

DIRECTORS UPDATE

TWU-APA-APFA Meet with Senior Management Regarding Performance Unit Plan (PUP)

In response to the request by the leaders of American Airlines' three unions, we met with Mr. Arpey, Jeff Brundage, and Mark Burdette in order to clarify the issuance of "cash bonuses" under the "Performance Unit Plan" approved by the AA Board of Directors. The unit plan will be paid this April to approximately 1000 Managers. We discussed in particular the impact the cash bonuses will have on Labor-Management relations. As all of you know by now, our TWU Locals at American, along with the APA and APFA, have been working diligently through a number of programs and initiatives that have set American Airlines and its Unions apart from other airlines. As I stated in my letter to Mr. Arpey, "the recent uptick in AMR stock is positive and indicates Wall Streets' confidence. However, I strongly believe that this increase in share price is largely due to the immense effort made by the hourly workforce to cooperate and continue working together in enhancing productivity and limiting waste." The main concern we share is the Performance Unit Plans have nothing to do with the performance of the individual.

The Management bonus plan at issue was first criticized by the TWU in 2003 as part of our overall complaint about the lack of shared sacrifice by Management in the restructuring of the Company. On January 28, 2004, I raised specific questions about this program when it was reported in the business press in response to 2003 SEC filings. Vice President Jeff Brundage eventually sent us a discussion of the plan, which was sent out to all TWU Locals, APA and APFA. So there is no misunderstanding, the Company has explicitly stated in every discussion we have had, particularly about this plan and management compensation in general, that under no circumstances would they negotiate such issues with the Unions or provide us with a veto of any sort on such matters. As you know, the TWU, APA, nor APFA at no time, approved this (PUP) plan.

At our meeting yesterday, a number of questions were raised regarding some specifics of the current and future Management compensations plans. As a result, Management agreed to schedule a follow up meeting and provide us with specific answers. No date has been scheduled at this time, but I am sure it will be in the near future.

As in the past, we will continue working with the officers of the APA, APFA, and we will update you in any future discussions.

In Solidarity,

James C. Little