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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

DEPT. OF TRANSPORTATION
DOCKETS
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Joint Application of

AMERICAN AIRLINES, INC.
and
THE TACA GROUP

OST-00-7088-1

under 49 USC 41308 and 41309 for approval
of and antitrust immunity for agreement

JOINT APPLICATION OF AMERICAN AIRLINES, INC.
AND THE TACA GROUP FOR ANTITRUST IMMUNITY

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March 17, 2000

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This request encompasses any and all agreements between and among the joint applicants that implement any part of the attached agreement, or are entered into by the joint applicants pursuant to those agreements. The joint applicants request that antitrust immunity be granted promptly, and be made effective at the earliest possible date.¹

I. INTRODUCTION AND SUMMARY

The United States has entered into open skies agreements with each of the five Central American nations that comprise the homelands of the TACA Group carriers -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. These agreements were signed by Secretary Slater when he and President Clinton attended the Central American summit on May 8, 1997. These are critically important agreements in the Department's continuing efforts to achieve open skies not only in Latin America, but throughout the world.

¹Aerolineas Pacifico Atlantico S.A. d/b/a Aeroperlas, a Panamanian carrier that currently competes with Copa within Central America, intends in the near future to seek necessary authority to operate certain U.S.-Panama routes under the U.S.-Panama open skies agreement. When such authority is granted, American, the TACA Group, and Aeroperlas will seek to include Aeroperlas in the American/TACA Group codesharing arrangement and proposed immunized alliance.

By Order 98-5-26, May 20, 1998, the Department granted codesharing and related exemption authority to American and the TACA Group, which has brought substantial competitive benefits to the U.S.-Central America market. However, absent the grant of antitrust immunity that the joint applicants are seeking here, the full public benefits of their business relationship cannot be achieved. Just as the Department has granted antitrust immunity to a number of U.S. and foreign carrier alliances in open skies markets, so too should the Department grant immunity to American and the TACA Group.²

The proposed American/TACA Group arrangement is pro-competitive and pro-consumer, as it promises substantial new on-line service benefits when the systems of the applicant carriers are combined to form a single, integrated network. American and the TACA Group will retain their corporate and national identities, but following grant of antitrust immunity will operate as if they were a merged entity with respect to their integrated networks.

²See Order 93-1-11, January 11, 1993 (Northwest/KLM); Order 96-5-27, May 21, 1996 (United/Lufthansa); Order 96-6-33, June 14, 1996 (Delta/Swissair/Sabena/Austrian); Order 96-7-21, July 15, 1996 (American/Canadian); Order 96-11-1 (United/SAS); Order 97-9-21, September 19, 1997 (United/Air Canada); Order 99-9-9, September 13, 1999 and Order 99-10-20, October 20, 1999 (American/Lan Chile); and Order 99-12-5, December 3, 1999 (Northwest/KLM/Alitalia). Three additional immunity applications are pending: OST-99-6528 (American/Swissair/Sabena); OST-99-6680 (United/Air New Zealand); and OST-99-6791 (Northwest/Malaysia Airlines).

Without immunity, the TACA Group carriers would remain unable to tap the critical beyond-U.S. gateway traffic that they need in order to become more efficient and to compete effectively with U.S. major carriers, such as Continental, Delta, and United. The open skies agreements between the U.S. and Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua specifically allow for this kind of airline alliance. There are no sound reasons for denying it here, and many compelling reasons for granting it.

The proposed American/TACA Group alliance, as more fully described below, will involve coordination in such areas as codesharing; frequent flyer programs; global route and schedule planning; sales, advertising, and marketing; pricing, inventory, and yield management; procurement; revenue allocation; ground handling; airport facilities and support services; cargo services; ticketing; and information technologies and distribution systems.

The alliance will significantly improve consumer convenience and choice, produce operating efficiencies and cost savings that will create greater value for passengers and shippers, increase competition in thousands of city-pair markets, and generate economic benefits for communities across the worldwide networks of the applicant carriers. Improved air services will increase tourism and encourage local economic

development, generating growth in employment and tax revenues. The alliance will also benefit the employees and shareholders of each company. American and TACA Group employees will benefit from growth opportunities at each of the carriers, and shareholders will enjoy improved returns resulting from synergies, cost efficiencies, and market growth.

The American/TACA Group alliance agreement is fully consistent with U.S. international aviation policy, which has encouraged global arrangements between U.S. and foreign carriers in order to benefit consumers and enhance competition. See Statement of United States International Air Transportation Policy, 60 Fed. Reg. 21841, May 3, 1995. For all the following reasons, the proposed alliance should be approved on an expedited basis.

II. DESCRIPTION OF THE AGREEMENT

This joint application is based on a multilateral alliance agreement between and among American and each of the five TACA Group carriers (Exhibit JA-1). This agreement is comparable to similar accords which the Department has approved and immunized in other proceedings, in that it provides a contractual framework for cooperation in all of the major functional areas of the applicant airlines' operations. If the American/TACA Group joint application is approved and antitrust immunity is granted, the joint applicants will then proceed to

coordinate and integrate their operations in areas such as scheduling, marketing, sales, pricing, planning, joint services, and related matters. Notwithstanding such cooperation and joint operations, each airline will retain its separate identity, brand, ownership, and control.

More specifically, the alliance agreement contemplates the following coordinated activities:

1. Codesharing. Each carrier will codeshare on the U.S. -Central America services operated by the other. In conjunction with those services, the carriers will also codeshare on connecting services that they operate within the United States and Central America, and to points in third countries insofar as permitted by applicable air transport agreements. On May 20, 1998, by Order 98-5-26, the Department granted codesharing and related exemption authority to the joint applicants for a two-year term. American and the TACA Group are this day submitting an application for renewal and amendment of that authority (OST-96-1700).

2. Yield management. The carriers will cooperate regarding inventory control and yield management as those functions relate to services provided under their alliance agreement. They will provide each other access to their respective yield management systems, and will consult closely in the yield management process.

3. Schedules. The carriers will jointly plan their respective schedules for U.S. -Central America services and for related connecting services in order to maximize and optimize feasible routings and service options available to consumers, and to minimize connecting times for the benefit of consumers.

4. Marketing and product. The carriers will jointly and individually market, promote, and advertise the services covered by their alliance agreement. They will harmonize their respective service standards and jointly develop new products, where appropriate. The carriers may seek to use an alliance mark to represent their alliance and frequent flyer program linkage, upon receipt of any governmental authorizations that may be required.

5. Revenue allocation. The carriers will develop a method for allocating revenues derived from the operation of their alliance services, such as revenue sharing or pooling.

6. Pricing. The carriers will cooperate in establishing rates, fares, and pricing strategies for services provided under their alliance agreement.

7. Frequent flyer programs. The carriers will offer reciprocal frequent flyer programs that will allow members of one carrier's frequent flyer program to accrue credit and redeem travel on the services of the other alliance partners.

8. Sales and expenses. The carriers will jointly determine the most efficient strategies for selling alliance services, coordinating their sales forces, and allocating their sales resources.

9. Airports. The carriers contemplate sharing facilities at the airports they serve insofar as practical.

10. Cargo. The carriers will cooperate in the transportation of cargo between the United States and Central America and in other markets.

11. Cost reduction. The carriers will attempt to coordinate their purchases of goods and services in order to realize cost savings and eliminate redundancies, where possible. They will also coordinate their travel intermediary commission structures and other incentive arrangements as they relate to the services offered under the alliance agreement.

The foregoing areas of coordination will allow American and the TACA Group to generate significant efficiencies and provide a broader range of enhanced and more competitive on-line services. The joint applicants state that the benefits and efficiencies of their alliance cannot be achieved to the same degree absent antitrust immunity. Specifically, such benefits will include:

1. Greater choice and ease of connections. By codesharing across each other's networks, American and the TACA Group will offer the traveling public a greater choice of destinations and competitive routings. American serves 240 points worldwide, while the TACA Group serves 35 (Exhibit JA- , 7). Integration of their networks will create up to 8,855 new on-line markets (Exhibit JA-7).

The Department has recognized that codesharing agreements for beyond and behind points offer superior "seamless service" and provide greater convenience to consumers than standard interline agreements. See Order 96-5-26 (Delta/Swissair/Sabena/Austrian); Order 96-5-12 (United/Lufthansa). customers making a trip involving multiple flights on American and the TACA Group will enjoy one-stop shopping, using a single ticket, checking through baggage, and obtaining all required boarding passes at the outset of their journey.

In addition, the joint applicants intend to coordinate schedules and, wherever possible, co-locate terminals, to maximize customer convenience and service and improve the connecting process. Similarly, arrival and departure gates will be moved closer together wherever possible, and operations will be transferred from one terminal to another to minimize walking distances between connecting flights. A broader range of flight times and co-location of facilities are clearly in

the interest of consumers, not only to offer greater choice, but also to reduce the inconvenience to customers associated with delays or other disruptions resulting from weather conditions, mechanical problems, or other factors.

2. Reciprocal frequent flyer programs. Customers will also benefit from coordination of the American and TACA Group frequent flyer programs. These programs will become reciprocal; credits accrued on one alliance carrier can be used not just for travel on the others, but to achieve a higher tier of membership. In addition, members of the alliance partners' club programs will gain access to additional airport lounges, and will receive priority bookings on flights across the alliance network.

3. Availability of lower fares. The American/TACA Group alliance will generate lower fare opportunities for passengers as a result of coordination of the yield management process, which will enhance the carriers' ability to predict customer demand.

4. Cost benefits and efficiencies. The proposed alliance will produce a range of cost synergies and efficiencies that will result in more efficient, cost-effective operations, and extend benefits to customers in the form of lower fares and improved services. The primary cost benefits will result from coordination of sales and airport operations, joint

promotions and marketing, and joint purchasing. In addition, American and the TACA Group anticipate significant efficiencies from cooperation in the area of yield management.

5. Quality of service. American and the TACA Group carriers each has a long-established commitment to innovative and excellent service. Their proposed alliance will facilitate achievement of the highest level of customer service.

III. THE APPLICABLE LEGAL STANDARD FOR APPROVING AND GRANTING ANTITRUST IMMUNITY TO THE AMERICAN/TACA GROUP ALLIANCE

In relevant part, the controlling statute provides that the Department "shall approve an agreement...when the Secretary finds it is not adverse to the public interest and is not in violation of this part" (49 USC 41309). The Department has discretion to grant antitrust immunity to agreements approved under Section 41309 if it finds that immunity is required by the public interest (49 USC 41308). The Department's established policy is to grant antitrust immunity with respect to agreements that are found not substantially to reduce or eliminate competition, if the Department concludes that antitrust immunity is required in the public interest and the parties will not proceed with the transaction absent antitrust immunity. See Order 96-6-33, June 14, 1996, p. 9 (Delta/Swissair/Sabena/Austrian); Order 96-5-27, May 21, 1996,

p. 17 (United/Lufthansa); Order 93-1-11, January 11, 1993, p. 11 (Northwest/KLM).

As explained below, the proposed American/TACA Group alliance clearly meets the public interest test. Since the alliance will not substantially reduce or eliminate competition, but rather will stimulate more vigorous competition and expanded consumer choice, the Department should approve the alliance and grant it antitrust immunity, without which the joint applicants will not proceed.

IV. APPROVAL AND IMMUNIZATION OF THE AMERICAN/TACA GROUP AGREEMENT WILL PROMOTE THE PUBLIC INTEREST

A. Joint Operations Will Enable The Alliance To Offer New And Improved Services

Section II of this joint application describes the substantial public benefits that will accrue from an integrated alliance among American and the TACA Group carriers. Those benefits, which closely mirror those achieved by other, previously-immunized alliances, include the ability to provide passengers and shippers with greater choice and improved, seamless service throughout an expanded international alliance route network, while also increasing the scope of each carrier's frequent flyer program. In addition, the cost benefits and efficiencies that can be obtained from an integrated alliance operation will be passed on to customers in the form of superior service and more competitive prices.

There is ample evidence that international alliances generate benefits to consumers. In a speech last year, Charles A. Hunnicutt, former Assistant Secretary for Aviation and International Affairs, stated that "[w]e have found that international alliances enhance, not reduce, competition. We have also determined that they have produced additional valuable public benefits, such as providing millions of consumers and thousands of communities with improved air service and lower fares" (remarks before the World Travel and Tourism Annual Conference, Berlin, Germany, March 8, 1999).

The full network benefits of the American/TACA Group alliance cannot occur absent the Department's grant of anti-trust immunity. The Department has acknowledged that, without antitrust immunity, airlines may be prevented from forming alliances which offer significant competitive and efficiency benefits. See Order 96-5-26, p. 26 (Delta/Swissair/Sabena/Austrian) ("the potential antitrust liability for an agreement of this volume may deter the applicants from integrating their services as intended by the alliance agreements unless they have antitrust immunity"); Order 96-5-12, May 9, 1996 (show-cause), p. 26 (United/Lufthansa) (the applicants "could be exposed to liability under the antitrust laws if we did not grant immunity") ; GAO Report to Congressional Requesters, April 1995, p. 30 ("the key benefit of immunity...is the protection

from legal challenge by other airlines," which allows the participants "to more closely integrate their operations and marketing than they otherwise would for fear of legal reprisal").

Legal, operational, and financial obstacles effectively preclude the formation of integrated international route networks either by merger or by the unilateral expansion of a single carrier's system. See Statement of United States International Air Transportation Policy, 60 Fed. Reg. 21841, 21842, May 3, 1995. Expansion by alliance remains the only option, and the feasibility of alliance formation is predicated on securing antitrust immunity. American and the TACA Group submit that the full public benefits offered by their proposed alliance cannot be obtained absent antitrust immunity. The establishment of a fully integrated alliance network depends on the ability of alliance carriers to coordinate prices, routes and schedules, sales and marketing, and inventory, and to develop common strategic and financial objectives in order to compete with other antitrust-immunized international alliances. Such activities inevitably would expose the joint applicants to potential antitrust liability. Therefore, the joint applicants have determined that it is not feasible to proceed with their proposed alliance absent antitrust immunity.

B. The Alliance Will Not Substantially Reduce Or Eliminate Competition In Any Relevant Market

The proposed American/TACA Group alliance will not substantially reduce or eliminate competition in any relevant market.

1. Global Competition

The proposed alliance will enhance competition in the global air transport services market. As the Department has recognized, there exists today "a worldwide aviation market in which travelers have multiple competing options for reaching destinations over multiple intermediate points." Order 99-4-17, April 22, 1999 (show-cause), p. 15 (American/Lan Chile). The global market is driven by a number of competing network systems, including "integrated alliances that can offer a multitude of new on-line services to a vast array of city-pair markets, on a global basis" (*id.*). The addition of American/TACA Group to the ranks of global immunized alliances will create additional consumer choice and enhance competition in the international marketplace.

Global alliances have allowed more consumers to travel more conveniently to more cities at significantly lower cost than ever before. The drive toward open markets is hastening the inevitable globalization of air services and air service providers in the same way that deregulation of international telecommunications and financial services has spurred

the dramatic expansion of increasingly efficient global providers in those sectors.

Deregulation has permitted, and indeed compelled, successful international air carriers to become innovators in a dynamic marketplace. Without the protective mantle of government barriers to market access, open skies and deregulation have driven carriers toward greater efficiencies, greater scope, and greater service orientation.

Two innovations, which are inextricably linked to each other, have proven especially important. One is the development of high-efficiency hubs, and the other is the growth of integrated international alliances linking those hubs. Both respond to the post-deregulation recognition by airlines that economies of scale and density can be achieved by routing passengers into and through hubs, and linking hub operations through alliances.

The results are lower costs per passenger, as aircraft are deployed with higher load factors. Consumers have enjoyed not only cost savings, but also greatly expanded access to small and medium-sized communities.

The proposed alliance here will dramatically expand the TACA Group's route network, thereby accomplishing one of the important objectives of open skies. The TACA Group will be able to obtain meaningful access to the behind-U.S. gateway

traffic that it needs in order to remain a viable competitor against Continental, Delta, and United. Immunity also offers the potential for different types of service and price options between American and the TACA Group, to the benefit of U.S.-Central America travelers.

American and the TACA Group, working together, will also gain economies of density by offering across their combined networks a "seamless" travel experience linking smaller secondary markets within Central America with American's global air transport network. The addition of American and the TACA Group to the ranks of global immunized alliances will enhance network competition between alliances, and will bring more consumer choice.

2. U.S.-Central America

The combination of American and the TACA Group will not substantially reduce competition in the U.S.-Central America market.

Nonstop service between the United States and Central America is presently provided by the following carriers (Exhibits JA-2A and JA-2B and OAG) :

American. Between Dallas/Ft. Worth and Belize City, Panama City, and San Jose; and between Miami and Belize City, Guatemala City, Managua, Panama City, San Jose, San Pedro Sula, San Salvador, and Tegucigalpa.

TACA Group. Between Dallas/Ft. Worth and Guatemala City; between Houston and Belize City, Roatan, and San Salvador; between Los Angeles and Guatemala City and San Salvador; between Miami and Guatemala City, Managua, Roatan, San Jose, San Pedro Sula, and San Salvador; between New Orleans and San Pedro Sula; between New York (JFK) and Guatemala City, San Jose, San Pedro Sula, and San Salvador; between Orlando and San Jose; between San Francisco and San Salvador; and between Washington (Dulles) and San Salvador.

Continental. Between Houston and Belize City, Guatemala City, Managua, Panama City, San Jose, San Pedro Sula, San Salvador, and Tegucigalpa; and between Newark and Guatemala City, Panama City, and San Jose.

Delta. Between Atlanta and Guatemala City, Panama City, San Jose, and San Salvador.

United. Between Los Angeles and Guatemala City and San Salvador.

Copa. Between Miami and Panama City; between Orlando and Panama City; and between San Juan and Panama City.

In addition, on-line connecting service between the United States and Central America is provided by **Mexicana** via points in Mexico. On-line codesharing service is provided by Northwest/Continental and Continental/Copa. Other carriers,

with Fifth Freedom service between the U.S. and Central America, include Iberia and Eva Air (Exhibit JA-2B).

Under the U.S.-Central America open skies agreements, there are unlimited opportunities for additional entry by any U.S. carrier from any U.S. point. Competition in the U.S.-Central America market is thriving, and will continue to do so following approval of the American/TACA Group alliance.

Since 1997, frequency and passenger bookings market shares for American and the TACA Group between the U.S. and Central America have generally declined relative to other U.S. carriers such as Continental and Delta (Exhibit JA-4). Between the U.S. and Belize, for example, the American/TACA Group combined frequency share fell by 13.5 percentage points, while their combined passenger bookings share decreased by 13.9 percentage points, during the 1997 to 1999 period. Between the U.S. and Guatemala, the American/TACA Group combined frequency share fell 19.3 percentage points, and the passenger bookings share by 8.2 percentage points, over the same period.

Similarly, in the U.S.-Honduras market, the American/TACA Group market share decline in frequencies was 7.5 percentage points, and in passenger bookings, 6.3 percentage points. In the U.S.-Nicaragua market, the decline in frequency and passenger bookings share was 9 and 1.9 percentage points, respectively. In the remaining two markets, U.S.-Costa Rica

and U.S. -El Salvador, the American/TACA Group share of frequencies remained approximately the same, but the passenger bookings share declined by 6.6 and 6.7 percentage points, respectively, during the 1997 to 1999 period.

Since 1997, the principal competitors of American and the TACA Group have made significant inroads into these markets, capturing both frequency and passenger bookings market share. Continental's frequency share, for example, increased between the U.S. and Belize (13.5 percentage points), Costa Rica (7.9), Guatemala (4.7), Honduras (7.2), and Nicaragua (8.7). Continental's market share gains in passenger bookings were equally impressive in the 1997 to 1999 time period, with gains of 15 percentage points to Belize, 7.8 to Costa Rica, 4.5 to Guatemala, 6 to Honduras, and 4.3 to Nicaragua. In the remaining market, U.S. to El Salvador, Continental's frequency share declined slightly, but its market share of passenger bookings increased. See Exhibit JA-4.

Similarly, Delta and United made significant gains in many of their U.S. -Central America markets. For example, from 1998 to 1999, Delta's frequencies to Central America from its Atlanta hub increased by 62.3 percent, and its passenger bookings share nearly doubled.

This relative strengthening of other U.S. carriers against American and the TACA Group will continue to flourish after the immunized American/TACA Group alliance is fully operational. Strong competition by Continental, Delta, United, and a number of foreign carriers means that consumers will continue to have a wide array of choice and competitive prices for travel to Central America on competing routings via Atlanta, Houston, Newark, Los Angeles, and other gateways.

3. City-Pair Overlaps

In prior applications for antitrust immunity, the Department has considered the potential loss of competition in city-pairs in which both (or all) alliance carriers operate aircraft on a nonstop basis. The American/TACA Group alliance has five overlapping nonstop city-pairs: Miami to Guatemala City, Managua, San Jose, San Pedro Sula, and San Salvador.³ Despite these overlaps, the American/TACA Group alliance will be disciplined by a number of competitive factors.

First, under the U.S. -Central America open skies agreements, each of these markets is subject to nonstop entry at any time by any interested U.S. carrier. Ample facilities are available at Miami and at each of the Central America points named above, and there are no slot constraints or other

³Exhibit JA-3 shows Miami-Belize City as an overlapping nonstop city-pair. The TACA Group discontinued nonstop service between Miami and Belize City on March 16, 2000.

barriers to entry in any of these nonstop city-pairs. Unlike the international routes at issue in most other immunity applications, there is no need for specialized long-range aircraft for entry. The geographic distance between the United States and these five Central America cities is shorter than on many domestic routes. Each of them is as close or closer to Miami than is New York City.

Second, the number of passengers who are local origin and destination passengers traveling on the five Miami-Central America overlap routes is only a small fraction of the total passengers traveling between the United States and Central America. In the largest market, U.S. to El Salvador, local passengers traveling nonstop between Miami and San Salvador on American and the TACA Group comprised only 8.1 percent of total traffic between the two countries in 1999 (Exhibit JA-6B).

Third, a substantial portion of the passengers traveling on American's and the TACA Group's Miami-Central America flights are flow passengers who originate or terminate in at least one city other than an end point in the relevant nonstop city-pair. For example, local on-board Miami-Central America traffic for American comprises approximately one-third on average of total bookings. The balance of American's on-board bookings, approximately two-thirds on average, consists of flow passengers, who have a wide choice of competing carri-

ers and U.S. gateways in reaching their final destination. See Exhibit JA-6A.

The American/TACA Group alliance will face strong competition for the patronage of these flow passengers, who may choose to travel on Continental over Houston or Newark; on Delta over Atlanta; on United over Los Angeles; and so forth. Additional competition is available on the Northwest/ Continental and Continental/Copa codesharing arrangements; on Mexicana; and on an array of Fifth Freedom carriers.

Delta is extremely intent on expanding its network into Central and South America from its Atlanta hub. As stated by Delta's Chairman and CEO, Leo F. Mullin, Delta can successfully compete in the U.S. -Central America market for two reasons. First, Atlanta is a leading hub for serving points within the U.S. Second, a high percentage of passengers currently connecting over Miami can connect over Atlanta on Delta. See Comments of Leo F. Mullin to the Western Hemisphere Transportation Ministerial, New Orleans, Louisiana, December 15, 1998.

Delta's hub at Atlanta is one of the largest in the world. From Atlanta, Delta offers daily nonstop departures to 94 U.S. cities, which is 68 more domestic nonstop departures than American offers from its hub at Miami.

In April 1998, Delta launched new service to San Jose, Panama City, Guatemala City, and San Salvador (Exhibit JA-4). In his December 1998 remarks, Mr. Mullin stated that Delta believes it is "on target," even though other carriers, including Continental, launched new competitive service in response.

Continental currently offers daily or twice daily nonstop service between its Houston hub and every major city in Central America. Continental also offers daily service from its Newark hub to San Jose and Panama City, and weekly service from Newark to Guatemala City, continuing to San Salvador. These services, and those of its Panamanian codeshare partner, Copa, compete directly with those of American and the TACA Group for flow passengers. Indeed, Copa competes very vigorously for U.S. to Central America traffic via its hub in Panama City and via the Continental/Copa codeshare route from that hub to Miami. As a result, and as shown in Exhibit JA-4, both Continental and Delta have grown both in frequencies and bookings share since 1997 relative to American and the TACA Group.

Accordingly, the American/TACA Group alliance will not substantially reduce or eliminate competition in any relevant market. Competition will remain vigorous in the global market, in the U.S.-Central America market, and in city-pair markets.

V. APPROVAL AND GRANT OF ANTITRUST IMMUNITY FOR
THE ALLIANCE WILL PROMOTE IMPORTANT U.S. AVIATION
POLICY GOALS

The past several years have witnessed a remarkable expansion of airline service to and from the United States. Much of this growth has resulted from the Clinton Administration's initiatives, including the April 1995 Statement of International Air Transportation Policy, which have generated more than 40 open skies bilateral agreements between the U.S. and major trading partners in Europe, Asia, and the Americas. The Department has described open skies as "a critical element of our international aviation policy.... Open skies agreements assure the most liberal operating environment for air services." Order 99-4-17, p. 19.

The Department has recognized that the progress of its open skies policy and the development of a series of competing international alliance networks are inextricably linked. Thus, in effect, the cultivation of such alliances has become a U.S. aviation policy objective. The Department recently found that "one of the major public benefits resulting

from our success in signing open skies aviation agreements around the globe is the creation of new competitive airline alliances that we are now seeing to provide global aviation services. Markets in Asia, Europe, and North America are now an integral part of existing competing airline networks" (Order 99-4-17, pp. 20-21). The Department stated that "competition between and among these global alliances is likely to play a critically important role in ensuring that consumers...have multiple competing options to travel where they wish as inexpensively and conveniently as possible" (id.).

By this application, American and the TACA Group propose to add another alliance to the global scene, providing additional travel options to consumers and disciplining the alliances already in place.

Failure to approve and grant antitrust immunity to the joint applicants would have significant negative consequences, not only in terms of relations between the United States and the nations of Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua, but of U.S. international aviation policy in Latin America and elsewhere.

When the Department approved and immunized the Northwest/KLM alliance in 1993, it clearly was sensitive to the inevitable intersection between an open skies agreement with another country and granting antitrust immunity to a U.S.

carrier forming an alliance with a carrier of that country. Indeed, the Department stated that "denial of antitrust immunity would contravene the spirit of the accord and be counterproductive to the United States' relations with the Netherlands" (Order 93-1-11, p. 12). Today, the substance of the U.S. open skies policy as well as the spirit of the U.S.-Central America open skies agreements provide equally compelling support for the Department's prompt approval of and grant of antitrust immunity to the American/TACA Group agreement.

In order to be attractive to other countries, open skies agreements must be mutually beneficial, not only on paper, but in practice. To date, however, the open skies agreements between the United States and the TACA Group carriers' homelands have proven to be a one-way street.

U.S. major carriers, such as Delta, have been freed to enter new U.S. -Central America markets, and existing competitors, such as Continental, have been able to expand and, in the TACA Group's view, price their Central America service without regard to any longer-term anticompetitive effects. These U.S. carriers draw upon their extensive U.S. and global networks to provide critical flow traffic through their U.S. gateways and to support their Central America operations generally.

But the TACA Group carriers, lacking an immunized alliance of the type sought here, remain unable to access meaningfully beyond-U.S. gateway traffic, or to tap the resources of a global network to support regional operations. The TACA Group carriers submit that they are therefore extremely vulnerable to the type of practices in which Continental has engaged. See Complaint of TACA International Airlines v. Continental, OST-99-6418, filed October 28, 1999. While the TACA Group's traffic levels may have increased slightly since the advent of open skies, their yields have become dangerously low.

The TACA Group carriers submit that they need an international relationship with American if they are to remain a long-term competitive force in the U.S.-Central America marketplace. The U.S. -Central America open skies agreements, like open skies agreements elsewhere, allow for the type of immunized alliance that the TACA Group and American seek here. In virtually all other parts of the world, open skies agreements have resulted in the grant of immunity to one or more alliances. There is no reason to deny immunity here. To the contrary, the Department should welcome this opportunity to end any perceived discrimination in the application of U.S. international aviation policy.

VI. OTHER APPROVAL ISSUES AND CONDITIONS

A. Computer Reservations Systems

The grant of antitrust immunity here should also cover the coordination of (1) the presentation and sale of the carriers' airline services in computer reservations systems, and (2) the operations of their respective international reservations systems. In the Northwest/KLM approval, the Department determined that, while the coordination of CRS activities arguably could reduce competition, that concern was not so significant as to outweigh the justification for granting antitrust immunity. See Order 93-1-11, pp. 15-16. The same conclusion applies with equal force in this proceeding. We recognize, however, that the immunity will not extend to the joint applicants' management of any interest they may have in individual CRSs. See Order 98-10-20, October 20, 1999, p. 18 (American/Lan Chile). As of March 15, 2000, none of the carrier here owns an interest in any CRS.

B. Duration Of Approval And Immunity

The joint applicants request that the Department approve and grant antitrust immunity to their alliance for a 10-year term, consistent with Section 5 of the attached alliances agreement (Exhibit JA-1). However, we recognize that the Department has approved similar alliances for five-year terms. See Northwest/KLM (Order 93-1-11); United/Lufthansa (Order 96-

5-27); Delta/Swissair/Sabena/Austrian (Order 96-6-33); American/Canadian (Order 96-7-21) ; United/Lufthansa/SAS (Order 96-11-1). Therefore, if the Department is not inclined to grant a 10-year term here, the joint applicants would accept a five-year term.

C. IATA Tariff Coordination

In conjunction with the Department's approval and grant of antitrust immunity to their alliance, American, and the TACA Group are prepared to consent to the imposition of the now-standard condition prohibiting participation in certain IATA tariff coordination activities. See Order 96-6-33, p. 17; Order 96-11-1, p. 19; Order 99-4-17, p. 22.

D. Use Of Common Service Name Or Brand

The joint applicants are also prepared to accept a condition equivalent to that imposed on other immunized alliances; if they choose to operate under a common name or brand, they will seek separate approval from the Department prior to engaging in such operations.

E. O&D Survey Data Reporting Requirement

In addition, the joint applicants will accept a condition whereby the TACA Group carriers may be required to report full-itinerary Origin-Destination Survey data of airline passenger traffic for passenger itineraries containing a U.S. point, with the understanding that such data will be handled on a confidential basis by the Department.

VII. RESPONSE TO ADDITIONAL INFORMATION REQUIREMENTS

In order to expedite the Department's review of the American/TACA Group application, we are providing the following information, modeled after the evidence request in the Northwest/KLM/Alitalia antitrust immunity proceeding, Order 99-5-10, May 21, 1999.

(A) Provide all joint applicants' corporate documents (in English or with English translations) dated within the last two years that address competition in the U.S.-Central America markets.

The requested documents are being submitted separately by American and the TACA Group, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

(B) Provide all joint applicants' studies, surveys, analyses, and reports (in English or with English translations) dated within the last two years, which were prepared by or for any officer(s) or director(s) (or, individuals(s) exercising

similar functions) for the purpose of evaluating or analyzing the proposed enhanced alliance with respect to market shares, competition, competitors, markets, potential for traffic growth or expansion into geographic markets, and indicate (if not contained in the document itself) the date of preparation, the name and title of each individual who prepared each such document.

The requested documents are being submitted separately by American and the TACA Group, accompanied by a joint motion for confidential treatment under 14 CFR 302.12.

(C) Provide Origin & Destination (O&D) traffic for the most recent U-month period available for the TACA Group's top 100 markets with a U.S. gateway city as a passenger origin or destination point.

This information is attached in Exhibit JA-8.

(D) In addition to the information requested in the preceding item, provide an analysis of the effect on international competition of the proposed closer arrangements among the joint applicants. Specifically, address the competitive effect in city-pair markets where the TACA Group carriers now compete with American.

The requested competitive analysis is provided in Section IV.

(E) Describe the extent to which airport facilities, including gates and slots, are available to U.S. flag carriers who want to begin or increase service to Central America cities served by the TACA Group.

None of the Central America airports served by the TACA Group is slot constrained. Gates are assigned by national aeronautical authorities on a non-discriminatory basis, and do not constitute a barrier to entering these markets.

(F) Discuss significant service and equipment changes anticipated by the joint applicants, and the integration of American's domestic route system with the international route systems of the TACA Group.

At the present time, American and the TACA Group do not anticipate any significant service or equipment changes as a result of their proposed alliance. The joint applicants may make both service and equipment changes in the future for commercial or economic reasons, or to the extent that regulatory requirements necessitate such changes. The joint applicants anticipate the integration of their route systems through codesharing, schedule adjustments, relocation of terminal facilities, and other measures, as discussed above in Section II.

(G) Describe any effect of granting the application on Civil Reserve Air Fleet (CRAF) commitments of American.

The American/TACA Group alliance will have no impact on American's CRAF commitments.

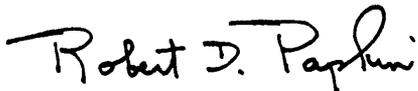
(H) Discuss any labor effects of the proposed alliance, and whether, how, and to what extent employees of the applicant airlines will be integrated. In particular, state whether the transaction or a similar type of transaction has been the subject of recent collective bargaining discussions between American and its unions. Provide a discussion of whether both union and non-union employees adversely affected by the alliance would be compensated or otherwise protected.

American believes that the transaction raises no significant labor issues. American and the TACA Group will remain independent. No significant impact on unionized employees is anticipated under the agreement. American and the TACA Group believe that the long-term impact of the transaction will be positive for all existing employees and for new job creation.

CONCLUSION

For the foregoing reasons, American and the TACA Group urge the Department to approve their alliance arrangements under 49 USC 41309, and to grant antitrust immunity under 49 USC 41308, and to do so on an expedited basis.

Respectfully submitted,



ROBERT D. PAPKIN
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Squire, Sanders & Dempsey,
LLP



CARL B. NELSON, JR.
Associate General Counsel
American Airlines, Inc.

Attorneys for the TACA Group

March 17, 2000

INDEX OF JOINT EXHIBITS

<u>Joint Exhibit</u>	<u>Title</u>
JA-1	Alliance Agreement
JA-2A	American/TACA Group Nonstop Routes Between The U.S. And Central America, Year 1999
JA-2B	Continental/Delta/United/Others Nonstop Routes Between The U.S. And Central America, Year 1999
JA-3	American/TACA Group Overlap Nonstop City-Pairs, January 2000
JA-4	Share Of Total Origin And Destination Bookings By Carrier, U.S.-Belize, U.S.-Costa Rica, U.S.-Guatemala, U.S.-Honduras, U.S.-El Salvador, and U.S.-Nicaragua
JA-5	NOT USED
JA-6A	American Has More Flow Than Local Traffic On Nonstop Overlap City-Pairs, Year 1999
JA-6B	American's And TACA Group's Local Passengers On Overlap Routes Is A Small Component Of The Country To Country Origin And Destination Traffic, Year 1999
JA-7	Summary Of New On-Line Airports And City-Pairs For American And The TACA Group
JA-8	Top 100 TACA Group Origin And Destination Markets To And From The U.S., Year 1999
JA-9	NOT USED
JA-10	Top 20 TACA Group O&D Markets With U.S. Endpoint By Carrier With Greater Than 5% Share, Year 1999

ALLIANCE AGREEMENT

This **Alliance** Agreement (this "Agreement"), dated as of this **27th** day of September, 1996, is entered into by and between American **Airlines, Inc.**, a corporation organized and **existing** under the laws of the State of Delaware ("American"), **TACA International Airlines S. A.**, a corporation organized and **existing** under the laws of the Republic of El Salvador ("**TACA**"), **AVIATECA S. A.**, a corporation organized and existing under the laws of the Republic of Guatemala ("**AVIATECA**"), **Compañía Panameña de Aviación S. A.**, a corporation organized and **existing** under the laws of the Republic of Panamá ("**COPA**"), **Lineas Aereas Costarricenses S. A.**, a corporation organized and **existing under** the laws of the Republic of Costa Rica ("**LACSA**"), **Nicaraguense de Aviación S. A.**, a corporation organized and existing under the laws of the Republic of Nicaragua ("**NICA**") and **TACA de Honduras**, a corporation **organized and existing** under the laws of the Republic of Honduras ("**TACA de Honduras**") (each individually a "**TACA Group Affiliate Air Carrier**," and collectively the "**TACA Group**").

BACKGROUND STATEMENT

American and each of the **TACA Group Affiliate Air Carriers** desire to enter into a series of agreements to establish a marketing alliance to enhance competition and to cooperate in providing high quality air transportation to the traveling and shipping public (the "Alliance"). Under the Alliance, American and the **TACA Group** shall each promote the **services** of the other and shall engage in other mutually supporting arrangements, including reciprocal **frequent flyer** program participation, codesharing, facilities use, and the provision of certain services by one party to the other.

DEFINITIONS

In addition to the terms defined elsewhere in this Agreement, the following terms shall have the respective meanings indicated below:

"**AAdvantage Agreement**" shall mean the **AAdvantage Participating Carrier Agreement** between American and the **TACA Group**, which **agreement** shall be considered a Principal Agreement hereunder.

"**Affiliate**" shall mean, with **respect** to any person or entity, any other person or entity directly or indirectly controlling, controlled by, or under common control with, such person or entity. For purposes of this **definition**, "control" (including "controlled by" and "under common control or ownership with") shall mean the power, directly or indirectly, to direct or cause the direction of the management and **policies** of such person or entity, whether through the ownership of voting securities or by contract or otherwise.

“**American Eagle**” means American’s regional **airline** associates, which as of the date of **this Agreement**, consists of Executive Airlines, Inc., Flagship Airlines, Inc., Simmons Airlines, Inc. and **Wings West Airlines, Inc.**, each of which is a wholly-owned **subsidiary** of **AMR Corporation**, the parent corporation **of** American.

“Applicable **Law**” **shall** mean all applicable laws of any jurisdiction, including securities laws, **tax** laws, **tariff and** trade laws, ordinances, judgments, decrees, injunctions, writs, and orders or **like actions** of any Competent Authority, and the **rules**, regulations, orders, interpretations, licenses, and permits of any such Competent Authority.

“**Business Day**” means any day other than a Saturday, Sunday, or other day on which banking institutions in New York or San Salvador are required by law, regulation, executive order, or custom to be closed.

“Central America” shall mean collectively, Belize and the Republics of **Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.**

“**Codeshare** Agreements” **shall** mean **collectively**, the six **(6) codeshare** agreements **between** American and each of the **TACA Group Affiliate Air Carriers**, each of which **shall** be considered a Principal Agreement hereunder.

“**Codeshare Implementation Date**” shall **mean** the **first** date of commencement of any of the Cooperative **Service Flights**.

“Competent Authority” **shall** mean any **national, federal**, state, county, **local**, or **municipal government body, bureau, commission, board, board of arbitration, instrumentality**, authority, agency, court, **department**, minister, ministry, official, or public or statutory person (whether autonomous or not) having jurisdiction over this Agreement, any **of** the Principal Agreements, or any of the **parties** hereto or thereto.

“Cooperative **Service Flights**” shall mean any **flight**, on or **after** the Codeshare Implementation Date, which is operated by either American **or** one of the **TACA Group Affiliate Air Carriers**, and which is subject to any of the **Codeshare Agreements**.

“Damages” **shall** mean **all claims**, suits, **penalties**, liabilities, judgments, **fin**es, losses and expenses of any nature or kind whatsoever, including reasonable **costs** and out-of-pocket expenses of investigating, preparing or defending any **claim, suit**, action or proceeding (including post judgment and appellate proceedings or proceedings that are incidental to the **successful** establishment of the right of **indemnification** hereunder), such as reasonable attorneys’ fees and reasonable fees for expert witnesses, and **allocated** costs of in-house counsel but not **including** internal expenses of the **indemnified** party **such** as employee **salaries** and costs in cooperating in the investigation, preparation or defense.

“FFP Agreements” shall mean **collectively**, the **A Advantage** Agreement and the **TACA Group FFP** Agreement, both of which **shall** be considered Principal Agreements hereunder.

“Governmental Approvals” shall mean **all** orders, **permits**, licenses, registrations, waivers, authorizations, exemptions, confirmations, and approvals of or by any Competent Authority which **are necessary** or are reasonably considered by any of the parties to this Agreement to be **material** and appropriate to be obtained in connection with this Agreement or any of the Principal Agreements, provided that the failure to obtain the **same** would have a Material Adverse Effect on any of the parties to this Agreement or on the transactions **contemplated** herein.

“Material Adverse Effect” shall mean, with respect to **any** person or entity, a material adverse effect upon such person’s or **entity’s**: (a) business, assets, operations, performance or condition (financial or otherwise); or (b) the ability of such person or entity to perform its obligations hereunder.

“Material Change” shall mean, with respect to any person or entity, a material **effect**, whether **positive or negative**, upon **such** person’s or **entity’s**: (a) business, assets, operations, **performance or condition (financial or otherwise)**; or (b) the ability of such person or entity to perform its obligations hereunder.

“Principal Agreements” shall mean **collectively**, (i) the **Codeshare** Agreements (each of which shall include an Addendum by and **between** American, the **respective TACA Group Affiliate Air Carrier**, and American Eagle), (ii) the **FFP Agreements**, and (iii) the **Services** Agreement.

“Services Agreement” shall mean a **services** and licenses agreement to be entered into by and **between** American (and/or one of its **Affiliates**) and the **TACA Group** (and/or one of its **Affiliates**), which shall be considered a Principal Agreement hereunder.

“TACA Group FFP Agreement” shall mean the **TACA Group Frequent Flyer Programs Participating Carrier Agreement** between each of the **TACA Group Affiliate Air Carriers** and **American**, which shall be considered a Principal Agreement hereunder.

“\$”, or **“US\$”**, or **“Dollars”** shall mean United States Dollars.

Unless otherwise specified in this Agreement, all references in this Agreement to **“herein,” “hereof,” “hereto,” “hereby,”** and **“hereunder”** shall be deemed references to this Agreement and the Principal Agreements as a whole and not to any particular section, subsection, paragraph sentence, or clause of this Agreement. Unless otherwise specified in this Agreement, references herein to **“including”** or **“include”** shall mean **“including without limitation”** or **“include without limitation,”** respectively. References herein to the **“parties”** or the **“parties hereto”** shall mean collectively, **American** and each of the **TACA Group Affiliate Air Carriers, as** applicable, and references herein to a **“party”** or a **“party hereto”** shall mean either American, the **TACA Group**, or one of the **TACA**

Group Affiliate Air Carriers, as applicable. References herein to the **termination** of this Agreement (or words of similar import) shall mean the termination of this Agreement or any of the **Principal Agreements** by exercise of **termination** rights or by the expiration of the term of this **Agreement**.

STATEMENT OF THE AGREEMENT

In consideration of the **mutual** promises, covenants, representations, and **warranties** made **herein**, and of the mutual benefits to be derived hereunder, **American** and **each** of the **TACA Group Affiliate Air Carriers** agree as follows:

1. **Alliance Implementation Date.** The **consummation** of the **transactions** described **herein** (the "**Alliance Implementation Date**") shall take **place upon** satisfaction or waiver of **all** of the **conditions** precedent set forth in Section **4** of this Agreement, or as **soon thereafter** as **reasonably practicable**. The actual **commencement** of the Cooperative Service Flights, and all other **aspects** of the **Alliance**, shall, **except** as **otherwise provided herein**, **begin** on the Codeshare Implementation Date, or as soon **thereafter** as reasonably practical.

2. **Representations and Warranties by American.** American hereby represents and warrants **to each** of the **TACA Group Affiliate Air Carriers** as follows:

(a) **Organization and Qualification.** American is a duly incorporated and validly **existing** corporation in good standing under the laws of the State of Delaware and, as an air carrier duly **authorized** to act as such by the government of the United States of America, holds all licenses, certificates, and permits **from all governmental** and regulatory authorities **necessary** to perform its Obligations **hereunder** and under the **Principal Agreements**, and has the requisite corporate power and authority to own, operate, and lease the properties and assets it now owns, operates, and leases, to conduct its business as it is now being conducted, and to enter into and perform its obligations under this Agreement and the **Principal Agreements**.

(b) **Authority.** The execution and delivery by American of, and the **performance** by American of its obligations under, this Agreement and the **Principal Agreements** have **been** duly authorized by all **necessary** corporate action and no other corporate proceedings or actions are **necessary** in conjunction therewith. **This** Agreement has been duly executed and delivered by American, and, assuming due authorization, **execution**, and delivery by each Of the **TACA Group Affiliate Air Carriers**, this Agreement constitutes the legal, valid, and binding obligation Of American, **enforceable** against American in accordance with the **terms** and conditions hereof, except as may be limited by bankruptcy, insolvency, moratorium, or other laws **affecting** creditors' rights generally, or by equitable principles, whether applied in a proceeding in **equity** or law. Each of the **Principal Agreements** has been duly executed and **delivered** by **American**, and, assuming due authorization, execution, and delivery by each of the **TACA Group Affiliate Air Carriers**, each of the **Principal Agreements** shall constitute the legal, valid, and binding obligation of American, enforceable against American in accordance with its terms and conditions, except as may **be** limited by bankruptcy,

insolvency, moratorium, or other laws affecting creditors' rights generally, or by equitable principles, whether applied in a proceeding in equity or law

(c) **No Violation.** Neither the execution, delivery, or performance by American of this Agreement or the Principal Agreements, nor the consummation by American of any of the transactions contemplated hereby or thereby, will: (i) contravene or conflict with or cause a default under (A) any Applicable Law binding on American, or (B) any provision of the Certificate of Incorporation or the Bylaws of American; (ii) result in the creation of any Lien, mortgage, claim, pledge, or other encumbrance (each, a "Lien") on any asset of American; or (iii) result in a material breach of any agreement or instrument to which American is a party or by which it, any of its affiliates, or any of its or their respective assets are bound.

(d) **No Approvals.** Except as otherwise provided herein, neither the execution, delivery, or performance by American of this Agreement or the Principal Agreements, nor the consummation by American of any of the transactions contemplated herein or therein, requires the consent or approval of, or the giving of notice to, the registration with, the recording or filing of any documents with, or the taking of any other action in respect of, any Competent Authority, any trustee or holder of any indebtedness or obligation of American, any stockholder of American, or any other person or entity having a contractual relationship with American.

(e) **No Proceedings.** American is not involved as a debtor in any bankruptcy, receivership, insolvency, or similar proceeding before any Competent Authority.

(f) **No Brokers.** Neither American nor any of its Affiliates has employed any broker, agent, or finder in connection with this Agreement or any transaction contemplated hereby, and is not obligated to pay any commission, finder's fee, or other similar fee to any such party with respect thereto.

(g) **Survival.** Each of the foregoing representations and warranties shall survive the Alliance Implementation Date regardless of any investigation which may have been made by any of the TACA Group Affiliate Air Carriers.

3. **Representations and Warranties by the TACA Group.** Each TACA Group Affiliate Air Carrier in its individual capacity (which, for purposes of this Section 3, shall sometimes be referred to as the "Carrier,") hereby represents and warrants to American as follows:

(a) **Organization and Qualification.** The Carrier is a duly incorporated and validly existing corporation, in good standing under the laws of its country of incorporation and, as an air carrier duly authorized to act as such by its country of incorporation, holds all licenses, certificates, and permits from all governmental and regulatory authorities necessary to perform its obligations hereunder and under the Principal Agreements, and has the requisite corporate power and authority to own, operate, and lease the properties and assets it now owns, operates, and leases to conduct its

business **as** it is now being conducted, and to enter into and perform its obligations under **this** Agreement and the Principal Agreements.

(b) **Authority.** The execution and delivery of this Agreement and each of the **Principal** Agreements and the **Carrier's** performance of its obligations hereunder and under the Principal Agreements have been duly authorized by all **necessary** corporate action and no other corporate proceedings or actions are **necessary** *in conjunction therewith. This Agreement **has been duly executed** and delivered, and, assuming due authorization, execution, and delivery by **American**, this Agreement constitutes the legal, valid, and binding obligation of the Carrier, **enforceable against** it in accordance with the terms and conditions hereof, **except** as may be limited by **bankruptcy, insolvency, moratorium, or other laws affecting** creditors' rights generally, or by equitable principles, **whether applied** in a proceeding in **equity** or law. Each of the Principal Agreements shall have **been duly executed** and delivered by the Carrier, and, assuming due authorization, execution, and delivery by **American** and each of the other **TACA Group Affiliate Air Carriers**, if applicable, each of the Principal Agreements shall constitute the legal, valid, and binding obligation of the carrier, enforceable against it in accordance with its terms and conditions, **except** as may be limited by **bankruptcy, insolvency, moratorium, or other laws affecting** creditors' rights generally, or by **equitable** principles, whether applied in a proceeding in **equity** or law.

(c) **No Violation.** Neither the execution or delivery of this Agreement or the Principal Agreements, the **Carrier's performance** of its obligations hereunder or thereunder, nor the consummation of any of the **transactions** contemplated by this Agreement or the Principal Agreements, will: (i) contravene or conflict with or cause a default under (A) any Applicable Law binding on the **Carrier**, or (B) any provision of the Charter or Certificate of Incorporation or the Bylaws (together the "**Estatutos**") of the Carrier, (ii) result in the creation of any Lien on any asset of the **respective** Carrier, or (iii) result in a material breach of any agreement or instrument to which the **Carrier** is a party or by which it or its assets are bound.

(d) **No Approvals.** Except as otherwise provided herein, neither the execution, delivery, or performance by the Carrier of this Agreement or the Principal Agreements, nor the consummation by the Carrier of any of the **transactions** described herein or therein, requires the consent or approval **of**, or **the** giving of notice to, the registration with, the recording or **filing** of any documents with, or the taking of any other action in respect **of**, any Competent Authority, any **trustee** or holder of any indebtedness or obligation of the **Carrier**, any stockholder of the Carrier, or any other person or entity having a contractual relationship with the Carrier.

(e) **No Proceedings.** The **Carrier** is not involved as a debtor in any bankruptcy, receivership, insolvency, or similar proceeding before any Competent Authority.

(f) **No Brokers.** Neither the Carrier nor any of its Affiliates has employed any broker, agent, or finder in connection with this Agreement or any transaction contemplated hereby, and the Carrier is not obligated to pay any commission, **finder's** fee, or other similar fee to any such

party with respect thereto.

(g) Survival. Each of the foregoing representations and warranties shall survive the Alliance Implementation Date regardless of any investigation which may have been made by American.

4. Conditions to Implementation of the Alliance

(a) Mutual Conditions. The obligations of American and each of the **TACA Group Affiliate** Air Carriers hereunder are subject to the satisfaction on or before the **Alliance Implementation Date** of each of the following conditions:

(i) No material condition or material restriction of **any Competent Authority** shall be in effect, and there shall not be pending nor **shall** there be a substantial threat of any material action or material proceeding by or before any Competent Authority, **which, in** the reasonable opinion of any of the parties, **after** consultation with counsel, is likely to be **successful** on the merits or to **delay** the **Codeshare Implementation Date**, which condition or restriction, or **pending** or threatened action or proceeding, **purports** to, or seeks or threatens, to (A) in any **material respect**, restrain, prohibit, or enjoin any **party** hereto **from** entering into or performing this Agreement, any of the Principal Agreements, or any of the transactions contemplated hereunder or thereunder, or **otherwise** would likely have a Material **Adverse Effect** upon any of the benefits which any such party reasonably expects to derive **from** this Agreement, any of the Principal Agreements, or any of the transactions contemplated hereunder or thereunder; (B) recover material damages as a result of this Agreement, any of the Principal Agreements, or any of the transactions contemplated hereunder *or* thereunder; (C) in any material respect restrict or adversely change the manner in which American or any of the **TACA Group Affiliate** Air Carriers conduct or propose to conduct their respective businesses, which restriction or change would likely have a Material Adverse Effect upon the **performance** of this Agreement, any of the Principal Agreements, or any of the transactions contemplated **hereunder** or thereunder, (D) in any material respect impose other terms or conditions that would likely have a Material **Adverse Effect** upon this **Agreement**, any of the Principal Agreements, or any of the **transactions** contemplated hereunder or thereunder, or (E) materially restrict or have a Material Adverse Effect upon the manner in which American or any of the **TACA Group Affiliate** Air Carriers conduct their respective businesses..

(ii) All required filings with Competent Authorities required to be made in connection with this Agreement, the Principal Agreements, and the transactions contemplated hereunder or thereunder, shall have been made, **all** applicable waiting periods shall have expired or terminated and all orders, permits, waivers, authorizations, **exemptions**, and approvals of such entities **required** to be obtained in connection with any of such documents **and/or** transactions shall have been issued, **all** such required orders, permits, waivers, authorizations, **exemptions** and approvals shall be in **full** force and effect, and all appeal periods for challenging any such orders, permits, waivers, authorizations, exemptions or approvals shall have expired and no such appeal shall be pending;

provided, however, that no provision of this Agreement shall be construed as requiring any party to **accept, in connection** with obtaining any **requisite** approval, clearance or assurance of non-opposition, **avoiding a challenge** or negotiating a **settlement**, any condition that would materially restrict or **would** likely have a Material Adverse Effect upon the manner in which such party conducts its business or that would impose other terms or conditions that would likely have a Material Adverse Effect upon **this Agreement**, any of the Principal Agreements, or any of the transactions contemplated hereunder or thereunder.

(iii) All consents and **waivers from** persons or entities other than **Competent Authorities required** in connection with **this Agreement**, the Principal Agreements, and the transactions contemplated hereunder or thereunder, shall have been obtained.

(b) **Conditions Precedent for the Benefit of American.** The obligations of American hereunder are **further** conditioned upon satisfaction on or before the Alliance Implementation Date of each of the following conditions which are for the benefit of American (compliance with one or more of which may be waived by American in writing):

(i) The **representations** and warranties of each **TACA Group Affiliate Air Carrier** set forth in this Agreement shall be **true** and correct as though made as of the Alliance Implementation Date, and each **TACA Group Affiliate Air Carrier** shall have delivered to **American** a certificate, duly signed by one of its officers **confirming** that representations and warranties contained herein shall be true and correct **as** of the **Alliance** Implementation Date.

(ii) No event or set of circumstances shall have occurred or then exist **which, if the** Principal Agreements were then effective, would give American or any of its **Affiliates**, if applicable, the right **to** terminate any such agreement pursuant to its terms either immediately or **after the** giving of notice or lapse of time.

(iii) This Agreement and each of the Principal Agreements shall have been duly authorized, executed, and delivered to **American** by the respective **TACA Group Affiliate Air Carriers**.

(c) **Conditions Precedent for the Benefit of each of the TACA Group Affiliate Air Carriers.** The obligations of the **TACA Group** hereunder are **further** conditioned upon satisfaction on or before the **Alliance** Implementation Date of each of the following conditions which are for the benefit of the **TACA Group** (compliance with one or more of which may be waived by the **TACA Group** in writing):

(i) The representations and warranties of American set forth in this Agreement shall be **true** and correct **as though** made **as** of the Alliance Implementation Date, and American shall have delivered to the **TACA Group** a certificate, duly signed by an officer of **American**, **confirming** that the representations and **warranties** made by American in this Agreement

shall be **true** and correct as of the Alliance Implementation Date.

(ii) **No** event or **set** of circumstances shall have occurred or then **exist** which, if the **Principal Agreements** were then effective, would give any of the **TACA Group Affiliate Air Carriers** the right to terminate any such agreement pursuant to its terms either immediately or after the giving of notice or lapse of time.

(iii) **This Agreement and** each of the **Principal Agreements** shall have **been** duly authorized, **executed, and delivered** to the **TACA Group** by American or American Eagle, **as the case may be.**

5. **Term and Termination.** The **initial term of this** Agreement **shall** be ten (10) years **from** the Alliance Implementation Date and shall automatically renew for subsequent five (5) year **terms unless terminated earlier** pursuant to this **Section 5.** This Agreement may be terminated as **follows:**

(a) **Prior to the Implementation Of the Alliance.** This Agreement may be terminated **prior to the Alliance** Implementation Date as **follows:**

(i) by mutual agreement of American and each of the **TACA Group Affiliate Air Carriers;**

(ii) by any of the **TACA Group Affiliate Air Carriers**, in the event of a **material** breach of any term, representation, or **warranty** of this Agreement by American, which breach **shall** remain **uncured** for a period in excess of thirty (30) days **after receipt** by American of written notice of the nature and **existence** of such breach, or if any representation or warranty herein of **American** shall have been materially **incorrect** as of the date when made or deemed to have been made;

(iii) by **American**, in the event of a material breach of any term, representation, or warranty of this Agreement by any of the **TACA Group Affiliate Air Carriers**, which breach shall remain uncured for a period in **excess** of thirty (30) days **after receipt** by the relevant **TACA Group Affiliate Air Carrier** of written notice of the nature and existence of such breach, or if any representation or **warranty** herein of any of the **TACA Group Affiliate Air Carriers** shall have been **materially incorrect** as of the date when made or deemed to have been made;

(ii) by any party, if **any** of the Governmental Approvals or other approvals contemplated by **Section 4(a)(i), (ii), or (iii)** of this **Agreement** are not granted by **June 1, 1997**, or such later date as is mutually agreed by **all** of the parties, provided, however, that if the Department of Transportation **has** made a docket entry in the four (4) months immediately preceding **June 1, 1997**, then the **June 1, 1997** date shall be automatically extended for four (4) additional months.

(v) by any party, if the **Alliance Implementation Date** has not occurred on or before such **date** as shall **fall** sixty (60) days **after** the receipt of all necessary- **Governmental Approvals**

or other approvals contemplated by Section 4(a)(i), (ii), or (iii); provided, however, that where the delay is **caused** by the breach of a party or the **willful** failure by a party to **fulfill** its obligations hereunder, such party shall have no right to **terminate** under this subsection (v)

(b) After Implementation of the Alliance. Except **as** otherwise provided herein, no party may terminate this Agreement after the Alliance **Implementation** Date and prior to the tenth (10th) anniversary of the Alliance Implementation Date, **except** that any party may **terminate** this Agreement for cause, immediately upon notice to the other party or parties, **as** the case may be, **upon** the **occurrence** of one or more of the following events:

(i) In the event of a **breach** of any **term**, representation, or warranty of this Agreement by any of the parties hereto, the **effect** of **which** is to impose a Material Adverse **Effect** upon the assets or business of one or more of the non-breaching parties; provided, however, that the non-breaching party or parties must provide **written** notice to the other party or parties, which notice shall describe, with as much particularity **as** reasonably practicable, the alleged breach. **Notwithstanding** any other provision of this **Section 5**, termination pursuant to this subsection (A) shall be **ineffective** if the alleged breaching party or **parties** shall, within **thirty (30)** days following **receipt** of such notice (1) **correct** such breach, or (2) if the breach cannot be completely corrected within such thirty (30) days, take actions reasonably contemplated to **correct** such **breach** and **completely** correct such breach no later **than** ninety (90) days following the receipt of the notice; or

(ii) In the event that any of the Governmental Approvals or other approvals contemplated by **Section 4(a)(i), (ii), or (iii)** is subsequently revoked or materially altered by any Competent Authority with respect to any of the parties, or if any part of this Agreement is, or **shall** become, or shall be declared illegal, invalid or **unenforceable** in any jurisdiction (including both by reason of the provisions of any legislation and **also** by **reason** of **any** decision of **any** Competent Authority, *either having jurisdiction over this Agreement or having jurisdiction over any of the parties to this Agreement*), with such revocation, alteration, illegality, invalidity or unenforceability having a Material Adverse Effect on the party or parties seeking to terminate this Agreement; or

(iii) Upon termination of the last to terminate of the Principal Agreements;

If any party proposes to terminate this Agreement pursuant to this **Section 5**, that party must send **written** notice to the other party or parties.

(c) Notwithstanding anything herein to the contrary, in the event **that: (i)** any required **Governmental** Approval is not given or is restricted or conditioned such as to have a Material Adverse **Effect** on the **transactions** contemplated hereunder, or on the manner in which American or any of the **TACA Group** Affiliate Air **Carriers** conduct their businesses; (ii) **any** action, proceeding, or appeal by or before any Competent Authority is pending or threatened prior to the Codeshare Implementation Date; (iii) **any** one of the Codeshare Agreements is terminated for any reason; (iv) **any Governmental** Approval is subsequently revoked or materially altered; or (v) **any** determination

is received in writing by either American or any of the TACA Group Affiliate Air Carriers from any Competent Authority to the effect that this Agreement, any of the Principal Agreements, or any of the transactions contemplated hereby or thereby, is illegal, invalid, unenforceable, or otherwise contravenes any applicable law, rule, or regulation of any Competent Authority and cannot qualify for any applicable clearance or exemption; then within ten (10) Business Days following receipt of notice by one party to the others, representatives from American and the TACA Group shall meet and, in good faith, attempt to reach a consensus as to what course of action should be taken to rectify the Material Adverse Effect of the restriction, condition, action, proceeding, appeal, revocation, alteration, termination, or determination, as the case may be. Should American and the TACA Group be unable to reach a consensus within sixty (60) days of such meeting, then, with respect to (i), (ii), and (iv), either party may terminate this Agreement upon fifteen (15) Business Days written notice to the other, in the case of (iii) the relevant TACA Group Affiliate Air Carrier shall be severed from this Agreement and this Agreement shall terminate with respect to that carrier only; or, with respect to (v) such illegal, invalid, or unenforceable provisions shall be deemed severed from this Agreement in respect of solely such jurisdiction(s) wherein such determination is made without effect on the remainder of this Agreement and without effect as to this Agreement as a whole, including such terms or provisions, in any other jurisdiction.

(d) The parties shall cooperate and use their respective best efforts to obtain and maintain all necessary Government Approvals.

6. Confidentiality.

(a) Confidential Information. For purposes of this Agreement and the Principal Agreements, confidential information shall mean any and all (i) trade secrets; (ii) confidential or other proprietary information of any party concerning past, present, or future research, development, business activities or affairs, finances, properties, methods of operation, processes, and systems; (iii) customer Lists; (iv) other customer information; or (v) computer procedures and access codes disclosed by one party hereto to the other in connection with this Agreement or any Principal Agreement, whether the foregoing is oral or written in form or contained in any magnetic, electronic, or other media ("Confidential Information"). American and each of the TACA Group Affiliate Air Carriers expressly acknowledge and agree that: (i) all information provided or disclosed by any party prior to entry into this Agreement; and (ii) the terms and conditions of this Agreement and each of the Principal Agreements (other than information which is necessary and customarily filed with any Competent Authority or publicized in order to make members aware of the opportunity to accrue miles pursuant to either of the FFP Agreements or to further or promote the Alliance and/or the Principal Agreements, or which is required or customarily filed with any governmental agency, Competent Authority, or other entity having jurisdiction over any of the parties or the transactions contemplated hereunder or under any of the Principal Agreements); and (iii) any reports, invoices, or other communications between American and any of the TACA Group Affiliate Air Carriers relating directly to the implementation and/or administration of this Agreement or any of the Principal Agreements, (excluding information concerning the general business or affairs, finances, operations,

properties, or **research** of any one party, **which information shall** be **deemed** to remain the confidential information of **such** party), given hereunder or in **connection** herewith or therewith (excluding **names**, addresses, account numbers, and other information relating to specific members of **any party's frequent flyer** program which shall constitute confidential information of such party) **constitutes** the **Confidential** information of American and each of the **TACA Group Affiliate Air Carriers, and American** and each of the **TACA Group Affiliate Air Carriers** agree to keep **such** information **confidential** and not to disclose such information to any third party, except as **permitted in this Section 6**. Each party **expressly acknowledges** and **agrees** that any **books, records**, accounts, or other information of a party reviewed, received, or disclosed in connection with an audit pursuant to the provisions of this Agreement or any of the **Principal Agreements** shall constitute **Confidential Information** of such party, whether or not marked or expressly indicated as confidential. Each party also expressly acknowledges and agrees that the other **party's** or parties' Confidential Information also includes all procedures regarding such other **party's** or parties' **frequent flyer** program(s) and the names, **addresses**, account numbers, and other information regarding any member thereof disclosed **pursuant** to this Agreement or any Principal Agreement whether or not marked or expressly indicated **as confidential**. Any party receiving Confidential Information agrees to maintain such information **in secrecy** at all times, using the Same degree of care with respect to such Confidential **Information** as it **uses** in protecting its own proprietary information, trade secrets, and similar items. **Information of any party which** would otherwise be considered Confidential Information **shall** not be considered **Confidential Information** if such information: (i) is known to the receiving party prior to the **disclosure** by the **disclosing party**; (ii) is in the **public** domain or is placed in the public domain through no **violation of this** Agreement; or (iii) is **lawfully** obtained **from** another source **free** of restriction or **is developed** independently by any party without violation of the provisions of **this Section 6(a)**.

(b) **Use of Confidential Information.** Except as expressly provided **below**, **no party** shall **sell**, transfer, **publish**, disclose, **display**, or otherwise make available the Confidential Information of any of the other **parties** to any third **party**, except **as** may be required by Applicable Law (**including** requirement by oral questions, interrogatories, subpoenas, civil investigative demands, or similar processes), in which case the party **from** whom disclosure is sought shall promptly notify the other party or **parties**, **as the case may be**, or **as may be** and **to** the extent reasonably **necessary** in connection with any action or proceeding wherein one party **seeks** to enforce the provisions of this Agreement or any of the **Principal Agreements** or its rights **hereunder** or thereunder. To the extent that the other party objects to such disclosure of its Confidential **Information**, the party **from** which **disclosure** is sought shall (at the other party's expense) use reasonable **efforts**: (i) to resist making any disclosure of such Confidential Information; (ii) to limit the amount of such Confidential Information to be disclosed; and (iii) to obtain a protective order or other appropriate relief to minimize the **further** dissemination of any Confidential Information to be disclosed. In addition, no party shall disclose the Confidential **Information** received to any of its directors, officers, employees, or professional advisors (including attorneys, accountants, and consultants) (**collectively**, "Representatives") except on a **need-to-know** basis for the purposes of **implementing, facilitating**, and administering this Agreement **and/or** any of the **Principal Agreements**; **provided, however**, that prior to any such **disclosure**, the party shall **inform all** such **Representatives** of the confidential nature of the information, and that it is subject to

this nondisclosure **obligation**, and **shall further instruct** such Representatives to **treat** such **information confidentially**. **American** and each of the **TACA Group Affiliate Air Carriers** agree to be responsible for any **breach** of this **Section 6** by its respective Representatives. **Furthermore**, no party **shall use** the Confidential **Information** of the other party or parties for any purpose other **than** as expressly provided in this Agreement or in a Principal Agreement.

(c) Termination. Upon the later to occur of the **termination** of (i) **this Agreement**; or (ii) the **last** to terminate or **expire** of any of the Principal Agreements, with or **without** cause and for any **reason**, each party **shall**, within ninety **(90) days** of **such** expiration or termination, **either deliver** to the other party or **parties**, or destroy, **all of such** other **party's** or parties' Confidential **Information (including** all copies thereof, other **than** copies of **this Agreement**) then in its possession and shall purge all copies thereof encoded or stored on magnetic or other electronic media or processors; provided, however, that neither **American** nor **any** of the **TACA Group Affiliate Air Carriers** shall **be** required to purge or destroy any **Confidential Information** for so long as such **Confidential Information** is reasonably **necessary** for the continued administration and operation of **its** respective mileage programs or is reasonably **necessary** in connection with the resolution of any **disputes which** may have **arisen pursuant** to the terms of this Agreement or any Principal Agreement; provided, further, that any Confidential Information not purged or destroyed pursuant to the preceding proviso shall be purged or destroyed **as** soon as it is no longer reasonably necessary for continued administration or resolution **of disputes**.

(d) No Adequate Remedy. Each party acknowledges and agrees that the party disclosing Confidential Information under this Agreement or any Principal Agreement will have no adequate remedy at law if there is a breach or threatened breach of this **Section 6** and, accordingly, that the disclosing party **shall** be entitled to an injunction or other equitable or preventative relief against the other party or parties or its or their representatives for such breach or threatened breach. Nothing herein shall be construed as a waiver of any other legal or equitable remedies which may be available to the disclosing party in the event of a breach or threatened breach of this Section 6 and the disclosing party may pursue any other such remedy, including the recovery of Damages.

(e) Survival. The restrictions and obligations of a party receiving Confidential **Information** and the rights of a disclosing party under this Section 6 shall survive the termination of this Agreement for a period of five **(5)** years.

7. Governing Law. **This** Agreement and the rights and obligations of **American** and **each** of the **TACA Group Affiliate Air Carriers** hereunder **shall** be governed by and construed in accordance with the laws of the State of **New York** and the United States of America without regard to **conflict** of laws **rule** (the "Governing Law").

8. Joint Alliance Committee.

(a) Establishment and Composition. Coincident with the execution and delivery

of the Principal Agreements, **American** and the **TACA Group** shall **create** a Joint Alliance **Committee** (the "Committee"). **American** and the **TACA Group** (as a whole) shall each designate **two (2)** management representatives to the **Committee** and each **shall** have the right to replace its management designees at any time, in each case by notice to the other. The Committee shall endeavor to meet quarterly (in person or by telephone) at a mutually **agreed** time and location and shall meet at such additional times as it determines is **necessary** or appropriate for the **performance** of its responsibilities **hereunder** or as reasonably requested by any of the parties hereto. Each meeting shall be conducted in accordance with an agenda. Any party hereto **may** place an item on the agenda of any such meeting of the Committee. Each agenda **shall** be compiled, provided, and distributed by the management designees of **American**.

From time to time as the **Committee deems** appropriate, the Committee may establish and oversee working groups, which shall be responsible for executing **certain** aspects of the responsibilities described below. These working **groups shall** be composed of members in equal number **from** each of **American** and the **TACA Group** (as a whole) and shall meet as frequently **as** necessary to accomplish their assigned responsibilities.

(b) **Responsibilities.** The **Committee shall** oversee the management of the **transactions** and relationships **contemplated** by **this** Agreement and the **Principal Agreements** and the resolution of any disputes arising hereunder or **thereunder**, and in that **capacity, shall review the** planning and implementation of the cooperation **between American** and each of the **TACA Group Affiliate Air Carriers** contemplated hereby and thereby. The **Committee shall as part of its** responsibilities monitor customer service quality, marketing harmonization, system development, performance of codeshared flights, marketing approach, and techniques, shared use of facilities, **frequent** flyer arrangements, and all other aspects of the alliance contemplated hereby, including the implementation, operation, and compliance with all of the **Principal Agreements**. The Committee shall consider ways to improve the performance and efficiency of the allied services to reduce costs and to **increase the benefits afforded to American** and each of the **TACA Group Affiliate Air Carriers** by the cooperative **relationship**. The Committee shall **also actively** consider, and endeavor to develop, **opportunities** for expanding the scope of the relationship **between American** and the **TACA Group**. **In performing** its responsibilities, the Committee shall be **mindful** of, and shall comply with, all laws and regulations **applicable to American** and each of the **TACA Group Affiliate Air Carriers**, including, without limitation, laws and regulations governing competition between **American** and each of the **TACA Group Affiliate Air Carriers**. Through the Committee, **American** and each of the **TACA Group Affiliate Air Carriers shall** pursue all areas of cooperation that may reasonably be expected to **result in lower** costs for the Alliance. These areas may include, but are not limited to, ground **handling, joint** purchasing of fuel and other items, **facilities consolidation**, maintenance, insurance, and such other **items** as may now or **hereafter** be more **fully** described or included in the **Services Agreement** or any other Agreement that may exist between **American** and any of the **TACA Group Affiliate Air Carriers from time to time**.

The Committee **shall, from** time to time upon the reasonable request of either

American or the **TACA Group** and in any event not less **often** than once every six (6) months, endeavor to prepare a written **report** to the management of American and the **TACA Group** **summarizing the status of the transactions and relationships** contemplated hereby and by the Principal Agreements and setting forth the Committee's recommendations, if any, with respect to such transactions and relationships and such additional joint activities as the Committee believes may **be beneficial** for American and the **TACA Group**. **Additionally**, within sixty (60) days of the end of each twelve (12) month period during the term hereof, the parties shall meet and jointly analyze the **benefits each** party has derived **from this Alliance**. Should there exist a substantial difference in the **respective levels of benefits** derived by the parties to this **Agreement**, the parties shall negotiate with a **view toward rectifying** such **difference**.

(c) **Proposed Amendments**. In the **event** that there **shall occur** a substantial change in **market** conditions in general *or* in the condition of any party hereto, which change or changes **are** not substantially the result of an act or omission of the party requesting a change or amendment hereto or to any of the Principal Agreements and which change or changes have a **Material Adverse Effect** on **either** party to this Agreement, then American or the **TACA Group** may propose a review of or **amendment** to this Agreement or any **Principal** Agreement to limit **or** expand any of the terms hereof or thereof, to extend the Alliance contemplated hereby to additional activities or city-pair **destinations** or otherwise to modify in any **way** the transactions or relationships contemplated hereby or thereby (each, a "**Proposed Amendment**"). Neither American nor the **TACA Group**, however, shall have any obligation, for any reason, to enter into any such Proposed Amendment.

(d) **Disputes**. In the event that a controversy, dispute, difference, disagreement, or claim between American and any of the **TACA Group Affiliate Air Carriers** shall arise under or relating to this Agreement or any of the **Principal** Agreements (**each**, a "Dispute"), **including any** question concerning the validity, termination, interpretation, performance, operation, enforcement, **or** breach of *this* Agreement or any Principal Agreement, such Proposed Amendment or, subject to the **final** paragraph of this Section S(d), **Disputes shall first** be submitted to the Committee for review and **recommendation** as provided in this **Section 8 (d)**. Such submission may take place at the next **scheduled quarterly** meeting or, upon notice by either of American **or** the **TACA Group** to the other, **at** a special meeting (either in person or by telephone) to take place not later than thirty (30) days **after** delivery of such notice.

The Committee shall review each Proposed Amendment and each Dispute submitted to it and **shall endeavor** in good faith and use its best **efforts** to reach a consensus as to the terms of such Proposed **Amendment** or as to the resolution of **such** Dispute. Whether or not consensus is **reached**, the Committee shall, within **thirty (30) days after** such Proposed Amendment or Dispute is submitted to it, prepare a written **report** to the management of both parties summarizing the deliberations of the Committee and its recommendations, if any. In the event that the Committee does not reach consensus with respect to a Proposed Amendment or the resolution of a Dispute, the **report** of the Committee shall be submitted to the President of American and the Senior Official of the **TACA Group** who **shall**, subject to the **final** paragraph of this **Section 8(d)**, meet either in person

or by phone within thirty (30) days **after** submission of **such report** and endeavor to resolve such Proposed Amendment or Dispute.

Notwithstanding anything to the **contrary** contained in this Section **8(d)**, in the event that a dispute is not resolved within ten (10) Business Days after submission thereof to the President of American and the Senior **Official** of the **TACA Group**, either American or the **TACA Group** may at any time **thereafter** notify the other **than** it desires to have **such** Proposed Amendment or Dispute referred to arbitration, in which event such Proposed Amendment or Dispute shall be **submitted** to arbitration, in accordance with Section **10** hereof Each of American and the **TACA Group** acknowledges that: (i) the recommendations of the **Committee** with respect to any Proposed Amendment or Dispute are subject to approval of each **party's** management and, if **necessary** or appropriate, **Board of Directors**; and (ii) no **Proposed Amendment** shall be considered to be a Dispute or submitted to arbitration under Section **10**. Notwithstanding the immediately preceding sentence, the members of the Committee, once a consensus **has** been reached with respect to a Proposed **Amendment** or Dispute, shall endeavor to obtain their respective management and, if necessary, board approval of the same.

9. **Other Agreements.** During the term of this Agreement, it is agreed and understood that (i) other than the **TACA Group's** existing arrangement with Continental Airlines, **Inc. (which, includes the participation of the TACA Group in Continental's frequent flyer program)**, neither the **TACA Group** nor any of the **TACA Group Affiliate Air Carriers** shall enter into any additional alliances (including code-sharing arrangements, but excluding interline **agreements as customary in the commercial aviation industry**), covering such areas of cooperation as are contemplated under this **Agreement**, the **Codeshare** Agreements, or the **FFP** Agreements in respect of passenger services with air carriers domiciled in the United States, and (ii) American shall not enter into any additional alliances (including code-sharing arrangements, but excluding interline agreements as customary in the **commercial aviation industry**), with any air **carrier** domiciled in Central America. Notwithstanding the foregoing sentence, American may enter into a **codeshare** arrangement with **Aeroperlas S.A.** solely with respect to domestic routes within Panama. **With** respect to the **FFP** Agreements and **notwithstanding** anything to the contrary **therein**, neither the participation by any of the **TACA Group Affiliate Air Carriers** in **LatinPass** nor the participation of one or more U.S. domiciled air **carriers** in **LatinPass** shall be **deemed** to **violate** the provisions of this Section **9**.

10. **Arbitration.** Except as otherwise expressly provided below in this paragraph, any Dispute not resolved for any reason under the procedures set forth in Section **8(d)** will be referred to **arbitration**. American and each of the **TACA Group Affiliate Air Carriers** irrevocably submits to the exclusive jurisdiction of such arbitration (**as** provided herein) and expressly and irrevocably waives the right to bring **suit** against the other party or **parties**, as the **case** may be, in any **court** of law except for the limited purpose of enforcing an **arbitral** award obtained hereunder or obtaining any injunctive, temporary, or preventative relief or order as may be available to it for a breach or threatened breach by any of the parties to this Agreement or any of the Principal Agreements, which **threatens irreparable** damage, in which case suit may be brought in any **court** of competent jurisdiction. Each

party, to the *fullest* extent it may effectively do **so** under applicable law, rule, or regulation of any Competent Authority, irrevocably waives and agrees not to **assert**, by way of motion, as a defense or otherwise, any claim that it is not subject to arbitration hereunder.

Any Dispute submitted for arbitration **shall** be finally settled by binding and **confidential** arbitration according to the Rules of Conciliation and Arbitration of the **International Chamber of Commerce** (the "Rules"), except as they **may** be expressly modified herein or by mutual agreement of **American** and the **TACA Group**. In the event of a **conflict** between the Rules and the provisions of this **Section 10**, the provisions of this **Section 10 shall prevail**. The arbitration, including the rendering of the **award**, shall **be** conducted by three **(3)** arbitrators, each of whom shall be **knowledgeable** about the legal, marketing **and** other **business aspects** of the **airline** industry and fluent in the English language; provided, however, that the arbitration may be conducted by only one arbitrator **if American** and the **TACA Group** so agree in advance of the arbitration and **are able to** agree upon a **single**, mutually acceptable arbitrator. Should **American** and the **TACA Group** not **agree** on a **single** arbitrator, then the arbitrators **shall be appointed** in accordance with the Rules, **with one (1) arbitrator chosen by American, one (1) arbitrator chosen by the TACA Group** (as a whole), **and the third arbitrator** chosen by the two **party-designated** arbitrators. The arbitration **proceedings shall** take place in **New York, New York and shall be conducted** in the English language. Initially and **until** written notice has been received to the contrary, **all** notifications and communications arising **from** the **arbitral** proceedings may be made to the parties in the manner and to the address specified in **Section 11**.

In the event that any Dispute is submitted to arbitration, all then current Disputes (including compulsory counterclaims between **American** and each of the **TACA Group Affiliate Air Carriers**) shall be consolidated in a single arbitration proceeding. **Evidence may not be taken in the arbitral** proceeding except in the presence of both parties. **All** witnesses, if any, may be questioned by both parties.

Any decision or award of the arbitrator(s) **shall be based solely** on the **terms** of this Agreement and the **Principal Agreements** and the Governing Law applicable thereto. The decision of the arbitrator(s) **shall** be in writing stating the reasons therefor, **shall** be final and conclusive, and shall be binding on all of the parties. Judgment upon the award **rendered** in the arbitration may be entered and enforced by any **court** of competent jurisdiction. **American** and each of the **TACA Group Affiliate Air Carriers** agree to **exclude**, to the **fullest** extent permitted by law, any right of application or appeal to any court in **connection** with any question of law, except any reasonable claim that the arbitrators did not apply the Governing Law, arising in the course of arbitration proceedings or out of any decision or award by the arbitrators. **American** and the **TACA Group** hereby expressly agree that the arbitrator(s) **shall** have the authority to award specific performance or an injunction to the prevailing party, or to make an award of damages (except to the extent limited by **Section 10(d)**).

Each of the parties hereto irrevocably submits to the nonexclusive jurisdiction of the **United States District Court** for the Southern District of New York and of any state **court** sitting in New

York, New York for purposes of enforcing any award rendered in the arbitration and for any other legal **proceedings** out of or **relating** to this Agreement or any Principal Agreement or any transactions contemplated hereby or thereby. Each **party**, to the **fullest** extent it may effectively do so under **applicable law, rule or regulation** of any Competent Authority, irrevocably waives and agrees not to **assert**, by way of motion, as a **defense** or **otherwise**, any **claim** that it is not subject to the jurisdiction of any such court, any objection that it may or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such **court** and any **claim** that court has been brought in an inconvenient **forum**.

Each party hereby **irrevocably** designates, appoints, authorizes, and **empowers CT Corporation System** as its agent for **service** of process to receive and acknowledge for and on behalf of such party of any and all process, notices, or other documents that may be served **in any suit**, action, or proceeding of the nature referred to in this **Section 10** in any New York State or **Federal** Court sitting in New **York**, New York.

Nothing in this Section 10 shall affect the right Of any party to **serve** process in any manner permitted by law, or Limit any right that any party **may** have to bring proceedings against **the** other party in **the** courts of any jurisdiction or to enforce in any **lawful manner** a judgment obtained in one jurisdiction in any other jurisdiction.

Each of the **TACA Group Affiliate Air Carriers** and American acknowledges that the transactions contemplated by this Agreement involve commercial activity carried on in the **United States of America, Central America, and elsewhere**. To the extent that either party hereto or any of its property is or becomes entitled at any time to **any immunity** on the grounds of sovereignty or **otherwise, from** any legal action, suit, arbitration proceeding, or other proceeding, **from** set-off or counterclaim **from** the jurisdiction of any court of competent jurisdiction, from service of process, **from** attachment prior to judgment or **after** judgment, **from** attachment in aid of execution or levy or execution resulting **from a** decree or judgment, **from** judgment or **from** jurisdiction, that party for **itself and** its property does hereby irrevocably and unconditionally waive **all** rights to, and agrees not to plead or **claim** any such immunity with respect to its obligations, Liabilities, or any other matter arising out of or in connection with this Agreement and/or any of the Principal Agreements or the **subject** matter **hereof**. Such agreement shall be irrevocable and not subject to withdrawal in any and **all jurisdictions** including under the Foreign Sovereign Immunities **Act of 1976** of the United States of America.

NO PARTY WILL BE LIABLE FOR ANY **CONSEQUENTIAL, PUNITIVE** OR EXEMPLARY DAMAGES, **INCLUDING** LOST REVENUES, LOST **PROFITS**, OR LOST PROSPECTIVE ECONOMIC **ADVANTAGE**, ARISING FROM ANY PERFORMANCE OR FAILURE TO PERFORM UNDER **THIS** AGREEMENT OR ANY **PRINCIPAL** AGREEMENT, EVEN IF SUCH **PARTY** KNEW OR SHOULD HAVE KNOWN OF THE EXISTENCE OF SUCH DAMAGES, AND EACH PARTY **HEREBY RELEASES AND WAIVES** ANY CLAIMS AGAINST THE OTHER PARTY OR PARTIES, AS THE CASE **MAY** BE, REGARDING SUCH DAMAGES.

11. **Notices.** Unless otherwise expressly set forth in this Agreement or a Principal Agreement, all notices, reports, invoices, and other communications required or permitted hereunder or thereunder to be given to or made upon any party hereto shall be in writing, and shall be considered as properly given if addressed as provided below and either: (a) delivered in person; (b) sent by an express courier delivery service which provides signed acknowledgments of receipt; or (c) transmitted by facsimile (upon receipt by sender thereof of evidence that a complete transmission of such copy was made to the recipient thereof) and, if sent by facsimile, confirmed by, (i) telephone call contemporaneously made to the individual designated as the one to receive such notice, or (ii) dispatching a hard copy of such notice by mail (postage prepaid) or either of the methods set forth in (a) or (b) effective upon receipt. For the purposes of notice, the addresses of each of the parties shall be as set forth below, provided however, that any party shall have the right to change its address for notice to any other location by giving at least thirty (30) days prior written notice to the other party or parties, as the case may be, in the manner set forth above.

If to TACA International:

Altos Edificio Caribe
Colonia Escalon
San Salvador, Republic of El Salvador
Attn: President & Chief Executive Officer
Telephone: (503) 298-5055, 298-6707
Facsimile: (503) 223-3757, 298-3824
Cable: TACAIR

If to AVIATECA:

Avenida Hincapie 12-22, Zone 13
Guatemala City, Republic of Guatemala
Attn: General Manager
Telephone: (502) 331-0375
Facsimile: (502) 334-7846
Cable: AVIATECA

If to COPA:

P.O. Box 1572
Panama City 1, Republic of Panama
or
Avenida Justo Arosemena y Calle 39
Panama City 1, Republic of Panama
Attn: Chief Executive Officer
Telephone: (507)227-2522, 227-4551
Facsimile: (507) 227-1952, 227-0717

If to **LACSA**:
P.O. Box 153 1
San Jose **1000**, Republic of Costa Rica
Attn: General Director
Telephone: **(506) 290-2727, 232-5394**
Facsimile: **(506) 232-4178**

If to **NICA**:
P.O. Box 3688
Contiguo Aeropuerto Internacional
Managua, Republic of Nicaragua
Attn: General Manager
Telephone: **(505-2) 63-1929, 63-2188**
Facsimile: **(505-2) 63-1822**

If to **TACA** de Honduras:
Edificio La Interamericana
Boulevard **Morazan**
Tegucigalpa, Republic of Honduras
Attn: General Manager
Telephone: **(504) 31-5047, 31-1660**
Facsimile: **(504) 31-2479**

(Any notice given to **AVIATECA, COPA, LACSA, NICA**, or **TACA** de Honduras, hereunder, shall also be sent to **TACA International**, on behalf of each of the **TACA** Group **Affiliate** Air Carriers, at the address listed above.)

If to American:
4333 Amon Carter Boulevard
MD 5566 HDQ
Fort **Worth, Texas 76155**
Attn: Vice President - International Affairs
Phone: **(817) 967-3185**
Facsimile: **(817) 967-3179**

12. **Miscellaneous.**

(a) **Boeing 767-200 Air&.** At any time before December 31, 2000, American will, prior to or **coincidental** with placing **any of its** eight (8) **non-ER** model Boeing 767-200 aircraft on the market, for **sale** or for **external** operating lease, either directly or indirectly through a subsidiary, **affiliate**, or broker, give the **TACA Group** reasonable notice of its intent to sell or **lease** such **aircraft**, and will quote prices, terms, and availability **thereof**; ~~provide& however,~~ that this provision should not be **construed** so as to restrict **American from financing, re-financing**, or pledging **the aircraft** in **connection** with financing transactions, which for purposes of this **Section 12(a)** shall **include**, but not be limited to **sale/leaseback** transactions, and ~~provide& further,~~ that this provision **does not constitute** an obligation of American to **consummate** any transaction with the **TACA** Group.

During the remainder of this **Agreement**, the **TACA Group** may formally **request American** to **renew its** obligations **hereunder**, by placing such request on the Joint Alliance Committee agenda. **Any** such renewal shall be for an additional one (1) year period, and shall be at American's sole discretion.

(b) **Open Skies**. Each of the **parties shall** encourage its respective government to enter into **fully** liberal air **transport** agreements with the countries of which the other parties are nationals. When such agreements are concluded, the Alliance shall be supplemented with an application for anti-trust immunity.

(c) **Other Alliances**. American **shall** endeavor to facilitate and encourage its **present and future** alliance partners to pursue **similar alliances** with the **TACA Group**.

(d) **Cost Reductions**. All of the **parties** will pursue all areas of cooperation, which may reasonably be expected to result in lower costs to the Alliance. This may include, but not be **limited** to, **ground** handling, the purchase of **fuel** and other items, facilities accommodations, maintenance, and insurance.

(e) **Cost Sharing**. American will calculate on a **bi-monthly** (i.e. every two (2) calendar month) basis all "Joint Alliance Expenses," **which**, for purposes of the Alliance shall mean those expenses associated with joint marketing and systems development and such other **mutually agreed** upon **expenses** associated with the implementation of this Alliance and of substantially **equal benefit** to American **and** the **TACA Group**. American and the **TACA Group** shall each be responsible for **fifty** percent (**50%**) of the total Joint Alliance Expenses for each **bi-monthly** period in question. **Within** thirty (**30**) **days** of each Joint **Alliance Expense** calculation, the party in the net debtor position with respect to that calculation, shall pay the other party the amount necessary to settle the Joint Alliance Expenses for the period in question. Any disputes with respect to the sharing of Joint **Alliance** Expenses, that the parties are unable to resolve between themselves, shall be submitted to the Joint Alliance Committee in accordance with the provisions of **Section 8** of this Agreement.

(f) **Products and Services**. In the event that one party shall assist another with respect to purchasing goods or services **from** third-party vendors (which, for purposes of this **Agreement**, shall not **include** any **Affiliates** of any of the parties), such goods **and/or** services shall be procured at the procuring party's **cost** and subject only to an administrative commission not to exceed: (i) in the **case** of **fuel**, of the procuring party's cost thereof; or (ii) in the case of other goods or **services**, the incremental cost incurred (or which would be incurred) by the procuring party in purchasing such goods and/or services.

(g) **Other**.

(REDACTED)

(i) **Amendment and Waiver**. This Agreement may be amended only by a subsequent **written** instrument signed by the parties hereto. No failure to exercise and no **delay** in exercising, on the part of any party, any right, remedy, power, or privilege hereunder, shall operate

as a waiver thereof, nor shall any **single** or **partial** exercise of any right, remedy, power or **privilege** hereunder **preclude** any other or **further** exercise thereof or the exercise of any other **right**, remedy, power or **privilege**. The rights, remedies, powers, and **privileges** herein provided are cumulative and not **exclusive** of any rights, remedies, powers, and **privileges** provided by law. The failure of any **party** to **insist** upon a strict **performance** of any of the **terms** or provisions of this Agreement, or to exercise any option, right or remedy herein contained, shall not be construed as a waiver or as a relinquishment for the future of such term, provision, option, right, or remedy, but the Same shall **continue** and remain in **full force** and effect. *NO* waiver by **any** party of any term or provision of this Agreement shall be deemed to have been made unless expressed in writing and signed by such party.

(ii) **Successors and Assigns**. *NO* party hereto shall assign or transfer or petit the assignment or transfer of this Agreement without the prior written consent of the other party or parties, as the case may be, which consent shall not be unreasonably delayed or withheld in the event of an assignment among the **TACA Affiliate** Air Carriers and any parent entity or Affiliate thereof licensed to operate as an air **carrier** by **all relevant** Competent Authorities. Notwithstanding the foregoing, this Agreement shall be binding upon and shall inure to the benefit of each of the parties and their successors and permitted assigns; provided, however, that in the event that any **successor** hereunder shall be **an** air **carrier** domiciled in the United States (or an **Affiliate** thereof), then American shall have the right to terminate this Agreement with respect to that **successor** immediately upon such successor's assumption of control over **and/or** operation of the **TACA Group** or any **TACA Group Affiliate** Air Carrier. American shall promptly give notice of such termination to the **TACA Group** or the respective **TACA Group Affiliate Air Carrier**, as the case may be. **All** rights, **remedies**, and obligations of any of the **parties hereunder** shall accrue and apply **solely** to such parties and their successors and assigns and there is no intent to benefit any third parties (other than any applicable **TACA Group Affiliate Air Carrier**).

(iii) **Fees and Expenses**. Each of the **parties** hereto shall, whether or not the transactions contemplated hereby are consummated, bear its own attorneys', accountants', or other fees, costs, and expenses incurred in **connection** with the negotiation, execution, and performance of this Agreement and the Principal **Agreements** and any of the transactions contemplated hereunder or thereunder.

(iv) **Independent Contractor**. Each of the parties hereto is an independent contractor. None of the parties hereto nor any of their respective Affiliates has, or shall be deemed to have, any authority to act for or to incur any obligations on behalf of or in the name of any other **party** hereto or any of their respective affiliates.

(v) **Headings**. The captions appearing in this Agreement have been inserted as a matter of convenience and in no way define, limit, or enlarge the scope of this Agreement or any of the provisions hereof and shall not be used for purposes of interpretation of the substantive provisions hereof

(vi) Joint Negotiations. This Agreement is the product of negotiations between American and the TACA Group, and shall be construed as if jointly prepared and drafted by them, and no provision hereof shall be construed for or against any party by reason of ambiguity in language, rules of construction against the drafting party, or similar doctrine.

(vii) Entire Agreement. This Agreement and the Principal Agreements represent the entire agreement between American and each of the TACA Group Affiliate Air Carriers with respect to the subject matter hereof, and, as of the date first written above, terminate and supersede all prior or contemporaneous agreements, discussions, undertakings, and understandings, whether written or oral, expressed or implied, between American and any of the TACA Group Affiliate Air Carriers with respect to the subject matter hereof and thereof

(viii) Exhibits and Schedules. All Exhibits and Schedules to this Agreement are incorporated herein and made a part hereof for all purposes.

(ix) Time of the Essence. Time is of the essence in the performance of the obligations of American and the TACA Group hereunder.

(x) Rights and Remedies Upon Termination. Any termination of this Agreement shall be without prejudice with respect to the rights or remedies available to any party upon breach of this Agreement by any of the other parties.

(xi) Compliance with Applicable Laws. Each party shall comply with all applicable laws, rules, and regulations of Competent Authorities with respect to this Agreement and the Principal Agreements, and the performance of its obligations hereunder and thereunder. Each party will, at its expense, obtain and maintain the governmental authorizations, licenses, approvals, registrations, and filings that may be required of it under applicable laws, rules, and regulations of Competent Authorities in order to execute or perform this Agreement. Each party will also do and perform such further acts and execute and deliver such further instruments and documents at such party's expense, as may be required by applicable laws, rules, or regulations of Competent Authorities or as may be reasonably requested by the other party to carry out and effectuate the purposes of this Agreement.

(xii) Execution and Delivery. This Agreement and any of the Principal Agreements may be executed by facsimile, and may be executed by one or more of the parties hereto on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the Same instrument.

(xiii) Further Assurances. Each party to this Agreement shall do and perform such further acts and execute and deliver such further instruments and documents at such party's expense, as may be required by applicable laws, rules, or regulations of Competent Authorities (subject to the proviso of Section 4(a)(ii) of this Agreement) or as may be reasonably requested by

any other party to **carry** out and effectuate the purposes of this **Agreement**.

IN WITNESS WHEREOF, American and **each of** the **TACA Group Affiliate Air Carriers** have **caused** this Alliance Agreement to **be** duly **executed** and delivered by their proper and **duly** authorized officers as of the date first above written.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

TACA INTERNATIONAL AIRLINES S.A.

By: _____
Its: _____

[Handwritten signature]

IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

AVIATECA S.A.

By: _____

Its: _____

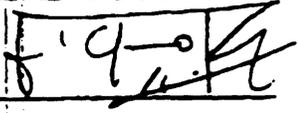


IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

LINEAS AEREAS COSTARRICENSES S.A.

By: _____

Its: _____



IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

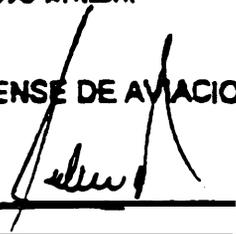
COMPANIA PANAMENA DE AVIACION S.A.

Pedro Heilbron

BY: PEDRO HEILBRON
IS: EXECUTIVE PRESIDENT

IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

NICARAGUENSE DE AVIACION S.A.

By: 

Its: _____

IN WITNESS WHEREOF, the parties hereto have caused this Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

TACA DE HONDURAS S.A

By: Abel Garcia B - ABEL GARCIA BONILLA
Its: _____

AMENDMENT NO. 1 TO ALLIANCE AND CODESHARE AGREEMENTS

This Amendment No. 1 to Alliance and Codeshare Agreements dated as of September 25, 1997 is entered into by and among American Airlines, Inc., a corporation organized and existing under the laws of the State of Delaware ("American"); TACA International Airlines, S.A., a corporation organized and existing under the laws of the Republic of El Salvador ("TACA"); AVIATECA, S.A., a corporation organized and existing under the laws of the Republic of Guatemala ("AVIATECA"); Compañía Panameña de Aviación, a corporation organized and existing under the laws of the Republic of Panama ("COPA"); Lineas Aereas Costarricenses, S.A., a corporation organized and existing under the laws of the Republic of Costa Rica ("LACSA"); Nicaraguense de Aviación, S.A., a corporation organized and existing under the laws of Nicaragua ("NICA"); and TACA de Honduras, S.A., a corporation organized and existing under the laws of the Republic of Honduras ("TACA de Honduras"); TACA, AVIATECA, COPA, LACSA, NICA and TACA de Honduras are hereinafter referred to individually as a "TACA Group Affiliate Air Carrier" and collectively as the "TACA Group".

BACKGROUND STATEMENT

American and the TACA Group entered into an Alliance Agreement dated as of September 27, 1996 (the "Alliance Agreement"). Of even date and therewith; American and each TACA Group Affiliate Air Carrier entered into a Codeshare Agreement (collectively the "Codeshare Agreements"). Approval of the Alliance Agreement, the Codeshare Agreements and the transactions contemplated thereunder ("Regulatory Approval") by appropriate agencies of the United States Government is, as of this date, pending. The parties respectively desire to amend the Alliance Agreement *inter alia* to extend the period within which to obtain Regulatory Approval. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Alliance Agreement.

AGREEMENT

IN CONSIDERATION OF the foregoing and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. The Alliance Agreement is amended as follows:

A. The definition of the term "Principal Agreements" at page 3 of the Alliance Agreement is deleted in its entirety and, replaced with the following:

"Principal Agreements" shall mean collectively, (i) the Codeshare Agreements, and (ii) the FFP Agreements.

B. The definition of the term "Services Agreement" at page 3 of the Alliance Agreement is deleted in its entirety.

C. Section 5(a)(iv) at page 9 of the Alliance Agreement is deleted in its entirety and replaced with the following:

"(iv) by any party, if any of the government approvals or other approvals contemplated by Section 4(a)(i), (ii) or (iii) of this Agreement are not granted on or before March 31, 1998 or such later date as may be mutually agreed upon by the parties hereto."

2. Each of the Codeshare Agreements are amended as follows:

A. Section 2.1(c) at page 4 of each of the Codeshare Agreements is modified by adding the following sentence to the end of Section 2.1(c) in each such Codeshare Agreement:

"For purposes of this Section 2.1(c), the term "American operated flights" shall be deemed to include flights operated by American and flights operated by American Eagle."

B. Section 12.1 at page 12 of each of the Codeshare Agreements is amended by adding the following at the end of Section 12.1 in each such Codeshare Agreement:

", as amended from time to time."

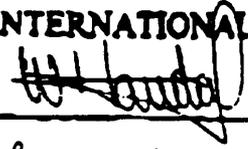
3. Wherever used in the Principal Agreements, the term "best efforts" shall mean "best commercially reasonable efforts".

4. Except as expressly set forth in this Amendment No. 1 to Alliance and Codeshare Agreements, the Alliance Agreement and each of the Codeshare Agreements remains in full force and effect without modification.

IN WITNESS WHEREOF, American and each of the TACA Group Affiliate Air Carriers have caused this Amendment No. 1 to Alliance and Codeshare Agreements to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

[SIGNATURE PAGE FOLLOWS]

TACA INTERNATIONAL AIRLINES S.A.

By: 

Its: Vice President & General Manager.

AVIATECA S.A.

By: 

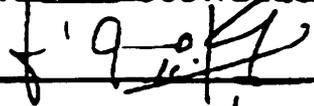
Its: Vice President

COMPANIA PANAMENA DE AVIACION S.A.

By: 

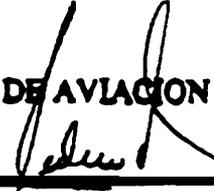
Its: EXECUTIVE PRESIDENT

LINEAS AEREAS COSTARRICENSES S.A.

By: 

Its: President.

NICARAGUENSE DE AVIACION S.A.

By: 

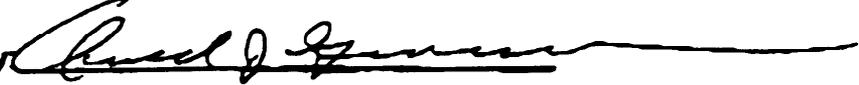
Its: GENERAL MANAGER.

TACA DE HONDURAS S.A.

By: 

Its: General Manager

AMERICAN AIRLINES, INC.

By: 

Its: Vice President-International Affairs

**AMENDMENT NO. 2
TO THE ALLIANCE AGREEMENT BETWEEN
AMERICAN AIRLINES, INC. AND THE TACA GROUP**

This Amendment No. 2 to the Alliance Agreement (the "Alliance Agreement"), dated as of September 27, 1996, by and between American Airlines, Inc., a corporation organized and existing under the laws of the State of Delaware, U.S.A. ("American"), TACA International Airlines, S.A., a company organized and existing under the laws of the Republic of El Salvador ("TACA"), AVIATECA, S.A., a company organized and existing under the laws of the Republic of Guatemala ("AVIATECA"), Lineas Aereas Costarricenses, S.A., a company organized and existing under the laws of the Republic of Costa Rica ("LACSA"), Nicaraguense de Aviación, S.A., a company organized and existing under the laws of the Republic of Nicaragua ("NICA"), and TACA de Honduras, S.A., a company organized and existing under the laws of the Republic of Honduras ("TACA de Honduras") (each individually a "TACA Group Affiliate Air Carrier," and collectively the "TACA Group"), is entered into effective as of February 17, 2000.

Terms used but not defined herein have the respective meanings given in the Alliance Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereby agree as follows:

1. SCOPE OF ALLIANCE

- 1.1. Subject to the terms and conditions of this Agreement, American and TACA Group desire (a) to compete effectively on a worldwide basis; and (b) to establish marketing and operational synergies worldwide.
- 1.2. In this regard, the Parties shall:
 - (a) codeshare on (i) flights operated by each other between gateway points in the United States and Central America, (ii) flights operated by American between U.S. gateway points and selected other U.S. points, (iii) flights operated by TACA Group between Central American gateway points and selected other points in Central America, and (iv) flights via and to points in third countries, including points beyond the United States and Central America;
 - (b) coordinate their respective frequent flyer programs so that passengers will be able to accrue mileage and redeem travel awards in either party's program for applicable flights operated by either party;
 - (c) cooperate in marketing, selling and providing cargo transportation in the U.S. - Central American market and other markets; and
 - (d) consult as necessary from time to time during the term hereof and may reach agreement on matters including, but not limited to, the following:
 - (i) marketing and advertising of the activities contemplated in this Agreement to promote, among other things, American and TACA Group as a seamless transportation system;

- (ii) cooperating in the sale and distribution of passenger and cargo services;
- (iii) coordinating flight schedules in selected markets;
- (iv) cooperating in pricing strategies and coordinating fares (including fare categories) and rates;
- (v) cooperating in the control of inventories and yield management functions relating to the Codeshared Flights;
- (vi) cooperating in determining travel agency commission levels and override and incentive programs;
- (vii) harmonizing service and product standards in order to provide a seamless product to Codeshared Passengers;
- (viii) reducing costs and redundancies through coordinated or joint purchase of goods and services from third party suppliers and vendors;
- (ix) cooperating on the methodology for the allocation of revenue from Codeshared Flights, including, if mutually agreed, the pooling or sharing of revenue; and
- (x) participating in any other joint and coordinated activities as may be agreed between the Parties in connection with the activities contemplated herein.

2. GOVERNMENTAL APPROVALS AND ANTITRUST IMMUNITY

- 2.1. American and TACA Group (the "**Parties**") will cooperate fully with the other and will use its commercially reasonable efforts to apply for and obtain, in a timely manner, all Governmental Approvals required in connection with the transactions contemplated in this Agreement. The Parties acknowledge that certain of the transactions contemplated in the Alliance Agreement are subject to the jurisdiction of and review by Competent Authorities, including, without limitation, the U.S. Department of Transportation ("**U.S. DOT**"), and require Governmental Approvals, in the absence of which the transactions requiring such Governmental Approvals will not be implemented.
 - 2.2. The Parties will, after the execution of this Agreement, prepare and submit to the U.S. DOT a joint application for Antitrust Immunity. In the event that Antitrust Immunity is not granted (or is granted subject to limitations, restrictions or conditions that are not reasonably acceptable to both Parties), the Parties will not implement those transactions or activities contemplated by this Agreement with respect to which the Parties, or either of them, believe that Antitrust Immunity is required.
3. Except for the modifications expressly set forth in this Amendment, all provisions of the Alliance Agreement (as amended by Amendment No. 1 to Alliance and

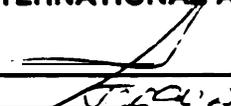
Codeshare Agreements, dated at of September 25, 1997) will remain unchanged and in full force and effect.

4. This Amendment may be executed in one or more counterparts, each of which will be an original but all of which will constitute one instrument.

IN WITNESS WHEREOF, the duly authorized representatives of American and each of the TACA Group Affiliate Air Carriers have executed this Amendment No. 2 to the Alliance Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first indicated above.

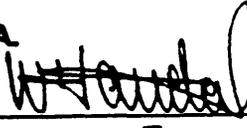
[SIGNATURE PAGE FOLLOWS]

TACA INTERNATIONAL AIRLINES, S.A.

By: 

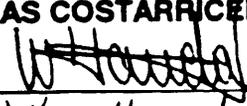
J.P. FINANCE

AVIATECA, S.A.

By: 

ATTORNEY IN FACT
William Handal

LINEAS AEREAS COSTARRICENSES, S.A.

By: 

William Handal
ATTORNEY IN FACT

NICARAGUENSE DE AVIACION, S.A.

By: 

William Handal
ATTORNEY IN FACT

TACA DE HONDURAS, S.A.

By: 

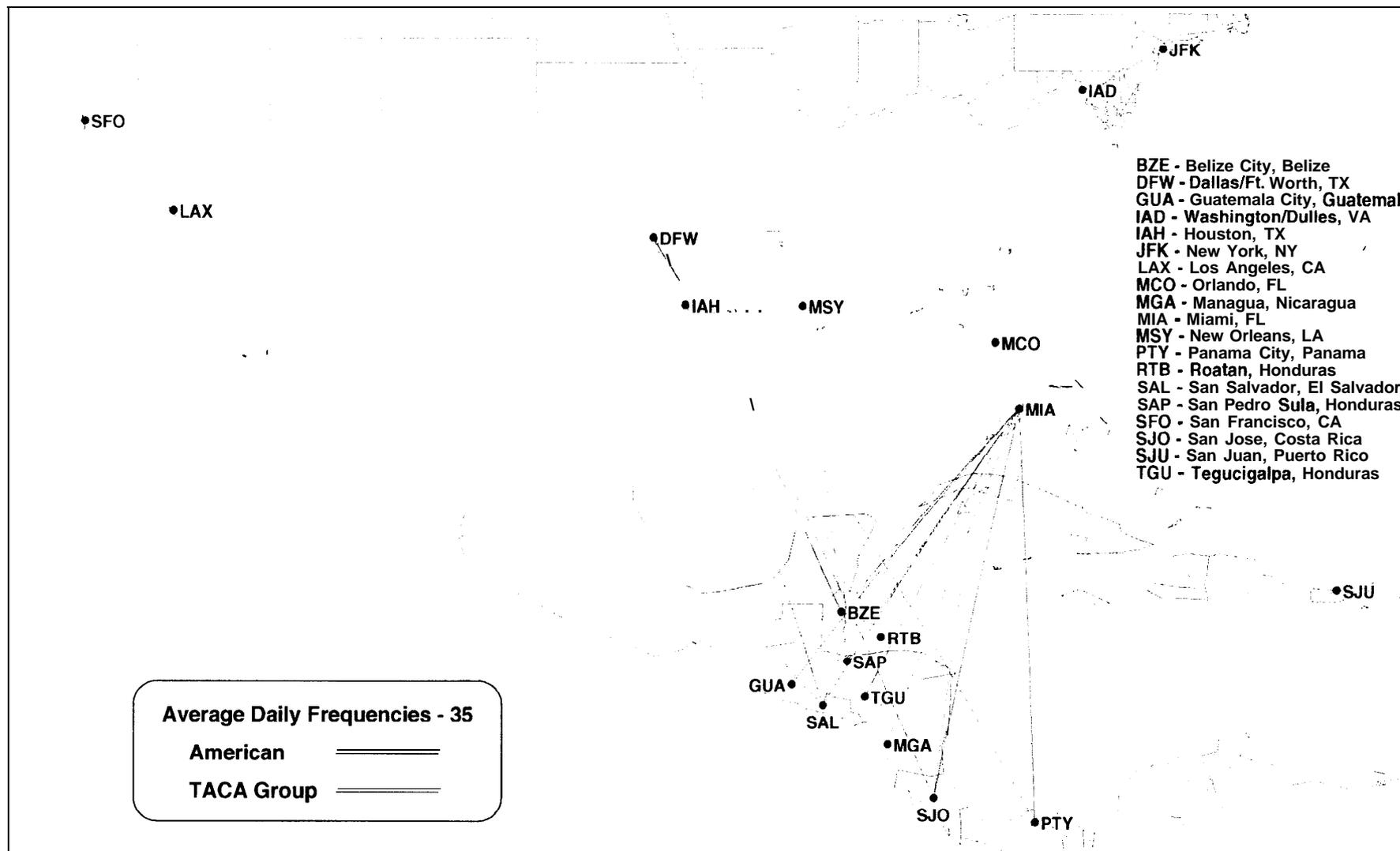
William Handal
ATTORNEY IN FACT

AMERICAN AIRLINES, INC.

By: 

Arnold J. Grossman
Vice President - International Affairs

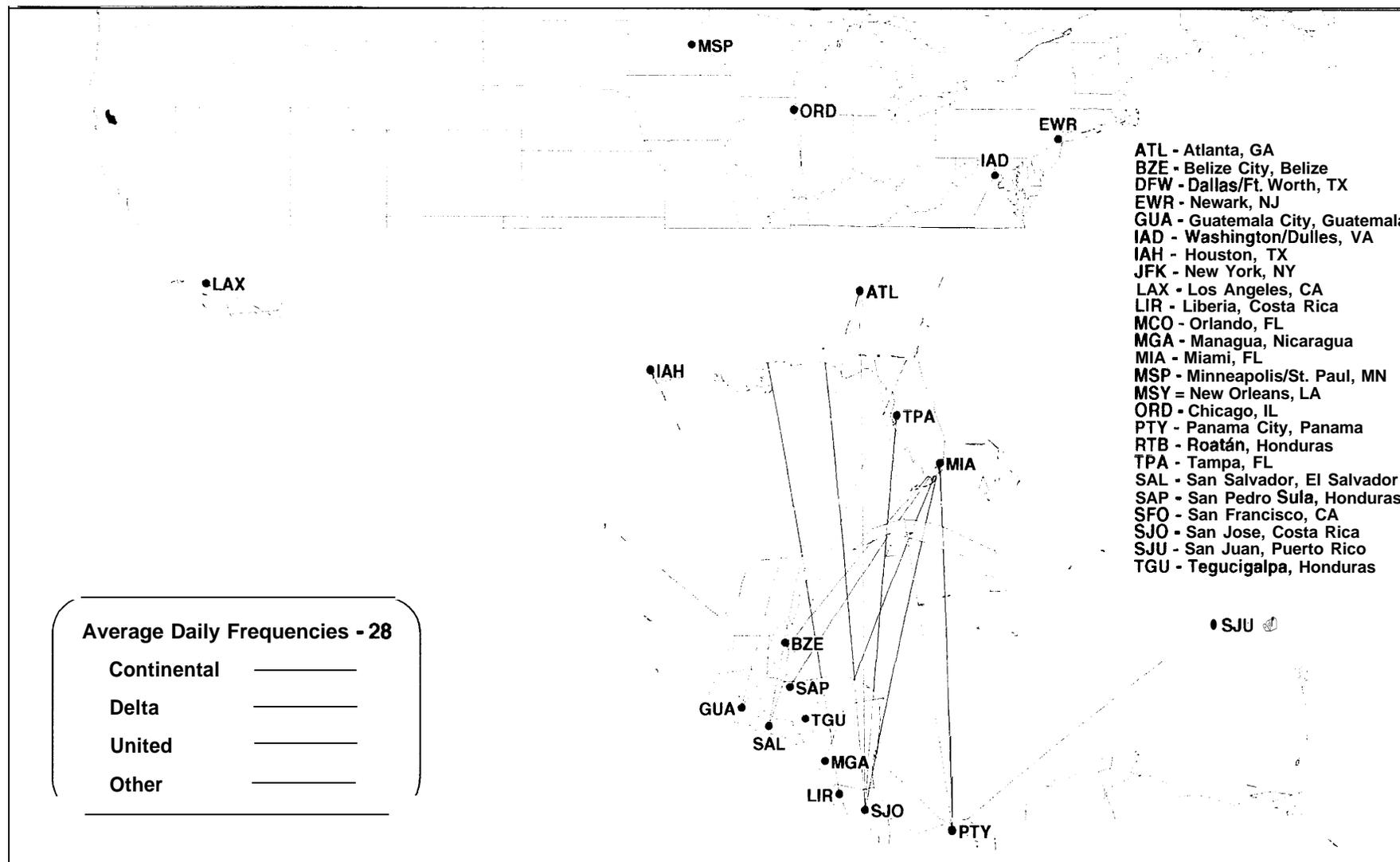
American/Taca Group Nonstop Routes Between the U. S. and Central America Year 1999



**American/Taca Group Nonstop Frequencies
Between the U.S. and Central America
Year 1999**

Carrier	Nonstop Route	Nonstop Frequencies Per Year	
American	Dallas/Ft. Worth - Belize City	15	
	Dallas/Ft. Worth - Panama City	249	
	Dallas/Ft. Worth - San Jose	364	
	Miami - Belize City	365	
	Miami - Guatemala City	1,078	
	Miami - Managua	439	
	Miami - Panama City	1,093	
	Miami - San Jose	1,094	
	Miami - San Pedro Sula	420	
	Miami - San Salvador	714	
	Miami - Tegucigalpa	365	
	Taca Group	Dallas/Ft. Worth - Guatemala City	423
		Dallas/Ft. Worth - San Salvador	93
Houston - Belize City		365	
Houston - Roatan		52	
Houston - San Salvador		120	
Los Angeles - Guatemala City		133	
Los Angeles - San Salvador		782	
Miami - Belize		305	
Miami - Guatemala City		294	
Miami - Managua		366	
Miami - Roatán		52	
Miami - San Jose		747	
Miami - San Pedro Sula		365	
Miami - San Salvador		365	
New Orleans - San Pedro Sula		287	
New York/JFK - Guatemala City		57	
New York/JFK - San Jose		339	
New York/JFK - San Pedro Sula		58	
New York/JFK - San Salvador		416	
Orlando - San Jose		197	
San Francisco - San Salvador	364		
San Juan, PR - San Jose	17		
Washington/Dulles - San Salvador	396		

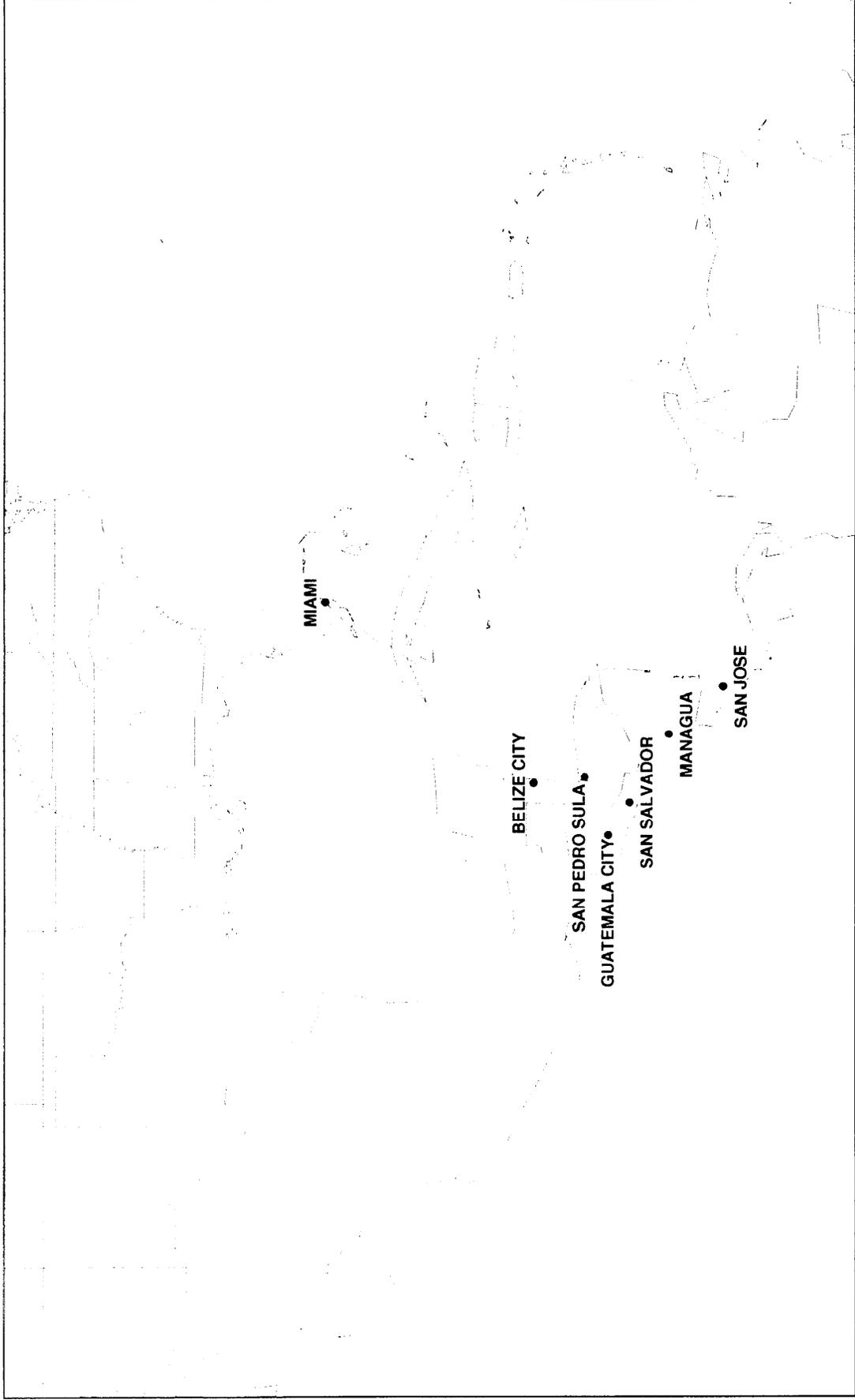
Continental/Delta/United/Others Nonstop Routes Between the U. S. and Central America Year 1999



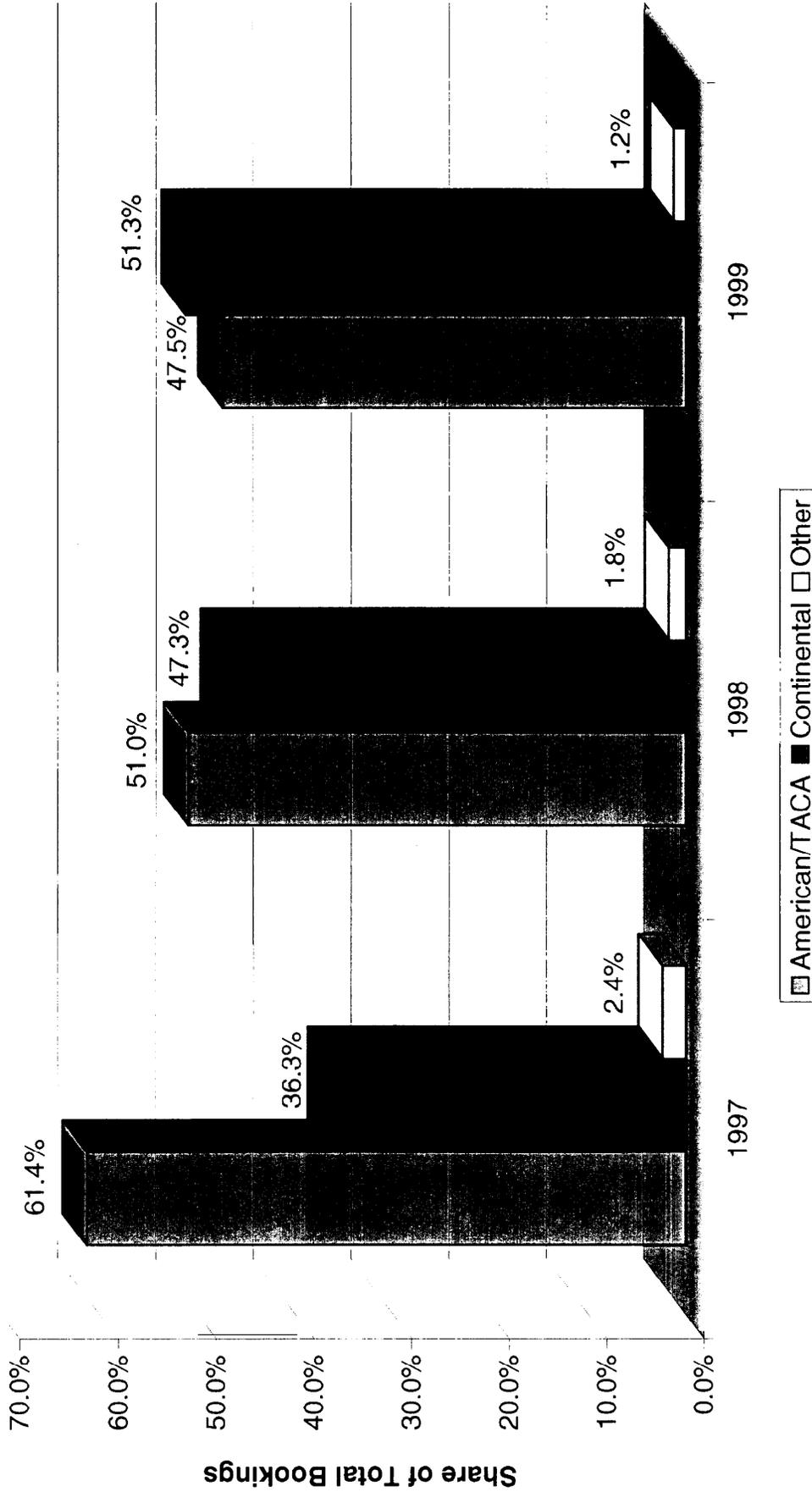
**Continental/Delta/United/Others Nonstop Frequencies
Between the U.S. and Central America
Year 1999**

Carrier	Nonstop Route	Nonstop Frequencies Per Year
Copa	Miami - Panama City	450
	San Juan - Panama City	424
Continental	Houston - Belize City	646
	Houston - Guatemala City	669
	Houston - Managua	365
	Houston - Panama City	365
	Houston - San Pedro Sula	365
	Houston - San Salvador	710
	Houston - Tegucigalpa	365
	Houston - San Jose	694
	Los Angeles - San Salvador	6
	Newark - Guatemala City	15
	Newark - Panama City	365
	Newark - San Jose	350
	Condor	Tampa - San Jose
Delta	Atlanta - Guatemala City	664
	Atlanta - San Jose	365
	Atlanta - San Salvador	365
	Atlanta - Panama City	365
Eva Air	Los Angeles - Panama City	104
Iberia	Miami - Guatemala City	412
	Miami - Managua	237
	Miami - Panama City	370
	Miami - San Jose	250
	Miami - San Pedro Sula	199
Lloyd Aereo Boliviano	Miami - Panama City	32
LTU International	Miami - San Jose	18
Martinair Holland	Miami - San Jose	112
Northwest	Minneapolis/St. Paul - Liberia	16
Sun Country	Chicago - San Jose	1
United	Los Angeles - Guatemala City	370
	Los Angeles - San Salvador	365
	Washington/Dulles - San Salvador	16

American/Taca Group Overlap Nonstop City-Pairs January 2000



Share of Total U.S. - Belize Origin and Destination Passenger Bookings by Carrier



Source: MIDT Interline Connections
Calendar years 1997-1999.

**U.S. - Belize Origin and Destination Passenger Bookings
and Nonstop Frequencies By Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenger Bookings	Percent Share
American	321	19.0%	65,305	27.2%
Taca Group	953	56.4%	81,911	34.1%
American/TACA	1,274	75.4%	147,216	61.4%
Continenta	416	24.6%	86,986	36.3%
Other	0	0.0%	5,725	2.4%
Total	1,690	100.0%	239,927	100.0%

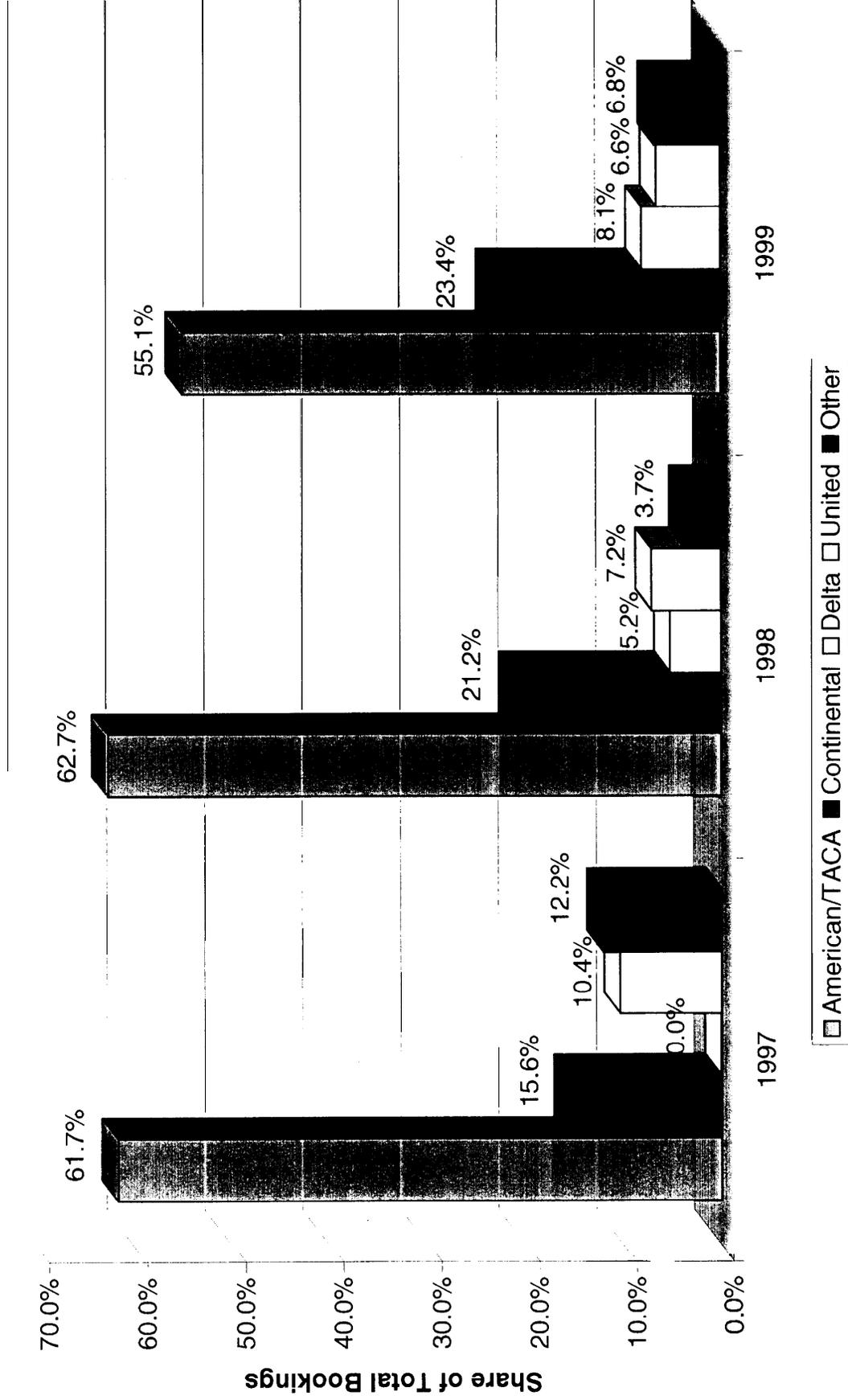
**U.S. - Belize Origin and Destination Passenger Bookings
and Nonstop Frequencies By Carrier
Year 1998**

Carrier	Nonstop		Percent		Passenger		Percent	
	Frequencies	Share	Change from 1997	Share	Bookings	Share	Change from 1997	
American	365	18.7%	13.7%	24.1%	55,936	24.1%	-14.3%	
Taca Group	899	46.0%	-5.7%	26.9%	62,469	26.9%	-23.7%	
American/TACA	1,264	64.7%	-0.8%	51.0%	118,405	51.0%	-19.6%	
Continental	690	35.3%	65.9%	47.3%	109,725	47.3%	26.1%	
Other	0	0.0%	0.0%	1.8%	4,085	1.8%	-28.6%	
Total	1,954	100.0%	15.6%	100.0%	232,215	100.0%	-3.2%	

**U.S. - Belize Origin and Destination Passenger Bookings
and Nonstop Frequencies By Carrier
Year 1999**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share	Percent Change from 1998
American	380	22.4%	4.1%	65,029	27.2%	16.3%
Taca Group	670	39.5%	-25.5%	48,522	20.3%	-22.3%
American/TACA	1,050	61.9%	-16.9%	113,551	47.5%	-4.1%
Continental	646	38.1%	-6.4%	122,627	51.3%	11.8%
Other	0	0.0%	0.0%	2,956	1.2%	-27.6%
Total	1,696	100.0%	-13.2%	239,134	100.0%	3.0%

Share of Total U.S. - Costa Rica Origin and Destination Passenger Bookings by Carrier



Source: MIDT Interline Connections
Calendar years 1997-1999.

**U.S. Costa Rica Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenger Bookings	Percent Share
American	1,275	38.8%	352,977	37.2%
Taca Group	656	20.0%	232,106	24.5%
American/TACA	1,931	58.8%	585,083	61.7%
Continental	482	14.7%	147,742	15.6%
Delta	0	0.0%	443	0.0%
United	12	0.4%	98,918	10.4%
Other	861	26.2%	115,448	12.2%
Total	3,286	100.0%	947,634	100.0%

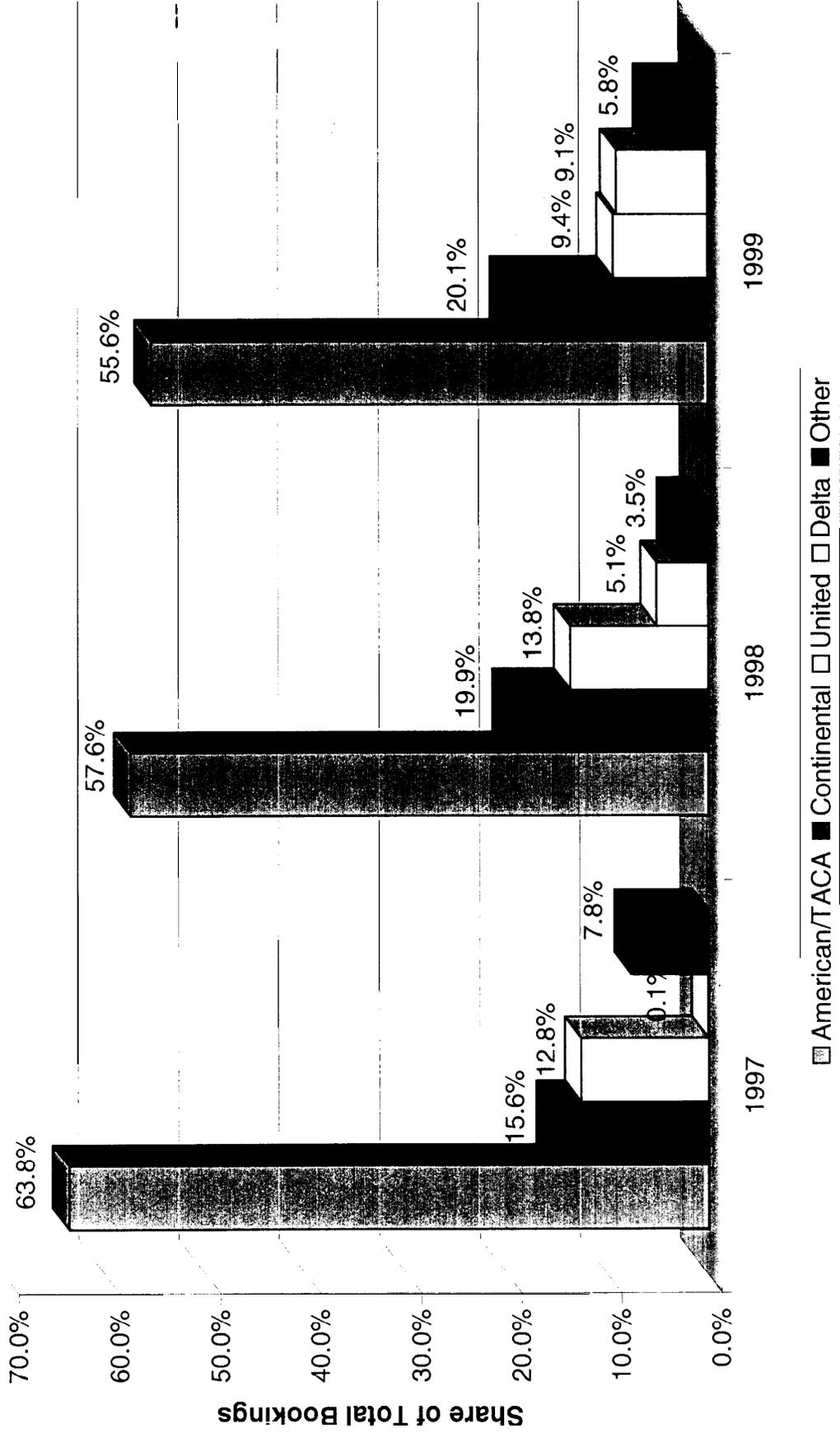
**U.S. - Costa Rica Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1998**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1997	Passenger Bookings	Percent Share	Percent Change from 1997
American	1,286	29.0%	0.9%	353,023	35.5%	0.0%
Taca Group	1,669	37.6%	154.4%	270,122	27.2%	16.4%
American/TACA	2,955	66.6%	53.0%	623,145	62.7%	6.5%
Continental	894	20.1%	85.5%	210,454	21.2%	42.4%
Delta	271	6.1%	100.0%	52,009	5.2%	11640.2%
United	0	0.0%	-100.0%	71,130	7.2%	-28.1%
Other	319	7.2%	-63.0%	36,519	3.7%	-68.4%
Total	4,439	100.0%	35.1%	993,257	100.0%	4.8%

**U.S. - Costa Rica Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1999**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share	Percent Change from 1998
American	1,458	31.6%	13.4%	372,908	35.3%	5.6%
Taca Group	1,300	28.2%	-22.1%	209,858	19.9%	-22.3%
American/TACA	2,758	59.7%	-6.7%	582,766	55.1%	-6.5%
Continental	1,044	22.6%	16.8%	247,655	23.4%	17.7%
Delta	365	7.9%	34.7%	85,539	8.1%	64.5%
United	0	0.0%	0.0%	69,591	6.6%	-2.2%
Other	450	9.7%	41.1%	71,605	6.8%	96.1%
Total	4,617	100.0%	4.0%	1,057,156	100.0%	6.4%

Share of Total U.S. - Guatemala Origin and Destination Passenger Bookings by Carrier



**U.S. - Guatemala Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenger Bookings	Percent Share
American	850	24.4%	232,541	27.7%
Taca Group	1,505	43.1%	303,407	36.1%
American/TACA	2,355	67.5%	535,948	63.8%
Continental	415	11.9%	131,429	15.6%
United	365	10.5%	107,485	12.8%
Delta	0	0.0%	464	0.1%
Other	355	10.2%	65,374	7.8%
Total	3,490	100.0%	840,700	100.0%

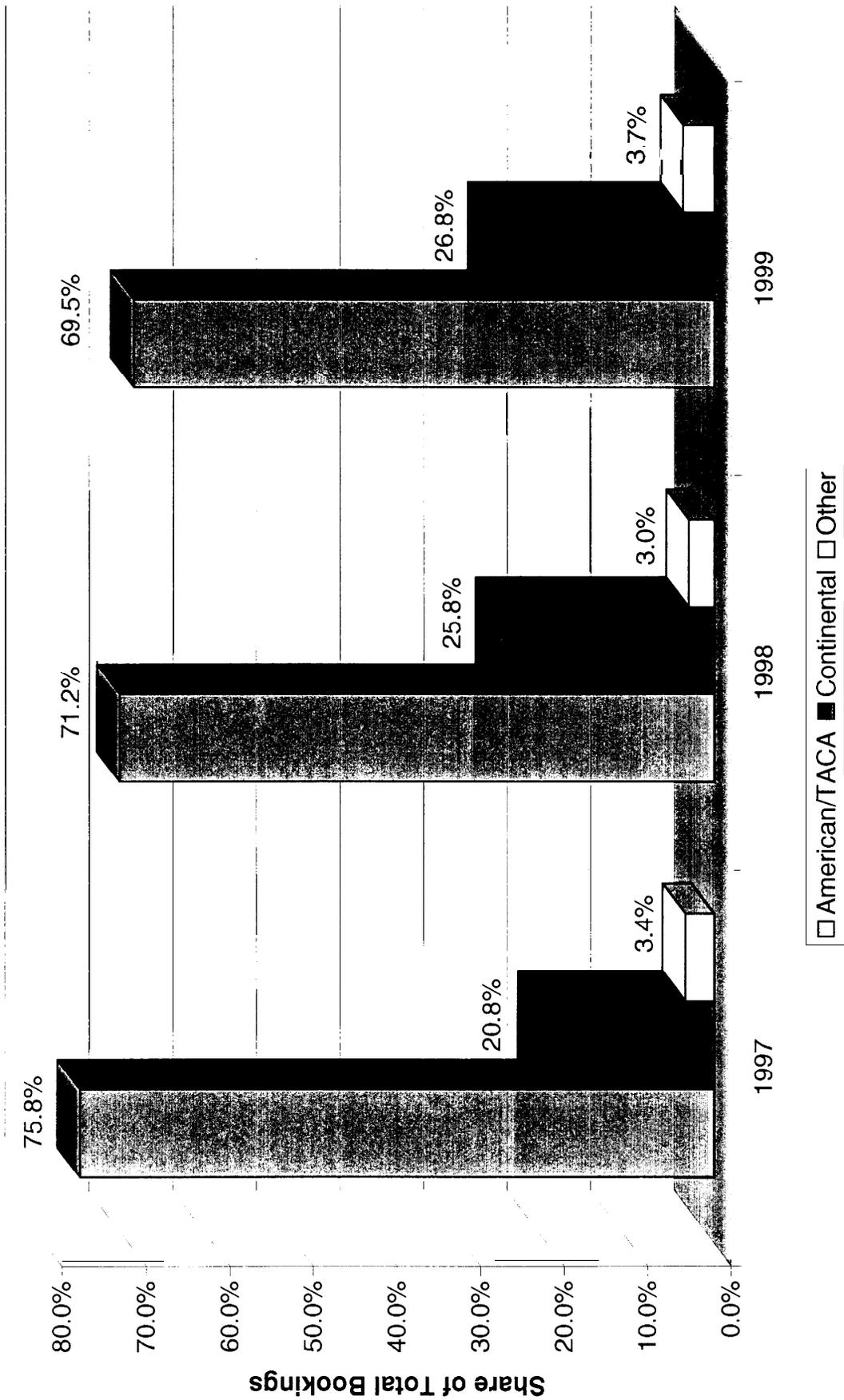
**U.S. - Guatemala Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1998**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1997	Passenger Bookings	Percent Share	Percent Change from 1997
American	1,089	23.3%	28.1%	237,234	26.0%	2.0%
Taca Group	1,791	38.3%	19.0%	288,132	31.6%	-5.0%
American/TACA	2,880	61.6%	22.3%	525,366	57.6%	-2.0%
Continental	699	14.9%	68.4%	181,681	19.9%	38.2%
United	524	11.2%	43.6%	125,931	13.8%	17.2%
Delta	271	5.8%	100.0%	46,872	5.1%	10001.7%
Other	304	6.5%	-14.4%	31,454	3.5%	-51.9%
Total	4,678	100.0%	34.0%	911,304	100.0%	8.4%

**U.S. - Guatemala Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1999**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share	Percent Change from 1998
American	1,078	26.2%	-1.0%	254,140	25.6%	7.1%
Taca Group	907	22.0%	-49.4%	296,911	29.9%	3.0%
American/TACA	1,985	48.2%	-31.1%	551,051	55.6%	4.9%
Continental	684	16.6%	-2.1%	199,353	20.1%	9.7%
United	370	9.0%	-29.4%	93,545	9.4%	-25.7%
Delta	664	16.1%	145.0%	90,300	9.1%	92.7%
Other	412	10.0%	35.5%	57,209	5.8%	81.9%
Total	4,115	100.0%	-12.0%	991,458	100.0%	8.8%

Share of Total U.S. - Honduras Origin and Destination Passenger Bookings by Carrier



**U.S. - Honduras Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenger Bookings	Percent Share
American	737	38.4%	192,433	34.8%
Taca Group	622	32.4%	226,550	41.0%
American/TACA	1,359	70.8%	418,983	75.8%
Continenta	417	21.7%	14,738	20.8%
Other	143	7.5%	18,857	3.4%
Total	1,919	100.0%	552,578	100.0%

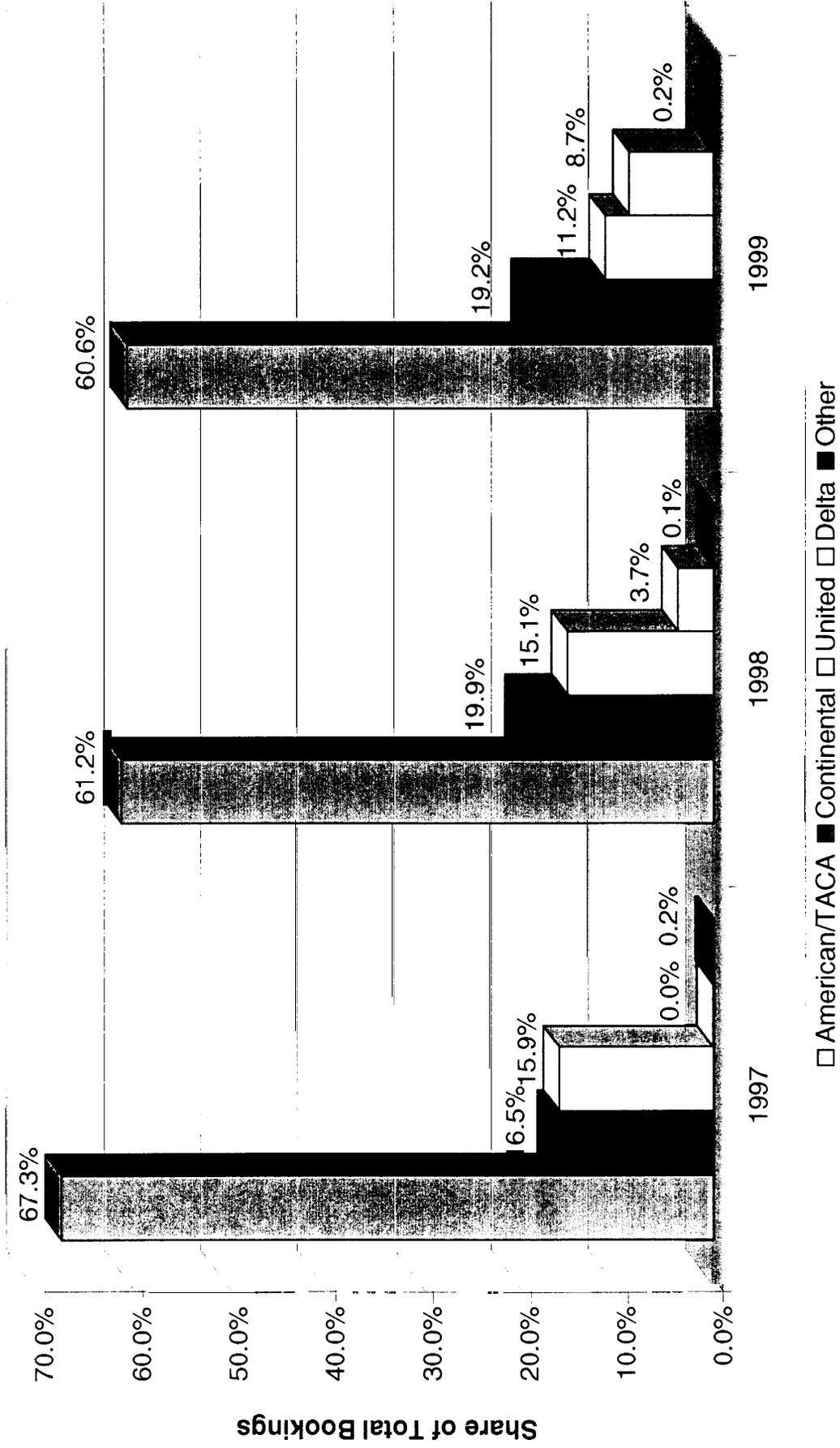
**U.S. - Honduras Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1998**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1997	Passenger Bookings	Percent Share	Percent Change from 1997
American	837	35.1%	13.6%	202,460	31.2%	5.2%
Taca Group	624	26.2%	0.3%	259,819	40.0%	14.7%
American/TACA	1,461	61.3%	7.5%	462,279	71.2%	10.3%
Continental	699	29.3%	67.6%	167,813	25.8%	46.3%
Other	222	9.3%	55.2%	19,573	3.0%	3.8%
Total	2,382	100.0%	24.1%	649,665	100.0%	17.6%

**U.S. - Honduras Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1999**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share from 1998	Percent Change from 1998
American	785	31.1%	-6.2%	221,797	31.7%	9.6%
Taca Group	814	32.2%	30.4%	264,564	37.8%	1.8%
American/TACA	1,599	63.3%	9.4%	486,361	69.5%	5.2%
Continental	730	28.9%	4.4%	187,231	26.8%	11.6%
Other	199	7.9%	-10.4%	25,958	3.7%	32.6%
Total	2,528	100.0%	6.1%	699,550	100.0%	7.7%

Share of Total U.S. - El Salvador Origin and Destination Passenger Bookings by Carrier



**U.S. - El Salvador Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenge Bookings	Percent Share
American	730	31.3%	140,453	15.1%
Taca Group	860	36.9%	487,366	52.3%
American/TACA	1,590	68.2%	627,819	67.3%
Continental	375	16.1%	154,285	16.5%
United	365	15.7%	148,592	15.9%
Delta	0	0.0%	242	0.0%
Other	0	0.0%	1,408	0.2%
Total	2,330	100.0%	932,346	100.0%

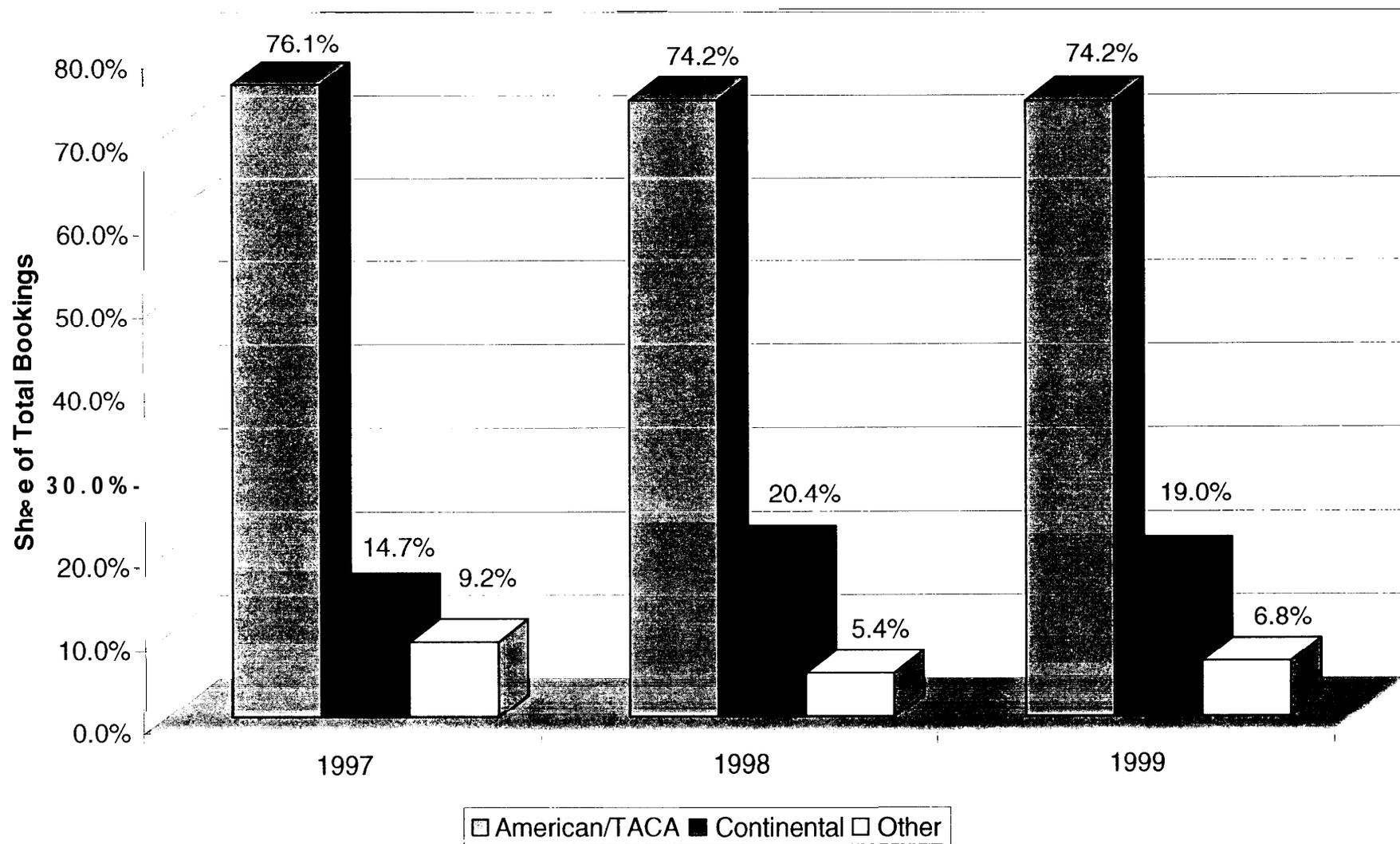
**U.S. - El Salvador Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1998**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1997	Passenger Bookings	Percent Share	Percent Change from 1997
American	716	17.1%	-1.9%	139,119	11.9%	-0.9%
Taca Group	1,854	44.3%	115.6%	577,177	49.3%	18.4%
American/TACA	2,570	61.4%	61.6%	716,296	61.2%	14.1%
Continental	802	19.2%	113.9%	232,582	19.9%	50.7%
United	541	12.9%	48.2%	176,860	15.1%	19.0%
Delta	271	6.5%	100.0%	43,344	3.7%	17810.7%
Other	0	0.0%	0.0%	707	0.1%	-49.8%
Total	4,184	100.0%	79.6%	1,169,789	100.0%	25.5%

**U.S. - El Salvador Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1999**

Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share from 1998	Percent Change from 1998
American	714	15.2%	-0.3%	162,543	12.2%	16.8%
Taca Group	2,536	53.8%	36.8%	644,378	48.4%	11.6%
American/TACA	3,250	69.0%	26.5%	806,921	60.6%	12.7%
Continental	716	15.2%	-10.7%	256,148	19.2%	10.1%
United	381	8.1%	-29.6%	149,219	11.2%	-15.6%
Delta	365	7.7%	34.7%	116,232	8.7%	168.2%
Other	0	0.0%	0.0%	2,486	0.2%	251.6%
Total	4,712	100.0%	12.6%	1,331,006	100.0%	13.8%

Share of Total U.S. - Nicaragua Origin and Destination Passenger Bookings by Carrier



Source: MIDT Interline Connections
Calendar years 1997-1999.

**U.S. - Nicaragua Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1997**

Carrier	Nonstop Frequencies	Percent Share	Passenger Bookings	Percent Share
American	375	26.4%	106,019	33.5%
TACA Group	565	39.8%	135,100	42.6%
American/TACA	940	66.2%	241,119	76.1%
Continental	245	17.2%	46,713	14.7%
Other	236	16.6%	29,028	9.2%
Total	1,421	100.0%	316,860	100.0%

**U.S. - Nicaragua Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1998**

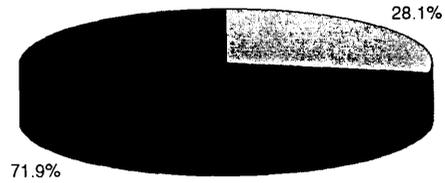
Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1997	Passenger Bookings	Percent Share	Percent Change from 1997
American	508	32.5%	35.5%	120,900	35.0%	14.0%
TACA Group	438	28.0%	-22.5%	135,263	39.2%	0.1%
American/TACA	946	60.5%	0.6%	256,163	74.2%	6.2%
Continental	365	23.3%	49.0%	70,228	20.4%	50.3%
Other	253	16.2%	7.2%	18,651	5.4%	-35.7%
Total	1,564	100.0%	10.1%	345,042	100.0%	8.9%

**U.S. - Nicaragua Origin and Destination Passenger Bookings
and Nonstop Frequencies by Carrier
Year 1999**

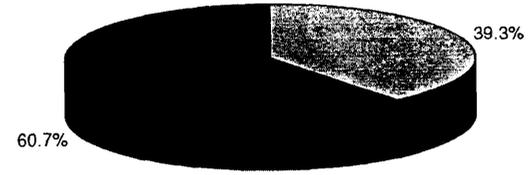
Carrier	Nonstop Frequencies	Percent Share	Percent Change from 1998	Passenger Bookings	Percent Share	Percent Change from 1998
American	439	31.2%	-13.6%	121,212	29.1%	0.3%
TACA Group	366	26.0%	-16.4%	188,229	45.1%	39.2%
American/TACA	805	57.2%	-14.9%	309,441	74.2%	20.8%
Continental	365	25.9%	0.0%	79,282	19.0%	12.9%
Other	237	16.8%	-6.3%	28,519	6.8%	52.9%
Total	1,407	100.0%	-10.0%	417,242	100.0%	20.9%

American Has More Flow Than Local Traffic on Nonstop Overlap City-Pairs
Year 1999

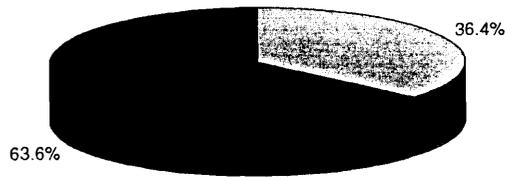
Miami-Belize City



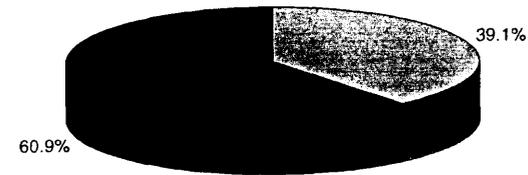
Miami - San Jose



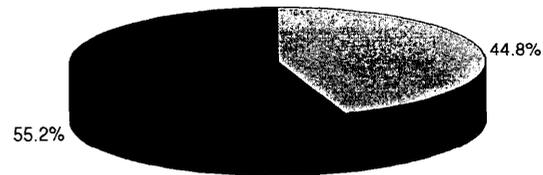
Miami - Guatemala City



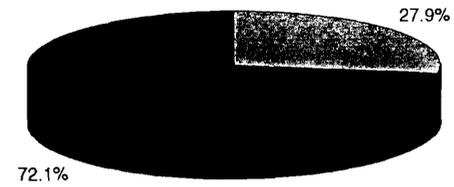
Miami - San Pedro Sula



Miami - Managua



Miami - San Salvador



Local Flow

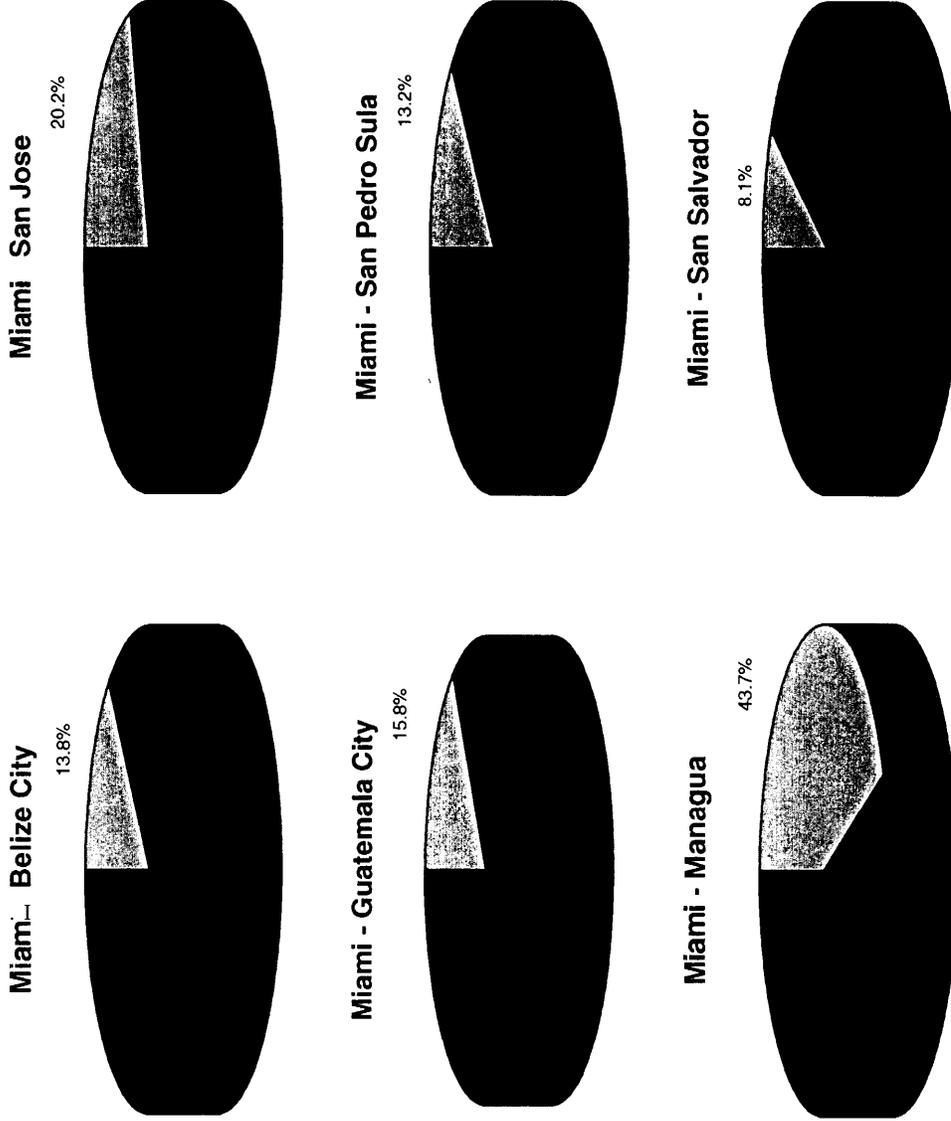
**American's Local vs. Flow Onboard Passengers on Overlap Routes
1999**

Onboard Passenger Bookings

Route	Type of Passenger ^{1/}	1999					
		Local	Percent Share	Flow	Percent Share	Total Onboard	Percent Change from 1998
Miami - Belize City	Full Fare	1,200	23.4%	3,929	76.6%	5,129	-5.4%
	Leisure	18,614	28.5%	46,800	71.5%	65,414	12.3%
	Total	19,814	28.1%	50,729	71.9%	70,543	10.8%
Miami - Guatemala City	Full Fare	9,464	36.9%	16,172	63.1%	25,636	-3.0%
	Leisure	93,913	36.4%	164,397	63.6%	258,310	3.1%
	Total	103,377	36.4%	180,569	63.6%	283,946	2.6%
Miami - Managua	Full Fare	4,126	40.3%	6,101	59.7%	10,227	-5.4%
	Leisure	57,865	45.2%	70,166	54.8%	128,031	1.3%
	Total	61,991	44.8%	76,267	55.2%	138,258	0.8%
Miami - San Jose	Full Fare	7,636	29.2%	18,482	70.8%	26,118	-20.4%
	Leisure	129,079	40.2%	192,363	59.8%	321,442	-2.2%
	Total	136,715	39.3%	210,845	60.7%	347,560	-3.8%
Miami - San Pedro Sula	Full Fare	3,333	37.3%	5,602	62.7%	8,935	-12.2%
	Leisure	44,006	39.3%	68,063	60.7%	112,069	9.6%
	Total	47,339	39.1%	73,665	60.9%	121,004	7.6%
Miami - San Salvador	Full Fare	4,604	29.1%	11,227	70.9%	15,831	10.2%
	Leisure	48,614	27.8%	126,496	72.2%	175,110	16.7%
	Total	53,218	27.9%	137,723	72.1%	190,941	16.2%

^{1/} Full fares defined as F, C, J, Y, P.

**American's and Taca Group's Local Passengers On Overlap Routes
is a Small Component of the Country to Country Origin and Destination Traffic
Year 1999**



□ American/TACA Local ■ Other Traffic

**American's and Taca Group's Local Passengers
on Overlap Routes are a Small Component of the Country to Country
Origin and Destination Traffic
Year 1999**

Route		Local Traffic
Miami - Belize City	American	19,814
	Taca Group	13,108
	AA/TACA Alliance	32,922
	Total U.S. - Belize O&D Traffic	239,134
	AA/TACA Local Traffic Share of Country to Country Traffic	13.8%
Miami - Guatemala City	American	103,377
	Taca Group	53,003
	AA/TACA Alliance	156,380
	Total U.S. - Guatemala O&D Traffic	991,458
	AA/TACA Local Traffic Share of Country to Country Traffic	15.8%
Miami - Managua	American	61,991
	Taca Group	120,449
	AA/TACA Alliance	182,440
	Total U.S. - Nicaragua O&D Traffic	417,242
	AA/TACA Local Traffic Share of Country to Country Traffic	43.7%
Miami - San Jose	American	136,715
	Taca Group	76,758
	AA/TACA Alliance	213,473
	Total U.S. - Costa Rica O&D Traffic	1,057,156
	AA/TACA Local Traffic Share of Country to Country Traffic	20.2%
Miami - San Pedro Sula	American	47,339
	Taca Group	45,030
	AA/TACA Alliance	92,369
	Total U.S. - Honduras O&D Traffic	699,550
	AA/TACA Local Traffic Share of Country to Country Traffic	13.2%
Miami - San Salvador	American	53,218
	Taca Group	55,177
	AA/TACA Alliance	108,395
	Total U.S. - El Salvador O&D Traffic	1,331,006
	AA/TACA Local Traffic Share of Country to Country Traffic	8.1%

**Summary of New On-Line Airports and City-Pairs
for American and Taca Group**

Carrier	Current On-Line Airports Served
Total American	240
Total Taca Group	35
American Only	212
Taca Group Only	7
American and Taca Group	28
AA/Taca Group Alliance (unduplicated airports)	247

Carrier	New On-Line Airports Served	New City-Pairs Served	Excluding Current Codeshare Cities ^{1/}
American connecting on TACA	7	1,680	1,680
TACA connecting on American	212	7,420	7,175

^{1/} As of March 22, 2000.

**Summary of On-Line Airports and City-Pairs
for American and TACA Group**

Airports Served by American

Airport	Airport
Abilene, TX	Columbus, OH
Acapulco, Mexico	Corpus Christi , TX
Albany, NY	Curacao , Netherlands Antilles
Albuquerque, NM	Dallas/Fort Worth, TX
Alexandria, LA	Dallas-Love Field, TX
Amarillo, TX	Dayton, OH
Anchorage, AK	Denver, CO
Anguilla , West Indies	Des Moines, IA
Antigua, West Indies	Detroit, MI
Aruba, Aruba	Dominica, West Indies
Asuncion , Paraguay	Dubuque, IA
Atlanta, GA	Duluth, MN /Superior, WI
Austin, TX	El Paso, TX
Bakersfield, CA	Evansville, IN
Baltimore, MD	Fayetteville , AR
Bangor, ME	Fort de France, Martinique
Barbados, Barbados	Fort Lauderdale, FL
Barranquilla , Colombia	Fort Myers, FL
Baton Rouge, LA	Fort Smith, AR
Beaumont/Port Arthur, TX	Fort Wayne, IN
Belize City, Belize	Frankfurt, Germany
Belo Horizonte , Brazil	Freeport, Bahamas
Bermuda, Bermuda	Fresno , CA
Birmingham, AL	George Town, Bahamas
Birmingham, United Kingdom	Glasgow, United Kingdom
Bloomington, IL	Governor's Harbour , Bahamas
Bogota, Colombia	Grand Cayman , Cayman Islands
Boston, MA	Grand Rapids, MI
Brussels, Belgium	Green Bay, WI
Buenos Aires, Argentina	Greensboro, NC
Buffalo, NY	Greenville/Spartanburg , SC
Burbank, CA	Grenada, Windward Islands
Burlington, VT	Guadalajara, Mexico
Calgary, Canada	Guatemala City, Guatemala
Cali , Colombia	Guayaquil , Ecuador
Cancun , Mexico	Halifax, Canada
Caracas, Venezuela	Harlingen , TX
Casa de Campo , Dominican Republic	Harrisburg, PA
Cedar Rapids/Iowa City, IA	Hartford, CT
Champaign, IL	Honolulu, HI
Charlotte, NC	Houston-Hobby, TX
Chicago-Midway, IL	Houston-Bush, TX
Chicago-O'Hare, IL	Huntsville, AL
Cincinnati, OH	Indianapolis, IN
Cleveland, OH	Islip , NY
College Station, TX	Jackson, MS
Colorado Springs, CO	Jacksonville, FL

**Summary of On-Line Airports and City-Pairs
for American and TACA Group**

Airports Served by American

Airport	Airport
Kahului , HI	Montreal, Canada
Kalamazoo, MI	Naples, FL
Kansas City, MO	Nashville, TN
Key West, FL	Nassau, Bahamas
Killeen , TX	New Orleans, LA
Kingston, Jamaica	New York-Kennedy, NY
Knoxville, TN	New York-LaGuardia, NY
La Crosse , WI	Newark, NJ
Lafayette, LA	Newburgh, NY
Lake Charles, LA	Norfolk, VA
Lansing, MI	Oakland, CA
Laredo, TX	Oklahoma City, OK
La Paz, Bolivia	Omaha, NE
Las Vegas, NV	Ontario, CA
Lawton , OK	Orange County, CA
Leon, Mexico	Orlando, FL
Lima, Peru	Osaka, Japan
Little Rock, AR	Ottawa, Canada
London-Gatwick, United Kingdom	Palm Springs, CA
London-Heathrow, United Kingdom	Panama City, Panama
Long Beach, CA	Paris-Charles de Gaulle, France
Longview, TX	Peoria, IL
Los Angeles, CA	Philadelphia, PA
Los Cabos , Mexico	Phoenix, AZ
Louisville, KY	Pittsburgh, PA
Lubbock, TX	Pointe-a-Pitre , Guadeloupe
Madison, WI	Ponce, Puerto Rico
Madrid, Spain	Port au Prince, Haiti
Managua, Nicaragua	Port of Spain, Trinidad
Manchester, United Kingdom	Portland, ME
Manchester, NH	Portland, OR
Marathon, FL	Presque Isle, ME
Marsh Harbour , Bahamas	Providence, RI
Mayaguez , Puerto Rico	Providenciales , Turks & Caicos
McAllen , TX	Puerto Plata , Dominican Republic
Memphis, TN	Puerto Vallarta , Mexico
Mexico City, Mexico	Punta Cana , Dominican Republic
Miami, FL	Quebec City, Canada
Midland-Odessa, TX	Quito, Ecuador
Milan-Malpensa , Italy	Raleigh/Durham, NC
Milwaukee, WI	Reno , NV
Minneapolis/St. Paul, MN	Richmond, VA
Montego Bay, Jamaica	Rio de Janeiro, Brazil
Monterey, CA	Rochester, MN
Monterrey , Mexico	Rochester, NY
Montevideo, Uruguay	Sacramento, CA
Montgomery, AL	Salt Lake City, UT

**Summary of On-Line Airports and City-Pairs
for American and TACA Group**

Airports Served by American

Airport	Airport
San Angelo, TX	West Palm Beach, FL
San Antonio, TX	White Plains, NY
San Diego, CA	Wichita Falls, TX
San Francisco, CA	Wichita, KS
San Jose, CA	Zurich, Switzerland
San Jose, Costa Rica	
San Juan, Puerto Rico	
San Luis Obispo , CA	
San Pedro Sula , Honduras	
San Salvador, El Salvador	
Santa Barbara, CA	
Santa Cruz , CA	
Santiago, Chile	
Santiago, Dominican Republic	
Santo Domingo, Dominican Republic	
Sao Paulo , Brazil	
Sarasota, FL	
Seattle, WA	
Shreveport, LA	
South Bend, IN	
Springfield, IL	
Springfield, MO	
St. Croix, Virgin Islands	
St. Kitts , Leeward Islands	
St. Louis, MO	
St. Lucia, West Indies	
St. Maarten , Netherlands Antilles	
St. Thomas, Virgin Islands	
St. Vincent, Windward Islands	
Stockholm, Sweden	
Syracuse, NY	
Tampa, FL	
Tegucigalpa , Honduras	
Texarkana , AR	
Tobago, Trinidad	
Tokyo, Japan	
Toledo, OH	
Toronto, Canada	
Tortola , British Virgin Islands	
Traverse City, MI	
Tucson, AZ	
Tulsa, OK	
Tyler, TX	
Vancouver, Canada	
Waco, TX	
Washington-Dulles , VA	
Washington-National, VA	

Summary of On-Line Airports and City-Pairs for American and TACA Group

Exhibit JA-7
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Airports Served by TACA Group

<u>Airport</u>	<u>Airport</u>
Buenos Aires, Argentina	Mexico City, Mexico
Belize City, Belize	Miami, FL
Bogota, Colombia	New Orleans, LA
Cancún , Mexico	New York-Kennedy, NY
Caracas, Venezuela	Orlando, FL
Cuzco , Peru	Panama City, Panama
Dallas/Fort Worth, TX	Quito, Ecuador
Flores , Guatemala	Roatán , Honduras
Guatemala City, Guatemala	San Francisco, CA
Guayaquil , Ecuador	San Jose, Costa Rica
Havana, Cuba	San Juan, PR
Houston-Bush, TX	San Pedro Sula , Honduras
Iquitos , Peru	San Salvador, El Salvador
La Ceiba , Honduras	Santiago, Chile
Liberia, Costa Rica	Tegucigalpa , Honduras
Lima, Peru	Toronto, Canada
Los Angeles, CA	Washington-Dulles , VA
Managua, Nicaragua	

**Top 100 TACA Group Origin and Destination Markets to and from the U.S.
Year 1999**

Rank	U.S. Origination	Non-U.S. Endpoint	Passenger Bookings ^{1/}	
			TACA Group	Total Market
1	Los Angeles	San Salvador	226,813	402,168
2	Miami	Managua	127,427	217,355
3	Los Angeles	Guatemala City	114,342	253,469
4	New York-Kennedy	San Salvador	109,964	118,662
5	Washington-Dulles	San Salvador	106,074	126,370
6	Miami	San Jose, Costa Rica	79,205	270,540
7	Miami	Guatemala City	66,588	210,591
8	Houston-Bush	San Salvador	61,466	151,446
9	San Francisco	San Salvador	60,829	82,740
10	Miami	San Salvador	57,045	115,484
11	Los Angeles	Mexico City	54,205	709,898
12	New York-Kennedy	Guatemala City	49,373	59,325
13	Miami	San Pedro Sula	48,586	116,144
14	New York-Kennedy	San Jose, Costa Rica	40,542	49,812
15	Miami	Tegucigalpa	36,510	92,246
16	Los Angeles	Managua	29,524	46,584
17	Miami	Lima	28,074	317,587
18	Los Angeles	San Jose, Costa Rica	28,015	98,109
19	New York-Kennedy	San Pedro Sula	25,906	32,556
20	Orlando	San Jose, Costa Rica	25,697	54,477
21	New York-Kennedy	Guayaquil	25,513	146,865
22	Los Angeles	San Pedro Sula	22,742	31,963
23	Washington-Dulles	Guatemala City	20,215	25,135
24	New Orleans	Cancún	16,000	33,030
25	Miami	Bogota	14,289	433,635
26	New Orleans	San Pedro Sula	14,254	19,825
27	Miami	Belize City	14,087	34,252
28	Miami	Guayaquil	13,447	152,050
29	Dallas/Fort Worth	Guatemala City	13,196	22,477
30	Miami	Quito	12,945	116,234
31	Houston-Bush	Roatán	12,773	13,246
32	San Francisco	Managua	11,995	28,827
33	Dallas/Fort Worth	San Salvador	11,912	40,267
34	San Francisco	Guatemala City	11,888	33,099
35	Houston-Bush	Belize City	11,826	30,845
36	Miami	Roatán	11,237	11,380
37	Los Angeles	Belize City	10,883	29,267
38	Miami	La Ceiba	10,046	10,286
39	Los Angeles	Tegucigalpa	9,387	16,353
40	New York-Kennedy	Quito	8,982	59,857
41	Houston-Bush	Guatemala City	8,662	49,701
42	New Orleans	La Ceiba	8,085	8,137
43	Miami	Santiago	7,943	180,162
44	San Francisco	San Jose, Costa Rica	7,920	39,069
45	Los Angeles	Quito	7,575	21,008
46	New Orleans	Tegucigalpa	7,292	11,804
47	Los Angeles	Bogota	6,887	39,344
48	New York-Kennedy	Bogota	6,610	78,837
49	Los Angeles	Guayaquil	6,471	14,673
50	New York-Kennedy	Tegucigalpa	6,002	8,685

**Top 100 TACA Group Origin and Destination Markets to and from the U.S.
Year 1999**

Rank	U.S. Origination	Non-U.S. Endpoint	Passenger TACA Group	Bookings 1/ Total Market
51	Houston-Bush	San Pedro Sula	5,838	35,491
52	New York-Kennedy	Managua	5,521	7,374
53	Los Angeles	Lima	5,409	100,695
54	New Orleans	San Jose, Costa Rica	5,069	13,190
55	New Orleans	San Salvador	4,677	7,351
56	Dallas/Fort Worth	San Jose, Costa Rica	4,513	31,020
57	Washington-Dulles	Managua	4,486	5,893
58	New Orleans	Guatemala City	4,404	11,178
59	New York-Kennedy	La Ceiba	3,957	4,035
60	New Orleans	Managua	3,893	7,630
61	New York-Kennedy	Lima	3,573	124,922
62	New York-Kennedy	Panama City	3,373	18,557
63	New Orleans	Roatán	3,241	3,262
64	Orlando	Lima	3,084	14,545
65	Miami	Panama City	2,957	168,073
66	San Francisco	Lima	2,877	36,686
67	New York-Kennedy	Santiago	2,613	45,762
68	Los Angeles	Santiago	2,600	52,489
69	Washington-Dulles	Tegucigalpa	2,541	4,335
70	New Orleans	Belize City	2,392	6,457
71	San Francisco	Belize City	2,361	9,720
72	Orlando	Bogota	2,235	11,550
73	Houston-Bush	San Jose, Costa Rica	2,210	36,061
74	Houston-Bush	Tegucigalpa	2,198	18,031
75	Los Angeles	Caracas	2,182	26,243
76	Washington-Dulles	San Jose, Costa Rica	2,102	10,637
77	Los Angeles	Panama City	2,068	24,161
78	Miami	Liberia	2,035	2,242
79	Dallas/Fort Worth	San Pedro Sula	2,014	7,131
80	Houston-Bush	La Ceiba	1,928	2,040
81	San Francisco	San Pedro Sula	1,918	5,204
82	Houston-Bush	Managua	1,876	18,888
83	New York-Kennedy	Cali	1,867	56,466
84	Washington-Dulles	San Pedro Sula	1,783	2,913
85	San Francisco	Tegucigalpa	1,697	4,546
86	San Francisco	Bogota	1,574	9,051
87	San Francisco	Roatán	1,424	1,583
88	New Orleans	Guayaquil	1,398	2,959
89	Los Angeles	Roatán	1,381	1,527
90	Miami	Caracas	1,353	817,846
91	Los Angeles	La Ceiba	1,227	1,314
92	Chicago	Guatemala City	1,223	47,316
93	New York-Kennedy	Liberia	1,191	1,247
94	Orlando	Quito	1,190	3,504
95	Orlando	Panama City	1,178	19,689
96	Los Angeles	Cali	1,139	11,515
97	San Francisco	Quito	1,116	5,570
98	New York-Kennedy	Cancún	1,111	49,942
99	Orlando	San Salvador	1,025	7,181
100	New York-Kennedy	Medellín	996	55,578

1/ Reflects marketing carrier traffic.

**Top 20 TACA Group O&D Markets With U.S. Endpoint
by Carrier With Greater Than 5% Share 1
Year 1999**

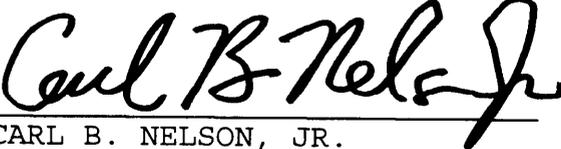
Rank	Origin	Destination	Carrier	Passenger Bookings	Share
1	Los Angeles	San Salvador	Taca Group	226,813	56.4%
			United	120,160	29.9%
			Continental	28,009	7.0%
			Other	27,186	6.8%
			Total	402,168	
2	Miami	Managua	Taca Group	127,427	58.6%
			American	62,190	28.6%
			Iberia	23,577	10.8%
			Other	4,161	1.9%
			Total	217,355	
3	Los Angeles	Guatemala City	Taca Group	112,647	44.4%
			United	77,072	30.4%
			American	20,162	8.0%
			Continental	16,329	6.4%
			Mexicana	12,852	5.1%
			Other	14,407	5.7%
			Total	253,469	
4	New York/JFK	San Salvador	Taca Group	109,964	92.7%
			American	5,976	5.0%
			Other	2,722	2.3%
			Total	118,662	
5	Washington/Dulles	San Salvador	Taca Group	106,074	83.9%
			Other	20,296	16.1%
			Total	126,370	
6	Miami	San Jose	American	137,124	50.7%
			Taca Group	79,205	29.3%
			Martinair	29,656	11.0%
			Other	24,555	9.1%
			Total	270,540	
7	Miami	Guatemala City	American	103,776	49.3%
			Taca Group	66,588	31.6%
			Iberia	36,816	17.5%
			Other	3,411	1.6%
			Total	210,591	
8	Houston - Bush	San Salvador	Continental	82,805	54.7%
			Taca Group	61,466	40.6%
			Other	7,175	4.7%
			Total	151,446	
9	San Francisco	San Salvador	Taca Group	60,829	73.5%
			United	7,688	9.3%
			Continental	7,314	8.8%
			American	4,360	5.3%
			Other	2,549	3.1%
			Total	82,740	
10	Miami	San Salvador	Taca Group	57,045	49.4%
			American	53,620	46.4%
			Other	4,819	4.2%
			Total	115,484	

**Top 20 TACA Group O&D Markets With U.S. Endpoint
by Carrier With Greater Than 5% Share 1/
Year 1999**

Rank	Origin	Destination	Carrier	Passenger Bookings	Share
11	Los Angeles	Mexico City	Mexicana	326,424	46.0%
			AeroMexico	128,930	18.2%
			United	90,635	12.8%
			Delta	85,600	12.1%
			Taca Group	54,205	7.6%
			Other	24,104	3.4%
		Total	709,898		
12	New York/JFK	Guatemala City	Taca Group	149,372	93.8%
			American	7,100	4.5%
			Other	2,852	1.8%
			Total	159,324	
13	Miami	San Pedro Sula	Taca Group	48,586	41.8%
			American	47,473	40.9%
			Iberia	18,487	15.9%
			Other	1,598	1.4%
			Total	116,144	
14	New York/JFK	San Jose	Taca Group	40,542	81.4%
			American	8,004	16.1%
			Other	1,266	2.5%
			Total	49,812	
15	Miami	Tegucigalpa	American	54,659	59.3%
			Taca Group	36,510	39.6%
			Other	1,077	1.2%
			Total	92,246	
16	Los Angeles	Managua	Taca Group	29,524	63.4%
			Continental	10,440	22.4%
			American	6,186	13.3%
			Other	434	0.9%
			Total	46,584	
17	Miami	Lima	American	126,084	39.7%
			United	64,505	20.3%
			Taca Group	28,074	8.8%
			Copa	21,568	6.8%
			AeroPeru	21,446	6.8%
			Avianca	18,827	5.9%
			Other	37,083	11.7%
			Total	317,587	
18	Los Angeles	San Jose	United	33,009	33.6%
			Taca Group	28,015	28.6%
			Continental	17,230	17.6%
			American	12,164	12.4%
			Other	7,691	7.8%
			Total	98,109	
19	New York/JFK	San Pedro Sula	Taca Group	25,906	79.6%
			American	6,576	20.2%
			Other	74	0.2%
			Total	32,556	
20	Orlando	San Jose	Taca Group	25,697	47.2%
			American	24,853	45.6%
			Other	3,927	7.2%
			Total	54,477	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by first-class mail on all persons named on the attached service list.


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