

Heads Up

7th Anniversary Issue!

TWA Pilots DAP/401(k) Plan Quarterly Review



July 2000

Welcome Aboard

the new interactive TWA Pilots DAP/401(k) web site!

Accessing your DAP/401(k) account became much easier as of June 6th, with the launch of a new, interactive web site (www.resources.hewitt.com/4twadap). The site received an overwhelmingly positive feedback from participants. On the first day alone, the site had 162 participant visits and 22 actual transactions.

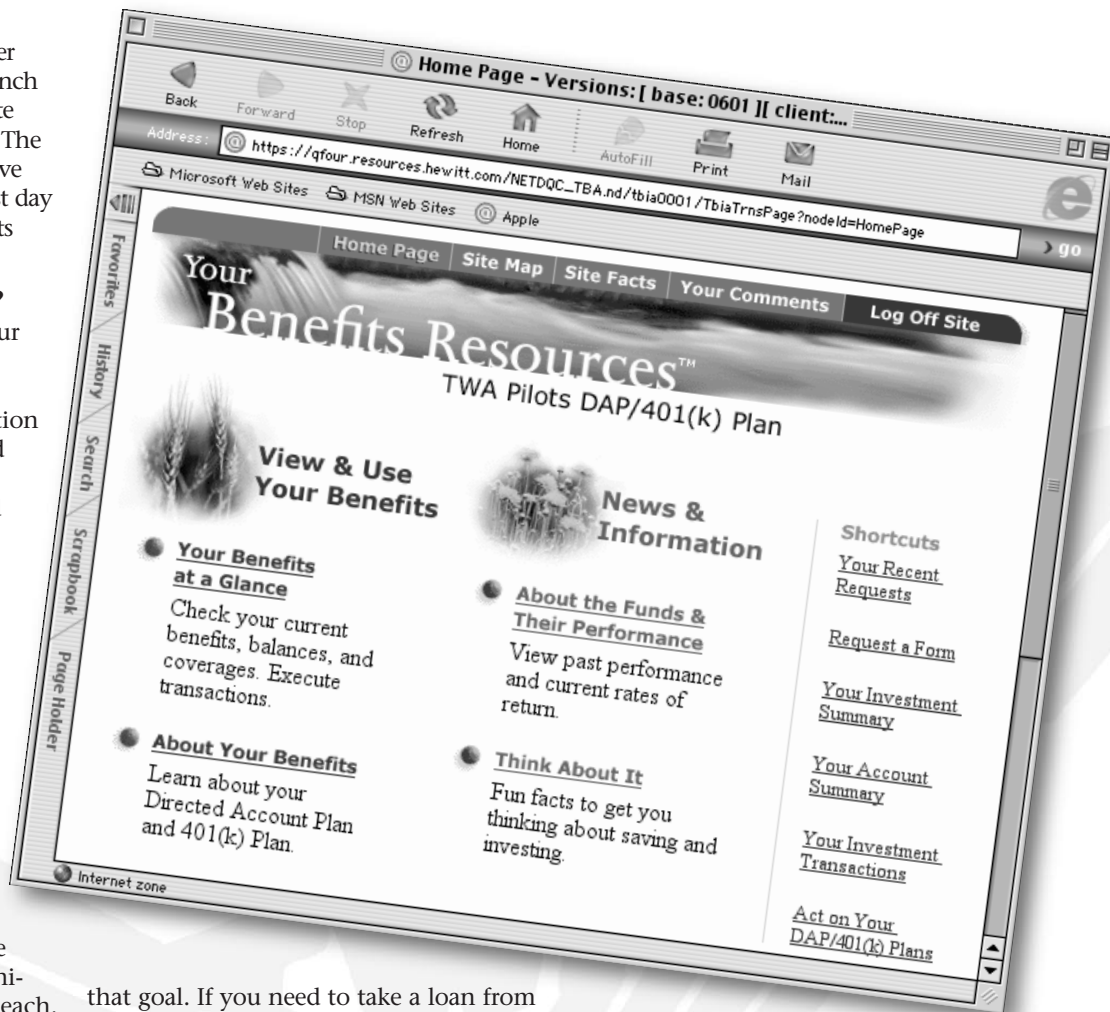
So what is all the fuss about?

In addition to the ability to view your daily, monthly or yearly account activity, the TWA Pilots DAP/401(k) web site gives you valuable information on investing, financial planning and saving in your 401(k) plan. On the "Think About It" page, you will find valuable information on diversification and risk tolerance, and you can learn about the impact of and differences between market and inflation risk. The site contains articles explaining the benefits of choosing more than one fund to diversify your account, and can serve as a thumbnail guide for successful investing. Do you have questions on long-term investing? Or, are you trying to figure out the difference between the domestic stock options, the international stock option, and the stable value option? The site provides definitions and a performance history for each.

Plan ahead

The TWA Pilots DAP/401(k) web site provides worksheets to help you set financial goals for major purchases and expenses.

This encourages you to think about what you're saving for, before you start investing. The worksheets will help you determine how much money you will need, and allow you to come up with an investment strategy to help you meet



"This is a great addition to the DAP/401(k) program."

— TWA Pilot

that goal. If you need to take a loan from your account, the site allows you to model a loan before making the final decision. Then, when you arrive at a prepayment amount you like, and if you are eligible, you can even request a loan online. For your convenience, the site breaks financial goals down into three categories:

- Short-term goals, for such items as cars or a down payment on a home.
- Mid-term goals, for your child's college

education, continuing education for yourself, or the vacation home you've had your eye on.

- Long-term goals, for an early retirement, a normal retirement or for extra financial cushioning during retirement.

It's a helpful tool to use when determining investment strategies to meet your financial goals.

Benefits Express is still available

The new, interactive TWA Pilots

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DAP/401(k) Plan News

New managers – The following managers have been added in the last year (see Fund Component Weighting on back page for allocation):

Value Stock Fund

Legg Mason Special Investment Trust
Neuberger/Berman Regency
T. Rowe Price Value

Diversified Small Company Stock Fund

Berger Small Cap Value
Eclipse Small Cap Value
Franklin Small Cap Growth II

Fidelity Fund Window

– This option has been added to the 401(k) Plan. In addition, a Fidelity Brokerage Option is now available as one of the window options. A separate application is necessary for the brokerage account. Call Fidelity at 1-800-881-4015 for a Fidelity BrokerageLink Kit.

International Stock Fund

redemption fee – Effective August 1, 2000, a 1% fee will be charged to all assets transferred out within 30 days of any transfers into this option. This fee will be paid to the International Option and will help offset increased costs associated with excessive short-term trading.

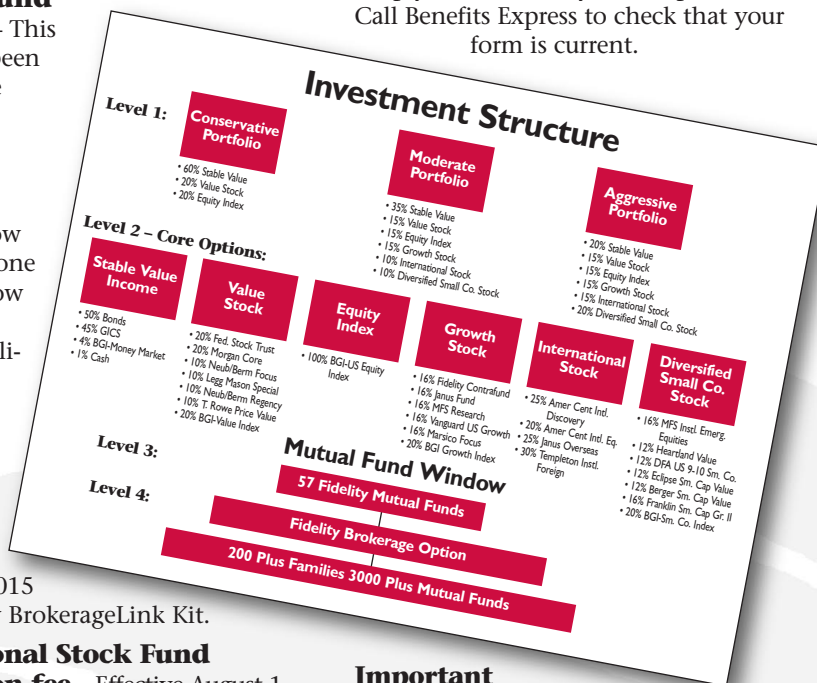
Retiree monthly distributions – Monthly distributions are taken out of your account on the third Friday of each month. The Trustee processes the withdrawal the following week, mails the check on Thursday and direct-deposits on Friday. Call Benefits Express for Direct Deposit information. Remember, monthly installment amounts can be adjusted upward or lowered to meet your needs, subject to IRS-required minimum distribution rules.

New hire pilots – New pilots are encouraged to call Benefits Express to start their 401(k) contribution and direct their DAP company contribution as soon

as they receive their PIN from Benefits Express. Contributions are invested in the Moderate Portfolio as a default option.

401(k) participation – It is never too late to start contributing to your 401(k). The maximum contribution for 2000 is \$10,500. Call Benefits Express today and contribute the full 11% to take advantage of this important tax-sheltered savings plan.

Beneficiary forms – Ensure your assets go where you intend them to go. Keep your Beneficiary Form up to date. Call Benefits Express to check that your form is current.



Important for those age 70 or older: Beneficiary information is used for life expectancy calculations that affect your minimum required distribution.

Plan expenses:
Total Assets (12/31/99) \$1,784,650,961
Total Operating Expenses* \$ 1,314,211

Record Keeping (Benefits Express)
Trustee (Mellon Bank)
Administration/Personnel
Communication

Operating expense as a percent of net assets 7 Basis Points
Approximate Net** Investment
Manager Fee 32 Basis Points
Other Mutual Fund Expense 8 Basis Points

1999 Total Plan Fees & Expenses as a percent of Plan Assets **47 Basis Points**

* Net of transfer fees ** After administrative offsets



Welcome Aboard *continued from front*

DAP/401(k) web site is a vast improvement over the *Benefits Express* phone system. However, the *Benefits Express* phone system will still come in handy. For example, if you need to discuss a complex situation or have a question about your account, you should use the *Benefits Express* phone system. If you have a time-sensitive question or request, we encourage you to speak with a *Benefits Express* representative. And if you're discussing personal or confidential information, even though the web site is secure, the same cannot be said of email. Calling a representative ensures that your information stays private.

Still not ready?

If you still are not sure about using the new, interactive TWA Pilots DAP/401(k) web site, just take a look at some of the exceptionally positive comments your colleagues are making about the new site:

"The site is fantastic. It gives you what you need in a short period of time. I am not a money person, other than spending it, but this is a great leap forward. Keep up the great work. I hope to follow my account more closely now that I can do so daily."

"Absolutely incredible! You folks have done a superb job of producing all of the needed information within an easily negotiable site. Thanks so much!"

"New site is excellent! Good job. Very helpful and time-saving versus the tedious voice menu system it replaces."

"Thank you for finally making the details of the plans readily available for our viewing pleasure. The site is very well designed."

So come aboard, and take the site for a test flight. Oh, and be sure to give us your feedback. We're always looking for ways to improve your new TWA Pilots DAP/401(k) web site. Enjoy the visit! **HU**

Account access
www.resources.hewitt.com/4twadap

Additional plan information
www.4twadap.com

Reminder

Next Retirement Seminar
October 11, 2000 in New York City
Call **314-739-7373** for details and to reserve your seat. Spouses are invited.

Reviewing the DAP/401(k)'s Investment Options

Following is a brief review of each investment option and a performance comparison with its benchmark over the past seven years (annualized numbers, July 1, 1993, through June 30, 2000).

Plan Assets*		
	July 1, 1993	June 30, 2000
401(k)	\$72	\$227.7
DAP	\$767	\$1,537.5

* In millions

Stable Value Fund

This option is designed to provide liquidity and safety of principal while providing a higher return over time than that offered by money market funds. It invests in a combination of traditional investment contracts, security-backed investment contracts, actively managed bonds, and cash. The benchmark is the Lehman Brothers 1-3 Year Government Treasury.

Seven-year performance comparison

Benchmark	5.40%
Fund	6.18%

Value Stock Fund

This option may include a range of mid-sized to large company value investment managers. The objective is to achieve above-average returns with reduced risk by focusing on companies with low valuations relative to potential future earnings growth, cash flow, and asset values. The portfolios will generally have a lower forward-looking price-to-earnings (P/E) ratio than the market. The benchmark is the Russell 1000® Value Index.

Seven-year performance comparison

Benchmark	15.69%
Fund	16.43%

Equity Index Fund

This option is invested in a portfolio of diversified common stocks designed to provide a return similar to that of the broad stock market. The benchmark is the Wilshire 5000 Index.

Seven-year performance comparison

Benchmark	19.47%
Fund	19.28%

Growth Stock Fund

This option invests in stocks from companies with higher historical or expected growth rates in sales or earnings. The primary objective is capital appreciation. This is achieved by investing in securities of established, well-known mid-sized and large companies. The benchmark is the Russell 1000® Growth Index.

Seven-year performance comparison

Benchmark	24.33%
Fund	20.56%

International Stock Fund

This option contains funds whose managers invest in securities across world markets. It may contain broadly diversified portfolios and/or portfolios of managers who have shown successful results in making more concentrated country/currency/company investments. The primary objective is longer-term growth of capital through a diversified portfolio of world market securities. The benchmark is the Morgan Stanley Capital International Europe Australia Far East (MSCI EAFE) Index.

Seven-year performance comparison

Benchmark	10.98%
Fund	16.21%

Diversified Small Company Stock Fund

This option contains portfolios that typically include growth and value stocks of small to medium companies. The primary objective is capital appreciation through investment in equity securities with significantly better-than-average growth prospects. This fund carries more risk, but with the potential for higher returns, than the other DAP/401(k) funds. The benchmark is the Russell 2000® Index.

Seven-year performance comparison

Benchmark	13.61%
Fund	16.31%

TWA Stock Fund

This fund is designed to give 401(k) participants the opportunity to invest their retirement savings in TWA stock. The fund holds both TWA common stock and cash for liquidity. Because it is not diversified, investing instead in a single company stock, this fund carries the highest potential risk of all funds in the 401(k) plan.

Conservative Portfolio

Designed for investors who wish to limit volatility and risk to principal, this option invests in a 40% equity/60% stable value combination. The fund's objective is income and capital preservation. The benchmark is a composite of the underlying funds' indexes.

Seven-year performance comparison

Benchmark	10.43%
Fund	10.79%

Moderate Portfolio

Designed to provide a balanced long-term asset allocation suitable for a majority of participants, this option invests in a 65% equity/35% stable value mix. Its objective is capital growth and income. Generally, more money is invested in this option than any other in the plan. The benchmark is a composite of the underlying funds' indexes.

Seven-year performance comparison

Benchmark	13.52%
Fund	14.16%

Aggressive Portfolio

Designed for participants with long time horizons and those willing to accept more risk and higher volatility in their investments. This option invests in an 80% equity/20% stable value mix. The fund's objective is capital accumulation. The benchmark is a composite of the underlying funds' indexes.

Seven-year performance comparison

Benchmark	14.67%
Fund	15.65%

Fidelity Funds Window

This option allows DAP participants to invest in 57 mutual funds offered by Fidelity Institutional Retirement Services Company. Starting August 1, a Fidelity BrokerageLink option will also be available. Participants may allocate between 1% and 100% of their money from the basic DAP options into a wide variety of mutual funds. There are approximately 700 DAP participants with \$184 million currently in the Fidelity Funds Window option. **HU**

Note: Fund performance is reported net of all plan expenses. Benchmarks do not take into account management or administrative fees.

Performance



Fund Performance – Quarter Ended June 30, 2000

Fund	YTD 2000	1 year	3 years	7 years
Benchmark				
Stable Value Fund	3.07%	5.96%	6.37%	6.18%
Lehman Brothers 1-3 yr. Gov't/Treasury	3.00%	4.85%	5.56%	5.40%
Value Stock Fund	0.22	1.86	14.93	16.43
Russell 1000 Value Index	-4.23	8.92	10.94	15.69
Equity Index Fund	0.08	10.58	19.19	19.28
Wilshire 5000 Index	-0.92	9.43	19.03	19.47
Growth Stock Fund	0.44	20.28	24.62	20.56
Russell 1000 Growth Index	4.23	25.67	28.09	24.33
International Stock Fund	-6.44	34.62	17.96	16.21
MSCI EAFE Index	-3.95	17.44	10.48	10.98
Diversified Small Company Stock Fund	12.38	39.40	18.80	16.31
Russell 2000 Index	3.04	14.32	10.57	13.61
Conservative Portfolio	1.72	6.02	10.61	10.79
Conservative Composite Index	0.92	3.21	9.71	10.43
Moderate Portfolio	1.79	14.56	15.23	14.16
Moderate Composite Index	1.21	9.07	13.21	13.52
Aggressive Portfolio	2.25	19.51	17.20	15.65
Aggressive Composite Index	1.01	10.78	14.00	14.67

FUND COMPONENT WEIGHTING

These tables represent component weighting for individual investment funds as of June 30, 2000.

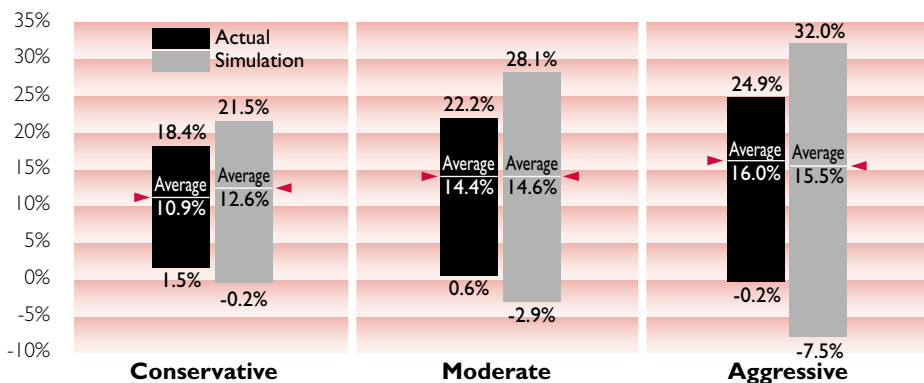
Fund	Weighting	
Stable Value Fund		
Cash/BGI Money Market	5%	
PRIMCO GIC	45%	
Wellington Bonds	Liq 10%/Core 40%	
Value Stock Fund		
BGI Value Index	20%	
Federated Stock Trust	20%	
Legg Mason Spec. Inv. Trust	10%	
Morgan Core	20%	
Neuberger/Berman Focus	10%	
Neuberger/Berman Regency	10%	
T. Rowe Price Value	10%	
Equity Index Fund		
BGI US Equity Index	100%	
Growth Stock Fund		
Fidelity Contrafund	16%	
Janus Fund	16%	
Marsico Focus	16%	
MFS Research	16%	
Vanguard US Growth	16%	
BGI Growth Index	20%	
International Stock Fund		
Am Century Instl. International Growth	20%	
Am Century Instl. International Discovery	25%	
Janus Overseas	25%	
Templeton Instl. Foreign	30%	
Diversified Small Company Stock Fund		
Berger Small Cap Value	12%	
BGI Small Company Index	20%	
DFA 9-10 US Small Co.	12%	
Eclipse Small Cap Value	12%	
Franklin Small Cap Growth II	16%	
Heartland Value	12%	
MFS Instl Emerging Equities	16%	
Net Value of Funds (Millions)	401(k)	DAP
Stable Value Fund	\$34.7	\$246.2
Value Stock Fund	34.2	70.3
Equity Index Fund	24.1	93.2
Growth Stock Fund	31.2	133.6
International Stock Fund	26.3	110.9
Diversified Sm. Co. Stock Fund	32.1	61.4
Conservative Portfolio	2.9	43.4
Moderate Portfolio	25.7	556.1
Aggressive Portfolio	10.5	38.4
Fidelity Funds Window	—	184.0
TWA Company Stock	6.0	—
Total	\$227.7	\$1,537.5

DAP/401(k) Model Portfolio performance

The chart below shows long-term (20 years) simulations of the range of returns for the Model Portfolio mixes. The highest and lowest annual returns are shown, along with the average for the period. Seven-year actual returns for the Portfolios are also shown, including the highest and lowest annual returns, as well as the average for the period.

Range of Returns

Historical Simulations 1980 – 1999 and Seven-Year Actual Returns, July 1, 1993 – June 30, 2000



Performance shown for the Model Portfolios (1980 – 1999) is simulated based on returns of the benchmark indexes of each of the underlying TWA Pilots DAP/401(k) funds used to create the Model Portfolios. Simulated returns compiled by Frank Russell Company. Simulated results shown do not reflect the deduction of transaction, management, and administrative costs. The simulations assume annual rebalancing to the target allocations. Past performance is for illustrative purposes only and is not a guarantee of future performance. This information is provided for reference only. For more information on the Model Portfolios, call the TWA Pilots DAP/401(k) at 314-739-7373. Average numbers are compound annualized numbers.

The intent of this communication is to provide useful information, not investment advice. Each participant in the TWA Pilots DAP/401(k) Plan is ultimately responsible for making his or her own investment decisions.

More Information and Interacting with the Plan:

To get account balance information, or to make transfers, call 1-877-4TWADAP (1-877-489-2327) between 8 am and 5 pm, CST Monday through Friday. 1-847-883-0471 (not toll-free) from rotary telephone or outside the U.S. Use Social Security number and PIN to access your account. Daily NAV, call 1-877-489-2327, select 1 and then # (toll-free). Fidelity Funds 1-800-881-4015.

Web Site: www.4twadap.com

Account Access: www.resources.hewitt.com/4twadap

Other Information:

TWA Pilots DAP/401(k) Plan
3221 McKelvey Road, Suite 105
Bridgeton, MO 63044-2551
314-739-7373



Investment Structure

Level 1:

Conservative Portfolio

- 60% Stable Value
- 20% Value Stock
- 20% Equity Index

Moderate Portfolio

- 35% Stable Value
- 15% Value Stock
- 15% Equity Index
- 15% Growth Stock
- 10% International Stock
- 10% Diversified Small Co. Stock

Aggressive Portfolio

- 20% Stable Value
- 15% Value Stock
- 15% Equity Index
- 15% Growth Stock
- 15% International Stock
- 20% Diversified Small Co. Stock

Level 2 – Core Options:

Stable Value Income

- 50% Bonds
- 45% GICS
- 4% BGI-Money Market
- 1% Cash

Value Stock

- 20% Fed. Stock Trust
- 20% Morgan Core
- 10% Neub/Berm Focus
- 10% Legg Mason Special
- 10% Neub/Berm Regency
- 10% T. Rowe Price Value
- 20% BGI-Value Index

Equity Index

- 100% BGI-US Equity Index

Growth Stock

- 16% Fidelity Contrafund
- 16% Janus Fund
- 16% MFS Research
- 16% Vanguard US Growth
- 16% Marsico Focus
- 20% BGI Growth Index

International Stock

- 25% Amer Cent Intl. Discovery
- 20% Amer Cent Intl. Eq.
- 25% Janus Overseas
- 30% Templeton Instl. Foreign

Diversified Small Co. Stock

- 16% MFS Instl. Emerg. Equities
- 12% Heartland Value
- 12% DFA US 9-10 Sm. Co.
- 12% Eclipse Sm. Cap Value
- 12% Berger Sm. Cap Value
- 16% Franklin Sm. Cap Gr. II
- 20% BGI-Sm. Co. Index

Mutual Fund Window

Level 3:

57 Fidelity Mutual Funds

Level 4:

Fidelity Brokerage Option

200 Plus Families 3000 Plus Mutual Funds