American Airlines
Summary of Proposal to Modernize the Pilot B Plan

Recognizing that pilots place a high value on the security of their pensions, the Company has proposed a modernization to the Pilot B Plan that is designed to:

1. Protect and preserve this highly-valued benefit
2. Provide additional flexibility and control to pilots
3. Simplify this program

A summary of the elements of the proposal are outlined below:

1. Protect and preserve this highly-valued benefit

To be clear, this proposal in no way changes the Company's obligation and unwavering commitment to fund the Pilot B Plan. These are benefits we have promised to our employees and we fully intend to keep that promise.

- The Company would continue making annual contributions of 11 percent of eligible compensation.
- Future contributions would be made directly into a pilot's personal 401(k) plan and all 401(k) plan distribution features would be available, such as hardship withdrawals, in service distributions and the ability to obtain a loan from the account.
- All current assets in the B Plan for all pilots not receiving an annuity from the B Plan would also be moved to the $uper $aver 401(k) Plan.
- Transferred amounts would be maintained in a separate account within the $uper $aver 401(k) plan and available for distribution as either a lump sum or an annuity with the spouse's consent, if the pilot is married.

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2. Provide additional flexibility and control to pilots

Over the course of the last several years, the APA and many pilots have indicated that they would like more investment options. This proposal would provide pilots with additional flexibility, the ability to self-manage their retirement assets and maintain greater control over their retirement investments.

- Pilots would have the option of continuing to have their assets professionally managed by American Beacon through a fund using a similar investment strategy to the current B Plan.

- Pilots could choose to take complete control and self manage their assets by
    - selecting among numerous investment options
    - using the investment advisor to guide their investments
    - delegating their investments to the professional asset manager or
    - using a new brokerage window

- Pilots would be able to accurately monitor and determine the value of their assets on a daily basis as the value would be calculated and reported in real-time.

- Account balances would no longer be valued on a unit basis. Instead, the program would move to 401(k) pricing and distributions would be based on account balance at date of distribution. As a result, the three month look-back period at age 60 and early retirement lock-in option would no longer be necessary.

- 401(k) accounts permit owners to take out short-term loans, hardship withdrawals and in-service withdrawals, something not available in the current B Plan account.

- Pilots would have greater control over the timing and the amount of post-retirement distributions.

- Assets would be contained within individual accounts for each pilot, which means that the actions of individuals do not impact the rest of the group, as is the case with the current B plan.

- Early retirement distributions are treated the same under both the 401(k) option and the current B Plan.

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3. Simplify the program

This proposal would reduce administrative expenses to the benefit of both the Company and the pilots by simplifying the process of depositing, valuing and withdrawing the retirement funds. The B Plan trust bears some of the costs of administering the B Plan, which in turn reduces the value of the pilots' B Plan assets. By simplifying the processes, the Company and the pilots save money. The Company would bear upfront costs to accomplish this transition to a simpler retirement plan structure.

Examples include:

- Simplified record keeping
- Annual audit and separate actuary no longer necessary
- Reduced reporting and disclosure costs, reduces trustee fees, and
- Reduced plan administration costs, some of which are charged to the trust

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Proposed Plan Changes

Features	Current B Plan	Transferred B Plan Assets	New Contributions	Comments
Investment Options - self direct	No	Yes	Yes	
Employer 11% Contributions	Yes	No new contributions	Yes	
Employee Contributions:				
Pre-Tax Contributions	No	n/a	Yes	
Roth 401(k) Contributions	No	n/a	Yes	
Post-Tax Contributions	Yes	n/a	Yes	
Fund Valuation	Monthly	Daily	Daily	
Hardship Withdrawal	No	No	Yes	
Loan Feature	No	Yes	Yes	Max of 2 total
Brokerage Window	No	Yes	Yes	New feature with contract
Qualified Pre-Retirement Spousal Annuity (QPSA)	Yes	Yes (1)	No	
Qualified Joint & Survivor Annuity (QJSA)	Yes	Yes (1)	No	
Annuity Distribution Form of Payment	Yes	Yes	No	
In-service distribution	No	No (2)	Yes	

Legend:
(1) QJSA and QPSA must continue to be the form of distribution for the B Plan, unless the spouse waives his/her right via the benefit form. Lump sum distribution provided and surviving spouse is required to be the beneficiary unless the surviving spouse consents to a different beneficiary. Single employees would be able to designate a beneficiary.

(2) Withdrawal of employee optional contributions will be allowed.

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Estimated Annual Savings
($ in thousands)

As of 12/31/2007	Paid by Pilot B Plan Trust	Paid by Company	Total Estimated B Plan Expenses	Additional $super $aver Cost	Increase to $$ Participants
Administrative/IT Services		$340	$340		
Actuarial Services	$33		$33		
Consulting Services	$21	$10	$31		
Plan Audit	$29		$29		
Trustee Services	$175		$175		
Total	**$258**	**$350**	**$608**	**Note 1**	**Note 2**

Summary of Estimated Annual Savings

Company **$350,000**

Employee **$258,000**

Note these are the estimated annual savings. The Company would bear the upfront costs to accomplish this transition to a simpler retirement plan structure.

Notes:
1) Additional fees will be incurred when we add more participants to the $super $aver Plan. These have to be negotiated with Recordkeeper.
   a) an additional account will need to be created for the transferred B Plan balances
   b) additional participants
   c) the $super $aver plan will need to be amended

2) Currently, the Plan is operating at a 0 percent administrative fee basis. Fees specific to each underlying investment are disclosed in each investment's prospectus.

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QUESTIONS AND ANSWERS

Q1: Does the proposal change the amount of contribution the Company makes to the B Plan?
A: No, the Company will continue to contribute 11 percent of eligible pay for each pilot. The only change is that instead of being deposited to the B Plan, the contribution will be directed to the pilot's individual account in the $uper $aver Plan.

Q2: Will the definition of Pensionable Pay for the Company contribution be the same as it is today in the B Plan?
A: There will be no change in the definition of Pensionable Pay used for the Company's 11 percent contribution.

Q3: The definition of Pensionable Pay in the B Plan is 50% of gross compensation. Will the IRS approve this definition if included in the $uper $aver Plan?
A: The IRS has previously approved in writing this definition of Pensionable Pay for the Pilot A and Pilot B Plans. Therefore, we anticipate the IRS would approve this same definition as it would apply to contributions made for pilots to the $uper $aver Plan. Once we reach an agreement, we would pursue IRS approval.

Q4: Will I have the same investment earnings in the $uper $aver Plan as I do today in the B Plan?
A: A new investment option will be added to the $uper $aver line-up that will have a similar investment strategy as the current B Plan. You will be able to invest your B Plan monies in this fund or you may choose any of the other fund offerings available. As we indicated, your investment decisions will be totally in your control.

Keep in mind that there are no guarantees of investment earnings in either Plan. In either program, the returns will vary due to market conditions and overall investment strategy. One great feature about the $uper $aver Plan is that you will have control and flexibility over your investments. In addition, you will have access to online investment advice and managed accounts.

Q5: How have the $uper $aver investments performed in comparison to the B Plan investments?
A: $uper $aver participants control the asset allocation decision for investments held in the $uper $aver Plan, whereas the asset allocation policy of the B Plan is set by the Company as the B Plan's fiduciary, with the advice of a professional investment advisor.
Currently, the B Plan is invested in a diversified mix of domestic and international equity securities. If a $uper $aver participant were to use a similar asset allocation approach as that utilized in the B Plan, they could achieve similar returns. The new investment option will permit you to continue an investment in a fund with an investment strategy similar to the investment strategy that is used in the current B Plan.

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Q6: Will I still be able to lock-in a unit value like in the B Plan?
A: No, the B Plan balances that are transferred to the $uper $aver Plan will be valued on a daily basis just like the other assets in the $uper $aver Plan. Your account will be valued on a daily basis and you can choose when to take your distribution after your retirement. You will also have greater control over the timing and amount of your distribution. Since each pilot will have an individual $uper $aver account, the actions of other individuals will not impact the remaining participants as is the case with the current B Plan. While the B Plan lock-in feature can be beneficial to those who are retiring, it can be detrimental to all remaining participants. For example, the pilots who retired in February withdrew their B Plan funds with a unit value lock-in that, in aggregate, was $25 million higher than the current unit value. Each of the remaining pilots in the B Plan lost about $2,200 in the value of their B Plan units, their share of the $25 million loss. These losses can be quite significant during the course of a plan year.

Q7: Will I have access to a brokerage window?
A: Yes, if the modernized B Plan proposal is accepted, the Company will work with JP Morgan to implement a brokerage window. This feature would be available on your transferred B Plan monies as well as your other $uper $aver funds.

Q8: How much is the Company saving by moving the B Plan to the $uper $aver Plan?
A: It is estimated that the Company may save approximately $350,000 in administrative expenses annually, but only after the Company incurs the fees and expenses necessary to accomplish the transfer of the B Plan to the $uper $aver Plan. Also, B Plan participants will save approximately $250,000 in fees annually after the transfer to $uper $aver.

Q9: If I want to retire before age 55, will I be able to access both the transferred B Plan monies and the $uper $aver funds as a lump sum?
A: Yes, you will be able to access both the transferred B Plan monies and the $uper $aver funds as a lump sum.

Q10: If I retire before age 55, what tax withholdings and/or penalties will apply on the $uper $aver distribution (including the B plan transferred funds)?
A: Taxes and penalties, if any, are the same whether you take an early distribution from the $uper $aver Plan or the B Plan. A 20 percent federal tax withholding is required on the “taxable” portion of your distribution if the distribution is not directly rolled over to a qualified plan or an individual retirement account. In addition, if you take your lump sum distribution prior to age 59 ½ and you do not rollover the full taxable amount of the distribution to a qualified plan or an individual retirement account, the 10 percent additional tax penalty will apply to the distribution’s “taxable” amount.

Q11: What about retirement at age 55 or older under the same scenario as above?
A: The same 20 percent federal tax withholding requirement applies to distributions from either plan, as noted above. If you retire from the company at age 55 or older, the 10 percent penalty does not apply to distributions from either Plan.

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Q12: Will the Company continue to make-up the 11 percent company contribution in the $uper $aver Plan when a pilot returns to work from a Military Leave?
A: Yes, the process will be the same. The company contribution will be made up just like it is today as long as the pilot returns within the time limits prescribed by law. In addition, the pilot can elect to make-up his/her employee contributions, if desired.

Q13: When do required distributions occur in the $uper $aver Plan and will that apply to both the transferred B Plan monies and the $uper $aver funds?
A: After termination of employment, all distributions must commence no later than April 1 of the calendar year following the calendar year in which the participant retires or attains age 70 ½, whichever is later. This applies to all funds in the participant's account.

Q14: When the required distributions begin, do I have an option of receiving an annual distribution or must I take the whole distribution from the $uper $aver Plan?
A: You will have a choice. You are not required to take your entire account balance; however, you must commence receipt of at least the required minimum distribution amount on an annual basis. (This question is only addressing the $uper $aver Plan; however, it does apply to both plans.)

Q15: If I have to take a Required Minimum Distribution, will you take the distribution out of the new contributions, the old contributions or do I have a choice?
A: We need to determine what options are legally and administratively available and determine a mutually acceptable solution.

Q16: Would the B Plan monies be considered a rollover in the $uper $aver Plan?
A: No, this will be a transfer of assets directly from the B Plan to the $uper $aver Plan for all of the active participants.

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