

Heads Up

The Directed Account Plan Quarterly Review

April 2003

The DAP Plan Expense Overview

The DAP Continues to Provide Low-Cost Investment Options

We continue to receive a few inquiries about Plan costs since participants are often faced with stay or move decisions in reference to their Directed Account Plan (DAP). The Board of Directors is sensitive to the level of Plan costs. We track all costs including management fees.

We have always reported our annual cost of operating the Plan as a percent of Plan assets. Historically this expense number has been about one half of one percent. This includes investment management fees, which vary from fund to fund, plus our overall operating costs, which have varied from 20 to as little as 8 basis points (one basis point equals 1/100 of a percent) over the last ten years.

Our operating expenses for 2001 were approximately 13 basis points after adjusting for participant transfer and loan fees. This expense was 16 basis points for 2002. This 2002 expense was for recordkeeping, trust fees, administration, office personnel, and communications. These costs are reported in the Summary Annual Report mailed to all participants in the fall of each year.

There have been some concerns that our costs would dramatically increase with the movement of

some participants out of the Directed Account Plan. That has not happened! Last year we reported that operating costs might go up slightly with a smaller asset base. Participant activity and market performance reduced our asset base approximately 17%. Expenses did move from 13 basis points to 16 basis points but total costs actually moved from 54 basis points in 2001 to 53 basis points in 2002. We continue to operate the Plan on average for around one-half of one percent.

EXPENSE RATIO COMPARISON

Lower Expenses May Result in Additional Retirement Savings

DAP Investment Options	DAP Expense Ratios (basis points)	Morningstar Average (bps)	Lipper Peer Group Average (bps)
Stable Value	30		
Value Stock	93	n/a	n/a
Equity Index	22	104 LV, 125 MV *	n/a
Growth Stock	73	n/a	n/a
International Stock	135	114 LG, 121 MG *	155 growth, 170 MG *
Div. Sm. Co. Stock	94	114	170
Conservative Portfolio	41	116	157 small-cap
Moderate Portfolio	61	n/a	
Aggressive Portfolio	73	n/a	
		n/a	129 balanced

* LV = Large-Cap Value, MV = Mid-Cap Value, LG = Large-Cap Growth, MG = Mid-Cap Growth

Expense Ratio Comparison

The table above shows our Plan expense ratios for each investment option. It also shows the respective Morningstar Average and Lipper Average expense ratios. An overview of our Plan Expenses is detailed on page 2.

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The DAP Plan Expense Overview

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2002 Plan Expense Comparison

Total Plan Assets (12/31/02) \$1,026,732,564

Total Trust, Administrative, and Investment Manager Cost 5,061,875

Hewitt Associates (our recordkeeper) reported that in a study of 8 clients with an average plan size of 40,000 plus participants, the following range of costs were experienced:

Trustee Cost	=	5% to 15%	of Total Plan Cost
Admin Cost	=	20% to 35%	of Total Plan Cost
Investment Cost	=	70% to 85%	of Total Plan Cost

Applying the above range to our asset base provides the following comparison:

	Average Plan Cost Range	DAP Cost
Trustee Cost	\$253,094 to 759,281 *	\$485,073 or 9.6%
Admin Cost	\$1,012,375 to 1,771,656 *	\$1,422,902 or 28.1%
Investment Cost	\$3,543,312 to 4,302,594 *	\$3,153,900 or 62.3%

* Trustee Cost Range 5% to 15% (.05 - .15 x 5,061,875)

* Admin Cost Range 20% to 35% (.20 - .35 x 5,061,875)

* Investment Cost Range 70% to 85% (.70 - .85 x 5,061,875)

The Directed Account Plan expenses fall into the lower range of expenses experienced by the larger plans as reported by Hewitt. In addition, our actual costs in 2002 were further reduced by participant transfer fees and mutual fund administrative offsets of \$749,817 or 14.8%.

The Directed Account Plan expenses continue to be very competitive relative to other plans.

2002 DAP Plan Expenses

Total Assets (12/31/02) \$1,026,732,564

Total ♦ Operating Expenses 1,642,075

Recordkeeping (Benefits Express)

Trustee

Administration

Personnel

Communication

Operating Expenses ♦ as a percent of assets 16 basis points

Approximate ♦♦ net ♦♦♦ investment manager fees 28 basis points

Other Mutual Fund Expenses ♦♦♦♦ 9 basis points

Total Plan Fees and Expenses as a percent of assets 53 basis points

♦ net of transfer fees

♦♦ mutual fund investment management fee avg.

♦♦♦ after administrative offsets

♦♦♦♦ includes mutual fund transaction fees, 12b-1 fees, administrative fees, and all other asset-based costs incurred by the funds. Does not include transaction costs of our participant activity, which is reflected in each BGI NAV lowering BGI performance.

Chasing Returns

Don't make the costly mistake of chasing returns or performance

Investment education excerpt from About.com Mutual Funds

When deciding where to put your money, what often seems "hot" is certainly not. The year 2000 is a prime example.

One of the biggest mistakes that investors make is to chase performance. Whether it be changing investment advisors, switching newsletters, transferring between funds, or purchasing a new fund, the common goal for the investor is to be in the hottest fund.

Unfortunately, they're often in the wrong place at the wrong time.

To obtain a better understanding of how painful it can be to chase returns, let's turn back the clock to January 1st, 2000. Imagine that you are sitting at home analyzing 1999 returns (yes, grateful you have power and the world did not blow up due to Y2K). The biggest winners in 1999 were Japan funds and Technology funds. After screening for the top performing funds, you decide to go with these five:

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Traders and Transfer Fees

The Directed Account Plan continues to experience a high level of trading activity, which could be detrimental to the Plan in a number of ways. First, excessive trading is expensive to the option in which the trade is being made, and therefore, costly to everyone in that option. To support daily trading, the end of the day option price is given to the participant, even though the actual trade to support this asset transfer is completed at market opening the next day. Any gap in pricing the next day is absorbed by the Plan's option and everyone in that option as a cost, in addition to the usual transaction expense.

In 2002, the following trading activity was experienced, which could be considered excessive.

Option	2002 Average Size	2002 Trading Volume
Value Option	\$125 million	\$589 million
Equity Index	\$97 million	\$537 million
Growth Option	\$91 million	\$271 million
Diversified Small Company	\$108 million	\$639 million

The total commission for the above activity was over six million dollars. We were fortunate to have total commissions reduced by buy and sell timing beyond our control and other offsets but obviously less unnecessary activity would result in lower costs to the Plan.

A high level of trading activity related commission costs is not the only problem. Large, frequent transactions require a high level of cash to be carried for liquidity to meet the

trades. Stable Value assets that could be invested in a longer term fixed income product with higher returns need to be carried in shorter term products with less return to provide liquidity for the high level of trading activity. The traders effect all DAP option returns.

The Directed Account Plan's Board of Directors resolved at it's First Quarter 2003 meeting to adjust the Plan's transfer fee policy in an attempt to discourage unnecessary trading without restricting normal trades for the majority of participants.

Effective July 1, 2003, all trades in excess of twelve per year will be charged a \$500.00 transfer fee. **The number of trades will be counted from January 1, 2003.** The International Option will continue to carry an additional 1% redemption fee for short-term trades of less than 30 days. The proceeds of all transfer fees will be used to reduce the expenses of all plan participants. In 2002, \$266,000 was collected and used for Plan expenses.

Rebalancing your portfolio is an important part of the investment process. Twelve free trades a year should be sufficient for that purpose. The Board of Director's objective is to not restrict your ability to trade or rebalance, but to discourage excessive trading, which is not in the best interest of Plan participants.

Twelve free trades a year. Excess trades will be charged a fee of \$500.00 per trade over twelve. This new policy will go into effect July 1, 2003.

Less than 150 participants had more than 12 trades in 2002.

Chasing Returns

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Warburg Pincus Japan Small Company (WPJPX)

Up 328.7% in 1999

MAS Small Cap Growth (MSCGX)

Up 313.9% in 1999

Credit Suisse Instl. Japan Growth (WPIJX)

Up 279.9% in 1999

Monument Internet (MFITX)

Up 273.1% in 1999

Amerindo Technology (ATCHX)

Up 248.9% in 1999

Warburg Pincus Japan Small Company (WPJPX)

Was down 71.8%

MAS Small Cap Growth (MSCGX)

Dropped 23.1%

Credit Suisse Instl. Japan Growth (WPIJX)

Shut down and returned assets to investors, but not before it lost almost 60% of its value

Monument Internet (MFITX)

Tumbled 56.4%

Amerindo Technology (ATCHX)

Fell 63.9%

The mere thought of returns like these is mesmerizing! If you could even get a small fraction of these returns on a consistent basis, you could retire early!

Fast forward to January 1st, 2001. The old saying, "What goes up, must come down" is a painful reality for you. Here is what happened:

It may have been easier to stomach these losses if you were lucky enough to have enjoyed the gains in 1999, but you didn't. That's the point.

Does this mean that you should invest in what is out of favor? No. It is simply a display of what could happen to you if you let your desires for huge returns get in the way of rational thinking. Just because an investment did well last year, does not mean it will do well this year.

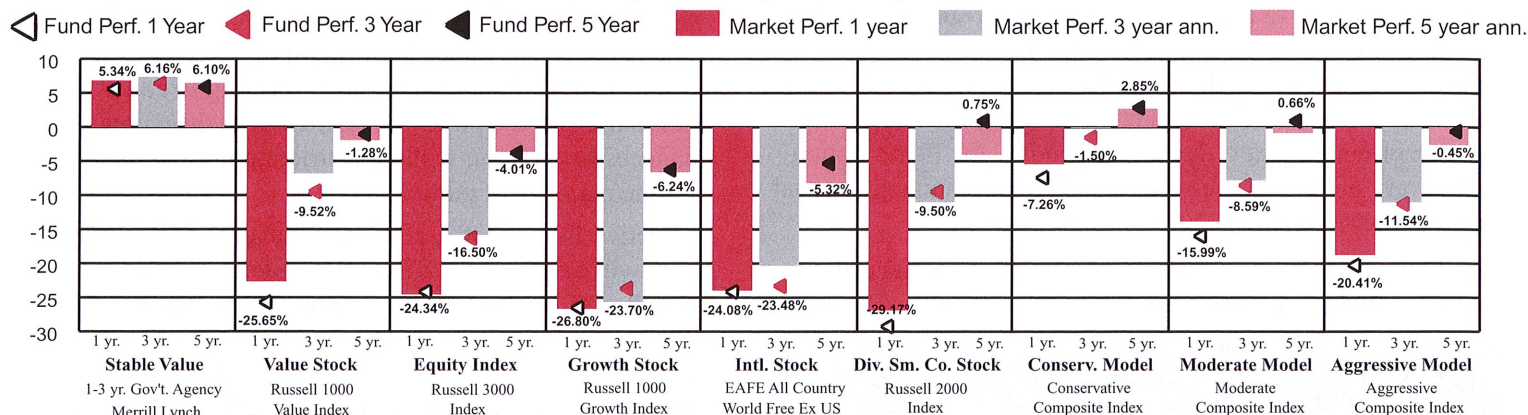
Performance

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Performance Reported as of March 31, 2003

Fund performance is reported net of all expenses.



Q Question: Are the DAP Investment Managers positioned for an UP market?

A Answer: It has been over three years since we experienced one of these. But, while realizing short term performance is meaningless, from time to time we measure our managers over a very few number of days when the market does go up. That happened for five days in March.

When the market goes up - we will participate!

DAP Plan News

Furloughed Pilots

You do have access to your Directed Account Plan. There will be a 10% IRS penalty for early withdrawal if you are under age 55. There are no loans available from the DAP.

More information and Interacting with the Plan

To get daily NAVs, account balance information, or to make transfers, you may call the Benefits Express telephone voice response system, available 24 hours a day. Customer Service Representatives are available 8 am to 5 pm, CST Monday through Friday. Call 1-877-4TWADAP (1-877-489-2327) or 1-847-883-0471 (not toll-free) from a rotary telephone or outside the U.S. Use Social Security number and PIN to access your account. You may contact Fidelity at 1-800-881-4015, Monday through Friday 7:30 am to 7:00 pm, CST.

Informational Web Site: www.4twadap.com

Interactive Web Site: www.resources.hewitt.com/4twadap

Other Information:

The Directed Account Plan
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551
314-739-7373

Five Day Performance

(3/11/03 to 3/18/03)

DAP Value Stock Option to Russell 1000 Value + 7.00%	+ 7.77%
DAP Equity Index Option to Russell 3000 + 7.83%	+ 7.86%
DAP Growth Stock Option to Russell 1000 Growth + 8.86%	+ 9.83%
DAP Intl. Stock Option to MSCI EAFE + 3.89%	+ 3.04%
DAP Div. Sm. Co. Stock Option to Russell 2000 Total + 6.09%	+ 5.97%
DAP Conservative Model	+ 2.75%
DAP Moderate Model	+ 4.61%
DAP Aggressive Model	+ 5.31%

Rollover to the DAP

The DAP continues to accept the rollover of retirement assets from AMR for pilots that have a balance in the DAP. You must request a rollover form from the DAP (Benefits Express) AND a "Request for Transfer of Retirement Funds" form from AMR (through AA STL Flight Operations). The DAP cannot accept rollovers from non-qualified sources such as IRA's unless the IRA is 100% DAP money and earnings on that money (conduit IRA). You must have a balance in the DAP. Rollovers to the DAP from AMR Supersaver are also accepted.

Call Benefits Express at 1-877-489-2327

The intent of this communication is to provide useful information, not investment advice. Each participant in The Directed Account Plan is ultimately responsible to make his or her own investment decisions.

Fund Component Weighting

These tables represent component weighting for individual investment funds as of March 31, 2003.

	Weighting	Net Value of Funds (\$MM)
Stable Value Fund		\$485.9
Cash/BGI Money Market	15%	
PRIMCO GIC	45%	
Wellington Core Bond	40%	
Value Stock Fund		54.1
BGI Value Index	20%	
Federated Stock Trust	20%	
Legg Mason Spec. Inv. Trust	10%	
Morgan Value Strategy	20%	
Neuberger/Berman Focus	10%	
Neuberger/Berman Regency	10%	
T. Rowe Price Value	10%	
Equity Index Fund		30.9
BGI US Equity Index	100%	
Growth Stock Fund		30.2
BGI Growth Index	40%	
MFS Instl. Mid Cap Growth	10%	
Turner Mid Cap Growth	10%	
TCW Galileo Select Eq. I	20%	
Marsico Focus	20%	
International Stock Fund		14.7
Am Century Instl. Intl. Disc	25%	
Am Century Instl. Intl. Growth	20%	
Templeton Instl. Foreign Equity	20%	
Janus Overseas	15%	
First Eagle Overseas	10%	
Longleaf Partners Intl.	10%	
Diversified Small Co. Stock Fund		36.4
BGI Small Co. Index	20%	
DFA US Micro Cap Portfolio	12%	
Royce Opportunity	12%	
MFS Instl. Emerging Equities	12%	
Berger Small Cap Value Instl.	12%	
State Street Aurora S	12%	
Franklin Small Cap Gr. II	20%	
Conservative Model		32.9
Moderate Model		230.3
Aggressive Portfolio		16.6
Fidelity Funds Window		56.3
Total		\$988.3