

**Settlement Agreement
May 31, 2003**

The Company will not implement the new underfly provisions outlined in the amended collective bargaining agreement for the contractual month of June 2003.

In consideration of the Company's agreement to maintain the underfly provisions of the agreement, the APFA agrees to withdraw without prejudice grievance SS-34-2001-APFA-05 regarding the B767-200 and B767-300 international and domestic 3-class staffing.

No new staffing grievances will be filed for the B767-200 and B767-300 3-class service aircraft during the defined term of the amended collective bargaining agreement effective May 1, 2003 unless:

1. The Company further reduces the staffing on the aircraft below the staffing formulas that went into effect November 1, 2001.
2. The Company substantially changes or adds 3-class service components on B767-200 and B767-300 aircraft under the same staffing and service conditions that were in effect Nov. 1, 2001.

Within 60 days of the signing of this agreement or unless mutually agreed otherwise, the parties will determine the definition/ threshold of what constitutes a substantial change as outlined in 2. above. If there is no agreement on the definition, the parties will submit the dispute to arbitration within 60 days.

On the amended collective bargaining agreement amendable date or should the parties agree to an earlier date, the terms outlined herein for the filing of staffing grievances concerning the aircraft described herein shall return to status quo.

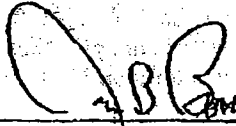
The Company will implement the underfly provisions on July 2, 2003 unless the APFA and the Company agree to another extension.

This agreement will not prejudice APFA's position on filing of grievances on the staffing of any other aircraft type or service, and is only applicable as specifically outlined in the terms of this agreement.

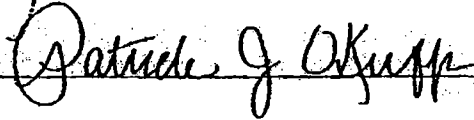
Settlement Agreement
May 31, 2003 cont.

The Company further agrees that should APFA initiate a staffing grievance on the aircraft service and staffing described herein at a later date, the Company shall not argue that the APFA is stopped because of waiver of its rights or because of laches.

For APFA



For American Airlines



05/31/03