

American Airlines®

May 1, 2003

Captain John Darrah, President
Allied Pilots Association
14600 Trinity Blvd., Suite 500
Fort Worth, TX 76155-2512

Dear John:

Re: Agreed Settlement

The discussions between the Allied Pilots Association (the "Association") and American Airlines, Inc. ("American") concerning modifications to the collective bargaining agreement of May 5, 1997 have resulted in a tentative agreement dated March 31, 2003, which is subject to ratification by the membership. The Association and American also are currently parties to a Settlement Agreement relating to payment of the damages assessed in American Airlines v. Allied Pilots Association, et al. by the United States District Court, Northern District of Texas, Docket No. 7:99-CV-025-X ("Settlement Agreement"). Under that Settlement Agreement, the parties agreed to a schedule for payment of the unpaid amounts of the damages award. The Settlement Agreement also discusses the remedies in the event of non-payment, including a continuation of liens against property of the APA until the payments described in the Settlement Agreement are made and completed and the judgment is satisfied.

The parties agree that if the tentative agreement of March 31, 2003 fully ratifies and goes into effect, all remaining payment obligations described in the Settlement Agreement will be deemed to have been satisfied. American will thereupon take those steps needed to release all liens against the property of the APA.

If this letter accurately describes our understanding with respect to its subject matter, please sign it below in the space indicated and return a signed copy to me.

Sincerely,

Mark L. Burdette
Director, Employee Relations, Flight

ACCEPTED AND AGREED:

John Darrah
President
Allied Pilots Association