(c) Notwithstanding Sections 2(a) and (b) above, no benefits shall be payable by reason of this Agreement in the event of:

(i) Termination of the Executive's employment with the Company and its subsidiaries by reason of the Executive's death or Disability, provided that the Executive has not previously given a valid "Notice of Termination" pursuant to Section 3. For purposes hereof, "Disability" shall be defined as the inability of Executive due to illness, accident or other physical or mental disability to perform his duties for any period of six consecutive months or for any period of eight months out of any 12-month period, as determined by an independent physician selected by the Company and reasonably acceptable to the Executive (or his legal representative), provided that the Executive does not return to work on substantially a full-time basis within 30 days after written notice from the Company, pursuant to Section 3, of an intent to terminate the Executive's employment due to Disability;

(ii) Termination of the Executive's employment with the Company and its subsidiaries on account of the Executive's retirement at or after age 65, pursuant to the Company's Retirement Benefit Plan; or

(iii) Termination of the Executive's employment with the Company and its subsidiaries for Cause. For the purposes hereof, "Cause" shall be defined as a felony conviction of the Executive or the failure of the Executive to contest prosecution for a felony, or the Executive's wilful misconduct or dishonesty, any of which is directly and materially harmful to the business or reputation of the Company or any subsidiary or affiliate. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for "Cause" hereunder unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three quarters of the Board then in office at a meeting of the Board called and held for such purpose, after reasonable notice to the Executive and an opportunity for the Executive, together with his counsel (if the Executive chooses to have counsel present at such meeting), to be heard before the Board, finding that, in the good faith opinion of the Board, the Executive had committed an act constituting

"Cause" as herein defined and specifying the particulars thereof in detail. Nothing herein will limit the right of the Executive or his beneficiaries to contest the validity or propriety of any such determination.

This Section 2(c) shall not preclude the payment of any amounts otherwise payable to the Executive under any of the Company's employee benefit plans, stock plans, programs and arrangements and/or under any Employment Agreement.

(d) Notwithstanding anything contained in this Agreement to the contrary, in the event of a Change in Control, the Executive may terminate employment with the Company and any subsidiary for any reason, or without reason, by providing Notice of Termination pursuant to Section 3 during the 30-day period immediately following the first anniversary of the first occurrence of a Change in Control with the right to the benefits set forth in Section 4.

(e) Any termination of employment of the Executive, including a termination for "Good Reason," but excluding a termination for "Cause," or the removal of the Executive from the office or position in the Company or any subsidiary that occurs (i) not more than 180 days prior to the date on which a Change in Control occurs and (ii) following the commencement of any discussion with a third person that ultimately results in a Change in Control shall be deemed to be a termination or removal of the Executive after a Change in Control for purposes of this Agreement.

3. Notice of Termination

Any termination of the Executive's employment with the Company and its subsidiaries as contemplated by Section 2 shall be communicated by written "Notice of Termination" to the other party hereto. Any "Notice of Termination" shall indicate the effective date of termination which shall not be less than 30 days or more than 60 days after the date the Notice of

Termination is delivered (the "Termination Date"), the specific provision in this Agreement relied upon, and, except for a termination pursuant to Section 2(d), will set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination including, if applicable, the failure after provision of written notice by the Executive to effect a remedy pursuant to the final clause of Section 2(b)(ii), 2(b)(iii) or 2(b)(vi).

4. Termination Benefits

Subject to the conditions set forth in Section 2, the following benefits shall be paid or provided to the Executive:

(a) Compensation

The Company shall pay to the Executive three times the sum of (i) "Base Pay", which shall be an amount equal to the greater of (A) the Executive's effective annual base salary at the Termination Date or (B) the Executive's effective annual base salary immediately prior to the Change in Control, plus (ii) "Incentive Pay" equal to the greater of (x) the target annual bonus payable to the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan for the fiscal year of the Company in which the Change in Control occurred or (y) the highest annual bonus earned by the Executive under the Company's Incentive Compensation Plan or any other annual bonus plan (whether paid currently or on a deferred basis) with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred, plus (iii) "Performance Returns" equal to the highest annual payment of performance returns paid to the Executive with respect to any 12 consecutive month period during the three fiscal years of the Company immediately preceding the fiscal year of the Company in which the Change in Control occurred.

(b) Welfare Benefits

For a period of 36 months following the Termination Date (the "Continuation Period"), the Company shall arrange to provide the Executive with benefits, including travel accident, major medical, dental, vision care and other welfare benefit programs in effect immediately prior to the Change in Control ("Employee Benefits") substantially similar to those that the Executive was receiving or entitled to receive immediately prior to the Termination Date (or, if greater, immediately prior to the reduction, termination, or denial described in Section 2(b)(ii)(C)). If and to the extent that any benefit described in this Section 4(b) is not or cannot be paid or provided under any policy, plan, program or arrangement of the Company or any subsidiary, as the case may be, then the Company will itself pay or provide for the payment to the Executive, his dependents and beneficiaries, of such Employee Benefits along with, in the case of any benefit which is subject to tax because it is not or cannot be paid or provided under any such policy, plan, program or arrangement of the Company or any subsidiary, an additional amount such that after payment by the Executive, or his dependents or beneficiaries, as the case may be, of all taxes so imposed, the recipient retains an amount equal to such taxes. Employee Benefits otherwise receivable by the Executive pursuant to this Section 4(b) will be reduced to the extent comparable welfare benefits are actually received by the Executive from another employer during the Continuation Period, and any such benefits actually received by the Executive shall be reported by the Executive to the Company.

(c) Retirement Benefits

The Executive shall be deemed to be completely vested in Executive's currently accrued benefits under the Company's Retirement Benefit Plan and Supplemental Executive Retirement Plan ("SERP") in effect as of the date of Change in Control (collectively, the

"Plans"), regardless of his actual vesting service credit thereunder. In addition, the Executive shall be deemed to earn service credit for benefit calculation purposes thereunder for the Continuation Period. Benefits under the Plans will become payable at any time designated by the Executive following termination of the Executive's employment with the Company and its subsidiaries after the Executive reaches age 55, subject to the terms of the Plans regarding the actuarial adjustment of benefit payments commencing prior to normal retirement age. The benefits to be paid pursuant to the Plans shall be calculated as though the Executive's compensation rate for each of the five years immediately preceding his retirement equaled the sum of Base Pay plus Incentive Pay plus Performance Returns. Any benefits payable pursuant to this Section 4(c) that are not payable out of the Plans for any reason (including but not limited to any applicable benefit limitations under the Employee Retirement Income Security Act of 1974, as amended, or any restrictions relating to the qualification of the Company's Retirement Benefit Plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code")) shall be paid directly by the Company out of its general assets.

(d) Relocation Benefits

If the Executive moves his residence in order to pursue other business or employment opportunities during the Continuation Period and requests in writing that the Company provide relocation services, he will be reimbursed for any expenses incurred in that initial relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer. Benefits under this provision will include assistance in selling the Executive's home and all other assistance and benefits which were customarily provided by the Company to transferred executives prior to the Change in Control.

(e) Executive Outplacement Counseling

At the request of the Executive made in writing during the Continuation Period, the Company shall engage an outplacement counseling service of national reputation to assist the Executive in obtaining employment.

(f) Stock Based Compensation Plans

(i) Any issued and outstanding Stock Options (to the extent they have not already become exercisable) shall become exercisable as of the date on which the Change in Control occurs, unless otherwise specifically provided at the time such options are granted.

(ii) The Company's right to rescind any award of stock to the Executive under the Company's 1988 Long Term Incentive Plan or the Company's 1998 Long Term Incentive Plan (or any successor plan) shall terminate upon a Change in Control, and all restrictions on the sale, pledge, hypothecation or other disposition of shares of stock awarded pursuant to such plan shall be removed at the Termination Date, unless otherwise specifically provided at the time such award(s) are made.

(iii) The Executive's rights under any other stock based compensation plan shall vest (to the extent they have not already vested) and any performance criteria shall be deemed met at target as of the date on which a Change in Control occurs, unless otherwise specifically provided at the time such right(s) are granted.

(g) Split Dollar Life Insurance

The Company shall pay to the Executive a lump sum equal to the cost on the Termination Date of purchasing, at standard independent insurance premium rates, an individual paid up insurance policy providing benefits equal to the benefits provided by the Company's Split Dollar Life Insurance coverage immediately prior to the date of the Change in Control.

(h) Other Benefits

(i) The Executive shall have all flight privileges provided by the Company to Directors as of the date of Change in Control until the Executive reaches age 55, at which time he shall have all flight privileges provided by the Company to its retirees who held the same or similar position as the Executive immediately prior to the Change in Control.

(ii) The Executive, at the Executive's option, shall be entitled to continue the use of the Executive's Company-provided automobile during the Continuation Period under the same terms that applied to the automobile immediately prior to the Change in Control, or to purchase the automobile at its book value as of the Termination Date.

(iii) The Company shall pay to the Executive an amount equal to the cost to the Company of providing any other perquisites and benefits of the Company in effect immediately prior to the Change in Control, calculated as if such benefits were continued during the Continuation Period.

(i) Accrued Amounts

The Company shall pay to the Executive all other amounts accrued or earned by the Executive through the Termination Date and amounts otherwise owing under the then existing plans and policies of the Company, including but not limited to all amounts of compensation previously deferred by the Executive (together with any accrued interest thereon) and not yet paid by the Company, and any accrued vacation pay not yet paid by the Company.

(j) The Company shall pay to the Executive the amounts due pursuant to Sections 4(a), 4(g) and 4(h)(iii) in a lump sum on the first business day of the month following the Termination Date. The Company shall pay to the Executive the amounts due pursuant to Section 4(i) in accordance with the terms and conditions of the existing plans and policies of the Company.

5. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, but subject to Section 5(h), in the event that this Agreement shall become operative and it shall be determined (as hereafter provided) that any payment (other than the Gross-Up payments provided for in this Section 5) or distribution by the Company or any of its subsidiaries to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any stock option, stock appreciation right or similar right, restricted stock, deferred stock or the lapse or termination of any restriction on, deferral period or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) by reason of being considered "contingent on a change in ownership or control" of the Company, within the meaning of Section 280G of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such tax (such tax or taxes, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment or payments (collectively, a "Gross-Up Payment"). The Gross-Up Payment shall be in an amount such that, after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax and any income tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

(b) Subject to the provisions of Section 5(f), all determinations required to be made under this Section 5, including whether an Excise Tax is payable by the Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required to be paid by the Company to the Executive and the amount of such Gross-Up Payment, if any, shall be made by a nationally recognized accounting firm (the "Accounting Firm") selected by the Executive in his sole discretion. The Executive shall direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and the Executive within 30 calendar days after the Change in Control Date, the Termination Date, if applicable, and any such other time or times as may be requested by the Company or the Executive. If the Accounting Firm determines that any Excise Tax is payable by the Executive, the Company shall pay the required Gross-Up Payment to the Executive within five business days after receipt of such determination and calculations with respect to any Payment to the Executive. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall, at the same time as it makes such determination, furnish the Company and the Executive an opinion that the Executive has substantial authority not to report any Excise Tax on his federal, state or local income or other tax return. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts or fails to pursue its remedies pursuant to Section 5(f) and the Executive thereafter is required to make a payment of any Excise Tax, the Executive shall direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and the Executive as promptly as possible. Any such Underpayment shall be promptly paid by the Company to, or for the benefit of, the Executive within five business days after receipt of such determination and calculations.

(c) The Company and the Executive shall each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or the Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determinations and calculations contemplated by Section 5(b). Any determination by the Accounting Firm as to the amount of the Gross-Up Payment shall be binding upon the Company and the Executive.

(d) The federal, state and local income or other tax returns filed by the Executive shall be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by the Executive. The Executive shall make proper payment of the amount of any Excise Payment, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of the Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting

Firm determines that the amount of the Gross-Up Payment should be reduced, the Executive shall within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Section 5(b) shall be borne by the Company. If such fees and expenses are initially paid by the Executive, the Company shall reimburse the Executive the full amount of such fees and expenses within five business days after receipt from the Executive of a statement therefor and reasonable evidence of his payment thereof.

(f) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service or any other taxing authority that, if successful, would require the payment by the Company of a Gross-Up Payment or any additional Gross-Up Payment. Such notification shall be given as promptly as practicable but no later than 10 business days after the Executive actually receives notice of such claim and the Executive shall further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by the Executive). The Executive shall not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and shall indemnify and hold harmless the Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such contest and payment of costs and expenses. Without limiting the foregoing provisions of this Section 5(f), the Company shall control all proceedings taken in connection with the contest of any claim contemplated by this Section 5(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided, however, that the Executive may participate therein at his own cost and expense) and may, at its option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay the tax claimed and sue for a refund, the Company shall advance the amount of such payment to the Executive on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any

Excise Tax or income or other tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), the Executive receives any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 5(f)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 5(f), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of any such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid by the Company to the Executive pursuant to this Section 5.

(h) Notwithstanding any provision of this Agreement to the contrary, if (i) but for this sentence, the Company would be obligated to make a Gross-Up Payment to the Executive, (ii) the aggregate "present value" of the "parachute payments" to be paid or provided to the Executive under this Agreement or otherwise does not exceed 1.15 multiplied by three times the Executive's "base amount," and (iii) but for this sentence, the net after-tax benefit to the Executive of the Gross-Up Payment would not exceed $50,000 (taking into account both income taxes and any Excise Tax), then the payments and benefits to be paid or provided under this Agreement (including any stock based compensation pursuant to Section 4(f)) will be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any payment or benefit to the Executive, as so reduced, constitutes an "excess parachute payment." For purposes of this Section 5(h), the terms "excess parachute payment," "present value," "parachute payment," and "base amount" will have the meanings assigned to them by Section 280G of the Code. The determination of whether any reduction in such payments or benefits to be provided under this Agreement is required pursuant to the preceding sentence will be made at the expense of the Company, if requested by the Executive or the Company, by the Accounting Firm. The fact that the Executive's right to payments or benefits may be reduced by reason of the limitations contained in this Section 5(h) will not of itself limit or otherwise affect any other rights of the Executive other than pursuant to this Agreement. In the event that any payment or benefit intended to be provided under this Agreement or otherwise is required to be reduced pursuant to this Section 5(h), the Executive will be entitled to designate the payments and/or benefits to be so reduced in order to give effect to this Section 5(h). The Company will provide the Executive with all information reasonably requested by the Executive to permit the Executive to make such designation. In the event that the Executive fails to make such designation within 10 business days of the Termination Date, the Company may effect such reduction in any manner it deems appropriate.

6. No Mitigation Obligation. The Company hereby acknowledges that it will be difficult and may be impossible for the Executive to find reasonably comparable employment following the Termination Date. Accordingly, the payment of the severance compensation by the Company to the Executive in accordance with the terms of this Agreement is hereby acknowledged by the Company to be reasonable, and the Executive will not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor will any profits, income, earnings or other benefits from any source whatsoever create any mitigation, offset, reduction or any other obligation on the part of the Executive hereunder or otherwise, except as expressly provided in the last sentence of Section 4(b).

7. Legal Fees and Expenses.

(a) It is the intent of the Company that the Executive not be required to incur legal fees and the related expenses associated with the interpretation, enforcement or defense of Executive's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, if it should appear to the Executive that the Company has failed to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or proceeding designed to deny, or to recover from, the Executive any or all of the benefits provided or intended to be provided to the Executive hereunder, the Company irrevocably authorizes the Executive from time to time to retain counsel of Executive's choice, at the expense of the Company as hereafter provided, to advise and represent the Executive in connection with any such interpretation, enforcement or defense, including without limitation the initiation or defense of any litigation or other legal action, whether by or against the Company or any director, officer, stockholder or other person affiliated with the Company, in any jurisdiction. Notwithstanding any existing or prior attorney-client relationship between the Company and such counsel, the Company irrevocably consents to the Executive's entering into an attorney-client relationship with such counsel, and in that connection the Company and the Executive agree that a confidential relationship shall exist between the Executive and such counsel. Without respect to whether the Executive prevails, in whole or in part, in connection with any of the foregoing, the Company will pay and be solely financially responsible for any and all attorneys' and related fees and expenses incurred by the Executive in connection with any of the foregoing.

(b) Without limiting the obligations of the Company pursuant to Section 7(a) hereof, in the event a Change in Control occurs, the performance of the Company's obligations under this Section 7 shall be secured by amounts deposited or to be deposited in trust pursuant to certain trust agreements to which the Company shall be a party, which amounts deposited shall in the aggregate be not less than $2,000,000, providing that the fees and expenses of counsel selected from time to time by the Executive pursuant to Section 7(a) shall be paid, or reimbursed to the Executive if paid by the Executive, either in accordance with the terms of such trust agreements, or, if not so provided, on a regular, periodic basis upon presentation by the Executive to the trustee of a statement or statements prepared by such counsel in accordance with its customary practices. Any failure by the Company to satisfy any of its obligations under this Section 7(b) shall not limit the rights of the Executive hereunder. Subject to the foregoing, the Executive shall have the status of a general unsecured creditor of the Company and shall have no right to, or security interest in, any assets of the Company or any subsidiary.

8. Continuing Obligations

(a) The Executive hereby agrees that all documents, records, techniques, business secrets and other information which have come into his possession from time to time during his employment with the Company shall be deemed to be confidential and proprietary to the Company and, except for personal documents and records of the Executive, shall be returned to the Company. The Executive further agrees to retain in confidence any confidential information known to him concerning the Company and its subsidiaries and their respective businesses so long as such information is not publicly disclosed, except that Executive may disclose any such information required to be disclosed in the normal course of his employment with the Company or pursuant to any court order or other legal process.

(b) The Executive hereby agrees that during the Continuation Period, he will not directly or indirectly solicit any employee of the Company or any of its subsidiaries or affiliated companies to join the employ of any entity that competes with the Company or any of its subsidiaries or affiliated companies.

9. Successors

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance satisfactory to the Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of such successor entity to enter into such agreement prior to the effective date of any such succession (or, if later, within three business days after first receiving a written request for such agreement) shall constitute a breach of this Agreement and shall entitle the Executive to terminate his employment pursuant to Section 2(a)(ii) and to receive the payments and benefits provided under Section 4. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the Agreement provided for in this Section 9 or which otherwise becomes bound by all the terms and provisions of this Agreement by operation of law.

(b) This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive dies while any amounts are payable to him hereunder, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

10. Notices

For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service addressed to the Company (to the attention of the Secretary of the Company, with a copy to the General Counsel of the Company) at its principal executive office and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law

THE VALIDITY, INTERPRETATION, CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE.

12. Miscellaneous

No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement (or in any employment or other written agreement relating to the Executive). Notwithstanding any provision of this Agreement to the contrary, the parties' respective rights and obligations under Sections 4, 5 and 7 will survive any termination or expiration of this Agreement or the termination of the Executive's employment following a Change in Control for any reason whatsoever. Nothing expressed or implied in this Agreement will create any right or duty on the part of the Company or the Executive to have the Executive remain in the employment of the Company or any subsidiary prior to or following any Change in Control. The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling. In the event that the Company refuses or otherwise fails to make a payment when due and it is ultimately decided that the Executive is entitled to such payment, such payment shall be increased to reflect an interest factor, compounded annually, equal to the prime rate in effect as of the date the payment was first due plus two points. For this purpose, the prime rate shall be based on the rate identified by Chase Manhattan Bank as its prime rate.

13. Separability

The invalidity or unenforceability of any provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Non-assignability

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Section 9. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by his will or by the laws of descent or distribution, and in the event of any attempted assignment or transfer by Executive contrary to this Section 14 the Company shall have no liability to pay any amount so attempted to be assigned or transferred to any person other than the Executive or, in the event of his death, his designated beneficiary or, in the absence of an effective beneficiary designation, the Executive's estate.

15. Effectiveness; Term

This Agreement will be effective and binding as of the date first above written immediately upon its execution, but, anything in this Agreement to the contrary notwithstanding, this Agreement will not be operative unless and until a Change in Control occurs. Upon the occurrence of a Change in Control at any time during the Term (as defined below), without further action, this Agreement shall become immediately operative. For purposes of this Agreement, "Term" means the period commencing as of the date first above written and expiring as of the later of (i) the fifth anniversary of the date first above written or (ii) the second anniversary of the first occurrence of a Change in Control; provided, however, that (A) commencing on the fifth anniversary of the date first above written and each fifth anniversary date thereafter, the Term of this Agreement will automatically be extended for an additional five years unless, not later than 180 days preceding each such fifth anniversary date, the Company or the Executive shall have given notice that it or the Executive, as the case may be, does not wish to have the Term extended and (B) subject to Section 2(e), if, prior to a Change in Control, the Executive ceases for any reason to be an employee of the Company and any subsidiary, thereupon without further action the Term shall be deemed to have expired and this Agreement will immediately terminate and be of no further effect. For purposes of this Section 15, the Executive shall not be deemed to have ceased to be an employee of the Company and any subsidiary by reason of the transfer of Executive's employment between the Company and any subsidiary, or among any subsidiaries.

16 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

17 Prior Agreement. This Agreement supersedes and terminates any and all prior Executive Termination Benefits Agreements by and among Company and the Executive.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above set forth, thereby mutually and voluntarily agreeing that this Agreement supersedes and replaces any prior similar agreements for such termination benefits.

AMR CORPORATION

By: /s/ Gerard J. Arpey

Gerard J. Arpey

AMERICAN AIRLINES, INC.

By: /s/ Susan M. Oliver

Susan M. Oliver

JAMES A. BEER

/s/ James A. Beer

Exhibit 10.73

AmericanAirlines

Note: The presence of brackets indicates that the item being addressed within the brackets is no longer in effect.

THOMAS J. KIERNAN
SENIOR VICE PRESIDENT

Human Resources

November 11, 1999

Will Ris

Dear Will:

The letter agreement dated May 29, 1996 detailed your compensation and benefits arrangements at American Airlines (collectively “AMR”, “American” or the “Company”) during the term of your initial three-year employment contract. We wish to extend the term of your employment. This letter sets forth the terms under which your employment will continue.

Compensation

Your base salary will continue to be reviewed on an annual basis at the same time we review other senior officer’s salaries. **[**You will also be eligible for an annual cash award under the terms of our Incentive Compensation Plan which currently pays awards based on the Company’s cash flow return on gross assets (CFROGA) and its relative performance measured against our competitors. Your target incentive award will be 60% of base salary. Your actual award will be adjusted for Company and individual performance.**]**

Subject to approval by the Compensation Committee of AMR’s Board of Directors, you will continue to be eligible to receive stock awards annually at the same time other senior officers receive their annual stock awards. Vesting and payout provisions will follow the terms of the individual contracts and the Company’s Long Term Incentive Plan (“LTIP”).

Benefits

You will continue to be offered medical, dental, short and long term disability, and life insurance through the Company’s flexible benefits program, which provides a set amount of benefit pay annually. Following your retirement, the Company will provide health benefits to you, your spouse and your dependents in accordance with our standard benefit program for retirees **[**, which is subject to prefunding provisions**]**. In the case of your disability, the Company will continue coverage for two years, then COBRA coverage may be purchased for an additional 36 months. In the case of your death, the Company will continue coverage for three months, then COBRA coverage may be purchased for an additional 33 months.

You will continue to participate in the Company's Retirement Benefit Plan (RBP) and the Supplemental Executive Retirement Plan (SERP). We will continue to provide you with double credit for each year of service as an employee of AMR for the purposes of all compensation and benefits based on longevity.

Severance

In the event that the Company terminates your employment without cause, you would be eligible for a severance payment equal to one year's salary **[**and target incentive award**]**. Stock awards would be treated according to the terms set forth in the individual stock contracts and in the Company's LTIP. For purposes of this letter, "cause" has the meaning set forth in the Company's LTIP.

Travel

You will continue to be provided with unlimited positive space personal travel privileges for you, your spouse and your dependent children on American Airlines and American Eagle at modest service charges. Company policy provides the continuation of these benefits following your retirement, death after retirement, and death prior to retirement with at least ten years of service. Pursuant to your request for double credit for each year of service, you will be eligible for post retirement and post-death personal travel privileges with only five years of service.

Officer Perquisites

You will continue to participate in the senior officer **[**car and financial planning**]** programs for so long as such benefits are provided to other senior officers. In addition, the Company will continue to pay your **[**country club and**]** dining club dues, as well as to provide you with an Admirals Club membership.

Subject to our Board of Director's approval, we will continue to allow you to participate on the Board of Directors for one for-profit and as many not-for-profit organizations as are in the Company's interests. However, independent speaking and writing engagements will not be permitted during your employment with the Company.

[Remainder of page left blank]

We are glad to have you! Please indicate your concurrence with these terms by signing a copy of this letter in the space provided below.

Sincerely,

/s/ Thomas J. Kiernan

Concur: /s/ Will K. Ris   Date: ___________

EXHIBIT 12

AMR CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(IN MILLIONS)

	1999	2000	2001	2002	2003
Earnings:					
Earnings (loss) from continuing operations before income taxes and cumulative effect of accounting change	$ 1,006	$ 1,273	$ (2,756)	$ (3,860)	$ (1,308)
Add: Total fixed charges (per below)	1,227	1,313	1,618	1,745	1,643
Less: Interest capitalized	118	151	144	86	71
Total earnings (loss)	$ 2,115	$ 2,435	$ (1,282)	$ (2,201)	$ 264
Fixed charges:					
Interest	$ 383	$ 450	$ 515	$ 655	$ 665
Portion of rental expense representative of the interest factor	832	844	1,076	1,053	930
Amortization of debt expense	12	19	27	37	48
Total fixed charges	$				

1,227 $ 1,313
$ 1,618 $
1,745 $ 1,643
==========
==========
==========
==========
==========
Ratio of
earnings to
fixed charges
1.72 1.85 --
-- --
==========
==========
==========
==========
==========
Coverage
deficiency --
-- $ 2,900 $
3,946 $ 1,379
==========
==========
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==========
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EXHIBIT 21

AMR CORPORATION
SUBSIDIARIES OF THE REGISTRANT
AS OF DECEMBER 31, 2003

Subsidiary companies of the Registrant are listed below. With respect to the companies named, all voting securities are owned directly or indirectly by the Registrant, except where otherwise indicated.

STATE OR SOVEREIGN POWER NAME OF SUBSIDIARY OF INCORPORATION
- ----------- ------------- ------------- ------------- ------------- ------------ ------------- --------
Subsidiaries included in the Registrant's consolidated financial statements American Airlines, Inc. Delaware AA 2002 Class C Certificate Corporation Delaware AA 2002 Class D Certificate Corporation Delaware AA 2003-1 Class C Certificate Corporation Delaware AA 2003-1 Class D Certificate Corporation Delaware AA Depositor Corp. Delaware AA Real Estate Holding GP LLC Delaware AA Real Estate Holding LP Delaware AAV Tours LLC Delaware AAV/UK Tours LLC Delaware Admirals Club, Inc. (Massachusetts only) Massachusetts AEROSAN S.A. (50%) Chile AEROSAN Airport Services S.A. (50%) Chile American Airlines de Mexico, S.A. Mexico American Airlines de

Venezuela,
S.A.
Venezuela
American
Airlines
Realty (NYC)
Holdings,
Inc. New York
AMR Training
Group, Inc.
Delaware AMR
Ventures III,
Inc. Delaware
ONEworld
Alliance, LLC
(33.4%)
Delaware
ONEworld
Management
Company Ltd.
(33.4%)
Northwest
Territories
Texas Aero
Engine
Services,
L.L.C, dba
TAESL (50/50
AA/Rolls-
Royce)
Delaware TWA
Airlines LLC
Delaware TWA
Stock Holding
Company, LLC
Delaware
Trans World
PARS, LLC
Delaware
Americas
Ground
Services,
Inc. Delaware
Aerodespachos
Colombia,
S.A. Colombia
Caribbean
Dispatch
Services,
Ltd. St.
Lucia
Dispatch
Services 93,
S.A.
Venezuela DSA
Dominican
Republic
International
Ground
Services,
S.A. de C.V.
Mexico Panama
Dispatch
Panama Peru
Dispatch
Company Peru

STATE OR
SOVEREIGN
POWER NAME
OF
SUBSIDIARY
OF
INCORPORATION
- ----------

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------- AMR
Eagle
Holding
Corporation.
Delaware
American
Eagle
Airlines,
Inc.
Delaware AMR
Leasing
Corporation
Delaware
Aero Perlas
(20%) Panama
Eagle
Aviation
Services,
Inc.
Delaware
Executive
Airlines,
Inc.
Delaware AMR
Foreign
Sales
Corporation,
Ltd. Bermuda
AMR
Investment
Services,
Inc.
Delaware
American
Private
Equity
Management,
LLC Delaware
Avion
Assurance
Ltd. Bermuda
PMA
Investment
Subsidiary,
Inc.
Delaware SC
Investment,
Inc.
Delaware

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements (Form S-8 No. 2-68366, Form S-8 No. 333-19325, Form S-8 No. 33-27866, Form S-8 No. 33-60725, Form S-8 No. 333-13751, Form S-8 No. 33-60727, Form S-8 No. 333-56947, Form S-8 No. 333-70239, Form S-8 No. 333-61116, Form S-3 No. 33-46325, Form S-3 No. 33-52121, Form S-3 No. 333-68211, Form S-3 No. 333-84292-01, Form S-8 No. 333-104611, Form S-3 No. 333-109978 and Form S-3 No. 333-110760) of AMR Corporation, and in the related Prospectuses, of our reports dated February 16, 2004, with respect to the consolidated financial statements and schedule of AMR Corporation included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP

Dallas, Texas
February 24, 2004

EXHIBIT 31.1

I, Gerard J. Arpey, certify that:

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

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: February 27, 2004

/s/ Gerard J. Arpey

Gerard J. Arpey
President and Chief Executive Officer

EXHIBIT 31.2

I, James A. Beer, certify that:

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

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: February 27, 2004

/s/ James A. Beer

James A. Beer

Senior Vice President and Chief Financial Officer

EXHIBIT 32

AMR CORPORATION
CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350,
CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

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

The Annual Report on Form 10-K for the year ended December 31, 2003 (the Form 10-K) of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2004

/s/ Gerard J. Arpey

Gerard J. Arpey
President and Chief Executive Officer

Date: February 27, 2004

/s/ James A. Beer

James A. Beer
Senior Vice President and Chief Financial Officer

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