

July 6, 2012

**AMERICAN AIRLINES INC. PROPOSAL TO THE RETIREE COMMITTEE TO
MODIFY RETIREE MEDICAL AND LIFE INSURANCE BENEFITS**

American Airlines, Inc. ("Company") proposes the following changes to retiree medical and life insurance benefits:

1. Retiree medical option for age 65 and over will cease. Retirees will be offered access to purchase a guaranteed issue Medicare supplement plan through a third party administrator, to the extent available.
2. Early retirees (non-pilots age 55 – 65 or pilots age 50 – 65) will have access to a company sponsored retiree medical option. Contributions for this coverage will be 100% of projected annual expenses (which includes administrative expenses) using data, assumptions, and methodologies for calculating future retiree healthcare costs. For 2012, the Company will offer the pre-65 plan design (which includes a provider network) offered to active management employees.
3. Retiree medical option plan provisions for early retirees will be subject to change at Company discretion.
4. A participant who prefunded for retiree medical as an active employee will be refunded the remaining balance, if any, in their prefunding account plus interest.
5. Although it is the Company's intention to continue to make available access to early retiree medical coverage, the Company will reserve the right to modify, amend, or terminate the plan at any time.
6. Retiree life insurance benefit will be discontinued.

The Company makes this proposal without prejudice to its position that medical and life insurance benefits of retirees are not vested and reserves its right to assert that 11 U.S.C. section 1114 does not apply to such non-vested benefits. If the Company and the Committee are not able to reach agreement on modification of retiree medical and life insurance benefits, the Company reserves its right subsequently to modify any retiree medical and life insurance benefits.