AMR CORP
Form DEF 14A
April 18, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant x
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

AMR Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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x No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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April 18, 2008

Dear Stockholder,

You are cordially invited to attend the annual meeting of stockholders of AMR Corporation. Our meeting will be held at the American Airlines Training & Conference Center in Fort Worth, Texas, on Wednesday, May 21, 2008, at 8:00 a.m., Central Daylight Saving Time.

In the following pages, you will find the official Notice of Annual Meeting of Stockholders and Proxy Statement. In addition, enclosed is our 2007 Annual Report to Stockholders. The proxy materials describe the formal business to be transacted at the annual meeting, which includes a report on the operations of the company. Directors and officers of the company will be present to answer questions that you and other stockholders may have.

Your vote is important. Please read the attached Proxy Statement carefully and submit your proxy as soon as possible. You have a choice of submitting your proxy by using the Internet, by telephone, or by completing and returning by mail the enclosed proxy card or voting instruction form.

The Board of Directors and management look forward to seeing you at our annual meeting on Wednesday, May 21, 2008.

Sincerely,

Gerard J. Arpey
Chairman, President
and Chief Executive Officer

Important notice regarding the availability of proxy materials for the annual meeting to be held on May 21, 2008. Our official Notice of Annual Meeting of Stockholders, Proxy Statement and 2007 Annual Report to Stockholders are also available at our website located at www.aa.com/investorrelations.

P.O. Box 619616, MD 5675, Dallas/Fort Worth International Airport, TX 75261-9616

2008 ANNUAL MEETING OF STOCKHOLDERS
NOTICE OF ANNUAL MEETING AND PROXY STATEMENT
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P.O. Box 619616, MD 5675, Dallas/Fort Worth International Airport, TX 75261-9616

OFFICIAL NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE	Wednesday, May 21, 2008
TIME	Registration Begins: **7:15 a.m.**, Central Daylight Saving Time Meeting Begins: **8:00 a.m.**, Central Daylight Saving Time
PLACE	American Airlines Training & Conference Center Flagship Auditorium 4501 Highway 360 South Fort Worth, Texas 76155
ITEMS OF BUSINESS	(1) to elect thirteen directors; (2) to ratify the selection by the Audit Committee of Ernst & Young LLP as our independent auditors for the year ending December 31, 2008; (3) to consider four stockholder proposals; and (4) to transact such other matters as may properly come before the annual meeting or any adjournments thereof.
RECORD DATE	You are entitled to vote at the annual meeting only if you were a stockholder of record at the close of business on Monday, March 24, 2008.
FINANCIAL STATEMENTS	Audited financial statements for the year ended December 31, 2007 and the related Management s Discussion and Analysis of Financial Condition and Results of Operations are included in our Annual Report on Form 10-K, which is contained in the 2007 Annual Report to Stockholders included in this mailing.
ANNUAL MEETING ADMISSION	To attend the annual meeting, you must have an admission ticket (printed on, or included with, the proxy card or voting instruction form) or other proof of beneficial ownership of AMR Corporation shares as of March 24, 2008 that is acceptable to us (such as a statement from your broker reflecting your stock ownership as of March 24, 2008). We may ask each stockholder to present valid governmentally-issued picture identification, such as a driver s license or passport. For security reasons, all bags are subject to search, and all persons who attend the meeting may be subject to a metal detector and/or a hand wand search. The use of cameras or other recording devices at the annual meeting is prohibited. If you do not have valid picture identification and either an admission ticket or appropriate documentation verifying that you owned our stock on March 24, 2008, or you do not comply with our security measures, you will not be admitted to the annual meeting.
VOTING BY PROXY	

Your vote is important. Please vote by using the Internet, by telephone, or by signing and returning the enclosed proxy card or voting instruction form as soon as possible to ensure your representation at the annual meeting. The proxy card or voting instruction form contains instructions for each of these voting options.

By Order of the Board of Directors,

Kenneth W. Wimberly
Corporate Secretary

April 18, 2008

P.O. Box 619616, MD 5675, Dallas/Fort Worth International Airport, TX 75261-9616

PROXY STATEMENT

Annual Meeting of Stockholders
May 21, 2008

We are mailing this Proxy Statement and the form of proxy to stockholders on or around April 18, 2008 in connection with a solicitation of proxies by the Board of Directors of AMR Corporation (the Company, we or us) for use at the annual meeting of stockholders that we are holding on May 21, 2008. This Proxy Statement also includes information regarding our wholly-owned and principal subsidiary, American Airlines, Inc. The annual meeting of stockholders will be held at the American Airlines Training & Conference Center, Flagship Auditorium, 4501 Highway 360 South, Fort Worth, Texas 76155, on Wednesday, May 21, 2008, at 8:00 a.m., Central Daylight Saving Time. You can find a map of the area and directions to the American Airlines Training & Conference Center on the back cover of this Proxy Statement and on the admission ticket. The physical address of our principal executive offices is AMR Corporation, 4333 Amon Carter Boulevard, MD 5675, Fort Worth, Texas 76155. Our mailing address is set forth above.

INTERNET AVAILABILITY AND ELECTRONIC DELIVERY OF PROXY DOCUMENTS

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 21, 2008. Our official Notice of Annual Meeting of Stockholders, Proxy Statement and 2007 Annual Report to Stockholders are available on our website located at www.aa.com/investorrelations.

As an alternative to receiving printed copies of these materials in future years, you may elect to receive and access future annual meeting materials electronically. If your shares are registered directly in your name with American Stock Transfer & Trust Company, our stock registrar and transfer agent, you can choose to receive and access future annual meeting materials electronically by going to American Stock Transfer & Trust Company s website (www.amstock.com) and clicking on Shareholder Services or by following the instructions provided when voting via the Internet.

If you hold your shares of our stock in a brokerage account or through some other third party in street name, please refer to the information provided by your bank, broker or nominee for instructions on how to elect to receive and view future annual meeting materials over the Internet.

ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

The purpose of the annual meeting of stockholders is to allow you to vote upon matters, which we outline in this Proxy Statement. These matters include (a) election of directors, (b) ratification of the Audit Committee s selection of our independent auditors for 2008, and (c) consideration of four stockholder proposals. In addition, management will report on our performance during 2007.

Where is the annual meeting?

The annual meeting of stockholders will be held at the American Airlines Training & Conference Center, Flagship Auditorium, 4501 Highway 360 South, Fort Worth, Texas 76155, on Wednesday, May 21, 2008, at 8:00 a.m. (Central Daylight Saving Time). You can find a map of the area and directions on the back cover of this Proxy Statement and on the admission ticket.

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Who can attend the annual meeting?

Stockholders of record as of the close of business on March 24, 2008, or their duly appointed proxies, may attend the annual meeting. The Flagship Auditorium (which is the site of the annual meeting) can accommodate 275 people. Admission to the annual meeting will be on a first-come, first-served basis. Registration will begin at 7:15 a.m. (Central Daylight Saving Time), on May 21, 2008, in the reception area outside the Flagship Auditorium. The doors to the Flagship Auditorium will open at 7:45 a.m. (Central Daylight Saving Time).

If you plan to attend the annual meeting, you must have an admission ticket. We have included this ticket on the proxy card or with the voting instruction form. If you do not have an admission ticket, you will need to bring other proof of beneficial ownership of our stock as of March 24, 2008 that is acceptable to us, such as a copy of a statement from your broker reflecting your stock ownership. In addition, we may ask stockholders for valid governmentally-issued picture identification, such as a driver s license or passport. For security reasons, all bags are subject to search, and all persons who attend the annual meeting may be subject to a metal detector and/or a hand wand search. The use of cameras or other recording devices at the annual meeting is prohibited. If you do not have valid picture identification and either an admission ticket or appropriate documentation verifying that you owned our stock on March 24, 2008, or you do not comply with our security measures, you will not be admitted to the annual meeting. All stockholders will be required to check-in at the registration desk.

What is the quorum for the annual meeting?

The presence, in person or by proxy, of the holders of at least one-third of the issued and outstanding shares entitled to vote at the annual meeting is necessary to constitute a quorum at the annual meeting. We will count abstentions and broker non-votes as present for determining whether a quorum exists. If a quorum is not present in person or represented by proxies at the annual meeting, the holders of shares entitled to vote at the annual meeting who are present in person or represented by proxies will have the power to adjourn the annual meeting from time to time until a quorum is present in person or represented by proxies. At any such adjourned and reconvened meeting at which a quorum is present in person or represented by proxies, any business may be transacted that might have been transacted at the original meeting.

What is the difference between a stockholder of record and a street name holder?

If your shares are registered directly in your name with American Stock Transfer & Trust Company, our stock transfer agent, you are considered the stockholder of record with respect to those shares. If you are a stockholder of record, we have sent the proxy statement, annual report and proxy card directly to you. If you hold your shares in a stock brokerage account or your shares are held by a bank or other nominee, you are considered the beneficial owner of these shares, and your shares are held in street name. The proxy statement, annual report and proxy card have been forwarded to you by your broker, bank or nominee who is considered, with respect to those shares, the stockholder of record. As the beneficial owner, you have the right to direct your broker, bank or nominee how to vote your shares by using the voting instructions included in the mailing or by following their instructions for voting by telephone or the Internet.

Who is entitled to vote at the annual meeting?

Only stockholders of record at the close of business on March 24, 2008 are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at the annual meeting. If you were a stockholder of record on March 24, 2008, you will be entitled to vote all of the shares that you held on that date at the annual meeting or any postponements or adjournments of the meeting. If your shares are held in street name, you may vote your shares in person at the annual meeting only if you obtain a legal proxy from the broker or nominee that held

your shares on March 24, 2008. On March 24, 2008, we had 249,440,697 shares of common stock outstanding. Each stockholder of record on March 24, 2008 will be entitled to one vote in person or by proxy for each share of stock held.

If you are an employee/participant holding shares of our common stock as an investment option under the $uper $aver 401(k) Plan, you will receive one proxy card for all the shares that you own through the $uper $aver 401(k) Plan. The proxy card will serve as your voting instructions for the investment manager of the $uper $aver

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401(k) Plan (Bank of America, National Association, successor to United States Trust Company, National Association). To allow sufficient time for the investment manager to vote your $uper $aver 401(k) Plan shares, the investment manager must receive your voting instructions by May 16, 2008. The number of shares you are eligible to vote is based on your unit balance in the $uper $aver 401(k) Plan on March 24, 2008. If the investment manager does not receive your instructions by that date, it will vote your $uper $aver 401(k) Plan shares in the same proportion as shares for which instructions were received from other employee/participants in the $uper $aver 401(k) Plan. As of March 24, 2008, the $uper $aver 401(k) Plan held an aggregate 628,427 shares of our common stock on behalf of employees/participants.

Please note that having unexercised stock options, in and of itself, is not sufficient to entitle the holder of such options to vote at or attend the annual meeting. You must be a stockholder of record or a street name holder at the close of business on March 24, 2008 to vote the shares of common stock you held on that date at the annual meeting.

How do I vote before the annual meeting?

Stockholders of record on March 24, 2008 may vote before the annual meeting, as explained in the detailed instructions on the proxy card or voting instruction form. In summary, you may vote before the annual meeting by any one of the following methods:

By Internet. If you are a record holder, you can vote on the Internet at the website address shown on the proxy card. The Internet voting procedure allows you to authenticate your identity and vote your shares. In addition, it will confirm that we have properly recorded your instructions. If you hold your shares in street name, the availability of Internet voting will depend on the voting process of your bank or broker. Please follow the Internet voting instructions found on the voting instruction form you receive from your bank or broker. ***If you elect to vote using the Internet, you may incur telecommunication and/or Internet access charges for which you are responsible.***

By telephone. If you are a record holder, you can vote by telephone using the telephone number shown on the proxy card. The telephone voting procedure allows you to authenticate your identity and vote your shares. In addition, it will confirm that we have properly recorded your instructions. If you hold your shares in street name, the availability of telephone voting will depend on the voting process of your bank or broker. Please follow the telephone voting instructions found on the voting instruction form you receive from your bank or broker.

By mail. If you are a record holder, you can vote by mail by completing, signing and returning the enclosed proxy card in the postage paid envelope provided. The proxies will vote your shares in accordance with your directions provided on the card. If you hold your shares in street name, please follow the mail voting instructions found on the voting instruction form you receive from your bank or broker.

When will Internet and telephone voting facilities close?

For stockholders of record, the Internet voting facilities will close at 11:59 p.m. (Central Daylight Saving Time) on May 20, 2008 and the telephone voting facilities will be available until the annual meeting begins at 8:00 a.m. (Central Daylight Saving Time) on May 21, 2008. If your shares are held in street name, please refer to the information provided by your bank, broker or nominee for information on when voting will end.

Can I change my vote after I have voted?

Yes. If you are a record holder on March 24, 2008, you may change your vote or revoke your proxy at any time before the annual meeting begins by filing a notice of revocation and a properly executed, later-dated proxy with our Corporate Secretary. Whether you are a record holder or hold your shares in street name, you may also change your vote or revoke your proxy by attending and voting your shares at the annual meeting, subject to requirements for attending and voting at the annual meeting.

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How are votes counted?

With respect to the election of directors (proposal 1), you may either vote FOR all or less than all of the nominated directors or your vote may be WITHHELD as to one or more of them. Stockholders elect the nominated directors by a plurality of the votes cast at the annual meeting. This means that the stockholders will elect the thirteen persons receiving the highest number of FOR votes at the annual meeting. See Majority Voting, on page 8 of this Proxy Statement, for further details regarding the election of directors.

With respect to proposals 2, 3, 4, 5 and 6, a majority of the votes cast at the annual meeting is required for approval. With respect to these five proposals, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN , it will not ha an effect on the approval of these five proposals.

If you are a record holder, you may vote your shares in person at the annual meeting, through the mail, by telephone or over the Internet, each as described on the proxy card (see also How do I vote before the annual meeting? for more information). If you sign your proxy card and provide no further instructions, the proxies will vote your shares FOR proposals 1 (as to all nominated directors) and 2; and AGAINST proposals 3, 4, 5 and 6. With respect to any additional matters that properly come before the annual meeting, the vote will be determined by our proxies, Gerard J. Arpey, David L. Boren and Ann M. Korologos, each with full power to act without the others and with full power of substitution, to vote in their discretion.

If you hold your shares in street name, follow the instructions on the voting instruction form you receive from your broker (see also How do I vote before the annual meeting? for more information).

With respect to any additional matters that properly come before the annual meeting, the vote will be determined in the discretion of our proxies.

Please note that the election of directors and the ratification of appointment of our independent auditors (proposals 1 and 2, respectively) are discretionary items under the voting procedures of the New York Stock Exchange (NYSE). Member brokers of the NYSE who do not receive voting instructions from the beneficial owners may vote such shares in their discretion with respect to these two proposals. Proposals 3, 4, 5 and 6 are non-discretionary items and NYSE member brokers do not have discretion to vote on these proposals. If you do not submit voting instructions and if your broker does not have discretion to vote your shares on a proposal (a broker non-vote), we will not count your shares in determining the outcome of the vote on proposals 3, 4, 5 and 6. If you hold your shares in street name, you may vote your shares in person at the annual meeting only if you obtain a legal proxy from the broker or nominee that held your shares on March 24, 2008.

What are the Board of Directors recommendations?

The Board of Directors recommendations are included with the description of each item in this Proxy Statement. In summary, the Board of Directors recommends a vote:

FOR the election of the nominated slate of directors (proposal 1);

FOR the ratification of the selection by the Audit Committee of Ernst & Young LLP as our independent auditors for 2008 (proposal 2); and

AGAINST approval of stockholder proposals 3, 4, 5 and 6.

What happens if additional matters are presented at the annual meeting?

Other than the six proposals described in this Proxy Statement, we are not aware of any other business to be presented at the annual meeting. If you sign and return the proxy card or the voting instruction form, our proxies will have discretion to vote your shares on any additional matters presented at the annual meeting. If for any reason any director nominee cannot stand for election at the annual meeting, our proxies will vote your shares for a substitute nominee, if any, that the Board of Directors may nominate. We note that our bylaws provide that any stockholder wishing to bring any other item before an annual meeting, other than proposals intended to be included in the proxy materials and nominations for directors, must have notified the Corporate Secretary of such fact not less than 60 nor more than 90 days before the date of the annual meeting.

Who will bear the cost of soliciting proxies for the annual meeting?

We will pay the cost of this solicitation. In addition to using regular mail, we may use directors, officers, employees or agents of us or our subsidiaries to solicit proxies, in person or by telephone, facsimile, e-mail or other means of electronic communication. We will also request brokers or nominees who hold common stock in their names to forward proxy materials to the beneficial owners of such stock at our expense. To aid in the solicitation of proxies, we have retained D.F. King & Co., Inc., a firm of professional proxy solicitors, at an estimated fee of $10,000, plus reimbursement of normal expenses.

When and where can I find the voting results of the annual meeting?

We intend to post the official voting results of the annual meeting to the Investor Relations section of our website (www.aa.com/investorrelations) as soon as possible. In addition, the official results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2008.

PROPOSAL 1 ELECTION OF DIRECTORS

The Board of Directors proposes that stockholders elect at the annual meeting the following thirteen director candidates, all of whom currently serve as our directors, to serve until the next annual meeting. Each of the nominees for election as a director has indicated that he or she will serve if elected by the stockholders and has furnished the following information to us with respect to his or her principal occupation or employment and business directorships as of March 24, 2008.

Unless otherwise indicated, all proxy cards and voting instruction forms that authorize the persons named therein to vote for the election of directors will be voted for the election of the nominees listed below. If any nominee is not available for election because of unforeseen circumstances, the proxies designated by the Board of Directors intend to vote for the election of a substitute nominee, if any, that the Board of Directors may nominate. Although we will attempt to provide advance notice of such a substitute nominee, we may be unable to do so in certain circumstances.

NOMINEES FOR ELECTION AS DIRECTORS

Gerard J. Arpey (Age 49)
First elected a director in 2003

Chairman, President and Chief Executive Officer of AMR Corporation and American Airlines, Inc., Fort Worth, Texas, since May 2004; air transportation. Previously, Mr. Arpey held the following positions with AMR Corporation and with American Airlines: President and Chief Executive Officer from April 2003 to May 2004; President and Chief Operating Officer from April 2002 to April 2003; Executive Vice President Operations from January 2000 to April 2002; and Senior Vice President Finance and Planning and Chief Financial Officer from March 1995 to January 2000.

John W. Bachmann (Age 69)
First elected a director in 2001

Senior Partner, Edward Jones, St. Louis, Missouri, since 2004, and Managing Partner from

1980 to January 2004; financial services. Mr. Bachmann began his career at Edward Jones in 1959. He is also a director of the Monsanto Company.

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David L. Boren (Age 66)
First elected a director in 1994

President, The University of Oklahoma, Norman, Oklahoma, since 1994; educational institution. From 1979 through 1994, Mr. Boren was a United States Senator for Oklahoma. From 1975 through 1979, he was the Governor of Oklahoma. He is also a director of Hiland Partners, LP, Texas Instruments Incorporated and Torchmark Corporation.

Armando M. Codina (Age 61)
First elected a director in 1995

President and Chief Executive Officer, Flagler Development Group, Inc., Coral Gables, Florida, since 2006; commercial real estate and railroad businesses. From 1979 to April 2006, Mr. Codina served as Chairman and Chief Executive Officer of Codina Group, Inc. until its merger with Flagler Development Group in 2006. He is also a director of General Motors Corporation, Merrill Lynch & Co., Inc. and The Home Depot, Inc.

Rajat K. Gupta (Age 59)
First elected a director in 2008

Senior Partner Emeritus, McKinsey & Company, Stamford, Connecticut, since 2007; management consulting services. Mr. Gupta served as McKinsey & Company s Senior Partner from 2003 until his retirement and as Worldwide Managing Director from 1994 until 2003. Prior to that, he held a variety of positions at McKinsey & Company since 1973. Mr. Gupta is also a director of Genpact Limited, Goldman Sachs Group, Inc. and The Procter & Gamble Company.

Alberto Ibargüen (Age 64)
First elected a director in 2008

President and Chief Executive Officer of the John S. and James L. Knight Foundation, Miami, Florida, since 2005; non-profit foundation dedicated to promoting journalism and community development. Mr. Ibargüen previously served as Chairman of Miami Herald Publishing Co. from 1998 to 2005, a Knight Ridder subsidiary, and as publisher of *The Miami Herald* and of *El Nuevo Herald*. Mr. Ibargüen is also a director of PepsiCo, Inc.

Ann M. Korologos (Age 66)
First elected a director in 1990

Chairman, RAND Corporation Board of Trustees, Santa Monica, California, since 2004; international public policy research organization. Mrs. Korologos has held positions with The Aspen Institute from 1993 to present and served as Senior Advisor for Benedetto, Gartland & Company from 1996 to 2005. Previously, she served as United States Secretary of Labor from 1987 to 1989. Mrs. Korologos is also a director of Harman International Industries, Incorporated, Host Hotels & Resorts, Inc., Vulcan Materials Company and Kellogg Company.

Michael A. Miles (Age 68)
First elected a director in 2000

Mr. Miles is a Special Limited Partner of Forstmann Little & Co., New York, New York, and a member of its Advisory Board since 1995; investment banking. Previously, he was Chairman and Chief Executive Officer of Philip Morris Companies Inc. from 1991 until his retirement in 1994. Mr. Miles is also a director of Citadel Broadcasting Corporation, Time Warner Inc. and Dell Inc.

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Philip J. Purcell (Age 64)
First elected a director in 2000

President, Continental Investors, LLC, Chicago, Illinois, since 2006; private investment services. He served as Chairman and Chief Executive Officer of Morgan Stanley from 1997 until his retirement in 2005. Mr. Purcell became President and Chief Operating Officer of Dean Witter in 1982, and was Chairman and Chief Executive Officer of Dean Witter Discover & Co. from 1986 until it acquired Morgan Stanley in 1997.

Ray M. Robinson (Age 60)
First elected a director in 2005

Chairman of Citizens Trust Bank, Atlanta, Georgia, since 2003; banking. Mr. Robinson has been Vice Chairman of the East Lake Community Foundation since November 2003, and is President Emeritus of the East Lake Golf Club. He served AT&T Corporation as its President of the Southern Region from 1996 to May 2003 and as its Vice President, Corporation Relations from 1994 to 1996. Mr. Robinson is also a director of Aaron Rents, Inc., Acuity Brands, Inc., Avnet, Inc. and ChoicePoint Inc.

Dr. Judith Rodin (Age 63)
First elected a director in 1997

President, The Rockefeller Foundation, New York, New York, since 2005; private philanthropic institution. From 1994 to 2004, Dr. Rodin was the President of the University of Pennsylvania. Dr. Rodin is also a director of Citigroup Inc. and Comcast Corporation.

Matthew K. Rose (Age 48)
First elected a director in 2004

Chairman, President and Chief Executive Officer, Burlington Northern Santa Fe Corporation, Fort Worth, Texas, since 2002; rail transportation. Previously, Mr. Rose held the following positions at Burlington Northern Santa Fe Corporation or its predecessors: President and Chief Executive Officer from December 2000 to March 2002; President and Chief Operating Officer from June 1999 to December 2000; and Senior Vice President and Chief Operations Officer from August 1997 to June 1999. He is also a director of Centex Corporation.

Roger T. Staubach (Age 66)
First elected a director in 2001

Executive Chairman, The Staubach Company, Addison, Texas, since 2007; global commercial real estate strategy and services firm. Previously, he served as Chairman and Chief Executive Officer from 1982 to 2007. After graduating from the United States Naval Academy in 1965, Mr. Staubach served four years as an officer in the U.S. Navy. He played professional football from 1969 to 1979 with the Dallas Cowboys. Mr. Staubach is also a director of

Cinemark Holdings, Inc.

A plurality of the votes cast is necessary for the election of each director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL NOMINEES LISTED ABOVE.

CORPORATE GOVERNANCE

Majority Voting

In 2006, the Board of Directors revised the Board of Directors Governance Policies so that any nominee for director who receives a greater number of votes WITHHELD than votes FOR in an uncontested election will be required to tender his or her resignation promptly to the Nominating/Corporate Governance Committee of the Board of Directors. The Nominating/Corporate Governance Committee will consider our best interests and the best interests of the stockholders and recommend to a special committee of independent directors of the Board of Directors whether to accept the tendered resignation or to take some other action. This special committee of the Board of Directors will be composed of only those independent directors who did not receive a majority of withheld votes and will consider the Nominating/Corporate Governance Committee s recommendation. Within 90 days following the uncontested election, this special committee will determine whether to accept the tendered resignation or take some other action. Thereafter, we will publicly disclose the special committee s decision.

If one or more members of the Nominating/Corporate Governance Committee receive a majority of withheld votes, then the Board of Directors will create a special committee of independent directors who did not receive a majority of withheld votes to consider the resignation offers of all directors receiving a majority of withheld votes. The special committee of the Board of Directors will determine whether to accept the tendered resignation or to take some other action and promptly disclose their decision. Any director who receives a majority of withheld votes and tenders his or her resignation will not participate in the committee determination. However, if there are three or fewer independent directors who did not receive a majority of withheld votes in the same election, then all independent directors may participate in the committee action regarding whether to accept the resignation or take some other action. The foregoing is a summary of the director resignation procedure. The entire procedure is set forth in Section 18 of the Board of Directors Governance Policies, which are available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Corporate Governance link. The Board of Directors Governance Policies are also available free of charge in print to any stockholder who sends a request to the Corporate Secretary at the address on page 65 of this Proxy Statement.

Stockholder Right to Call a Special Meeting

In April 2008, the Board of Directors amended our bylaws to add a provision giving stockholders the ability to call a special meeting. Specifically, the Board of Directors amended our bylaws to provide that a special meeting of stockholders shall be called, subject to certain advance notice and information requirements, upon receipt of written requests from holders of shares representing at least 25 percent of our outstanding common stock. Under the provision, a special meeting is not required to be called if (a) the request relates solely to a matter or matters not a proper subject for stockholder action under applicable law, (b) the request is received during the period commencing 90 days prior to the first anniversary of the previous year s annual meeting of stockholders and ending on the date of the next annual meeting, (c) an annual or special meeting at which an identical or substantially similar item or items was presented was held not more than 120 days before the delivery of such request, has been called but not yet held, or will be held within 120 days or (d) the request was made in a manner that involved a violation of Regulation 14A under the Securities Exchange Act of 1934, as amended (the Exchange Act) or other applicable law. The election of directors shall be deemed substantially similar to all items of business involving the election or removal of directors. Our bylaws also provide that our Board of Directors, Chairman of the Board of Directors or President may call a special meeting of the stockholders. Our bylaws are available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Corporate Governance link. Our bylaws are also available free of charge in print to any stockholder who sends a request to the Corporate Secretary at the address on page 65 of this

Proxy Statement.

Number of Board of Directors Meetings; Attendance at Board of Directors, Committee and Annual Meetings

We generally hold eight regular meetings of the Board of Directors per year, and schedule special meetings when required. The Board of Directors held eight regular meetings in 2007, two of which were by telephone conference, and seven special meetings, one of which was by telephone conference. During 2007, each director attended at least 75% of the sum of the total number of meetings of the Board of Directors and each committee of which he or she was a member. We encourage each director to attend the annual meeting. Last year, all directors attended the annual meeting of stockholders.

Self-Assessment

In January of each year, the Board of Directors and its standing committees each conduct a self-assessment of the effectiveness of the Board and each standing committee.

Standards of Business Conduct for Employees and Directors

We have written standards for business conduct that are applicable to all our employees. We designed our Standards of Business Conduct to help employees resolve ethical issues in an increasingly complex business environment. The Standards of Business Conduct apply to all our employees, including without limitation, the Chief Executive Officer, the Chief Financial Officer, the General Counsel and Chief Compliance Officer, the Controller, the Treasurer, the Corporate Secretary and the General Auditor. The Standards of Business Conduct cover several topics including, without limitation, conflicts of interest; full, fair, accurate, timely and understandable disclosure in Securities and Exchange Commission (SEC) filings; confidentiality of information and accountability for adherence to the Standards of Business Conduct; prompt internal reporting of violations of the Standards of Business Conduct; and compliance with laws and regulations. A copy of the Standards of Business Conduct is available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Standards of Business Conduct link.

The Board of Directors has adopted a Code of Ethics and Conflicts of Interest Policy for the Board of Directors. We designed our Code of Ethics and Conflicts of Interest Policy to, among other things, assist the directors in recognizing and resolving ethical issues and identifying and avoiding conflicts of interest. A copy of the Code of Ethics and Conflicts of Interest Policy is available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Corporate Governance link. We may post amendments to, or waivers of, the provisions of the Standards of Business Conduct and the Code of Ethics and Conflicts of Interest Policy with respect to any director or executive officer on the foregoing website. The Standards of Business Conduct and the Code of Ethics and Conflicts of Interest Policy are available free of charge in print to any stockholder who sends a request to the Corporate Secretary at the address on page 65 of this Proxy Statement.

Executive Sessions and the Lead Director

Non-employee directors meet regularly throughout the year without management. We hold these executive sessions at least twice per year in conjunction with the January and July meetings of the Board of Directors. In 2007, the non-employee directors held executive sessions in January, March, April, May, July, September and November. The Board of Directors appoints a Lead Director from among the independent directors to chair these executive sessions. Edward A. Brennan served as Lead Director from May 2004 until his retirement (effective March 31, 2007). Upon the retirement of Mr. Brennan, in March 2007, Mr. Codina was elected as the Lead Director of the Board of Directors (effective April 1, 2007). The Lead Director has frequent contact with Mr. Arpey and the other members of our senior management throughout the year. The Lead Director or the Chairman of the Nominating/Corporate Governance Committee may schedule executive sessions. In addition, such sessions may be scheduled at the request of the Board of Directors.

The Lead Director, among other things:

- leads the Board of Directors process for evaluating the performance of the Chief Executive Officer;

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presides at all meetings of the Board of Directors at which the Chairman of the Board is not present, including executive sessions of the independent directors unless the directors decide that, due to the subject matter of the session, another independent director should preside;

serves as a liaison between the Chairman of the Board and the independent directors;

generally approves meeting agendas and information, as well as other items; and

has the authority to call meetings of the independent directors.

Evaluation of the Chief Executive Officer

Each year, the Lead Director leads the independent directors in an executive session to assess the Chief Executive Officer s performance. The results of this review are discussed with the Chief Executive Officer.

Continuing Education

We encourage and afford our directors the opportunity to attend seminars, conferences and external director education programs relating to, among other things, board governance practices and the functioning of the Board of Directors principal committees. We also conduct a comprehensive orientation process for new directors. In addition, directors receive ongoing continuing education through educational sessions at meetings and periodic mailings between meetings. We hold periodic, mandatory training sessions for the Audit Committee and invite the other directors and executive officers to these sessions. We reimburse the directors for any costs associated with these seminars and conferences, including related travel expenses.

Director Access to Management and Independent Advisers

Independent directors have direct access to members of management whenever they deem it necessary. In accordance with NYSE listing standards, each of the Audit Committee, the Compensation Committee and the Nominating/Corporate Governance Committee has the authority to retain its own independent advisers at our expense. The independent directors and the Diversity Committee are also free to retain their own independent advisers at any time and at our expense.

Contacting the Board of Directors

The Board of Directors has approved procedures to facilitate communications between the directors and employees, stockholders and other interested third parties. Pursuant to these procedures, a person who desires to contact the Lead Director, a standing committee of the Board of Directors, the Board of Directors as a whole or any individual director may do so in writing to the following address:

AMR Corporation
The Board of Directors
P.O. Box 619616, MD 5675
Dallas/Fort Worth International Airport, Texas 75261-9616

These procedures are available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Corporate Governance link.

Upon receipt of any communication to the Board of Directors, we will distribute the communication to the Lead Director, to another director or to an executive officer as appropriate, in each case depending on the facts and circumstances outlined in the communication. For example, a letter concerning a stockholder nominee would be sent to the Chairman of the Nominating/Corporate Governance Committee; a complaint regarding accounting or internal accounting controls would be forwarded to the Chairman of the Audit Committee and the General Auditor; and a complaint regarding passenger service would be sent to the executive officer responsible for customer service. The Corporate Secretary and the Nominating/Corporate Governance Committee periodically review (at least quarterly) data about the number and types of stockholder communications received; the nature of the communications; to whom the communication was directed; the number of responses sent; and, as applicable, the ultimate disposition of any communication. The Board of Directors has approved this process.

BOARD COMMITTEES

The Board of Directors has standing Audit, Compensation, Diversity and Nominating/Corporate Governance committees. All members of the Audit Committee are independent in accordance with the listing standards of the NYSE, the requirements of the SEC, and the Board of Directors independence criteria. In addition, all members of the Compensation Committee, the Diversity Committee and the Nominating/Corporate Governance Committee are independent in accordance with the NYSE listing standards and our independence criteria. No member of the Audit Committee, the Compensation Committee, the Diversity Committee or the Nominating/Corporate Governance Committee is a current or former employee or officer of us or any of our affiliates. The committees on which the members of the Board of Directors (other than Mr. Arpey) serve as of April 1, 2008 are identified below.

Director	Audit Committee	Compensation Committee	Diversity Committee	Nominating/Corporate Governance Committee
John W. Bachmann	ü(Chair)		ü	
David L. Boren		ü		ü
Armando M. Codina				ü(Chair)
Rajat K. Gupta	ü			
Alberto Ibargüen	ü			
Ann M. Korologos			ü	
Michael A. Miles		ü(Chair)		
Philip J. Purcell		ü	ü	
Ray M. Robinson	ü			ü
Judith Rodin		ü	ü	
Matthew K. Rose	ü			
Roger T. Staubach			ü(Chair)	
Number of Committee Meetings in 2007:	9	7	6	6

Each of the Audit, Compensation, Diversity and Nominating/Corporate Governance Committees has a charter that details the committee s responsibilities. The charters for all the standing committees of the Board of Directors are available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the

Corporate Governance link. The charters are also available in print and free of charge to any stockholder who sends a written request to the Corporate Secretary at the address on page 65 of this Proxy Statement.

Nominating/Corporate Governance Committee Matters

Functions

The functions of the Nominating/Corporate Governance Committee include:

- Establishing and implementing appropriate processes for the Board of Directors and the standing committees of the Board of Directors;
- Recommending candidates for officer positions and, along with the Chief Executive Officer, reviewing our succession planning;
- Proposing a slate of directors for election by the stockholders at the annual meeting;
- Nominating candidates to fill any vacancies on the Board of Directors;
- Determining the optimal size of the Board of Directors;
- Reviewing and setting the compensation of directors;
- Considering the qualifications of stockholder and self-nominated director nominees in accordance with pre-established guidelines;

Developing and reviewing the Board of Directors Governance Policies;

Monitoring and reviewing succession planning for the Chief Executive Officer;

Reviewing any proposed changes to our Certificate of Incorporation, bylaws and the charters of the standing committees;

Reviewing stockholder proposals for the annual meeting and our responses thereto;

Reviewing transactions with related persons; and

Determining director independence under applicable rules and the Board of Directors Governance Policies.

Director Nominees

As noted above, the Nominating/Corporate Governance Committee is responsible for recommending director nominees for election to the Board of Directors. To fulfill this role, the Nominating/Corporate Governance Committee annually reviews the optimal size of the Board of Directors and its composition to determine the qualifications and areas of expertise needed to enhance the composition of the Board of Directors. To be considered, a candidate must:

have unquestioned integrity;

have a well established record in business, finance, government relations, academics or the sciences;

have the ability to devote substantial time to the Board of Directors and at least one of the standing committees of the Board of Directors; and

contribute to the diversity, in the broadest sense, of the Board of Directors.

Among other things, when assessing a candidate s qualifications (including a self-nominee or a candidate nominated by a stockholder), the Nominating/Corporate Governance Committee considers:

the number of other boards on which the candidate serves, including public and private company boards as well as not-for-profit boards;

other business and professional commitments of the candidate;

the Board of Directors need at that time for directors having certain skills and experience;

the potential for any conflicts between our interests and the interests of the candidate;

the candidate s ability to fulfill the independence standards required of directors;

the candidate s ability to add value to the work of the standing committees of the Board of Directors; and

the diversity, in the broadest sense, of the directors then comprising the Board of Directors.

In addition, all directors are expected to exercise their best business judgment when acting on our behalf; to represent the interests of all of our stockholders; to act ethically at all times; and to adhere to the ethical standards applicable to the directors (see Standards of Business Conduct for Employees and Directors, on page 9 of this Proxy Statement, for further details regarding our standards of conduct).

The Nominating/Corporate Governance Committee considers all of these factors when determining whether to recommend a candidate for a director position. In 2007, the Nominating/Corporate Governance Committee retained RSR Partners, formerly the Directorship Search Group, to assist it in locating candidates for the Board of Directors following Mr. Brennan s retirement. RSR Partners identified Mr. Gupta as a potential candidate, and Mr. Gupta was ultimately recommended to the Board of Directors by the Nominating/Corporate Governance Committee and elected by the Board in January 2008. We anticipate that RSR Partners will continue to assist us in identifying or evaluating potential nominees, as necessary. Also in 2007, Mr. Codina introduced Mr. Ibargüen to us. He was recommended to the Board of Directors by the Nominating/Corporate Governance Committee and elected by the Board in January 2008.

Stockholder Nominees

The Nominating/Corporate Governance Committee will consider stockholder nominees for election to the Board of Directors at an annual meeting or in the event a vacancy exists on the Board of Directors. In 2007, no individuals self-nominated themselves for election to the Board of Directors. See Other Information, beginning on page 64 of this Proxy Statement, for further details regarding submitting nominations for director positions.

Director Independence; Board of Directors Governance Policies

The Board of Directors has approved the Board of Directors Governance Policies (the Governance Policies), which govern certain of the Board of Directors procedures and protocols. The Governance Policies are available on the Investor Relations section of our website located at www.aa.com/investorrelations by clicking on the Corporate Governance link. The Governance Policies are also available free of charge in print to any stockholder who sends a written request to the Corporate Secretary at the address on page 65 of this Proxy Statement.

Among other things, the Governance Policies establish the standards to determine the independence of the directors. In general, the Governance Policies provide that a director is independent if the director has no direct or indirect material relationship with us. A relationship is material if it would interfere with the director s independent judgment. To assist the Nominating/Corporate Governance Committee in determining whether a relationship is material, the Board of Directors has established guidelines in the Governance Policies. In general, the guidelines provide that a director is not independent if, within certain time parameters:

- We have employed the director or an immediate family member of the director as an officer;
- The director has been affiliated with our independent auditor or if an immediate family member of the director has been so affiliated;
- The director was employed by a company when one or more of our executive officers served on that company s compensation committee;
- An immediate family member of the director was an officer of a company at a time when one or more of our executive officers served on that company s compensation committee;
- The director or an immediate family member of the director is an executive officer of, or otherwise affiliated with, a non-profit organization to which we make payments in excess of $100,000;
- The director received compensation from us for service as a director other than retainers, fees, reimbursements and perquisites; or
- The director is an executive officer of a company that we do business with and to which we make, or from which we receive, payments in excess of $1,000,000 or 2% of the other company s consolidated gross annual revenues, whichever is greater.

This is only a summary of the Board of Directors independence guidelines, which also incorporate any additional requirements of the SEC and the NYSE. A complete list of the guidelines and principles are set forth in the Governance Policies.

In order to determine each director s independence, the Nominating/Corporate Governance Committee reviews transactions between us or our subsidiaries and companies that employ one of our directors (or one of his or her

immediate family members). For example, we have entered into corporate travel agreements with certain companies at which some of our independent directors also serve as officers or employees. These companies, along with the director and their position at such company, are Edward Jones (John W. Bachmann, senior partner); University of Oklahoma (David L. Boren, President); The Rockefeller Foundation (Dr. Judith Rodin, President); Burlington Northern Santa Fe Corporation (Matthew K. Rose, Chairman, President and CEO); and The Staubach Company (Roger T. Staubach, Executive Chairman). Pursuant to these agreements, American Airlines and/or American Eagle provide air transportation to those companies. We believe that the terms of these agreements are at least as favorable to us as those that might be achieved with an unaffiliated third party. The Nominating/Corporate Governance Committee also considered certain transactions with Earl G. Graves, Ltd. described in Transactions with Related Persons below. Mr. Graves, who retired from the Board of Directors on March 31, 2008, is the chairman of Earl G. Graves, Ltd. The Nominating/Corporate Governance Committee determined that such

arrangements do not affect the independence of Messrs. Bachmann, Boren, Rose, and Staubach, and Dr. Rodin and that such transactions did not affect the independence of Mr. Graves when he was a director. In making these determinations, the Nominating/Corporate Governance Committee considered that the payments made by each participating company were less than the greater of $1 million or 2% of the other company s consolidated gross revenues in each of the last three years.

Pursuant to the Governance Policies, the Nominating/Corporate Governance Committee has determined, and the Board of Directors has agreed, that Mrs. Korologos, Dr. Rodin and Messrs. Bachmann, Boren, Codina, Gupta, Ibargüen, Miles, Purcell, Robinson, Rose and Staubach are all independent in accordance with the Governance Policies. In addition, the Nominating/Corporate Governance Committee has previously determined, and the Board of Directors agreed, that Messrs. Brennan and Graves, both of whom have retired from the Board of Directors, were independent in accordance with the Governance Policies during their terms. Since Mr. Arpey is one of our employees, he is not independent.

Transactions with Related Persons

In addition to the independence requirements of the Governance Policies and the obligations of the directors under our Code of Ethics and Conflicts of Interest Policy described on page 9 of this Proxy Statement, the Board of Directors has adopted a written policy with respect to the review, approval or ratification of related party transactions. Our policy defines related party transactions generally as transactions in excess of $120,000 involving us or our subsidiaries in which any of (a) our directors or nominees for director, (b) our executive officers, (c) persons owning five percent or more of our outstanding stock at the time of the transaction, or (d) the immediate family members of our directors, nominees for director, executive officers, or five percent stockholders, has a direct or indirect material interest. In addition, the Board of Directors has determined that certain interests and transactions are by their nature not material and are not subject to the policy.

The policy requires that the Nominating/Corporate Governance Committee, with the assistance of our General Counsel and/or Corporate Secretary, review and approve related party transactions. In its review of a proposed related party transaction, the Nominating/Corporate Governance Committee considers, among other factors: (a) whether the terms of the proposed transaction are at least as favorable as those that might be achieved with an unaffiliated third party; (b) the size of the transaction and the amount of consideration payable to or receivable by a related party; (c) the nature of the interest of the related party; and (d) whether the transaction may involve a conflict of interest.

During 2007, American Airlines advertised in, and sponsored events hosted by, *Black Enterprise* magazine. Mr. Graves, who was a member of our Board of Directors until March 31, 2008, is the Chairman of Earl G. Graves, Ltd., which publishes that magazine. During 2007, the payments made to Earl G. Graves, Ltd. and its affiliates totaled approximately $414,000. The Nominating/Corporate Governance Committee reviewed and ratified these transactions under our Related Party Transaction Policy, as well as under the Board of Directors independence guidelines and Code of Ethics and Conflicts of Interest Policy described above.

Audit Committee Matters

Functions

The functions of the Audit Committee include:

Selecting, retaining, compensating and overseeing our independent auditors;

Approving in advance the services rendered by, and the fees paid to, our independent auditors;

Monitoring compliance with our Standards of Business Conduct;

Periodically reviewing the organization and structure of our Internal Audit department;

Reviewing:

- o the scope and results of the annual audit, including our independent auditors assessment of internal controls
- o quarterly financial information with representatives of management and the independent auditors

- o our consolidated financial statements
- o the scope of non-audit services provided by our independent auditors
- o our periodic filings (Forms 10-K and 10-Q) filed with the SEC, including the section regarding Management s Discussion and Analysis of Financial Condition and Results of Operations
- o our risk management policies
- o other aspects of our relationship with our independent auditors, including a letter on the independence of our auditors; and

Establishing procedures to deal with complaints or concerns regarding accounting or auditing matters.

During 2007, the Audit Committee met nine times. The Audit Committee reviewed, among other things, the quality and integrity of our financial statements; our compliance with legal and regulatory requirements; periodic filings on Form 10-K and Form 10-Q; the qualifications and independence of Ernst & Young LLP; the performance of our internal audit function; the status of the internal controls audit required by Section 404 of the Sarbanes-Oxley Act of 2002; the performance of the independent auditors; and other significant financial matters.

Each member of the Audit Committee satisfies the definition of independent director as established in the NYSE listing standards and the rules and regulations of the SEC. Also, each member of the Audit Committee fulfills the independence standards established under the Governance Policies and has been determined to be financially literate. The Board of Directors has concluded that Mr. Bachmann qualifies as an audit committee financial expert under SEC rules and regulations and has the requisite financial management expertise as specified under the NYSE listing standards. The Board believes that other members of the committee may also meet these qualifications.

Audit Committee Report

Throughout 2007, the Audit Committee met and held discussions with our management, as well as with Ernst & Young. Several of the discussions between the Audit Committee and Ernst & Young were in private, with no members of our management present. The Audit Committee also met privately (with no other members of our management present) with our General Auditor several times during 2007. Among other things, the Audit Committee reviewed and discussed our audited consolidated financial statements with management, our General Auditor, and Ernst & Young during these meetings.

The Audit Committee has also discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees).

The Audit Committee has received and reviewed the written disclosures and the letter from Ernst & Young required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee has discussed with Ernst & Young the firm s independence.

In reliance upon the reviews and discussions noted above, the Audit Committee recommended to the Board of Directors that our audited consolidated financial statements be included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. Subject to stockholder approval at the 2008 annual meeting, the Audit Committee has also selected Ernst & Young as our independent auditors for 2008 (see proposal 2).

Audit Committee of AMR Corporation:

John W. Bachmann, Chairman

Rajat K. Gupta
Alberto Ibargüen
Ray M. Robinson
Matthew K. Rose

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Independent Auditor s Fees

The following table reflects the aggregate fees paid to Ernst & Young for audit services rendered in connection with the consolidated financial statements, reports for fiscal years 2007 and 2006, and for other services rendered during fiscal years 2007 and 2006 on our behalf and on behalf of our subsidiaries, as well as all out-of-pocket costs incurred in connection with these services:

	(amounts in thousands) 2007	2006
Audit Fees	$ 2,489	$ 2,578
Audit-Related Fees	890	982
Tax Fees	74	35
All Other Fees	0	0
Total Fees	$ 3,453	$ 3,595

Audit Fees: Consists of fees billed for professional services rendered for (a) the audit of our consolidated financial statements; (b) the audit of internal controls over financial reporting; (c) the review of the interim condensed consolidated financial statements included in quarterly reports; (d) services that are normally provided by Ernst & Young in connection with statutory and regulatory filings or engagements and attest services, except those not required by statute or regulation; and (e) consultations concerning financial accounting and reporting standards.

Audit-Related Fees: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit Fees. These services include (a) employee benefit plan audits; (b) auditing work on proposed transactions; (c) attest services that are not required by statute or regulation; and (d) consultations concerning financial accounting and reporting standards that do not impact the annual audit.

Tax Fees: Consists of tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees billed for professional services related to federal, state and international tax compliance; assistance with tax audits and appeals; expatriate tax services; and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

All Other Fees: There were no fees for other services not included above.

In selecting Ernst & Young as our independent auditors for the fiscal year ending December 31, 2008, the Audit Committee has considered whether services other than audit and audit-related services provided by Ernst & Young are compatible with maintaining the firm s independence.

The Audit Committee pre-approves all audit and permissible non-audit services provided by Ernst & Young, including audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and includes an anticipated budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee. Pursuant to this delegation, the Chairman of the Audit Committee must report any pre-approval decision by him to the Audit Committee at its first meeting following his pre-approval. The Audit Committee pre-approved all such audit and

permissible non-audit services in 2007 and 2006 in accordance with these procedures.

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Diversity Committee Matters

Functions

The functions of the Diversity Committee include:

Providing oversight, counsel and guidance to senior management at American Airlines, our other subsidiaries and the Board of Directors on issues related to diversity and inclusion, including:

- Equal employment opportunity policies
- Hiring practices
- Employee retention issues
- Corporate procurement decisions, including our Supplier Diversity Program
- Work environment;

Monitoring and overseeing the development and implementation of diversity policies, programs and procedures to ensure that they are appropriate to, and assist in the fulfillment of, our responsibilities to our internal and external minority constituencies; and

Exploring a wide spectrum of our operations to assist us in promoting our diversity efforts.

Compensation Committee Matters

Functions

The functions of the Compensation Committee include:

Formulating and approving the compensation and benefit programs for our officers and the officers of our subsidiaries;

Approving the compensation of our Chief Executive Officer based on an evaluation of his performance;

Approving and monitoring our annual incentive program and our stock-based and other compensation programs;

Determining performance measures under our various compensation programs;

Determining amounts to be paid under our compensation and benefits programs; and

Retaining compensation consultants to perform an annual review of executive compensation.

Processes and Procedures

The Compensation Committee acts on behalf of the Board of Directors and has the responsibility for approving the compensation of all of our officers, including the named executive officers. This responsibility includes establishing

and implementing our executive compensation objectives, including linking each named executive officer s compensation to our short-term and long-term strategic, financial and operational goals. The Compensation Committee also determines: (a) the performance measures established for performance-based awards for our officers; and (b) where the performance measures are subjective, the achievement of those performance measures and the amounts payable with respect to those awards. The Compensation Committee reviews and has the authority to adopt employment and change in control agreements with our officers and incentive plans for our officers, including those pertaining to performance shares, deferred shares, stock-settled stock appreciation rights and career performance shares.

The Compensation Committee is responsible for the administration of our executive compensation program. The Compensation Committee delegates authority for the day-to-day administration of our executive compensation program to our Senior Vice President Human Resources and Human Resources Department, but the Compensation Committee does not delegate compensation determinations for our officers.

The Compensation Committee meets regularly throughout the year to review general compensation issues and to monitor the compensation of our officers. In fulfilling its responsibilities, the Compensation Committee has the authority to retain, and establish the duties and compensation of, external compensation consultants. During 2007,

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the Compensation Committee retained Hewitt Associates LLC to evaluate the competitiveness and reasonableness of our executive compensation relative to other public corporations employing similar executive talent. The Compensation Committee also engaged Deloitte Consulting LLP to advise the Compensation Committee on the Chief Executive Officer s compensation package, incentive plan design and other executive compensation matters. Deloitte Consulting and certain of its affiliates and Hewitt Associates have also provided other services to us, such as tax and consulting services; however, the Compensation Committee does not believe that these relationships impair their independence.

With respect to executives other than the Chief Executive Officer, the Compensation Committee makes compensation decisions with, and frequently based upon the recommendation of, the Chief Executive Officer and our Senior Vice President Human Resources. The Compensation Committee also reviews and considers comparative market data provided by Hewitt Associates. The Compensation Committee makes all determinations with respect to the Chief Executive Officer s compensation with the assistance, when appropriate, of our Lead Director, Hewitt Associates and Deloitte Consulting.

The Nominating/Corporate Governance Committee is responsible for determining compensation for the Board of Directors. See Director Compensation, beginning on page 48 of this Proxy Statement, for further details regarding the Nominating/Corporate Governance Committee s role in this determination.

The Compensation Discussion and Analysis below provides further details regarding our compensation objectives and programs, including information regarding the Compensation Committee s annual compensation review, the types of compensation awards it uses, and the manner in which the Compensation Committee determines the size and terms of such awards.

Compensation Committee Interlocks and Insider Participation

Dr. Rodin and Messrs. Boren, Codina (until March 2007), Miles and Purcell were the members of the Compensation Committee during 2007. None of the members of the Compensation Committee was at any time during 2007, or at any other time, one of our officers or employees. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or our Compensation Committee.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides an overview and analysis of the material elements and objectives of our executive compensation program. We provide information relating to the following, who were our named executive officers in 2007:

Gerard J. Arpey, Chairman, President and Chief Executive Officer of AMR Corporation and American Airlines;

Thomas W. Horton, Executive Vice President Finance and Planning and Chief Financial Officer of AMR Corporation and American Airlines;

Daniel P. Garton, Executive Vice President Marketing of AMR Corporation and American Airlines;

Robert W. Reding, Executive Vice President Operations of AMR Corporation and American Airlines; and

Gary F. Kennedy, Senior Vice President, General Counsel and Chief Compliance Officer of AMR Corporation and American Airlines.

This discussion should be read in conjunction with Executive Compensation beginning on page 30 of this Proxy Statement.

Administration of Executive Compensation Program

The Board of Directors delegates oversight of our executive compensation program to the Compensation Committee, although the Compensation Committee discusses executive compensation matters with the entire Board and shares materials from the Compensation Committee s meetings with the entire Board of Directors. The Compensation Committee is responsible for establishing our executive compensation objectives, approving the corporate objectives against which the committee measures performance in setting certain elements of our executive compensation packages, and determining the compensation of all of our officers, including the named executive officers. The Compensation Committee meets regularly throughout the year to review general compensation issues. See Processes and Procedures, beginning on page 17 of this Proxy Statement, for further details regarding administration of our executive compensation program.

Role of the Compensation Consultants

The Compensation Committee utilizes the advice of two external consultants, Hewitt Associates LLC and Deloitte Consulting LLP. The Compensation Committee retains Hewitt Associates to evaluate the competitiveness and reasonableness of our executive compensation relative to other public corporations employing similar executive talent. The Compensation Committee also engages Deloitte Consulting to advise the Compensation Committee on the Chief Executive Officer s compensation package, incentive plan design and other executive compensation matters. The compensation consultants meet with the Compensation Committee during its annual review of executive compensation, including in executive session without any members of management present. At the direction of the Compensation Committee, the compensation consultants collaborate with and assist Mr. Arpey and other members of management, including the Senior Vice President of Human Resources, in obtaining information necessary for them to form their recommendations and evaluate management s recommendations regarding compensation.

Role of the Chief Executive Officer in Setting Compensation

Mr. Arpey regularly attends Compensation Committee meetings, including the committee s annual review of executive compensation. At these meetings, he provides his perspective on the performance of our officers, including the other named executive officers, and other subjective considerations that may influence the Compensation Committee s compensation decisions, such as retention and succession planning and critical personnel and business needs. He also presents his views on compensation recommendations for the other named executive officers. The Compensation Committee gives considerable weight to Mr. Arpey s evaluation of the other named executives officers because he has direct knowledge of each officer s performance and contributions since they report directly to him. Mr. Arpey does not participate in the Compensation Committee s deliberations or decisions with regard to his compensation, although he discusses his compensation with the Compensation Committee and its consultants.

Process to Determine Compensation

Annually, the Compensation Committee, with the participation of our Lead Director, conducts a comprehensive review of our executive compensation program. The compensation review includes a review of: (a) a report prepared by our Human Resources department evaluating our executive compensation to ensure that we are achieving our compensation objectives and (b) a comprehensive report from Hewitt Associates evaluating the competitiveness of our executive compensation program relative to the programs at companies in a comparator group. Since we compete for our executive talent with companies both within and outside our industry, Hewitt included in the 2007 comparator group six major U.S. airlines, as well as twenty-six other public companies that have certain similar characteristics to us, such as (a) comparable revenue size (with our revenue approximately at the median of the revenues of the companies in the comparator group), (b) operations in multiple locations across the United States, (c) similar labor requirements, (d) headquarters in the Dallas-Fort Worth area, and/or (e) comparable management structures so that job

comparisons were meaningful. In addition, at the time of this review and with the participation of our Lead Director, the Compensation Committee evaluates the Chief Executive Officer s compensation.

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For the 2007 compensation review, we reviewed data for a comparator group comprised of the following 32 companies:

3M Company
Alcoa Inc.
The Boeing Company
Burlington Northern Santa Fe Corporation
Caterpillar Inc.
Continental Airlines, Inc.
The Coca Cola Company
Deere & Company
Delta Air Lines, Inc.
FedEx Corporation
General Dynamics Corporation
The Goodyear Tire & Rubber Company
H.J. Heinz Company
Honeywell International, Inc.
J.C. Penney Corporation, Inc.
Johnson Controls, Inc.
Lockheed Martin Corporation
Motorola, Inc.
Northrop Grumman Corporation
Northwest Airlines Corporation
Raytheon Company
Sara Lee Corporation
Southwest Airlines Co.
Target Corporation
Texas Instruments Incorporated
UAL Corporation
United Parcel Service, Inc.
United Technologies Corporation
US Airways Group, Inc.
Weyerhaeuser Company
Whirlpool Corporation
Xerox Corporation

The Compensation Committee reviews data comparing total compensation and each element of compensation provided to our named executive officers to executive compensation at the companies comprising the comparator group. While the Compensation Committee has the ability to exercise discretion with respect to the total compensation provided to our named executive officers and consider other factors, its policy, except as described below, is to establish a compensation package that provides to each such officer total compensation that is approximately equal to the median total compensation of persons holding comparable positions at the companies comprising the comparator group and generally consistent with the compensation provided to our other named executive officers with similar levels of responsibility. The Compensation Committee generally believes that the median reflects competitive market compensation for our named executive officers, and in 2007, the Compensation Committee approved total compensation packages for our named executive officers that generally were consistent with this policy. However, during 2007 and in prior years, Mr. Arpey s total compensation was below the median of the chief executive officers in the comparator group. While it remains the Compensation Committee s intent to increase Mr. Arpey s salary to be closer to the median of chief executives in the comparator group, in light of the industry s and our current financial situation, the Compensation Committee determined that his total compensation for 2007 should be the same as his 2006 compensation, except for a 1.5% increase to his base salary (that was awarded to all of our employees in 2007) and an increase in the value of his 2007 long-term incentive awards (due to the increased value of our stock at the time of the awards in 2007). In addition, the Compensation Committee determined Mr. Garton s compensation by comparison to the compensation of persons serving in the role of chief financial officer at the comparator companies. The Compensation Committee made this determination due to Mr. Garton s (a) contributions and broad skill set, (b) oversight of a large operating group, our flight attendants, in addition to his marketing responsibilities and (c) prior experience as a chief financial officer of a company in the comparator group.

In addition to reviewing competitive market data, the Compensation Committee considered:

- the need to retain our current named executive officers and motivate them to achieve sustained profitability under our Turnaround Plan described under Compensation Objectives below;
- the absence of short-term incentive awards since 2001 due to the difficulty in achieving the pre-tax earnings margin levels required under our Annual Incentive Plan and its predecessor incentive compensation plan;

the fact that for the ten years from 1997 through 2006, only approximately 75% of the total compensation we granted to our named executive officers has been actually realized; and

the projections for distributions that may occur in the next two years under our compensation plans.

To better understand the impact of its decisions on the total compensation for our named executive officers, the Compensation Committee also analyzes tally sheets. The tally sheets quantify all material components of compensation for the named executive officers during the preceding five years. These include (a) annual base salary and bonuses, (b) outstanding equity awards and their value, (c) compensation actually realized, (d) retirement benefits, (e) potential termination of employment benefits (or payments), and (f) change in control payments under

certain scenarios. Based on its review of the tally sheets and other items described above in 2007, the Compensation Committee concluded that the amounts paid and payable to our named executive officers were reasonable and consistent with our compensation objectives, and the Compensation Committee did not make any material changes to their compensation or our existing programs and policies as a result of such review.

Compensation Objectives

The principal objectives of our executive compensation program are to:

- create stockholder value by linking our executives compensation programs with the interests of our stockholders through stock-based compensation;

- provide compensation that enables us to attract, motivate, reward and retain talented executives;

- reward achievement of the strategic goals set forth in our Turnaround Plan (as described below); and

- adopt a pay for performance approach in which variable or at risk compensation comprises a substantial portion of each executive s compensation.

We believe that our executive compensation program should be considered in the context of the business environment in which we have operated during the last several years. In 2003, we implemented our Turnaround Plan in response to the challenges we faced resulting from the September 11th attacks and the subsequent economic downturn. The plan s four tenets include: (a) lowering costs; (b) increasing our focus on what customers value; (c) increasing union and employee involvement in our operations; and (d) improving our balance sheet and financial structure.

Evaluation of Corporate Performance

To implement our pay for performance objective, a substantial portion of our executives pay is at risk, meaning the final amount of compensation actually realized is dependent on the achievement of certain short-term and long-term financial and operating measures and objectives that, if achieved, would contribute to our long-term financial stability and success. The Compensation Committee has determined that the corporate measures described below are critical to our success and has linked our executives performance-based compensation to these measures:

Measures Utilized in Connection with Short-Term Incentive Compensation Plans

Pre-Tax Profits Over the course of its 80+ year history, the airline business has proven to be very cyclical and vulnerable to general economic conditions and various external factors, such as fuel prices and government regulations in recent years. To encourage our executives to strive to generate adequate profit levels, the Compensation Committee has established a short-term incentive program that requires a minimum 5% pre-tax earnings margin in order for bonuses to be paid. Given the environment in which the airline industry has operated since 2001, this minimum level of pre-tax earnings is an extremely challenging hurdle for us to achieve, and we have not made any annual bonus payments to the named executive officers based on this performance measure since 2001.

Customer Service To reinforce the tenets of the Turnaround Plan, all employees, including the named executive officers, are awarded cash payments under our Annual Incentive Plan if we achieve our target for on-time flight arrivals or customer satisfaction scores. See the discussion regarding the Annual Incentive Plan under Short-Term Incentive Compensation beginning on page 23 for more details. Our success under each metric is determined by external reporting agencies and the amount of the awards varies depending on how well we perform relative to other major U.S. airlines. We believe that by focusing all employees on customer satisfaction, we are more likely to achieve

positive pre-tax earnings and long-term stockholder value.

Measures Utilized in Connection with Long-Term Incentive Compensation Plans

Stock Price Growth We believe that consistent execution of our strategy over multi-year periods should lead to an increase in our stock price over time. Stock-settled stock appreciation rights (SSARs) are one way in which we provide our executive officers with a stake in this potential reward. The actual compensation realized from the SSARs is entirely dependent on increases in our stock price after the SSAR grant date. We also grant

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performance shares and deferred shares that generally vest after three years, the value of which is also dependent on our stock price over time.

Total Shareholder Return In addition to general growth in our stock price, we believe that it is important for our stock to perform as well as or better than other airlines that we compete against. Thus, distributions under our performance share plans are in part dependent on how well our total shareholder return compares to the total shareholder return of our competitors over three-year measurement periods. The Compensation Committee selected the three-year total shareholder return (TSR) measure because it is a market-based metric that directly measures shareholder value creation over the long-term. Use of a relative TSR metric also mitigates the effect of general market or sector performance on our stock price and, by extension, compensation levels for our executive officers.

Corporate Objectives Prior to 2004, TSR was the sole performance measure used to determine distributions, if any, with respect to performance shares. Since the adoption of our Turnaround Plan in 2003, Mr. Arpey and our Senior Vice President of Human Resources have recommended to the Compensation Committee each year, for the committee s review and approval, annual corporate objectives tied to our Turnaround Plan. The Compensation Committee and the Board of Directors believe that successful execution of these objectives is important to our financial stability and long-term success. Accordingly, starting with the approval of the 2004/2006 Performance Share Plan in 2004, the Compensation Committee s determination, in its discretion, of attainment of these objectives has governed one-half of the final distribution of performance shares to our senior executives, including our named executive officers.

In April 2008, however, the Compensation Committee determined that with respect to any performance share awards granted in 2008, the TSR objective should again be the sole performance measure used to determine distributions with respect to such awards. While the Compensation Committee believes that achieving our corporate objectives remains important, it made this policy change in order to more directly align executive compensation with stockholders interests. The Compensation Committee also considered that the TSR measure is transparent and not subjective. The Compensation Committee will continue to approve corporate objectives each year, and all performance shares granted in 2006 and 2007 will continue to be subject to the Compensation Committee s determination of attainment of the corporate objectives.

Primary Components of Compensation

Our executive compensation program principally consists of the following direct compensation components, each of which we describe more fully below and in the accompanying tables and footnotes:

- Base salary;
- Short-term incentive compensation;
- Long-term incentive compensation;
- Retirement benefits; and
- Travel privileges and other benefits.

In addition, we provide certain termination benefits to our officers.

We do not have a formal policy for allocating compensation between cash or non-cash elements and short-term or long-term incentives for our named executive officers. Rather, the Compensation Committee determines the

appropriate allocation of cash or non-cash elements and short-term or long-term compensation with our compensation objectives and comparative company data in mind. At risk compensation is an important element of our compensation program, and represents more than 75% of the named executive officers total compensation package. We provide at risk compensation primarily through grants of stock-based compensation and participation in compensation plans tied to achieving strategic, financial and operational goals and performance measures.

Base salary and short-term incentives are payable in cash. Base salary is generally designed to comprise 15% of the named executive officers total compensation package. Short-term incentive compensation is generally designed to comprise 15% of the named executive officers potential annual compensation, although we have not

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paid annual bonuses to any of our named executives since 2001. Long-term incentive compensation is generally designed to represent 70% of the named executive officers potential annual compensation.

Base Salary

The Compensation Committee believes that it is important to pay a base salary to each of our named executive officers to provide them with a secure, known amount of cash compensation during the year. The Compensation Committee considers competitive market compensation and establishes each officer s base salary close to the median base salary of persons holding comparable positions at the companies comprising our comparator group.

In April 2007, the Compensation Committee approved a uniform 1.5% increase to the named executive officers base salaries, which is the same increase to base salaries that all of our U.S.-based employees received in 2007. Except as noted below for Mr. Reding upon his promotion to Executive Vice President Operations, the Compensation Committee did not approve other increases to base salary for the named executive officers in 2007.

In September 2007, we reorganized our operational functions so that all of our airport service functions became aligned with our flight, maintenance, engineering and technical operation functions under Mr. Reding. Concurrent with this reorganization, the Board of Directors promoted Mr. Reding to Executive Vice President Operations. After reviewing the increase in his scope of responsibilities and comparative market data, the Compensation Committee determined that the following increases to his compensation were appropriate in order to move his total compensation closer to the median for officers in the comparator group with positions similar to his new position:

a 12% increase in his base salary to $522,639;

an increase in his short-term incentive compensation target level to 108% of salary, commensurate with the target award level currently in place for our other executive vice presidents; and

additional equity awards of 15,000 SSARs, 22,400 performance shares and 3,250 deferred shares. These additional grants, combined with the equity awards given to Mr. Reding during the Compensation Committee s annual officer compensation review in July 2007, were commensurate with the equity awards granted to our other executive vice presidents during the annual compensation review in July 2007.

Short-Term Incentive Compensation

Annual Incentive Plan. As part of the Turnaround Plan, we established the Annual Incentive Plan (the AIP) to link the interests of our stockholders, customers and employees. All U.S.-based employees, including the named executive officers, participate in the AIP, which provides cash incentive payments upon the achievement of monthly customer service and annual financial goals.

Awards are earned under the customer service component of the AIP if we achieve at least one of two customer service targets relative to our competitors:

A top six performance for on-time arrival, as determined by the U.S. Department of Transportation; or

A top six performance for customer satisfaction, as determined by Survey America, an independent organization.

The customer service component of the AIP contemplates payments ranging from $25 to $100 per month for each employee, predicated upon our achieving at least one of two customer service targets. In 2007, we paid $50 under the

customer service component of the AIP to each eligible employee, including our named executive officers. In January 2008, we made payments of $800 to each eligible employee of American under the customer service component of the AIP, except no such payments were made to our named executive officers or any of our other officers.

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Awards are earned under the financial component of the AIP if American Airlines achieves threshold, target or maximum pre-tax earnings margins described in the following table:

Level	Pre-Tax Earnings Margin	Approximate Pre-Tax Earnings (Based on American Airlines 2007 Revenue)
Threshold	5%	$ 1.1 Billion
Target	10%	$ 2.3 Billion
Maximum	15%	$ 3.4 Billion

The actual dollar amount of a paid award is determined as a percentage of base salary, and the percentage of base salary varies according to the level of responsibility and the pre-tax earnings margin achieved. As part of its annual compensation review in 2007, the Compensation Committee determined the threshold, target and maximum award payout levels under the financial component of the AIP for 2007 for each of the named executive officers by reference to the short-term incentive compensation awards available to persons holding comparable positions at the companies comprising our comparator group. Subject to the maximum awards established for each of the named executive officers, the Compensation Committee has the discretion to adjust the final awards. The percentages of base salary that each of our named executive officers was eligible to receive in 2007 are set forth in Non-Equity Incentive Plan Awards on page 33 of this Proxy Statement.

We did not make any payments under the financial component of the AIP for 2007, and because we have not achieved any of the pre-tax earnings margin thresholds, we have not made any short-term incentive compensation payments to our named executive officers under the financial component of the AIP (or its predecessor incentive compensation plan) since March 2001.

The Compensation Committee also has the discretion under the AIP to award limited cash incentive payments to the named executive officers and certain other management employees if we do not meet the payout levels. Under the terms of the AIP, any such discretionary payments can be no more than 20% of the employee s maximum bonus payable under the AIP. We did not make any such discretionary cash payments or pay any other forms of bonuses to any of the named executive officers in 2007 or in any previous year.

American Airlines also maintains a Profit Sharing Plan for its employees. Under that plan, profit sharing payments are made to eligible employees if our annual pre-tax earnings exceed $500 million. By its terms, our officers (including the named executive officers) and certain other management employees are not eligible to participate in the Profit Sharing Plan. However, under the AIP the Compensation Committee has the discretion to award cash payments to these officers and management employees if the other employees of American Airlines receive profit sharing payments under the Profit Sharing Plan. No such payments were made to any of the named executive officers in 2007 or in any previous year.

Long-Term Incentive Compensation

Long-term compensation is a critical component of the executive compensation program because it is designed to link executive compensation to the interests of our stockholders by motivating executives to increase total stockholder return. We also believe that long-term compensation is an important retention tool.

The Compensation Committee utilizes a variety of equity-based instruments to provide long-term compensation for our named executive officers. We generally grant awards at the time of the Compensation Committee s annual compensation review, with interim awards made from time to time to new hires or upon increases in responsibilities. In 2007, we granted the following equity-based instruments:

- performance shares, which are contractual rights to receive shares of our common stock upon the achievement of certain performance measures over a three-year period;
- SSARs, which are contractual rights to receive shares of our common stock over a ten-year exercise period;
- deferred shares, which are contractual rights to receive shares of our common stock generally upon the completion of three years of service following the grant date;

career performance shares, which are granted only to Mr. Arpey and are contractual rights to receive shares of our common stock upon the achievement of certain financial and operating performance measures over a ten-year period.

Our long-term incentive plans generally allow us to settle these awards in either stock, cash, or a combination of stock and cash.

In determining the types and amounts of the long-term equity awards granted in 2007 to each of our named executive officers, the Compensation Committee targeted the median level of long-term equity awards to persons holding comparable positions at the companies comprising our comparator group. However, the long-term equity awards granted in 2007 to Mr. Arpey were substantially below the comparable median among chief executive officers in the comparator group.

In connection with its annual compensation review in July 2007, the Compensation Committee approved grants of long-term equity awards to the named executive officers in approximately the following proportions: 70% in performance shares (including, for Mr. Arpey, his career performance shares); 20% in SSARs; and 10% in deferred shares. Approximately 90% of the named executive officers long-term incentive compensation is, therefore, dependent upon our financial and operating performance, including, in the case of SSARs, appreciation in our stock price. We establish the value and number of performance and deferred share awards using a standard valuation methodology developed by Hewitt Associates that takes into account the terms of such awards, including the applicable vesting and performance criteria. We use a modified Black-Scholes valuation model to determine the value and number of SSAR awards. See Fiscal Year 2006 and 2007 Summary Compensation Table, beginning on page 30 of this Proxy Statement and the accompanying footnotes, for further details on long-term compensation.

Performance Shares. The actual number of performance shares ultimately distributed to the named executive officers (if any) has been determined in recent years based on (a) our TSR as compared to that of our main competitors and (b) the Compensation Committee s determination of our achievement of our corporate objectives, in each case during a three-year measurement period. Final distribution of the performance share awards can range from 0% to 175% of the performance shares originally granted, depending on our performance against these measures during the applicable three-year measurement period.

Since 2004, we have used TSR in the determination of the level of distribution of one-half of the performance shares initially granted. TSR is defined as the rate of return reflecting stock price appreciation plus reinvestment of dividends over the measurement period. The average stock price at the close of trading on the NYSE (adjusted for splits and dividends) for the three months prior to the beginning and ending points of the measurement period is used to smooth out market fluctuations. Distributions related to TSR will vary according to the following schedule, where Rank is our TSR ranking among the competing airlines and Distribution is the percentage of the performance shares initially granted that will be earned based on the TSR measure of performance:

Rank	Distribution
#7	0%
#6	25%
#5	50%
#4	75%
#3	100%
#2	135%
#1	175%

As discussed in Evaluation of Corporate Performance, beginning on page 21 of this Proxy Statement, with respect to any performance share awards granted in 2008, our relative TSR will be the sole performance factor used to determine distributions with respect to such awards.

The Compensation Committee selects the competing airlines against which we will compare our TSR based on their market capitalization, revenues and airline seat capacity. For the 2007/2009 Performance Share Plan, the competitors are Alaska Airlines, Continental Airlines, JetBlue Airways, Southwest Airlines, US Airways and UAL

Corporation. The committee did not include Delta Air Lines or Northwest Airlines since their stock was not listed on a national stock exchange at the time of selection of the competing airlines due to their bankruptcy proceedings.

The determination of distributions with respect to the other half of the performance share awards initially granted to our named executive officers has been based upon the Compensation Committee s subjective determination of achievement of corporate objectives adopted by the Compensation Committee each year. The corporate objectives are consistent with the objectives of our Turnaround Plan, and for the years 2004 through 2007 were: (a) keeping safety our top priority; (b) raising external capital, maintaining a minimum amount of cash and building a strong balance sheet; (c) meeting our pension funding obligations; (d) continuing to lower our non-fuel costs and implementing measures to conserve fuel; (e) improving customer service and dependability rankings; (f) improving revenues and business results through employee collaboration and other means; (g) enhancing our image and customer loyalty; (h) continuing to successfully advocate on industry legislative and regulatory issues; (i) focusing on a positive work environment and promoting diversity; (j) promoting employee commitment to the employee standards of conduct and compliance with laws and regulations; (k) meeting financial goals and returning to and sustaining profitability; and (l) any other factors that the Compensation Committee may determine are important or appropriate.

As described above, the Compensation Committee, in its judgment, assesses attainment of these objectives each year. In determining attainment of these objectives, the Compensation Committee is not required to use any formula or other measure or assign any particular weighting to any objective. The Compensation Committee, in its discretion, may also consider any other factor that it considers important or appropriate. At the end of the three-year measurement period, the Compensation Committee averages its assessments for each year of the measurement period. With respect to awards to our named executive officers under the 2005/2007 Performance Share Plan, the Compensation Committee determined that our attainment of the corporate objectives for the 2005-2007 measurement period was 140% for 2005, 135% for 2006, and 125% for 2007, and that the average of our attainment of the corporate objectives over the 2005-2007 measurement period was therefore 133%. We also had a second place TSR rank during that same period, which resulted in a TSR distribution percentage of 135% pursuant to the terms of the 2005/2007 Performance Share Plan. As a result, on April 16, 2008, one-half of the performance shares initially awarded to each named executive officer under the 2005/2007 Performance Share Plan vested at 135%, and the other one-half vested at 133%, for a total of 134% of the performance shares initially awarded to each named executive officer under that plan. With respect to the performance share awards to our named executive officers under the 2004/2006 Performance Share Plan (that were distributed in April 2007), in 2007 the Compensation Committee determined that we had a first place TSR rank during the 2004-2006 measurement period, resulting in a TSR distribution percentage of 175%, and our attainment of the corporate objectives over the same period was 133%. As a result, in April 2007, each named executive officer received 154% of the awards originally granted to him under the 2004/2006 Performance Share Plan.

SSARs. SSARs provide compensation to the named executives only to the extent that the market value of our common stock appreciates from the date of grant. SSARs vest in equal annual installments over five years, so an officer must generally complete five years of service to receive the full benefit of any SSAR grant. We generally grant SSARs to our officers (including our named executive officers) at the time of the Compensation Committee s annual compensation review. For 2007, the Compensation Committee conducted the compensation review at its July meeting. We also generally announce our second quarter earnings at or following our July Board of Directors and committee meetings. The effective dates of the equity grants approved at the time of our earnings releases have historically been the third business day after the corresponding earnings release. We followed this practice in 2007, and the effective date of the SSARs granted in July was July 23, 2007 (the third business day following our earnings release for the second quarter of 2007). We established the exercise price of these SSARs as the fair market value of our common stock on that date.

Deferred Shares. The Compensation Committee believes that deferred shares are important for long-term retention of our named executive officers since they are intended to provide a minimum value for their continued service. Since

the deferred shares generally vest upon three years of service from the date of grant, these awards complement our performance shares and SSAR awards, which are both contingent upon the achievement of either specified performance objectives or stock price appreciation.

Career Performance Shares. In 2005, the Compensation Committee determined, with the assistance of Deloitte Consulting and Hewitt Associates, that Mr. Arpey s total compensation was substantially below the median compensation of chief executive officers of the companies comprising our comparator group. In lieu of increasing his current compensation to more competitive levels, the Compensation Committee entered into an agreement with Mr. Arpey pursuant to which he would be granted a minimum of 58,000 deferred shares of our common stock in each year from 2005 through and including 2009, that will vest, if at all, in 2015. These awards are referred to as career performance shares.

At the end of the performance period, the Compensation Committee will determine, in its discretion, whether any distributions of these shares will be made, based on its assessment of achievement of the following financial and operating measures during the performance period: (a) overall cash flow; (b) earnings; (c) the per share price of our common stock; (d) operating performance (including safety and other issues concerning regulatory compliance); (e) the rate of return achieved on our investments and/or equity; (f) measures of employee engagement and/or satisfaction; (g) the overall state of relations with our organized labor groups; (h) our balance sheet; (i) our overall relationships with our largest stockholders; (j) revenues; and (k) other factors as the Compensation Committee may, in its judgment, deem material. Depending on this assessment, the ultimate distribution with respect to such career performance shares could range from 0% to 175% of the shares originally granted. The Compensation Committee is not required to use any formula or other measure or assign any particular weighting to any objective or the performance for any particular year in determining achievement of these objectives. Also, the Compensation Committee may consider any other factors it believes are material.

In addition to providing a more competitive long-term compensation for Mr. Arpey, the Career Share Performance Agreement reflects our desire to retain Mr. Arpey because of his knowledge of the airline business, his contributions to the airline s success, and our confidence that Mr. Arpey has the vision and managerial capability to oversee our continued growth. The Compensation Committee has not granted career performance shares to any other named executive officer because their total potential compensation more closely approximates the median for similarly situated positions with the companies comprising our comparator group.

As part of its 2007 compensation review in July and pursuant to its agreement with Mr. Arpey, the Compensation Committee granted Mr. Arpey 58,000 career performance shares, the minimum number of shares required to be granted by the Career Performance Share Award Agreement. In approving such grant, the Compensation Committee concluded that Mr. Arpey s total compensation was still significantly below the median for chief executive officers in the comparator group. Vesting of the granted shares remains contingent on Mr. Arpey s performance and continued service through 2015, subject to certain exceptions discussed in Termination By Executive For Good Reason beginning on page 43 of this Proxy Statement.

Retirement

Retirement Benefit Plan. We provide the Retirement Benefit Plan of American Airlines, Inc. for Agents, Management, Specialists, Support Personnel and Officers (the Retirement Benefit Plan) to help provide compensation to our eligible employees during their retirement. All of the named executive officers participate in the Retirement Benefit Plan, which is a defined benefit plan. Similar defined benefit plans exist for other American Airlines employees, including those employees covered by bargained labor agreements. We design our retirement benefits to be competitive with overall market practices and to provide long-term financial security for employees and, specifically for executives, to promote retention.

The Retirement Benefit Plan complies with the Employee Retirement Income Security Act of 1974 (ERISA) and qualifies for an exemption from federal income taxation under the Internal Revenue Code (the Code). Since the Retirement Benefit Plan is a qualified plan, it is subject to various restrictions under the Code and ERISA with respect

to payments and benefit calculations. These restrictions limit the maximum annual benefit payable under qualified plans (such as the Retirement Benefit Plan). The limit was $180,000 in 2007 and $185,000 in 2008. Further, the Code limits the maximum amount of annual compensation that we may take into account under the Retirement Benefit Plan. The limit was $225,000 in 2007 and $230,000 in 2008. We pay benefits under the Retirement Benefit Plan as monthly annuities, which we reduce for the receipt of social security benefits.

See 2007 Pension Benefits Table and the accompanying narrative discussion and footnotes that follow the table, beginning on page 40 of this Proxy Statement, for further details regarding the Retirement Benefit Plan.

Non-Qualified Plan. To address limitations on benefits under the Retirement Benefit Plan, American Airlines pays an additional retirement benefit to the named executive officers under the Supplemental Executive Retirement Plan, a plan that is not qualified under the Code (the Non-Qualified Plan). The Non-Qualified Plan formulas are the same as those applicable under the Retirement Benefit Plan, but are not subject to the annual benefit or compensation limits of the Code. Short-term incentive compensation is included in the Non-Qualified Plan benefit formula because base pay for the named executive officers generally represents a small percentage of their total compensation potential. Income received from long-term incentive compensation distributions (such as stock option/SSAR exercises, performance share, deferred share and career performance share distributions) are not included in the Non-Qualified Plan benefit formulas. We pay benefits under the Non-Qualified Plan in a lump sum.

Prior to September 2002, the Non-Qualified Plan was an unfunded plan. In September 2002, due to the departure of a number of our executives and to help retention efforts, the Board of Directors approved the establishment of a secular trust to fund defined benefits payable under the Non-Qualified Plan. We funded the trust in 2002, 2005, 2006, 2007 and 2008 to provide participants in the Non-Qualified Plan a level of certainty regarding payment of their retirement benefits under the plan similar to that afforded to all eligible employees under the Retirement Benefit Plan. Funds in the secular trust are not subject to claims from creditors in the event of bankruptcy. It is our current policy not to fund the Non-Qualified Plan s trust to any greater extent than the funded percentage of our least funded qualified defined benefit plan for non-officer employees.

See 2007 Pension Benefits Table and the accompanying narrative discussion and footnotes that follow, beginning on page 40 of this Proxy Statement, for further details regarding the Non-Qualified Plan.

Travel Privileges and other Benefits

The named executive officers participate in a variety of health and welfare and other benefits provided to the other U.S.-based employees of American Airlines. The Compensation Committee has also determined that it is important to provide a limited number of additional perquisites and benefits to our named executive officers to attract and retain them. As is common practice in the industry, we provide unlimited travel privileges in any available class of service on American Airlines and American Eagle Airlines to our named executive officers and their respective spouses or companions and dependent children, and complimentary travel from time to time on other airlines on request. Although these travel privileges are primarily complimentary, each named executive officer is required to pay service charges, fees and taxes for the transportation and are subject to our travel privilege program terms and conditions.

In order to reduce costs, in 2003 we elected to eliminate a number of perquisites frequently provided to executive officers of public companies, such as automobile lease payments, club memberships, financial planning fees and split dollar life insurance. We instead provide personal allowances, which we describe along with other perquisites that we provide to our named executive officers while they are employed by us in footnote 6 to the Fiscal Year 2006 and 2007 Summary Compensation Table on page 31 of this Proxy Statement.

Post-Termination and Change in Control Benefits

The named executive officers are eligible for certain benefits, perquisites and privileges following their employment with us that we generally provide to all of our salaried employees. These may vary depending upon the reason for termination or the position or tenure of the named executive officer. In addition, they are eligible to receive severance determined according to prescribed policy, pro-rated incentive compensation and equity distributions, and a limited number of other benefits, perquisites and privileges. Subject to certain terms and conditions, upon termination we also

generally provide unlimited air transportation on American Airlines and American Eagle Airlines in any available class of service to our named executive officers (and their respective spouses or companions and dependent children), as well as an Admirals Club® membership. See the narrative discussion under Post-Employment Compensation, beginning on page 43 of this Proxy Statement, for further details regarding these post-termination benefits, perquisites and privileges.

Under the terms of our 1998 Long-Term Incentive Plan, as amended (the 1998 LTIP), upon the occurrence of a change in control as defined in the 1998 LTIP, all outstanding stock options and SSARs will become immediately exercisable, all outstanding shares of restricted stock and deferred shares will vest, and all performance shares (including career performance shares) will be deemed vested at target levels of performance. In connection with a change in control, the Compensation Committee may elect to cash out each such outstanding award. Also, upon a change in control each named executive officer will receive a payment equal to the present value of the remaining annual retirement benefit to be paid to him under the Non-Qualified Plan.

Under the 1998 LTIP, a change in control of AMR Corporation is deemed to occur: (a) if a third party acquires beneficial ownership of 15% or more of our common stock; (b) if the Board of Directors or their approved successors no longer constitute a majority of the Board of Directors; (c) if our stockholders approve our complete liquidation or dissolution; or (d) upon the consummation of a reorganization, merger, consolidation, or a sale or other disposition of all our assets, unless, immediately following such transaction, (1) our stockholders prior to the transaction hold at least 60% of the voting securities of the successor, (2) no one person owns more than 15% of the successor, and (3) the members of the Board of Directors prior to the transaction constitute at least a majority of the Board of Directors of the successor. Additionally, at its discretion, either the Board or the Compensation Committee can provide the same rights and benefits as are available under the 1998 LTIP upon certain events that it determines could potentially result in a change in control. These potential change in control events include stockholder approval of a transaction that would result in the occurrence of a change in control or the acquisition by a person or group of our securities representing 5% or more of the combined voting power of all of our outstanding securities.

These events were used to define change in control because each reflects a circumstance in which, through a party s acquisition of a significant voting block, a shift in the control of the majority of the Board of Directors, or a corporate transaction, a person or group would be expected to obtain control or effective control over our policies and direction. In those circumstances, the Compensation Committee believes it would be appropriate to provide management the benefit of the awards that have been conveyed prior to such event and to waive the service and other conditions applicable to management s rights to such awards, because such change could reasonably be expected to materially alter our policies and objectives, and/or result in a material change in the composition of management. However, with respect to certain performance share and deferred share awards that may be subject to Section 409A of the Code, a change in control is defined by reference to the regulations issued under Section 409A in order to comply with its requirements.

We have also entered into executive termination benefit agreements or similar protections with our named executive officers for terminations associated with a change in control. Since 1987, it has been our practice to enter into these agreements with our executive and senior officers. These agreements encourage the executive to work for the best interests of the stockholders during a potential change in control situation by guaranteeing the executive a specified level of financial security if the executive s employment is terminated following a change in control. The executive termination benefit agreements also help ensure that the executive will remain with us for a reasonable period after the change in control, enabling a smooth transition to new management. All of the named executive officers, except Mr. Horton, are covered under change in control agreements that were designed in 1987. Mr. Horton has similar change in control protections under his employment agreement. We believe that these agreements are consistent with executive termination agreements entered into by other companies at that time. The definition of a change in control is essentially the same as that used in the 1998 LTIP, which was selected for the same reasons as described above with respect to the 1998 LTIP. See the narrative discussion of these agreements under Change in Control, beginning on page 45 of this Proxy Statement, for further details.

Consideration of Tax Consequences in Determining Compensation

Section 162(m) of the Code limits the deductibility of certain compensation paid to certain of our named executive officers to $1 million. While the Compensation Committee believes that it is important for the compensation paid to our named executive officers to be tax deductible under Section 162(m), it does not think this should be the determining factor in establishing compensation. The Compensation Committee believes that we must balance the emphasis on maximizing deductibility against both the need to retain executive talent and our long-term strategies and goals.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee of AMR Corporation:

Michael A. Miles, Chairman
David L. Boren
Philip J. Purcell
Judith Rodin

EXECUTIVE COMPENSATION

Fiscal Year 2006 and 2007 Summary Compensation Table

The following Fiscal Year 2006 and 2007 Summary Compensation Table contains information regarding compensation for 2006 and 2007 that we paid to: (a) our Chief Executive Officer, Gerard J. Arpey, (b) our Chief Financial Officer, Thomas W. Horton, and (c) our three most highly compensated executive officers (other than the Chief Executive Officer and Chief Financial Officer) as of December 31, 2007, Daniel P. Garton, Robert W. Reding and Gary F. Kennedy.

l Principal Position	Year	Salary (1)($)	Bonus ($)	Stock Awards (2)($)	Option Awards (3)($)	Non-Equity Incentive Plan Compensation (4)($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)($)	All Other Compensation (6)($)	T
Arpey-Chairman,	2007	656,500	0	3,103,550	550,793	50	254,126	36,146	4,
& CEO	2006	581,534	0	8,558,878	851,398	225	169,255	39,769	10,
V. Horton-Exec.	2007	606,000	0	2,003,474	275,477	50	522,507	30,060	3,
.-Finance & & CFO	2006	456,522	0	5,816,291	165,438	175	484,563	918,145	7,
Garton-Exec. Vice	2007	520,064	0	1,978,851	363,772	50	169,864	31,479	3,
keting	2006	512,378	0	5,044,893	544,885	225	169,298	44,027	6,
. Reding-Exec Vice	2007	478,530	0	1,138,206	325,514	50	247,380	31,751	2,
rations	2006	457,728	0	3,508,384	309,167	225	212,900	36,788	4,
ennedy-Sr. Vice	2007	479,053	0	1,124,822	278,586	50	236,567	31,209	2,
neral Counsel & npliance Officer	2006	471,973	0	3,554,333	290,647	225	252,889	37,045	4,

(1) The Compensation Committee determined the base salaries listed in the Fiscal Year 2006 and 2007 Summary Compensation Table for each of the named executive officers by applying the principles set forth in the

Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement. Mr. Horton s base salary is determined pursuant to the terms of his employment agreement entered into in connection with his recommencement of employment on March 29, 2006.

In May 2007, we granted each of Messrs. Arpey, Horton, Garton, Reding and Kennedy a 1.5% increase in annual base salary, which is the same increase to base salaries that all of the U.S.-based employees of American Airlines received in 2007. As described in the Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement, we also increased Mr. Reding s base salary by 12% upon his promotion to Executive Vice President Operations in September 2007. We granted no other base salary increases to any of the named executive officers in 2007.

(2) Amounts shown do not reflect compensation actually received by the named executive officers. Rather, as required by the rules of the SEC, the amounts represent the compensation expense for financial statement

reporting purposes in 2007 and 2006 of performance shares, deferred shares and career performance shares granted to the named executive officers in 2007 and 2006, as well as compensation expense for such grants made in prior years, as determined pursuant to Financial Accounting Standards Board Statement No. 123 (revised 2004), *Share-Based Payment* (FAS 123(R)). These amounts do not include any reduction in the value of such grants for the possibility of forfeiture. See footnote 9 to our financial statements included in our Form 10-K for the fiscal year ended December 31, 2007 for the assumptions made in determining the FAS 123(R) values for 2007 and 2006.

(3) Amounts shown do not reflect compensation actually received by the named executive officers. Rather, as required by the rules of the SEC, the amounts represent the compensation expense for financial statement reporting purposes in 2007 and 2006 of stock option and SSARs granted to each of the named executive officers in 2007 and 2006, as well as compensation costs for grants made in prior years, as determined pursuant to FAS 123(R). These amounts do not include any reduction in the value of such grants for the possibility of forfeiture. See footnote 9 to our financial statements included in our Form 10-K for the fiscal year ended December 31, 2007 for the assumptions made in determining the FAS 123(R) values for 2007 and 2006.

(4) Amounts shown were earned in 2007 and 2006 under the customer service component of the AIP. We made no payments in 2007 or 2006 under the financial component of the AIP because we did not achieve the threshold pre-tax earnings margin required. See Compensation Discussion and Analysis, beginning on page 18 and Annual Incentive Plan beginning on page 23 of this Proxy Statement, for further details regarding these payments.

(5) Amounts shown for 2007 and 2006 represent the change in the actuarial present value of the accumulated benefit under both the Retirement Benefit Plan and the Non-Qualified Plan from December 31, 2006 to December 31, 2007 and from December 31, 2005 to December 31, 2006, respectively. For Messrs. Horton and Reding, the amounts also reflect additional years of credited service under the Non-Qualified Plan pursuant to Mr. Horton s employment agreement and a letter of agreement with Mr. Reding. For a more detailed discussion of the manner in which the value of the benefits under the Retirement Benefit Plan and Non-Qualified Plan are determined, see Discussion Regarding 2007 Pension Benefits Table, beginning on page 41 of this Proxy Statement. No amounts are included in this column with respect to above-market or preferential earnings on non-qualified deferred compensation.

(6) Amounts shown include a personal allowance paid in each of 2007 and 2006 to each of the named executive officers, determined based upon their positions, in the following amounts: Mr. Arpey ($33,000), Mr. Horton ($27,000), Mr. Garton ($27,000), Mr. Reding ($27,000), and Mr. Kennedy ($27,000). In order to reduce costs, in 2003 we elected to provide these personal allowances and to eliminate many of the perquisites commonly provided to executive officers of other public companies, including automobile lease payments, club memberships, financial/estate planning fees and split dollar life insurance.

Amounts shown also include the estimated aggregate incremental cost to us of providing perquisites and other personal benefits to our named executive officers, even though the estimated aggregate incremental cost to us of providing such perquisites and benefits was less than $10,000 per named executive officer in 2007 and thus no such disclosure is required for 2007. These include the estimated aggregate incremental cost to us of the air transportation provided by us to each of the named executive officers and his or family members in each of 2007 and 2006, including the estimated cost of incremental fuel, catering, insurance, and reservation and ticketing costs, but excluding fees and taxes paid by the named executive officer with respect to that air transportation. These also include reimbursement by us for: (a) the cost of one annual medical exam, (b) the premium for a term life insurance policy (with a policy amount equal to the base salary of the named executive officer), (c) a portion of the premium for long-term disability insurance, and (d) broker fees associated with the exercise of

stock options/SSARs by the named executive officer during prescribed trading windows. Each current named executive officer and his or her spouse or companion were also provided an Admirals Club® membership (American Airlines travel clubs located at American Airlines large U.S. and international airports), and on occasion certain of them were provided access to events or venues sponsored by us or received reduced cost air transportation on other airlines at no incremental cost to us.

For Mr. Horton, the amount shown for 2006 includes the aggregate incremental cost to us in 2006 of relocating his principal residence from New Jersey to our headquarters in Texas, as required by his employment

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agreement. We purchased his home in New Jersey at its appraised value, as determined by two independent appraisers, and paid other costs and expenses related to relocating his principal residence from New Jersey to our headquarters in Texas, including closing costs, fees paid to the relocation assistance firm, moving and temporary housing costs, and other expenses. The total aggregate incremental cost to us was $894,014, and that amount is included in this column for Mr. Horton. Except as otherwise specifically noted above, the amount of, or incremental cost to us with respect to, any of the perquisites or other personal benefits included in this column did not exceed the greater of $25,000 or 10% of the total amount of perquisites and personal benefits to any named executive officer.

Fiscal Year 2007 Grants of Plan-Based Awards Table

The table below lists each grant or award made in 2007 to our named executive officers under our equity and non-equity incentive plans. The amounts shown in the table under Estimated Future Payouts Under Non-Equity Incentive Plan Awards reflect payments under the AIP that we would have made to each of our current named executive officers if we had achieved the pre-tax earnings margin thresholds of the financial component and the customer service component of the AIP in 2007. Since we did not meet the threshold for payment under the financial component of the AIP in 2007, the actual amounts paid in 2007 under the AIP consisted of a $50 payment to each named executive officer under the AIP s customer service component (which are reported in the Fiscal Year 2006 and 2007 Summary Compensation Table above in the column Non-Equity Incentive Plan Compensation).

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards					
ant ate	Action Date[1]	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exerc or Ba Price Optio Awar ($/S
		603,980	919,100	1,313,000						
3/2007	07/18/2007				0	95,000[2]	166,250			
3/2007	07/18/2007				0	58,000[3]	101,500			
3/2007	07/18/2007							20,000[5]		
3/2007	07/18/2007								75,000[6]	28.5
		327,240	654,480	1,212,000						
3/2007	07/18/2007				0	52,000[2]	91,000			
3/2007	07/18/2007							7,500[5]		
3/2007	07/18/2007								34,800[6]	28.5
		280,834	561,669	1,040,127						

3/2007	07/18/2007				0	52,000[2]	91,000			
3/2007	07/18/2007							10,700[5]		
3/2007	07/18/2007								34,800[6]	28.
		258,406	516,813	957,060						
3/2007	07/18/2007				0	29,600[2]	51,800			
9/2007	09/19/2007				0	22,400[4]	39,200			
3/2007	07/18/2007							4,250[5]		
9/2007	09/19/2007							3,250[4]		
3/2007	07/18/2007								19,800[6]	28.
9/2007	09/19/2007								15,000[4]	24.
		239,526	359,289	958,105						
3/2007	07/18/2007				0	29,600[2]	51,800			
3/2007	07/18/2007							4,250[5]		
3/2007	07/18/2007								19,800[6]	28.

(1) The annual performance shares, deferred shares and SSARs grants to our named executive officers were approved at the meetings of the Compensation Committee and the Board of Directors on July 18, 2007 (other than the awards to Mr. Reding upon his promotion to Executive Vice President Operations on September 19, 2007). As is customary, we also announced our second quarter 2007 earnings on July 18, 2007. The effective date of the SSARs (and other stock awards) granted in July 2007 was the third business day following the corresponding earnings release, or July 23, 2007. The exercise price of these SSARs was the fair market value

of our common stock on that date, which was the last reported sales price of our stock on the NYSE at the time of grant or exercise.

(2) These are performance shares granted under the 2007/2009 Performance Share Plan.

(3) These are deferred shares granted pursuant to the 2005 Career Performance Share Award Agreement with Mr. Arpey.

(4) In addition to the annual grants referenced in footnote (1) above, upon Mr. Reding s promotion, we granted him the following awards on September 19, 2007: (a) 22,400 shares under the 2007/2009 Performance Share Plan, (b) 3,250 deferred shares and (c) 15,000 SSARs.

(5) These are deferred shares granted pursuant to the 2007 Deferred Share Award Agreements.

(6) These are SSARs granted pursuant to the 2007 Stock Appreciation Rights Agreements.

Discussion Regarding Fiscal Year 2006 and 2007 Summary Compensation Table and Fiscal Year 2007 Grants of Plan-Based Awards Table

Non-Equity Incentive Plan Awards

As part of the Turnaround Plan, we agreed that all U.S.-based employees, including the named executive officers, would collectively participate in a new cash incentive plan, called the Annual Incentive Plan. Awards under the AIP are based on a customer service component and a financial component. The customer service component of the AIP contemplates payments ranging from $25 to $100 per month for each employee, predicated upon our achieving at least one of two customer service targets. With respect to the customer service component, in 2007 monthly payments of $25 were earned in each of August and September.

The financial component of the AIP provides for payments if American Airlines achieves certain pre-tax earnings margin levels. The actual dollar amount of a paid award is determined as a percentage of base salary, and the percentage of base salary varies according to the level of responsibility and the pre-tax earnings margin achieved. The percentages of base salary that each of our named executive officers was eligible to receive in 2007, based upon our achievement of the threshold, target or maximum performance levels, are set forth below.

	Percentage of Base Salary		
	Threshold	Target	Maximum
Arpey	92%	140%	200%
Horton	54%	108%	200%
Garton	54%	108%	200%
Reding	54%	108%	200%
Kennedy	50%	75%	200%

American Airlines pre-tax earnings margin did not reach the 5% threshold (approximately $1.1 billion dollars based upon American Airlines 2007 revenue), and therefore no payments were made under the financial component of the AIP in 2007. See Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement, for further details regarding the AIP.

Equity Incentive Plan Awards

During its annual compensation review conducted in July 2007, the Compensation Committee approved the annual grants of performance shares, career performance shares, deferred shares and SSARs to the named executive officers as described below.

Performance Shares. Performance shares are grants of stock-based compensation that vest after the completion of a three-year measurement period. The Fiscal Year 2007 Grants of Plan-Based Awards Table reflects the number of performance shares granted in July 2007 under the 2007/2009 Performance Share Plan to each of our named executive officers. Except as provided below, vesting of these performance shares is also generally contingent upon continued employment with us through April 21, 2010. In the event of death, disability, termination

other than for cause, or early retirement of one of our named executive officers, the performance shares previously granted will vest on a pro-rata basis, based on the number of months that have elapsed since the award date and our achievement of the performance criteria. In the event of a change in control, distributions with respect to the performance shares will be at the target level, or 100%, of the shares initially granted. Under the terms of the 2007/2009 Performance Share Plan, each of the following is considered a change in control: a change in ownership of a majority of our stock, an event that results in a person or group owning more than 30% of our stock, or a change in our Board of Directors such that our current Board of Directors or its approved successors no longer constitute at least a majority of our Board. See Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement, for further details regarding the performance shares.

Career Performance Shares. In 2005, we entered into a Career Performance Share Award Agreement with Mr. Arpey. Pursuant to the terms of that agreement, in July 2007 we granted Mr. Arpey an award of 58,000 career performance shares that generally vest and become payable in 2015 (listed in the above Fiscal Year 2007 Grants of Plan-Based Awards Table). However, in the event of Mr. Arpey s death, disability, termination other than for cause or early retirement; if Mr. Arpey resigns for good reason (as defined below); or in the event of a change in control (which is defined in the manner as under the 2007/2009 Performance Share Plan), the career performance shares previously granted will vest. Upon vesting, the Compensation Committee will determine whether any distributions of these shares will be made, based on its assessment of achievement various financial and operating measures described in Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement. Depending on this assessment, the ultimate distribution with respect to such career performance shares could range from 0% to 175% of the shares originally granted. Under the Career Performance Share Award Agreement, Mr. Arpey is also entitled to receive additional grants of at least 58,000 career performance shares in each of 2008 and 2009. In the Career Performance Share Award Agreement, good reason includes the occurrence of any of the following without Mr. Arpey s consent: (a) a reduction in his salary (other than a reduction pursuant to a salary reduction program including other senior officers); (b) a significant reduction in his authority, duties or responsibilities such that he believes he can no longer perform his duties; or (c) a material reduction in the benefits we provide him. See Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement, for further details regarding career performance shares and the performance criteria.

Deferred Shares. The deferred shares granted in July 2007 to each of our named executive officers will generally vest on July 23, 2010, the third anniversary of the grant date, subject to the named executive officer s continued employment with us through that date, except as provided below. In the event of death, disability, termination other than for cause, or early retirement of one of our named executive officers, the deferred shares will vest on a pro-rata basis, based on the number of months that have elapsed since the award date. In the event of a change in control (which is defined in the same manner as under the 2007/2009 Performance Share Plan), deferred shares previously awarded will vest. See Compensation Discussion and Analysis, beginning on page 18 of this Proxy Statement, for further details regarding the deferred shares.

SSARs. The Fiscal Year 2007 Grants of Plan-Based Awards Table lists the number of shares granted in 2007 in respect of SSARs. Upon their exercise, we pay the value of the appreciation in an equivalent number of shares of our stock. SSARs are exercisable for ten years from the date of grant and vest in 20% increments over five years, unless the recipient dies or there is a change in control (as defined in the 1998 LTIP), in which case vesting is accelerated. The effective date of the SSARs granted in 2007 was July 23, 2007 (the third business day following our earnings release for the second quarter). We established the exercise price of these SSARs as the fair market value of our common stock on that date, which was the last reported sales price of our stock at the time of grant as defined by our 1998 LTIP.

Mr. Reding s Promotion

In connection with Mr. Reding s promotion to Executive Vice President - Operations in September 2007, the Compensation Committee approved a 12% increase in his base salary to $522,639, an increase in his short-term incentive compensation target level under the AIP to 108% of salary, and grants of (a) 22,400 shares from the 2007/2009 Performance Share Plan; (b) 3,250 deferred shares; and (c) 15,000 SSARs. Each such grant is listed on the Fiscal Year 2007 Grants of Plan-Based Awards Table on page 32 of this Proxy Statement. The deferred shares granted in connection with Mr. Reding s promotion will vest on the third anniversary of the date of grant (September 19, 2010). The SSARs granted to Mr. Reding have similar terms and conditions to the 2007 SSAR

grants made to all of the other named executive officers described above, except that the vesting dates and the term of Mr. Reding s SSARs are measured from the effective date of the award, September 19, 2007.

2007 Outstanding Equity Awards At Fiscal Year-End Table

The following table lists all of the outstanding stock and stock option/SSAR awards held on December 31, 2007 by each of our named executive officers. The table also includes the value of these awards based on the closing price of our common stock on December 31, 2007, which was $14.03. Each award listed in the Number of Securities Underlying Unexercised Options Unexercisable column with an expiration date prior to July 24, 2016 is a stock option with a tandem SSAR. The other awards listed in this column are SSARs.

	Option/SSAR Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Arpey	33,180		30.83	07/20/2008				
	52,140		28.86	07/26/2009				
	237,000		24.39	01/24/2010				
	70,000		33.38	07/24/2010				
	60,000		36.18	07/23/2011				
	84,000		26.71	02/27/2012				
	100,000		24.47	04/02/2012				
	34,400	68,800[1]	8.88	07/26/2014				
	38,000	57,000[2]	13.67	07/25/2015				
	15,000	60,000[3]	23.21	07/24/2016				
	0	75,000[4]	28.59	07/23/2017				
					245,000[10]	3,437,350		
					24,000[11]	336,720		
					20,000[12]	280,600		
					20,000[13]	280,600		
					99,540[14]	1,396,546		
							166,250[16]	2,332,488
							95,000[17]	1,332,850
							174,000[18]	2,441,220

Horton	11,840	47,360[5]	26.70	03/29/2016				
	7,700	30,800[3]	23.21	07/24/2016				
	0	34,800[4]	28.59	07/23/2017				
					135,800[10]	1,905,274		
					8,400[12]	117,852		
					7,500[13]	105,225		
							106,750[16]	1,497,703
							52,000[17]	729,560
Garton	33,180		30.83	07/20/2008				
	52,140		28.86	07/26/2009				
	237,000		24.39	01/24/2010				
	70,000		33.38	07/24/2010				
	60,000		36.18	07/23/2011				
	84,000		26.71	02/27/2012				
	0	16,800[6]	10.68	07/21/2013				
	0	30,000[1]	8.88	07/26/2014				
	0	35,520[2]	13.67	07/25/2015				
	7,700	30,800[3]	23.21	07/24/2016				
	0	34,800[4]	28.59	07/23/2017				
					135,800[10]	1,905,274		
					16,500[11]	231,495		
					11,950[12]	167,659		
					10,700[13]	150,121		
					99,540[14]	1,396,546		
							106,750[16]	1,497,703
							52,000[17]	729,560

2007 Outstanding Equity Awards At Fiscal Year-End Table (Continued)

	Option/SSAR Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Reding	35,550		29.53	03/20/2010				
	20,000		33.38	07/24/2010				
	20,000		36.18	07/23/2011				
	28,000		26.71	02/27/2012				
	0	10,000[8]	6.50	05/27/2013				
	0	12,800[6]	10.68	07/21/2013				
	11,600	23,200[1]	8.88	07/26/2014				
	15,400	23,100[2]	13.67	07/25/2015				
	4,360	17,440[3]	23.21	07/24/2016				
	0	19,800[4]	28.59	07/23/2017				
	0	15,000[9]	24.62	09/19/2007				
					99,750[10]	1,399,493		
					10,000[11]	140,300		
					4,700[12]	65,941		
					4,250[13]	59,628		
					3,250[15]	45,598		
							61,250[16]	859,338
							52,000[17]	729,560
Kennedy	13,035		30.83	07/20/2008				
	22,278		28.86	07/26/2009				
	22,000		33.38	07/24/2010				
	20,000		36.18	07/23/2011				
	28,000		26.71	02/27/2012				
	0	6,000[7]	3.26	01/27/2013				
	0	12,800[6]	10.68	07/21/2013				
	11,600	23,200[1]	8.88	07/26/2014				
	0	23,100[2]	13.67	07/25/2015				

4,360	17,440[3]	23.21	07/24/2016				
0	19,800[4]	28.59	07/23/2017				
				99,750[10]	1,399,493		
				10,000[11]	140,300		
				4,700[12]	65,941		
				4,250[13]	59,628		
				42,660[14]	598,520		
						61,250[16]	859,338
						29,600[17]	415,288

(1) Award becomes exercisable in two equal installments on July 26th of 2008 and 2009. The number of shares in each installment is: Mr. Arpey, 34,400; Mr. Garton, 15,000; Mr. Reding, 11,600; and Mr. Kennedy, 11,600.

(2) Award becomes exercisable in three equal installments on July 25th of 2008, 2009 and 2010. The number of shares in each installment is: Mr. Arpey, 19,000; Mr. Garton, 11,840; Mr. Reding, 7,700; and Mr. Kennedy, 7,700.

(3) Award becomes exercisable in four equal installments on July 24th of 2008, 2009, 2010 and 2011. The number of shares in each installment is: Mr. Arpey, 15,000; Mr. Horton, 7,700; Mr. Garton, 7,700; Mr. Reding, 4,360; and Mr. Kennedy, 4,360.

(4) Award becomes exercisable in five equal installments on July 23rd of 2008, 2009, 2010, 2011 and 2012. The number of shares in each installment is: Mr. Arpey, 15,000; Mr. Horton, 6,960; Mr. Garton, 6,960; Mr. Reding, 3,960; and Mr. Kennedy, 3,960.

(5) Award becomes exercisable in four equal installments of 11,840 shares. The first installment became exercisable on March 29, 2008. The other three installments become exercisable on March 29 in each of 2009, 2010 and 2011.

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2007 Outstanding Equity Awards At Fiscal Year-End Table (Continued)

(6) Award becomes exercisable on July 21, 2008.

(7) Award became exercisable on January 27, 2008.

(8) Award becomes exercisable on May 27, 2008.

(9) Award becomes exercisable in five equal installments on September 19th of 2008, 2009, 2010, 2011 and 2012. The number of shares in each installment is 3,000.

(10) These performance shares were granted under the 2005/2007 Performance Share Plan and vested on April 16, 2008. We initially granted the following shares under the 2005/2007 Performance Share Plan: Mr. Arpey, 140,000, Mr. Horton, 77,600, Mr. Garton, 77,600, Mr. Reding, 57,000, and Mr. Kennedy, 57,000. As required by the SEC s disclosure rules, the number of performance shares shown assumes that maximum levels of performance (175%) will be achieved. However, we earned a second place TSR rank under the Plan and, therefore, one-half of the performance shares initially granted to the named executive officers were distributed at 135% of the initial grant. The other half were distributed at 133% of the initial grant based upon the Compensation Committee s judgment of the assessment of achievement of the corporate objectives for the years 2005-2007. This resulted in a total distribution of 134% of the shares initial awarded to each of the named executive officers. Thus, the number of shares that actually vested for the named executive officers on April 16, 2008 under the 2005/2007 Performance Share Plan were: Mr. Arpey, 187,600; Mr. Horton, 103,984; Mr. Garton, 103,984; Mr. Reding, 76,380; and Mr. Kennedy, 76,380. See Performance Shares, beginning on page 25 of this Proxy Statement, for further details regarding the 2005/2007 Performance Share Plan.

(11) These deferred shares vest on July 25, 2008, generally subject to the recipient s continued employment through that date. We granted the number of shares shown pursuant to a 2005 Deferred Share Award Agreement with each of the named executive officers.

(12) These deferred shares vest on July 24, 2009, generally subject to the recipient s continued employment through that date. We granted the number of shares shown pursuant to a 2006 Deferred Share Award Agreement with each of the named executive officers.

(13) These deferred shares vest on July 23, 2010, generally subject to the recipient s continued employment through that date. We granted the number of shares shown pursuant to a 2007 Deferred Share Award Agreement with each of the named executive officers.

(14) These career equity shares will vest upon retirement after the attainment of age 60, or upon a qualifying early retirement under the Retirement Benefit Plan (with a 3% reduction of the total number of shares for each year by which the participant s early retirement date precedes age 60), in each case generally subject to the recipient s continued employment through that date. We granted the number of shares shown pursuant to career equity share agreements with each of Messrs. Arpey, Garton and Kennedy.

(15) We granted these deferred shares in connection with Mr. Reding s promotion on September 19, 2007. They will vest on September 19, 2010, generally subject to Mr. Reding s continued employment through that date.

(16) These performance shares were granted under the 2006/2008 Performance Share Plan and will vest, if at all, on April 15, 2009, subject to the satisfaction of the applicable performance criteria and generally subject to the

recipient s continued employment through such date. As required by the SEC s disclosure rules, the number of performance shares shown assumes that maximum levels of performance (175%) will be achieved, although it is not known if the maximum will be attained. In 2009, the Compensation Committee will determine the actual levels of performance achieved.

(17) These performance shares were granted under the 2007/2009 Performance Share Plan and will vest, if at all, on April 21, 2010, subject to the satisfaction of the applicable performance criteria and generally subject to the recipient s continued employment through such date. As required by the SEC s disclosure rules, the number of performance shares shown assumes that target levels of performance (100%) will be achieved. In 2010, the Compensation Committee will determine the actual levels of performance achieved.

(18) These career performance shares were granted to Mr. Arpey under the Career Performance Share Agreement and will vest, if at all, on July 25, 2015, subject to the satisfaction of the applicable performance criteria and generally subject to Mr. Arpey s continued employment through such date. As required by the SEC s disclosure rules, the career performance shares shown assumes that target levels of performance (100%) will be achieved.

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Discussion Regarding Outstanding Equity Awards at Fiscal Year End Table

In addition to vesting on the respective vesting dates reflected in the footnotes to the above table, upon normal or early retirement under the Retirement Benefit Plan, all unexercised stock options and SSARs listed in the table continue to vest and remain exercisable at any time until expiration of their stated terms. If the recipient dies, or there is a change in control (as defined in the 1998 LTIP), vesting of options and SSARs is accelerated. The performance and deferred shares listed in the table will vest in the event of death, disability, or termination other than for cause of one of our named executive officers on a pro-rata basis, based on the number of months that have elapsed since the award date and, in the case of performance shares, the achievement of the applicable performance criteria. In the event of a change in control, the performance shares and deferred shares will vest and distributions with respect to the performance shares will be at the target level, or 100%, of the shares initially granted. Mr. Arpey s career performance shares reflected in the table will vest in the event of his death, disability or termination other than for cause, upon a change in control, or if he resigns for good reason. Distributions with respect to such career performance shares will be determined by the Compensation Committee based upon achievement of the applicable performance criteria described in the Career Performance Share Agreement. See Discussion Regarding Fiscal Year 2006 and 2007 Summary Compensation Table and Fiscal Year 2007 Grants of Plan-Based Awards Table, beginning on page 33 of this Proxy Statement, for further details.

Messrs. Arpey, Garton and Kennedy hold outstanding career equity shares listed in the above table. In 1988, we established the Career Equity Program as a long-term compensation vehicle to encourage retention and stock ownership. We made no grants under this program in 2007. Career equity shares are deferred share grants of our common stock that vest at age 60. There is pro-rata vesting in the event of death, disability, termination other than for cause, or early retirement of a named executive officer prior to full vesting at age 60. A participant who qualifies for and elects early retirement will become vested in the number of shares subject to such an award, reduced by 3% of the total number of shares for each year by which the participant s early retirement date precedes age 60. For Mr. Arpey, the program guarantees that the value of his career equity shares at retirement will be at least equal to three and one-half times his final average salary as determined for purposes of the Retirement Benefit Plan. As of December 31, 2007, none of the named executive officers had become eligible for early retirement status. The awards vest following a change in control (as defined in the 1998 LTIP).

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2007 Option Exercises and Stock Vested Table

The following table summarizes stock option exercises and stock awards that vested for the named executive officers in 2007.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired On Exercise (#)	Value Realized On Exercise[1] ($)	Number of Shares Acquired On Vesting[2] (#)	Value Realized On Vesting[3] ($)
Arpey	68,800	1,550,958	207,900	6,644,484
		$36,228	$(38,161)	

The consolidating statement of operations for BlueLinx Holdings Inc. for the period from January 1, 2012 to September 29, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Net sales	$—	$ 1,467,544	$21,443	$ (21,443)	$ 1,467,544
Cost of sales	—	1,289,593	—	—	1,289,593
Gross profit	—	177,951	21,443	(21,443)	177,951
Operating expenses (income):					
Selling, general, and administrative	(6,386)	189,597	(410)	(21,443)	161,358
Depreciation and amortization	—	3,907	2,646	—	6,553
Total operating expenses (income)	(6,386)	193,504	2,236	(21,443)	167,911
Operating (loss) income	6,386	(15,553)	19,207	—	10,040
Non-operating expenses (income):					
Interest expense	—	9,106	12,295	—	21,401
Other income, net	—	(18)	(11)	—	(29)
(Loss) income before (benefit from) provision for income taxes	6,386	(24,641)	6,923	—	(11,332)
(Benefit from) provision for income taxes	217	(126)	234	—	325
Equity in loss of subsidiaries	(17,826)	—	—	17,826	—
Net (loss) income	$(11,657)	$ (24,515)	$6,689	$ 17,826	$ (11,657)

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The consolidating balance sheet for BlueLinx Holdings Inc. as of September 28, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx Corporation and Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash	$76	$ 6,793	$—	$—	6,869
Receivables	—	207,927	—	—	207,927
Inventories	—	259,722	—	—	259,722
Other current assets	1,175	17,084	11,437	—	29,696
Intercompany receivable	74,259	33,978	—	(108,237)	—
Total current assets	75,510	525,504	11,437	(108,237)	504,214
Property and equipment:					
Land and land improvements	—	3,211	37,842	—	41,053
Buildings	—	10,729	79,657	—	90,386
Machinery and equipment	—	78,145	—	—	78,145
Construction in progress	—	2,415	—	—	2,415
Property and equipment, at cost	—	94,500	117,499	—	211,999
Accumulated depreciation	—	(73,523)	(30,825)	—	(104,348)
Property and equipment, net	—	20,977	86,674	—	107,651
Investment in subsidiaries	(56,600)	—	—	56,600	—
Non-current deferred income tax assets	—	445	—	—	445
Other non-current assets	—	11,785	5,165	—	16,950
Total assets	$18,910	$ 558,711	$103,276	$ (51,637)	$ 629,260
Liabilities:					
Current liabilities:					
Accounts payable	$1,207	$ 108,313	$—	$—	$ 109,520
Bank overdrafts	—	20,463	—	—	20,463
Accrued compensation	—	4,678	—	—	4,678
Current maturities of long-term debt	—	49,353	11,504	—	60,857
Deferred income taxes, net	—	449	—	—	449
Other current liabilities	—	14,349	1,063	—	15,412
Intercompany payable	33,978	74,259	—	(108,237)	—
Total current liabilities	35,185	271,864	12,567	(108,237)	211,379
Non-current liabilities:					
Long-term debt	—	190,092	186,922	—	377,014
Other non-current liabilities	—	57,142	—	—	57,142
Total liabilities	35,185	519,098	199,489	(108,237)	645,535
Stockholders'(deficit) equity/parent's investment	(16,275)	39,613	(96,213)	56,600	(16,275)
Total liabilities and stockholders'(deficit) equity/parent's investment	$18,910	$ 558,711	$103,276	$ (51,637)	$ 629,260

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The consolidating balance sheet for BlueLinx Holdings Inc. as of December 29, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx **Corporation and** Subsidiaries	LLC Subsidiaries	Eliminations	Consolidated
Assets:					
Current assets:					
Cash	$28	$ 5,160	$—	$ —	$ 5,188
Receivables	—	157,465	—	—	157,465
Inventories	—	230,059	—	—	230,059
Other current assets	1,596	17,790	41	—	19,427
Intercompany receivable	73,981	28,814	—	(102,795)	—
Total current assets	75,605	439,288	41	(102,795)	412,139
Property and equipment:					
Land and land improvements	—	3,250	39,870	—	43,120
Buildings	—	10,213	83,857	—	94,070
Machinery and equipment	—	78,674	—	—	78,674
Construction in progress	—	1,173	—	—	1,173
Property and equipment, at cost	—	93,310	123,727	—	217,037
Accumulated depreciation	—	(71,583)	(30,101)	—	(101,684)
Property and equipment, net	—	21,727	93,626	—	115,353
Investment in subsidiaries	(67,053)	—	—	67,053	—
Non-current deferred income tax assets, net	—	445	—	—	445
Other non-current assets	—	10,646	6,153	—	16,799
Total assets	$8,552	$ 472,106	$99,820	$ (35,742)	$ 544,736
Liabilities:					
Current liabilities:					
Accounts payable	$203	$ 77,257	$390	$ —	77,850
Bank overdrafts	—	35,384	—	—	35,384
Accrued compensation	127	6,043	—	—	6,170
Current maturities of long-term debt	—	—	8,946	—	8,946
Deferred income tax liabilities, net	—	449	—	—	449
Other current liabilities	—	9,831	1,106	—	10,937
Intercompany payable	28,814	73,981	—	(102,795)	—
Total current liabilities	29,144	202,945	10,442	(102,795)	139,736
Non-current liabilities:					
Long-term debt	—	171,412	197,034	—	368,446
Other non-current liabilities	—	57,146	—	—	57,146
Total liabilities	29,144	431,503	207,476	(102,795)	565,328
Stockholders' (deficit) equity/parent's investment	(20,592)	40,603	(107,656)	67,053	(20,592)
Total liabilities and stockholders'(deficit) equity/parent's investment	$8,552	$ 472,106	$99,820	$ (35,742)	$ 544,736

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The consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from December 30, 2012 to September 28, 2013 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx **Corporation and Subsidiaries**	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	$(38,161)	$ (44,754)	$ 8,526	$ 36,228	$ (38,161)
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:					
Depreciation and amortization	—	3,982	2,565	—	6,547
Amortization of debt issuance costs	—	1,405	991	—	2,396
Write off of debt issuance costs	—	119	—	—	119
Gain (loss) from the sale of properties	—	556	(4,464)	—	(3,908)
Gain from property insurance settlement	—	—	—	—	—
Vacant property charges, net	—	1,398	—	—	1,398
Severance charges	—	4,703	—	—	4,703
Payments on modification of lease agreement	—	—	—	—	—
Deferred income tax benefit	—	—	—	—	—
Stock-based compensation expense	895	4,682	—	—	5,577
Increase in restricted cash related to insurance and other	—	(2,028)	—	—	(2,028)
Other	294	2,080	(1,254)	—	1,120
Equity in earnings of subsidiaries	36,228	—	—	(36,228)	—
Intercompany receivable	(278)	(5,164)	—	5,442	—
Intercompany payable	5,164	278	—	(5,442)	—
	4,142	(32,743)	6,364	—	(22,237)
Changes in primary working capital components:					
Receivables	—	(50,462)	—	—	(50,462)
Inventories	—	(29,663)	—	—	(29,663)
Accounts payable	902	31,057	(391)	—	31,568
Net cash provided by (used in) operating activities	5,044	(81,811)	5,973	—	(70,794)
Cash flows from investing activities:					
Investment in subsidiaries	(40,844)	37,924	2,920	—	—
Property, plant and equipment investments	—	(4,005)	—	—	(4,005)
Proceeds from disposition of assets	—	442	7,631	—	8,073
Net cash (used in) provided by investing activities	(40,844)	34,361	10,551	—	4,068
Cash flows from financing activities:					
Excess tax benefits from share-based compensation arrangements	—	16	—	—	16
	(2,867)	—	—	—	(2,867)

Repurchase of shares to satisfy employee tax withholdings					
Repayments on the revolving credit facilities	—	(422,231)	—	—	(422,231)
Borrowings from the revolving credit facilities	—	490,264	—	—	490,264
Payments of principal on mortgage	—	—	(7,554)	—	(7,554)
Payments on capital lease obligations	—	(1,152)	—	—	(1,152)
Decrease in bank overdrafts	—	(14,921)	—	—	(14,921)
Increase in restricted cash related to the mortgage	—	—	(8,970)	—	(8,970)
Debt issuance costs	—	(2,893)	—	—	(2,893)
Proceeds from rights offering, less expenses paid	38,715	—	—	—	38,715
Net cash provided by (used in) financing activities	35,848	49,083	(16,524)	—	68,407
Increase in cash	48	1,633	—	—	1,681
Balance, beginning of period	28	5,160	—	—	5,188
Balance, end of period	$76	$ 6,793	$—	$—	$ 6,869
Noncash transactions:					
Capital leases	$—	$ —	$—	$—	$ —

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The consolidating statement of cash flows for BlueLinx Holdings Inc. for the period from January 1, 2012 to September 29, 2012 follows (in thousands):

	BlueLinx Holdings Inc.	BlueLinx **Corporation and Subsidiaries**	LLC Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Net (loss) income	$(11,657)	$ (24,515)	$6,689	$ 17,826	$ (11,657)
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:					
Depreciation and amortization	—	3,907	2,646	—	6,553
Amortization of debt issuance costs	—	1,855	944	—	2,799
Gain from the sale of properties	—	—	(9,680)	—	(9,680)
Gain from property insurance settlement	—	—	(476)	—	(476)
Vacant property charges, net	—	(30)	—	—	(30)
Payments on modification of lease agreement	—	(5,875)	—	—	(5,875)
Deferred income tax benefit	—	(24)	—	—	(24)
Stock-based compensation expense	430	1,667	—	—	2,097
Increase in restricted cash related to insurance and other	—	(123)	—	—	(123)
Other	82	6,354	(1,927)	—	4,509
Equity in earnings of subsidiaries	17,826	—	—	(17,826)	—
Intercompany receivable	(317)	(2,592)	—	2,909	—
Intercompany payable	2,592	317	—	(2,909)	—
	8,956	(19,059)	(1,804)	—	(11,907)
Changes in primary working capital components:					
Receivables	—	(52,868)	—	—	(52,868)
Inventories	—	(34,675)	—	—	(34,675)
Accounts payable	801	11,975	—	—	12,776
Net cash provided by (used in) operating activities	9,757	(94,627)	(1,804)	—	(86,674)
Cash flows from investing activities:					
Investment in subsidiaries	(9,756)	770	8,986	—	—
Property, plant and equipment investments	—	(2,490)	—	—	(2,490)
Proceeds from disposition of assets	—	144	18,417	—	18,561
Net cash (used in) provided by investing activities	(9,756)	(1,576)	27,403	—	16,071
Cash flows from financing activities:					
Repurchase of shares to satisfy employee tax withholdings	—	(446)	—	—	(446)
Repayments on the revolving credit facilities	—	(345,674)	—	—	(345,674)
	—	436,374	—	—	436,374

Borrowings from the revolving credit facilities					
Payments of principal on mortgage	—	—	(8,370)	—	(8,370)
Payments on capital lease obligations	—	(604)	—	—	(604)
Increase in restricted cash related to the mortgage	—	—	(15,546)	—	(15,546)
Increase in bank overdrafts	—	9,528		—	9,528
Debt financing costs	—	—	(1,683)	—	(1,683)
Net cash provided by (used in) financing activities	—	99,178	(25,599)	—	73,579
Increase in cash	1	2,975	—	—	2,976
Balance, beginning of period	27	4,871	—	—	4,898
Balance, end of period	$28	$ 7,846	$—	$—	$ 7,874
Noncash transactions:					
Capital leases	$—	$ 32	$—	$—	$ 32

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information contained in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") has been derived from our historical financial statements and is intended to provide information to assist you in better understanding and evaluating our financial condition and results of operations. This MD&A section should be read in conjunction with our consolidated financial statements and notes to those statements included in Item 1 of this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the U.S. Securities and Exchange Commission (the "SEC"). This MD&A section is not a comprehensive discussion and analysis of our financial condition and results of operations, but rather updates disclosures made in the aforementioned filing.

The discussion below contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance, liquidity levels or achievements, and may contain the words "believe," "anticipate," "expect," "estimate," "intend "project," "plan," "will be," "will likely continue," "will likely result" or words or phrases of similar meaning. All of these forward-looking statements are based on estimates and assumptions made by our management that, although believed by us to be reasonable, are inherently uncertain. Forward-looking statements involve risks and uncertainties, including, but not limited to, economic, competitive, governmental and technological factors outside of our control, that may cause our business, strategy or actual results to differ materially from the forward-looking statements. These risks and uncertainties may include those discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC and other factors, some of which may not be known to us. We operate in a changing environment in which new risks can emerge from time to time. It is not possible for management to predict all of these risks, nor can it assess the extent to which any factor, or a combination of factors, may cause our business, strategy or actual results to differ materially from those contained in forward-looking statements. Factors you should consider that could cause these differences include, among other things:

- changes in the prices, supply and/or demand for products which we distribute, especially as a result of conditions in the residential housing market;
- the acceptance by our customers of our privately branded products;
- inventory levels of new and existing homes for sale;
- general economic and business conditions in the United States;
- risks associated with doing business globally;
- the financial condition and credit worthiness of our customers;
- the activities of competitors;
- changes in significant operating expenses;
- fuel costs;

risk of losses associated with accidents;

limitations on our transportation operations, which are subject to governmental regulation;

exposure to product liability claims;

changes in the availability of capital and interest rates;

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- our ability to achieve expected operational efficiencies and cost savings as a result of our restructuring initiatives;
- immigration patterns and job and household formation;
- our ability to identify acquisition opportunities and effectively and cost-efficiently integrate acquisitions;
- adverse weather patterns or conditions;
- acts of war or terrorist activities, including acts of cyber intrusion;
- variations in the performance of the financial markets, including the credit markets; and
- the other factors described herein and in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC.

Given these risks and uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

Overview

Background

We are a leading distributor of building products in the United States. We distribute approximately 10,000 products to more than 11,500 customers through our current network of approximately 50 distribution centers which serve all major metropolitan markets in the United States. We distribute products in two principal categories: structural products and specialty products. Structural products include plywood, oriented strand board ("OSB"), rebar and remesh, lumber and other wood products primarily used for structural support, walls and flooring in construction projects. Structural products represented approximately 43% of our third quarter of fiscal 2013 gross sales. Specialty products include roofing, insulation, moulding, engineered wood, vinyl products (used primarily in siding), outdoor living, and metal products (excluding rebar and remesh). Specialty products accounted for approximately 57% of our third quarter of fiscal 2013 gross sales.

Industry Conditions

We operate in a changing environment in which new risks can emerge from time to time. A number of factors cause our results of operations to fluctuate from period to period. Many of these factors are seasonal or cyclical in nature. Conditions in the United States ("U.S.") housing market, while improving, continue to be at historically low levels. Our operating results have declined during the past several years as they are closely tied to U.S. housing starts. Additionally, over the past several years, the mortgage markets have experienced substantial disruption due to an unprecedented number of defaults. This disruption and the related defaults have increased the inventory of homes for sale in some markets (some markets have sold through excess inventory now) and also have caused lenders to tighten mortgage qualification criteria, which further reduces demand for new homes. While there has been some recent improvement, we expect the lower than historical average level of new housing activity will continue to negatively impact our operating results. We continue to prudently manage our inventories, receivables and spending in this environment. However, along with many forecasters, we believe that we are in the beginning of a housing recovery and that U.S. housing demand will continue to improve in the long term based on population demographics and a

variety of other factors.

Facility Lease Obligation and Related Restructuring

During the second quarter of fiscal 2013, we announced our 2013 restructuring plan (the "2013 restructuring") which included the realignment of headquarters resources and the strategic review of our distribution centers. This review resulted in the Company designating five distribution centers to be sold or closed. These distribution centers were closed or ceased operations during the third quarter of fiscal 2013. In addition to the 2013 restructuring, we announced during the second quarter of fiscal 2013 that George R. Judd no longer would serve as President and Chief Executive Officer of the Company (the "change in executive leadership"). In connection with the 2013 restructuring and the change in executive leadership, the Company has recognized severance related charges of $0.4 million, $0.3 million of related stock compensation charges, a $1.4 million facility lease obligation and $0.7 million of other restructuring related charges in "Selling, general, and administrative" expenses in the Consolidated Statements of Operations and Comprehensive Loss for the third quarter of fiscal 2013. During the first nine months of fiscal 2013, we have recognized severance related charges of $4.7 million, $2.7 million of related stock compensation charges, a $1.4 million facility lease obligation and $2.0 million of other restructuring related charges in "Selling, general, and administrative" expenses in the Consolidated Statements of Operations and Comprehensive Loss. In addition we recognized a $1.0 million inventory reserve charge recorded in "Cost of sales" in the Consolidated Statements of Operations and Comprehensive Loss.

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During the first quarter of fiscal 2013, we completed the transition of our Fremont, California operation to our new facility in Stockton, California. We incurred approximately $0.8 million of transition costs related to this move which are recorded in “Selling, general, and administrative” expenses in the Consolidated Statements of Operations in the first nine months of fiscal 2013.

Selected Factors Affecting Our Operating Results

Our operating results are affected by housing starts, mobile home production, industrial production, repair and remodeling spending and non-residential construction. Our operating results are also impacted by changes in product prices. Structural product prices can vary significantly based on short-term and long-term changes in supply and demand. The prices of specialty products can also vary from time to time, although they are generally significantly less variable than structural products.

The following table sets forth changes in net sales by product category, sales variances due to changes in unit volume and dollar and percentage changes in unit volume and price versus comparable prior periods, in each case for the third quarter of fiscal 2013, the third quarter of fiscal 2012, the first nine months of fiscal 2013, the first nine months of fiscal 2012, fiscal 2012 and fiscal 2011.

	Fiscal Q3 2013	Fiscal Q3 2012	Fiscal 2013 YTD	Fiscal 2012 YTD	Fiscal 2012	Fiscal 2011
			(Dollars in millions) (Unaudited)			
Sales by Category						
Structural Products	$ 243	$ 211	$ 753	$ 610	$ 806	$ 705
Specialty Products	321	289	925	865	1,114	1,068
Other(1)	(6)	(3)	(12)	(7)	(12)	(18)
Total Sales	$ 558	$ 497	$ 1,666	$ 1,468	$ 1,908	$ 1,755
Sales Variances						
Unit Volume $ Change	$ 60	$ (9)	$ 122	$ 30	$ 42	$ (52)
Price/Other(1)	1	33	76	74	111	3
Total $ Change	$ 61	$ 24	$ 198	$ 104	$ 153	$ (49)
Unit Volume % Change	11.9 %	(1.9)%	8.3 %	2.2 %	2.3 %	(2.8)%
Price/Other(1)	.4 %	7.0 %	5.2 %	5.4 %	6.4 %	0.1 %
Total % Change	12.3 %	5.1 %	13.5 %	7.6 %	8.7 %	(2.7)%

(1) “Other” includes unallocated allowances and discounts.

The following table sets forth changes in gross margin dollars and percentage changes by product category, and percentage changes in unit volume growth by product, in each case for the third quarter of fiscal 2013, the third quarter of fiscal 2012, the first nine months of fiscal 2013, the first nine months of fiscal 2012, fiscal 2012 and fiscal 2011.

	Fiscal Q3 2013	Fiscal Q3 2012	Fiscal 2013 YTD	Fiscal 2012 YTD	Fiscal 2012	Fiscal 2011
	(Dollars in millions) (Unaudited)					
Gross Margin $'s by Category						
Structural Products	$ 18	$ 21	$ 49	$ 59	$ 77	$ 65
Specialty Products	39	38	119	113	146	137
Other (1)	5	2	6	6	7	8
Total Gross Margin $'s	$ 62	$ 61	$ 174	$ 178	$ 230	$ 210
Gross Margin %'s by Category						
Structural Products	7.4 %	10.0 %	6.5 %	9.7 %	9.6 %	9.2 %
Specialty Products	12.1 %	13.1 %	12.9 %	13.1 %	13.1 %	12.8 %
Total Gross Margin %'s	11.2 %	12.2 %	10.5 %	12.1 %	12.1 %	12.0 %
Unit Volume Change by Product						
Structural Products	14.2 %	(3.3)%	10.7 %	2.1 %	1.4 %	(15.1)%
Specialty Products	10.2 %	(1.0)%	6.5 %	2.2 %	2.9 %	7.4 %
Total Change in Unit Volume %'s	11.9 %	(1.9)%	8.3 %	2.2 %	2.3 %	(2.8)%

(1) "Other" includes unallocated allowances and discounts.

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The following table sets forth changes in net sales and gross margin by channel and percentage changes in gross margin by channel, in each case for the third quarter of fiscal 2013, the third quarter of fiscal 2012, the first nine months of fiscal 2013, the first nine months of fiscal 2012, fiscal 2012 and fiscal 2011.

	Fiscal Q3 2013	Fiscal Q3 2012	Fiscal 2013 YTD	Fiscal 2012 YTD	Fiscal 2012	Fiscal 2011
			(Dollars in millions) (Unaudited)			
Sales by Channel						
Warehouse/Reload	$ 463	$ 403	$ 1,361	$ 1,177	$ 1,534	$ 1,397
Direct	101	97	317	298	386	376
Other(1)	(6)	(3)	(12)	(7)	(12)	(18)
Total	$ 558	$ 497	$ 1,666	$ 1,468	$ 1,908	$ 1,755
Gross Margin by Channel						
Warehouse/Reload	$ 51	$ 53	$ 149	$ 153	$ 199	$ 179
Direct	6	6	19	19	24	23
Other(1)	5	2	6	6	7	8
Total	$ 62	$ 61	$ 174	$ 178	$ 230	$ 210
Gross Margin % by Channel						
Warehouse/Reload	11.0 %	13.2 %	10.9 %	13.0 %	13.0 %	12.8 %
Direct	5.9 %	6.2 %	6.0 %	6.4 %	6.2 %	6.1 %
Total	11.2 %	12.2 %	10.5 %	12.1 %	12.1 %	12.0 %

(1) "Other" includes unallocated allowances and adjustments.

Fiscal Year

Our fiscal year is a 52- or 53-week period ending on the Saturday closest to the end of the calendar year. Fiscal year 2013 contains 53 weeks and fiscal year 2012 contained 52 weeks.

Results of Operations

Third Quarter of Fiscal 2013 Compared to Third Quarter of Fiscal 2012

The following table sets forth our results of operations for the third quarter of fiscal 2013 and third quarter of fiscal 2012.

	Third Quarter of Fiscal 2013 (Unaudited)	% of Net Sales	Third Quarter of Fiscal 2012 (Unaudited)	% of Net Sales
	(Dollars in thousands)			
Net sales	$ 557,952	100.0 %	$ 496,810	100.0 %

Gross profit		62,492		11.2	%		60,531	12.2	%
Selling, general, and administrative		57,255		10.3	%		48,156	9.7	%
Depreciation and amortization		2,144		0.4	%		2,106	0.4	%
Operating income		3,093		0.6	%		10,269	2.1	%
Interest expense		6,918		1.2	%		7,294	1.5	%
Other expense (income), net		17		0.0	%		(16)	0.0	%
(Loss) income before benefit from income taxes		(3,842	)	(0.7	)%		2,991	0.6	%
Benefit from income taxes		(636	)	(0.1	)%		(77)	0.0	%
Net (loss) income	$	(3,206	)	(0.6	)%	$	3,068	0.6	%

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Net sales. For the third quarter of fiscal 2013, net sales increased by 12.3%, or $61.1 million, to $558.0 million. Sales during the quarter were positively impacted by an increase in demand. Structural sales increased by $31.8 million, or 15.1%, compared to the third quarter of fiscal 2012, primarily due to an increase in unit volumes of 14.2% and an increase in structural product prices of 0.9%. Specialty sales increased by $31.7 million, or 11.0% from a year ago, primarily as a result of an increase in specialty unit volumes of 10.2% and an increase in specialty product prices of 0.8%.

Gross profit. Gross profit for the third quarter of fiscal 2013 was $62.5 million, or 11.2% of sales, compared to $60.5 million, or 12.2% of sales, in the prior year period. The increase in gross profit dollars compared to the third quarter of fiscal 2012 was driven by an increase in volume partially offset by an unfavorable variance in our gross margin percentage. Our overall gross margin percentage was lower due to a greater percentage of our sales being comprised of lower gross margin structural products coupled with a highly competitive pricing environment. In addition, we experienced lower margin sales as we sold through inventory at the five distribution centers we closed during the third quarter of fiscal 2013.

Selling, general, and administrative expenses. Selling, general, and administrative expenses were $57.3 million, or 10.3% of net sales, for the third quarter of fiscal 2013, compared to $48.2 million, or 9.7% of net sales, a $9.1 million increase compared to the third quarter of fiscal 2012. This increase in selling, general, and administrative expenses primarily was due to a reduction in real estate related gains, which were $3.7 million during the third quarter of fiscal 2013 compared to $9.2 million during the third quarter of fiscal 2012. In addition, there were $2.8 million of restructuring charges associated with the 2013 restructuring recorded during the third quarter of fiscal 2013. Variable costs such as payroll related costs, third party freight and third party handling and storage also increased due to an increase in unit volume of 11.9%.

Depreciation and amortization. Depreciation and amortization expense totaled $2.1 million for the third quarter of fiscal 2013 and the third quarter of fiscal 2012.

Operating income. Operating income for the third quarter of fiscal 2013 was $3.1 million, or 0.6% of sales, compared to operating income of $10.3 million, or 2.1% of sales, in the third quarter of fiscal 2012, reflecting an increase in selling, general, and administrative expense of $9.1 million offset by an increase in gross profit dollars of $2.0 million.

Interest expense. Interest expense totaled $6.9 million for the third quarter of fiscal 2013 compared to $7.3 million for the third quarter of fiscal 2012. The $0.4 million decrease is largely due to a $0.6 million decrease in interest expense incurred on our mortgage as a result of principal reductions and a $0.2 million decrease in amortization of debt fees partially offset by a $0.4 million increase in interest expense incurred on our revolving credit facilities. Interest expense included $0.7 million of debt issue cost amortization for the third quarter of fiscal 2013 and $0.9 million for the third quarter of fiscal 2012. During the third quarter of fiscal 2013, interest expense related to our revolving credit facilities and mortgage was $3.0 million and $3.2 million, respectively. During the third quarter of fiscal 2012, interest expense related to our revolving credit facilities and mortgage was $2.6 million and $3.8 million, respectively. See "Liquidity and Capital Resources" below for a description of agreements for the revolving credit facilities and the mortgage.

Benefit from income taxes. The effective tax rate was 16.6% and (2.6)% for the third quarter of fiscal 2013 and the third quarter of fiscal 2012, respectively. The unusual effective tax rate in both periods is primarily driven by a full valuation allowance recorded against our year to date federal and state tax benefit. In addition, we recorded tax expense related to gross receipts, Canadian and certain state taxes. Also, during the third quarter of fiscal 2013, we allocated income tax expense to accumulated other comprehensive loss to the extent income was recorded related to

the pension plan, which resulted in a higher tax benefit to continuing operations. Finally, during the third quarter of fiscal 2013, we recorded a benefit related to the reversal of a $0.6 million reserve for an uncertain tax position due to the expiration of the statute of limitations.

Net income (loss). Net loss for the third quarter of fiscal 2013 was $3.2 million compared to net income of $3.1 million for the third quarter of fiscal 2012 as a result of the above factors.

On a per-share basis, basic and diluted (loss) income applicable to common stockholders for the third quarter of fiscal 2013 and for the third quarter of fiscal 2012 was ($0.04) and $ 0.04 , respectively. On March 27, 2013, we completed a rights offering (the "2013 Rights Offering") of common stock to our stockholders at a subscription price that was lower than the market price of our common stock. The 2013 Rights Offering was deemed to contain a bonus element that is similar to a stock dividend requiring us to adjust the weighted average number of common shares used to calculate basic and diluted earnings per share in prior periods retrospectively by a factor of 1.0894. Weighted average shares for the quarter ended September 29, 2012 prior to giving effect to the 2013 Rights Offering were 60,098,691 and were 65,472,685 after application of the adjustment factor of 1.0894.

First Nine Months of Fiscal 2013 Compared to First Nine Months of Fiscal 2012

The following table sets forth our results of operations for the first nine months of fiscal 2013 and the first nine months of fiscal 2012.

	First Nine Months of Fiscal 2013 (Unaudited)	% of Net Sales	First Nine Months of Fiscal 2012 (Unaudited)	% of Net Sales
	(Dollars in thousands)			
Net sales	$ 1,665,697	100.0 %	$ 1,467,544	100.0 %
Gross profit	174,134	10.5 %	177,951	12.1 %
Selling, general, and administrative	185,184	11.1 %	161,358	11.0 %
Depreciation and amortization	6,547	0.4 %	6,553	0.4 %
Operating (loss) income	(17,597)	(1.1)%	10,040	0.7 %
Interest expense	21,026	1.3 %	21,401	1.5 %
Other expense (income), net	252	0.0 %	(29)	(0.0)%
Loss before (benefit from) provision for income taxes	(38,875)	(2.3)%	(11,332)	(0.8)%
(Benefit from) provision for income taxes	(714)	0.0 %	325	0.0 %
Net loss	$ (38,161)	(2.3)%	$ (11,657)	(0.8)%

Net sales. For the first nine months of fiscal 2013, net sales increased by 13.5%, or $198.2 million, to $1.7 billion. Sales during the period were positively impacted by an increase in demand. Specialty sales increased by $60.1 million, or 7.0% compared to the first nine months of fiscal 2012, reflecting a 6.6% increase in unit volume and a 0.4% increase in prices. Structural sales increased by $143.2 million, or 23.5%, from a year ago, primarily due to a 10.7% increase in unit volume and a 12.8% increase in product prices.

Gross profit. Gross profit for the first nine months of fiscal 2013 was $174.1 million, or 10.5% of sales, compared to $178 million, or 12.1% of sales, in the prior year period. The decrease in gross profit dollars compared to the first nine months of fiscal 2012 was driven by an unfavorable variance in our gross margin percentage. Structural product prices have increased, when compared to the prior period, which resulted in an increase in revenue. However, we experienced a decline during the second quarter of fiscal 2013 in the market prices of lumber, OSB and plywood. The decline in market prices negatively impacted our gross margin percentage as we sold through the affected inventory. In addition, the overall gross margin percentage was lower due to a greater percentage of our sales being comprised of lower gross margin structural products.

Selling, general, and administrative. Selling, general, and administrative expenses for the first nine months of fiscal 2013 were $185.2 million, or 11.1% of net sales, compared to $161.4 million, or 11.0% of net sales, during the first nine months of fiscal 2012. The increase in selling, general, and administrative expenses primarily was due to $11.0 million of restructuring and other charges associated with the 2013 restructuring and the change in executive leadership. Also contributing to the increase was a reduction in real estate related gains, which were $3.9 million in the first nine months of fiscal 2013 as compared to real estate related gains of $10.2 million in the first nine months of fiscal 2012. In addition, variable costs such as payroll related costs, third party freight and operating supplies increased due to an increase in unit volume of 8.3%.

Depreciation and amortization. Depreciation and amortization expense totaled $6.5 million for the first nine months of fiscal 2013, and $6.6 million for the first nine months of fiscal 2012.

Operating (loss) income. Operating (loss) income for the first nine months of fiscal 2013 was ($17.6) million compared to $10.0 million in the prior year period. The change in operating loss reflects a $3.8 million decrease in gross profit and an increase in selling, general and administrative expenses of $23.8 million.

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Interest expense. Interest expense totaled $21.0 million for the first nine months of fiscal 2013 compared to $21.4 million for the first nine months of fiscal 2012. The $0.4 million decrease largely is due to a $1.6 million decrease in interest expense incurred on our mortgage as a result of principal reductions, a $0.4 million decrease in amortization of debt fees partially offset by a $1.4 million increase in interest expense incurred on our revolving credit facilities. Interest expense included $2.4 million and $1.9 million of debt issue cost amortization for the first nine months of fiscal 2013 and for the first nine months of fiscal 2012, respectively. Interest expense for the first nine months of fiscal 2013 also included the write-off of $0.1 million in previously capitalized debt fees related to the amendment of our U.S. revolving credit facility. During the first nine months of fiscal 2013, interest expense related to our revolving credit facilities and mortgage was $8.6 million and $9.7 million, respectively. During the first nine months of fiscal 2012, interest expense related to our revolving credit facility and mortgage was $7.2 million and $11.3 million, respectively. See "Liquidity and Capital Resources" below for a description of agreements for the revolving credit facilities and the mortgage.

(Benefit from) provision for income taxes. The effective tax rate was 1.8% and (2.9)% for the first nine months of fiscal 2013 and the first nine months of fiscal 2012, respectively. The unusual effective tax rate in both periods is primarily driven by a full valuation allowance recorded against our year to date federal and state tax benefit. In addition, we recorded tax expense related to gross receipts, Canadian and certain state taxes. Also, during the first nine months of fiscal 2013, we allocated income tax expense to accumulated other comprehensive loss to the extent income was recorded related to the pension plan, which resulted in a tax benefit to continuing operations. Finally, during the third quarter of fiscal 2013, we recorded a benefit related to the reversal of a $0.6 million reserve for an uncertain tax position due to the expiration of the statute of limitations.

Net loss. Net loss for the first nine months of fiscal 2013 was $38.2 million compared to a net loss of $11.7 million for the first nine months of fiscal 2012 as a result of the above factors.

On a per-share basis, basic and diluted loss per share applicable to common stockholders for the first nine months of fiscal 2013 and for the first nine months of fiscal 2012 were $0.49 and $0.18, respectively. Weighted average shares for the nine months ended September 29, 2012 prior to giving effect to the 2013 Rights Offering were 60,066,595 and were 65,437,719 after application of the adjustment factor of 1.0894.

Seasonality

We are exposed to fluctuations in quarterly sales volumes and expenses due to seasonal factors. These seasonal factors are common in the building products distribution industry. The first and fourth quarters are typically our slowest quarters due to the impact of poor weather on the construction market. Our second and third quarters are typically our strongest quarters, reflecting a substantial increase in construction due to more favorable weather conditions. Our working capital and accounts receivable and payable generally peak in the third quarter, while inventory generally peaks in the second quarter in anticipation of the summer building season.

Liquidity and Capital Resources

We depend on cash flows from operations and funds available under our revolving credit facilities to finance working capital needs and capital expenditures. We had approximately $91.3 million of excess availability ($50.8 million above the minimum required) under our U.S. revolving credit facility agreement (the "U.S. revolving credit facility") and $1.2 million under our Canadian revolving credit facility agreement (the "Canadian revolving credit facility"), described further below, as of September 28, 2013. We had approximately $86.0 million of excess availability under our U.S. revolving credit facility and $2.0 million under our Canadian revolving credit facility as of December 29,

2012. As of September 28, 2013, under our amended U.S. revolving credit facility, we are required to maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the greater of $31.8 million or the amount equal to 12.5% of the lesser of the borrowing base or $447.5 million (the "Excess Availability Threshold"). If we fail to maintain this minimum excess availability, the U.S. revolving credit facility requires us to (i) maintain certain financial ratios, which we would not meet with current operating results, and (ii) limit our capital expenditures, which would have a negative impact on our ability to finance working capital needs and capital expenditures. In the event that excess availability falls below $37.1 million or the amount equal to 15% of the lesser of the borrowing base or $447.5 million, the U.S. revolving credit facility gives the lenders the right, but not the obligation, to dominion over our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the "Long-term debt" to "Current maturities of long-term debt" on our Consolidated Balance Sheet. For additional information regarding our financial covenants under our revolving credit facilities, see "Debt and Credit Sources" below and the risk factor "The instruments governing our indebtedness contain various covenants limiting the discretion of our management in operating our business" set forth under Item 1A — "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the SEC.

On March 27, 2013, we concluded the 2013 Rights Offering. The 2013 Rights Offering was fully subscribed and resulted in net proceeds of approximately $38.6 million. We issued 22.9 million shares of stock to our stockholders in conjunction with the 2013 Rights Offering.

Excess availability may decrease while our industry and the Company continue to participate in the recovery of the housing market. However, we believe that the amounts available from our revolving credit facilities and other sources will be sufficient to fund our routine operations and capital requirements for the next 12 months.

We may elect to selectively pursue acquisitions. Accordingly, depending on the nature of the acquisition, we may use cash or stock, or a combination of both, as acquisition currency. Our cash requirements may significantly increase and incremental cash expenditures may be required in connection with the integration of the acquired company's business and to pay fees and expenses in connection with any acquisitions. To the extent that significant amounts of cash are expended in connection with acquisitions, our liquidity position may be adversely impacted. In addition, there can be no assurance that we will be successful in completing or integrating acquisitions in the future. For a discussion of the risks associated with acquisitions, see the risk factor "Integrating acquisitions may be time-consuming and create costs that could reduce our net income and cash flows" set forth under Item 1A — "Risk Factors" in our Annual Report on Form 10-K for the year ended December 29, 2012, as filed with the SEC.

The following tables indicate our working capital and cash flows for the periods indicated.

	September 28, 2013	December 29, 2012
	(Dollars in thousands) (Unaudited)	
Working capital	$ 292,835	$ 272,403

	Period from December 30, 2012 to September 28, 2013	Period from January 1, 2012 to September 29, 2012
	(Dollars in thousands) (Unaudited)	
Cash flows used in operating activities	$ (70,794)	$ (86,674)
Cash flows provided by in investing activities	4,068	16,071
Cash flows provided by financing activities	68,407	73,579

Working Capital

Working capital increased by $20.4 million to $292.8 million at September 28, 2013 from $272.4 million at December 29, 2012. The increase in working capital is primarily attributable to increases in inventory of $29.7 million, receivables of $50.5 million, other current assets of $10.3 million, cash of $1.7 million and a decrease in bank overdrafts of $14.9 million. We increased inventory levels to meet current demand and the increase in accounts receivable is due to an increase in demand and seasonal payment patterns. The increase in other current assets primarily relates to an increase in restricted cash related to the mortgage in connection with the sale of the Denver, Colorado sales center. These changes were partially offset by increases in accounts payable of $31.6 million ,

increased net borrowings on the current portion of our revolving credit facilities of $49.4 million as we purchased more products to meet existing demand and an increase in other current liabilities of $4.5 million.

Operating Activities

During the first nine months of fiscal 2013, cash flows used in operating activities totaled $(70.8) million. The primary drivers of cash flow used in operations were increases in accounts receivable of $50.5 million reflecting increased revenue resulting from an increase in demand and seasonal payment patterns, an increase in inventories of $29.7 million due to an increase in purchases to meet increased demand and a net loss, as adjusted for non-cash charges, of $21.3 million. These cash outflows were offset by an increase in accounts payable related to operating activities of $31.6 million due to an increase in purchase volume associated with increased demand.

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During the first nine months of fiscal 2012, cash flows used in operating activities totaled $86.7 million. The primary drivers of cash flow used in operations were increases in accounts receivable of $52.9 million due to increased sales volume primarily due to increased demand and the effect of seasonal payment patterns, an increase in inventories of $34.7 million due to an increase in purchases to meet current demand and a net loss, adjusted for non-cash charges, of $10.4 million. In addition, we made certain payments totaling $5.9 million related to the modification of the lease agreement for our corporate headquarters. These cash outflows were offset by an increase in accounts payable of $12.8 million due to an increase in purchase volume associated with the increased demand.

Investing Activities

During the first nine months of fiscal 2013 and fiscal 2012, cash flows provided by investing activities totaled $4.1 million and $16.1 million, respectively.

During the first nine months of fiscal 2013 and fiscal 2012, our expenditures for property and equipment were $4.0 million and $2.5 million, respectively. During the first nine months of fiscal 2013, we purchased additional space for our distribution center in Elkhart, Indiana, which included both land and a building and resulted in a capital expenditure of approximately $1.0 million. The remaining capital expenditures in 2013 primarily relate to normal replenishment. The capital expenditures in 2012 primarily relate to normal replenishment. The majority of our capital expenditures for fiscal 2013 and 2012 have been and likely will continue to be paid from our revolving credit facility. We intend to purchase an additional 50 tractors to replenish the fleet during the fourth quarter of fiscal 2013 and anticipate financing these tractors with a third party leasing company.

Proceeds from the disposition of property totaled $8.1 million and $18.6 million for the first nine months of fiscal 2013 and the first nine months of fiscal 2012, respectively. The proceeds from disposition of assets in the first nine months of fiscal 2013 were primarily related to the sale of the Denver, Colorado sales center and certain pieces of equipment. The proceeds from disposition of assets in the first nine months of fiscal 2012 were primarily related to the sale of certain real properties.

Financing Activities

Net cash provided by financing activities was $68.4 million and $73.6 million during the first nine months of fiscal 2013 and the first nine months of fiscal 2012, respectively. The net cash provided by financing activities in the first nine months of fiscal 2013 primarily reflected a net increase in the balance of our revolving credit facility of $68.0 million and net proceeds from the 2013 Rights Offering of $38.7 million. These increases were partially offset by a decrease in bank overdrafts of $14.9 million, increases in our restricted cash related to the mortgage of $9.0 million, payments of principal on the mortgage of $7.6 million and cash paid for debt financing costs of $2.9 million. The net cash provided by financing activities in the first nine months of fiscal 2012 primarily reflected an increase in the balance of our revolving credit facility of $90.7 million and an increase in bank overdrafts of $9.5 million. Partially offsetting these cash inflows were increases in our restricted cash related to the mortgage of $15.5 million, $8.4 million of principal payments on our mortgage and $1.7 million of cash paid for debit financing costs.

Debt and Credit Sources

Our U.S. revolving credit facility is with several lenders including Wells Fargo Bank, National Association, successor by merger to Wachovia Bank, National Association, dated August 4, 2006, as amended. The U.S. revolving credit facility has a final maturity of April 15, 2016 and maximum available credit of $447.5 million. The U.S. revolving credit facility also includes an additional $75 million uncommitted accordion credit facility, which permits us to

increase the maximum available credit up to $522.5 million.

On June 28, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date and pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted. The most significant of the changes included in the amendment is the addition of PNC Bank, National Association as a lender and their additional loan commitment of $25.0 million, which increased the maximum availability under the U.S. revolving credit facility to $447.5 million. The terms of this amended agreement are described below. In conjunction with this amendment, we incurred $0.1 million of debt fees that were capitalized and are being amortized over the amended debt term.

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On March 29, 2013, we entered into an amendment to our U.S. revolving credit facility, which became effective on that date and pursuant to which certain components of the borrowing base calculation and excess liquidity calculation were adjusted. The most significant of the changes included in the amendment are extending the final maturity of our U.S. revolving credit facility, increasing the maximum available credit under the facility and adjusting the excess availability threshold calculation. In conjunction with this amendment, we incurred $2.8 million of debt fees that were capitalized and are being amortized over the amended debt term.

On March 27, 2013, we concluded the 2013 Rights Offering. The 2013 Rights Offering was fully subscribed and resulted in net proceeds of approximately $38.6 million. We issued 22.9 million shares of stock to our stockholders in conjunction with the 2013 Rights Offering.

As of September 28, 2013, we had outstanding borrowings of $234.8 million and excess availability of $91.3 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 3.8% at September 28, 2013. As of December 29, 2012, we had outstanding borrowings of $169.5 million and excess availability of $86.0 million under the terms of our U.S. revolving credit facility. The interest rate on the U.S. revolving credit facility was 4.1% at December 29, 2012. As of September 28, 2013 and December 29, 2012, we had outstanding letters of credit totaling $4.5 million for the purposes of securing collateral requirements under casualty insurance programs and for guaranteeing lease and certain other obligations. The $4.5 million in outstanding letters of credit as of September 28, 2013 does not include an additional $1.5 million fully collateralized letter of credit securing certain insurance obligations that was issued outside of the U.S. revolving credit facility.

As of September 28, 2013, our U.S. revolving credit facility, as amended, contains customary negative covenants and restrictions for asset based loans, including a requirement that we maintain a fixed charge coverage ratio of 1.1 to 1.0 in the event our excess availability falls below the Excess Availability Threshold. The fixed charge coverage ratio is calculated as EBITDA divided by the sum of cash payments for income taxes, interest expense, cash dividends, principal payments on debt, and capital expenditures. EBITDA is defined as BlueLinx Corporation’s net income before interest and tax expense, depreciation and amortization expense, and other non-cash charges. The fixed charge coverage ratio requirement only applies to us when excess availability under our amended U.S. revolving credit facility is less than the Excess Availability Threshold on any date. As of September 28, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under the U.S. revolving credit facility. We are required to maintain the Excess Availability Threshold in order to avoid being required to meet certain financial ratios and triggering additional limits on capital expenditures. Our lowest level of fiscal month-end availability in the last three years as of September 28, 2013 was $79.1 million. We do not anticipate our excess availability in fiscal 2013 will drop below the Excess Availability Threshold. Should our excess availability fall below the Excess Availability Threshold on any date, however, we would not meet the required fixed charge coverage ratio covenant with our current operating results.

In the event that excess availability falls below $37.1 million or the amount equal to 15% of the lesser of the borrowing base or $447.5 million, the U.S. revolving credit facility gives the lenders the right to dominion over our bank accounts. This would not make the underlying debt callable by the lender and may not change our ability to borrow on the U.S. revolving credit facility. However, we would be required to reclassify the “Long-term debt” to “Current maturities of long-term debt” on our Consolidated Balance Sheet. In addition, we would be required to maintain a springing lock-box arrangement where customer remittances go directly to a lock-box maintained by our lenders and then are forwarded to our general bank accounts. Our amended U.S. revolving credit facility does not contain a subjective acceleration clause, which would allow our lenders to accelerate the scheduled maturities of our debt or to cancel our agreement.

Our subsidiary BlueLinx Building Products Canada Ltd. ("BlueLinx Canada") has a revolving credit agreement (the "Canadian revolving credit facility") with Canadian Imperial Bank of Commerce (as successor to CIBC Asset-Based Lending Inc.) and the other signatories thereto, as lender, administrative agent and collateral agent, dated August 12, 2011, as amended.

On August 16, 2013, we entered into an amendment to our Canadian revolving credit facility, which became effective on that date. The Amendment modifies the maturity date under the Credit Agreement to the earlier of (i) August 12, 2016 or the (ii) maturity date of the U.S. revolving credit facility. All other terms of the Canadian revolving credit facility remain the same.

As of September 28, 2013, we had outstanding borrowings of $4.6 million and excess availability of $1.2 million under the terms of our Canadian revolving credit facility. As of December 29, 2012, we had outstanding borrowings of $1.9 million and excess availability of $2.0 million under the terms of our Canadian revolving credit facility. The interest rate on the Canadian revolving credit facility was 4.0% at September 28, 2013 and December 29, 2012. The Canadian revolving credit facility contains customary covenants and events of default for asset-based credit agreements of this type, including the requirement for BlueLinx Canada to maintain a minimum adjusted tangible net worth of $3.9 million and for that entity's capital expenditures not to exceed 120% of the amount budgeted in a given year. As of September 28, 2013 and through the time of the filing of this Form 10-Q, we were in compliance with all covenants under this facility.

On September 19, 2012, we entered into an amendment to our mortgage agreement, which provided for the immediate prepayment of approximately $11.8 million of the indebtedness under the mortgage agreement without incurring a prepayment premium from cash currently held as collateral under the mortgage agreement. We are required to transfer funds under the terms of the mortgage that are held as collateral. We expect to transfer approximately $13.3 million as collateral during the next twelve month period. Approximately $10.0 million will be released from escrow to us on a quarterly basis for operational uses as indicated in the amendment. As part of the September 2012 amendment to the mortgage, on a quarterly basis, additional funds held as collateral under the mortgage agreement were to be used to prepay indebtedness under the mortgage agreement, without prepayment premium, up to an aggregate additional prepayment of $10.0 million. Thereafter, any cash remaining in the collateral account under the mortgage agreement, up to an aggregate of $10.0 million, will be released to the Company on the last business day of each calendar quarter through the second quarter of 2014. All funds released pursuant to these provisions may only be used by the Company to pay for usual and customary operating expenses. During the periods described above in which cash in the collateral account is used to either prepay indebtedness under the mortgage agreement or released to the Company, the lenders will not release any of the cash collateral to the Company for specified capital expenditures as previously provided under the mortgage agreement. In conjunction with the modification of our mortgage agreement we incurred approximately $0.3 million in debt fees that were capitalized and are being amortized over the remaining term of the mortgage. As of September 28, 2013 and December 29, 2012, the balance on our mortgage loan was $198.4 million and $206.0 million, respectively.

Contractual Obligations

There have been no material changes to our contractual obligations from those disclosed above or in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

Critical Accounting Policies

The preparation of our consolidated financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires our management to make judgments and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. There have been no material changes to our accounting policies from the information provided in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

New Accounting Standards

In the first quarter of fiscal 2013, the Financial Accounting Standards Board issued an amendment to previously issued guidance which requires companies to report, in one place, information about reclassifications out of accumulated other comprehensive income (“AOCI”). The update also requires companies to present reclassifications by component when reporting changes in AOCI balances. For significant items reclassified out of AOCI to net income in their entirety in the period, companies must report the effect of the reclassifications on the respective line items in the statement where net income is presented. In certain circumstances, this can be done on the face of that statement. Otherwise, it must be presented in the notes. For items not reclassified to net income in their entirety in the period, companies must cross-reference in a note to other required disclosures. The amendments are effective for public companies in fiscal years, and interim periods within those years, beginning after December 15, 2012. We adopted this guidance during the first quarter of fiscal 2013, refer to Note 12 of the Notes to Consolidated Financial Statements for the required disclosures.

There were no other accounting pronouncements adopted during the first nine months of fiscal 2013 that had a material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended December 29, 2012.

ITEM 4. CONTROLS AND PROCEDURES

Our management performed an evaluation, as of the end of the period covered by this report on Form 10-Q, under the supervision of our chief executive officer and chief financial officer of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

During the third quarter of fiscal 2013, there were no material changes to our previously disclosed legal proceedings. Additionally, we are, and from time to time may be, a party to routine legal proceedings incidental to the operation of our business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on our financial condition, operating results or cash flows, based on our current understanding of the relevant facts. Legal expenses incurred related to these contingencies are generally expensed as incurred.

ITEM 1A. RISK FACTORS

There has been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 29, 2012 as filed with the SEC.

ITEM 6. EXHIBITS

Exhibit Number	Description
10.1	The First Amending Agreement dated August 16, 2013, to the Credit Agreement by and between BlueLinx Canada and Canadian Imperial Bank of Commerce (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed on August 19, 2013).
10.2	BlueLinx Holdings Inc. Second Half Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed on August 23, 2013).

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 The following financial information from the Registrant’s Quarterly Report on Form 10-Q for the quarterly period ended September 28, 2013, formatted in Extensible Business Reporting Language (“XBRL”): (i) Consolidated Statements of Operations and Comprehensive Loss, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Cash Flows and (iv) Notes to Consolidated Financial Statements (Unaudited).*

* Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not to be “filed” or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Act of 1934, as amended, and otherwise are not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

	BlueLinx Holdings Inc. (Registrant)
Date: October 31, 2013	/s/ H. Douglas Goforth H. Douglas Goforth Chief Financial Officer and Treasurer

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