

AMERICAN AIRLINES INC

Form POS AM

April 28, 2004

Table of Contents

As filed with the Securities and Exchange Commission on April 28, 2004

Registration Nos. 333-109978
333-109978-01

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**POST-EFFECTIVE AMENDMENT NO. 2
TO**

FORM S-3

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

AMR CORPORATION

AMERICAN AIRLINES, INC.

(Exact name of registrants as specified in their charters)

DELAWARE

DELAWARE

(State or other jurisdiction of incorporation or organization)

75-1825172

13-1502798

(I.R.S. Employer Identification Number)

P.O. BOX 619616

DALLAS/FORT WORTH AIRPORT, TEXAS 75261-9616

(817) 963-1234

(Address, including zip code, and telephone number, including area code,
of registrants principal executive offices)

GARY F. KENNEDY, ESQ.

Senior Vice President and General Counsel

AMR Corporation

P.O. Box 619616

Dallas/Fort Worth Airport, Texas

75261-9616

(817) 963-1234

(Name, address, including zip code, and telephone number, including area code, of agents for service)

Copy to:

ROHAN S. WEERASINGHE, ESQ.

Shearman & Sterling LLP

599 Lexington Avenue

New York, New York 10022

JOHN T. CURRY, III, ESQ.

Debevoise & Plimpton LLP

919 Third Avenue

New York, New York 10022

(212) 909-6000

(212) 848-4000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said section 8(a), may determine.

Table of Contents

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED APRIL 28, 2004

PROSPECTUS

\$300,000,000

AMR Corporation

4.25% Senior Convertible Notes due 2023

Guaranteed by
American Airlines, Inc.

Common Stock Issuable Upon Conversion of
the 4.25% Senior Convertible Notes due 2023

AMR Corporation issued \$300,000,000 principal amount of its Senior Convertible Notes due 2023 in a private placement in September 2003. This prospectus will be used by selling securityholders to resell their notes and the common stock issuable upon conversion of the notes. We will not receive any of the proceeds from the sale of these securities.

The notes and the shares of common stock issuable upon conversion of the notes may be sold from time to time by and for the account of the selling securityholders named in this prospectus or in a post-effective amendment to the registration statement of which this prospectus is a part. The selling securityholders may sell all or a portion of the notes or the shares of common stock issuable upon conversion of the notes from time to time in market transactions, in negotiated transactions or otherwise, and at prices and on terms which will be determined by the then prevailing market price for the notes or shares of common stock or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal, or by a combination of such methods of sale. See Plan of Distribution on page 46 for additional information on the methods of sale.

Interest on the notes at the rate of 4.25% per year is payable semiannually in arrears on March 23 and September 23 of each year, beginning March 23, 2004. The notes will mature on September 23, 2023. The notes are unsecured senior obligations and rank equal in right of payment with our existing and future unsecured and unsubordinated indebtedness. Our wholly-owned subsidiary, American Airlines, Inc., is guaranteeing the notes on an unsecured senior basis. The guarantee ranks equal in right of payment with all existing and future unsecured and unsubordinated indebtedness of American Airlines, Inc.

Holders may convert each \$1,000 principal amount of notes into 57.61 shares of our common stock, subject to adjustment, only if (1) the closing sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (2) the notes are called for redemption, or (3) specified corporate transactions have occurred. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and common stock in an amount described in this prospectus. Our common stock currently trades on the New York Stock Exchange under the symbol AMR. On April 27, 2004 the last reported sale price of our common stock on the New York Stock Exchange was \$12.36 per share.

Holders may require us to purchase all or a portion of their notes on each of September 23, 2008, 2013 and 2018 at a price equal to 100% of the principal amount of the notes being purchased plus, in each case, accrued and unpaid interest, if any, to the date of purchase. In addition, if a change in control occurs, each holder may require us to purchase all or a portion of such holder's notes at a price equal to 100% of the principal amount of the notes being purchased plus accrued and unpaid interest, if any, to the date of purchase. In either event, we may choose to pay the purchase price of such notes in cash or common stock or a combination of cash and common stock.

We may redeem for cash all or a portion of the notes at any time on or after September 23, 2008, at a price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest, if any, to the redemption date.

Investing in the notes or shares of common stock involves risks. See Risk Factors beginning on page 7.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2004

You should rely only on the information contained in this prospectus and those documents incorporated by reference herein. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document. Neither the delivery of this prospectus nor any distribution of securities pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated into this prospectus by reference or in our affairs since the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

TABLE OF CONTENTS

	<u>Page</u>
<u>About This Prospectus</u>	i
<u>Where You Can Find More Information</u>	ii
<u>Special Note Regarding Forward-Looking Statements</u>	iii
<u>Summary</u>	1
<u>Risk Factors</u>	7
<u>Use of Proceeds</u>	11
<u>Price Range of Our Common Stock</u>	12
<u>Dividend Policy</u>	12
<u>Ratios of Earnings to Fixed Charges</u>	13
<u>Description of the Notes</u>	14
<u>Description of Our Capital Stock</u>	33
<u>Certain United States Federal Income Tax Considerations</u>	35
<u>Certain ERISA Considerations</u>	41

<u>Selling Securityholders</u>	42
<u>Plan of Distribution</u>	46
<u>Legal Opinion</u>	48
<u>Experts</u>	48
<u>Consent of Ernst & Young LLP</u>	

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we and our subsidiary, American Airlines, Inc., filed jointly with the Securities and Exchange Commission (the SEC) using a shelf registration or continuous offering process. Under this shelf process, selling securityholders may from time to time sell the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the securities that the selling securityholders may offer. Each time a selling securityholder sells securities, the selling securityholders are required to provide you with a prospectus and/or a prospectus supplement containing specific information about the selling securityholder and the terms of the securities being offered. A prospectus supplement may include other special considerations applicable to those securities. The prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in that prospectus supplement. You should read carefully both this prospectus

Table of Contents

and any prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read on the SEC web site or at the SEC offices mentioned under the heading **Where You Can Find More Information**.

References in this prospectus to **AMR**, the **Company**, **we**, **us** and **our** refer to AMR Corporation together with its subsidiaries, unless otherwise specified.

WHERE YOU CAN FIND MORE INFORMATION

We and American Airlines, Inc. file annual, quarterly and special reports, proxy statements (in the case of AMR Corporation only) and other information with the SEC. This information may be read and copied at the Public Reference Room of the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our SEC filings also are available from the SEC's Internet site at <http://www.sec.gov>, which contains reports, proxy and information statements, and other information regarding issuers that file electronically.

We incorporate by reference in this prospectus certain documents that we and American Airlines, Inc. file with the SEC, which means:

we can disclose important information to you by referring you to those documents;

information incorporated by reference is considered to be part of this prospectus, even though it is not repeated in this prospectus; and

information that we and American Airlines, Inc. file later with the SEC will automatically update and supersede this prospectus.

We incorporate by reference the documents listed below and all documents that AMR or American Airlines, Inc. files with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) after the date of this prospectus and prior to the termination of this offering, other than current reports (or portions thereof) furnished under Items 9 or 12 of Form 8-K:

Annual Reports of AMR and of American Airlines, Inc. on Form 10-K for the year ended December 31, 2003;

Quarterly Reports of AMR and of American Airlines, Inc. on Form 10-Q for the quarter ended March 31, 2004;

Current Reports of AMR on Form 8-K filed on February 25, 2004, March 18, 2004 (8-K/A) and April 2, 2004; and

Current Reports of American Airlines, Inc. on Form 8-K filed on February 25, 2004, March 18, 2004 (8-K/A) and April 2, 2004.

Table of Contents

You may obtain a copy of these filings (other than their exhibits, unless those exhibits are specifically incorporated by reference in the filings) at no cost by writing or telephoning us at the following address:

Corporate Secretary
AMR Corporation
P.O. Box 619616, Mail Drop 5675
Dallas/Fort Worth Airport, Texas 75261-9616
(817) 967-1254

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference contain various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Exchange Act, which represent our expectations or beliefs concerning future events. When used in this prospectus and in documents incorporated herein by reference, the words believes, expects, plans, anticipates, and similar expressions are intended to identify forward-looking statements.

Forward-looking statements include, without limitation, our expectations concerning operations and financial conditions, including changes in capacity, revenues, and costs, future financing needs, overall economic conditions and plans and objectives for future operations, the impact on us of our results of operations for the past three years and the sufficiency of our financial resources to absorb that impact. Other forward-looking statements include statements which do not relate solely to historical facts, such as, without limitation, statements which discuss the possible future effects of current known trends or uncertainties, or which indicate that the future effects of known trends or uncertainties cannot be predicted, guaranteed, or assured.

All forward-looking statements in this prospectus and the documents incorporated by reference are based upon information available to us on the date of this prospectus or such document. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise. Forward-looking statements are subject to a number of factors that could cause our actual results to differ materially from our expectations.

The following factors, in addition to the factors listed under the caption Risk Factors in Item 7 of our and American Airlines, Inc.'s reports on Form 10-K for the year ended December 31, 2003, and other possible factors not listed, could cause our actual results to differ materially from those expressed in forward-looking statements: changes in economic, business and financial conditions; our substantial indebtedness; high fuel prices and the availability of fuel; the residual effects of the war in Iraq; conflicts in the Middle East or elsewhere; the highly competitive business environment faced by us, with increasing competition from low cost carriers and historically low fare levels; our ability to implement our restructuring program and the effect of the program on operational performance and service levels; uncertainties with respect to our international operations; changes in our business strategy; actions by U.S. or foreign government agencies; the possible occurrence of additional terrorist attacks; another outbreak of a disease (such as SARS) that affects travel behavior; uncertainties with respect to our or American Airlines, Inc.'s relationships with unionized and other employee work groups; our and American Airlines, Inc.'s inability to satisfy existing financial or other covenants in certain of our or American Airlines, Inc.'s credit agreements; the availability of future financing; and increased insurance costs and potential reductions of available insurance coverage.

Additional information concerning these and other factors is contained in our and American Airlines, Inc.'s SEC filings, including but not limited to our and American Airlines, Inc.'s Quarterly Reports on Form 10-Q for the quarter ended March 31, 2004 and our and American Airlines, Inc.'s Annual Reports on Form 10-K for the year ended December 31, 2003.

Table of Contents

SUMMARY

This summary highlights basic information about us and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing. You should read this entire prospectus carefully, including the section entitled "Risk Factors" in this prospectus, as well as the materials filed with the SEC that are incorporated by reference in this prospectus, before making an investment decision.

AMR Corporation

AMR Corporation was incorporated in October 1982. AMR's operations fall almost entirely in the airline industry. AMR's principal subsidiary, American Airlines, Inc., was founded in 1934. On April 9, 2001, American Airlines, Inc. (through a wholly owned subsidiary, TWA Airlines LLC ("TWA LLC")) purchased substantially all of the assets and assumed certain liabilities of Trans World Airlines, Inc. ("TWA"), the eighth largest U.S. carrier. American Airlines, Inc., including TWA LLC (collectively, "American"), is the largest scheduled passenger airline in the world. At the end of 2003, American provided scheduled jet service to approximately 150 destinations throughout North America, the Caribbean, Latin America, Europe and the Pacific. American is also one of the largest scheduled air freight carriers in the world, providing a wide range of freight and mail services to shippers throughout its system.

In addition, AMR Eagle Holding Corporation, a wholly-owned subsidiary of AMR, owns two regional airlines which do business as "American Eagle" American Eagle Airlines, Inc. and Executive Airlines, Inc. American also contracts with two independently owned regional airlines which do business as the "AmericanConnection". We refer to the American Eagle and AmericanConnection carriers as our Regional Affiliates. The Regional Affiliates provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada and the Caribbean.

AMR Investment Services, Inc., a wholly-owned subsidiary of AMR, is responsible for the investment and oversight of the assets of AMR's defined benefit and defined contribution plans, as well as its short-term investments.

The postal address for AMR's and American's principal executive offices is P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616 (Telephone: 817-963-1234). AMR's Internet address is <http://www.amrcorp.com>. Information on AMR's website is not incorporated into this prospectus and is not a part of this prospectus.

Table of Contents

The Notes

This prospectus relates to resales of \$300,000,000 aggregate principal amount of the notes and 17,283,000 shares of our common stock issuable upon conversion of the notes at the initial conversion rate, plus an indeterminate number of additional shares of common stock that may be issued from time to time upon conversion of the notes as a result of antidilution adjustments, in circumstances described in this prospectus.

The following is a brief summary of the terms of the notes. For a more complete description of the notes, see Description of the Notes in this prospectus.

Issuer	AMR Corporation.
Notes offered	\$300,000,000 aggregate principal amount of 4.25% Senior Convertible Notes due 2023.
Maturity	September 23, 2023.
Interest	4.25% per year, payable semiannually in arrears on March 23 and September 23 of each year, beginning March 23, 2004. The amount of interest payable is calculated using a 360-day year comprised of twelve 30-day months.
Guarantee	The notes are unconditionally guaranteed by American Airlines, Inc.
Ranking	<p>The notes are our unsecured senior obligations and rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness.</p> <p>The American Airlines, Inc. guarantee is an unsecured senior obligation of American Airlines, Inc. and ranks equal in right of payment with all existing and future unsecured and unsubordinated indebtedness of American Airlines, Inc. The notes and the guarantee are effectively subordinated to all existing and future secured debt of AMR Corporation and American Airlines, Inc., respectively, to the extent of the security for such secured debt.</p> <p>As of March 31, 2004, there was approximately \$14.4 billion of long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR Corporation, American Airlines, Inc. and their consolidated subsidiaries. As of March 31, 2004, \$12.1 billion of the long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR Corporation, American Airlines, Inc. and their consolidated subsidiaries was secured. Since March 31, 2004, AMR Corporation, American Airlines, Inc. and their respective subsidiaries have incurred</p>

additional indebtedness. AMR Corporation, American Airlines, Inc. and their respective subsidiaries may incur substantial additional debt, including secured

Table of Contents

debt, in the future.

In addition, the notes and the guarantee are structurally subordinated to all existing and future liabilities (including debt and trade payables) of the existing and future subsidiaries of AMR Corporation (other than American Airlines, Inc.) and American Airlines, Inc., respectively.

Conversion rights

For each \$1,000 principal amount of notes surrendered for conversion, if the conditions for conversion are satisfied, a holder will receive 57.61 shares of our common stock, subject to adjustment. In lieu of delivering shares of our common stock upon conversion of all or any portion of our notes, we may elect to pay holders surrendering notes cash or a combination of cash and shares of our common stock for the notes surrendered. If we elect to pay holders cash for their notes, the payment will be based on the average closing sale price of our common stock for the five consecutive trading days immediately following either:

the date of our notice of our election to deliver cash, which we must give within two business days after receiving a conversion notice, unless we have earlier given notice of redemption as described in this prospectus; or

the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter.

The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued and unpaid interest. Upon conversion, a holder will not receive any payment representing any accrued and unpaid interest. Instead, accrued and unpaid interest will be deemed paid by the shares of common stock received by the holder on conversion.

Holders may surrender notes for conversion into our shares of common stock in any calendar quarter commencing after September 30, 2003 if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 120% of the conversion price per share of common stock on the last trading day of such preceding calendar quarter. If the foregoing condition is satisfied, then the notes will be convertible at any time thereafter at the option of the holder, through maturity. The conversion price per share as of any day will equal \$1,000 divided by the conversion rate (initially 57.61, but subject to the adjustments described herein, including any adjustments

Table of Contents

to the conversion rate through that day).

Holders may also surrender notes for conversion during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each day of that trading day period was less than 98% of the product of the closing sale price for our common stock and the number of shares of common stock issuable upon conversion of \$1,000 principal amount of notes; if on the date of any such conversion, the closing sale price of our common stock is greater than the conversion price, then holders will receive, in lieu of common stock based on the conversion price, cash or common stock or a combination of cash and common stock, at our option, with a value equal to the principal amount of such notes, plus accrued and unpaid interest, if any, as of the conversion date. See Description of the Notes Conversion Rights.

Notes or portions of notes in integral multiples of \$1,000 principal amount called for redemption may be surrendered for conversion until the close of business on the second business day prior to the redemption date. In addition, if we make certain distributions to our stockholders, or if we are a party to certain consolidations, mergers or binding share exchanges, in addition to any adjustment to the conversion rate as a result of such distribution, consolidation, merger or exchange, notes may be surrendered for conversion, as provided in Description of the Notes Conversion Rights. The ability to surrender notes for conversion will expire at the close of business on September 17, 2023.

Redemption of notes at our option

We may redeem for cash all or a portion of the notes at any time on or after September 23, 2008, at redemption prices equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest, if any, to the applicable redemption date. See Description of the Notes Redemption of Notes at Our Option.

Purchase of the notes by AMR at option of the holder

Holders may require us to purchase all or a portion of their notes on each of September 23, 2008, 2013 and 2018 at a price equal to 100% of the principal amount of notes being purchased, plus, in each case, accrued and unpaid interest, if any, to the purchase date.

We may, at our option, choose to pay the purchase price in cash or shares of our common stock or in a combination of cash and shares of our common stock. See Description of the Notes Purchase of Notes by AMR at the Option of the Holder.

Table of Contents

Change in control	Upon a change in control of AMR or American Airlines, Inc., holders may require us to purchase all or a portion of their notes at a price equal to 100% of the principal amount of the notes being purchased plus accrued and unpaid interest, if any, to the date of purchase. See Description of the Notes Change in Control Permits Purchase of Notes by AMR at the Option of the Holder for a description of the events that would constitute such a change in control. We may at our option choose to pay the purchase price for any such notes in cash or shares of common stock or any combination thereof.
DTC eligibility	The notes were issued in fully registered book-entry form and are represented by one or more permanent global notes without coupons. Global notes are deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in global notes are shown on, and transfers thereof are effected only through, records maintained by DTC and its direct and indirect participants, and your interest in any global note may not be exchanged for certificated notes, except in limited circumstances described herein. See Description of the Notes Book-Entry System.
Registration rights	We and American Airlines, Inc., for the benefit of holders, have agreed to file with the SEC within 90 days after the date of the original issuance of the notes, a shelf registration statement, of which this prospectus is a part, covering resales of the notes and the shares of our common stock issuable upon conversion of the notes. We have agreed to use our reasonable efforts to cause the shelf registration statement to become effective within 180 days after the original issuance and keep such shelf registration statement effective until the earlier of (i) the sale pursuant to the shelf registration statement of all the notes and the shares of common stock issuable upon conversion of the notes, and (ii) the expiration of the holding period applicable to such securities held by non-affiliates of AMR under Rule 144(k) under the Securities Act, or any successor provision, subject to certain permitted exceptions. See Description of the Notes Registration Rights.
Sinking fund	None.
Trading	We do not intend to list the notes on any national securities exchange. The notes are currently eligible for trading on the Private Offerings, Resales and Trading through Automated Linkages (PORTAL) system of the National Association of Securities Dealers, Inc.; however, notes sold using this prospectus will no longer be eligible for trading on PORTAL. The notes are securities for which there is currently no public market.

Common stock

Our common stock is traded on the New York Stock Exchange under the symbol AMR.

5

Table of Contents

Use of proceeds

The selling securityholders will receive all of the proceeds from the sale of the notes and the common stock issuable upon conversion of the notes offered by this prospectus. We will not receive any proceeds. For more information, see Use of Proceeds.

6

Table of Contents

RISK FACTORS

In considering whether to purchase the notes, you should carefully consider all of the information contained in or incorporated by reference in this prospectus, including but not limited to, our and American's reports on Form 10-K for the year ended December 31, 2003 and our and American's reports on Form 10-Q for the quarter ended March 31, 2004. In addition, you should carefully consider the risk factors described below, along with any risk factors that may be included in a supplement to this prospectus or in our future reports to the SEC.

Risk Factors Relating to AMR and American

We incorporate herein by reference the information under the caption Risk Factors in Item 7 of our and American's reports on Form 10-K for the year ended December 31, 2003.

Risk Factors Related to the Notes

As used in the description of these Risk Factors Related to the Notes, the words AMR and American refer only to AMR Corporation and American Airlines, Inc., respectively, and do not include any current or future subsidiary of either corporation.

The notes are unsecured, are effectively subordinated to AMR's and American's secured indebtedness, and are structurally subordinated to obligations of AMR's and American's subsidiaries.

The notes and the American guarantee represent unsecured senior obligations and rank equal in right of payment with all the existing and future unsecured and unsubordinated indebtedness of AMR and American, respectively. However, the notes and the American guarantee are effectively subordinated to all existing and future secured debt of AMR and American, respectively, to the extent of the security for such secured debt. As of March 31, 2004, there was approximately \$14.4 billion of long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR, American and their consolidated subsidiaries. As of March 31, 2004, \$12.1 billion of the long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR, American and their consolidated subsidiaries was secured. Since March 31, 2004, AMR, American and their respective subsidiaries have incurred additional indebtedness. AMR, American and their respective subsidiaries may incur substantial additional debt, including secured debt, in the future. In the event of any distribution or payment of assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding involving AMR or American, holders of secured indebtedness will have a prior claim to those assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, there would likely not be sufficient assets to pay the full amounts due on the notes and, if so, holders of notes would receive less, ratably, than holders of secured indebtedness.

In addition, the notes and the American guarantee are structurally subordinated to all existing and future liabilities (including debt and trade payables) of the existing and future subsidiaries of AMR (other than American) and American, respectively. Such subordination occurs because, as a general matter, claims of creditors of a subsidiary which is not a guarantor of parent company debt, including trade creditors, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent company.

Moreover, if we fail to deliver our common stock upon conversion of a note and thereafter become the subject of bankruptcy proceedings, a holder's claim for damages arising from such failure could be subordinated to all of our and our subsidiaries' existing and future obligations.

We are dependent on our subsidiaries because of our holding company structure.

AMR conducts all of its business through its wholly owned operating subsidiaries, including American. AMR does not maintain a borrowing facility and is dependent on the cash flow generated by the operations of its

Table of Contents

subsidiaries and on dividends and other payments to it from its subsidiaries to meet its liquidity needs and debt service obligations, including payment of the notes. American is a separate and distinct legal entity and although it has unconditionally guaranteed payment of the notes, due to limitations and restrictions in its debt instruments, it may be unable to pay any amounts due on its guarantee or to provide AMR with funds for AMR's payment obligations on the notes, by dividend, distribution, loan or other payment. No other subsidiary of AMR or American is guaranteeing the notes. Future borrowings by AMR, American and AMR's other subsidiaries may include additional restrictions. In addition, under applicable state law, American and AMR's other subsidiaries may be limited in the amounts they are permitted to pay as dividends on their capital stock.

The notes do not have the benefit of restrictive covenants.

AMR, American and their respective subsidiaries are not restricted by the notes or the indenture from incurring indebtedness. In addition, the notes and the indenture do not restrict the ability of AMR, American or their respective subsidiaries to incur liens or otherwise encumber or sell their assets. Engaging in such a transaction may have the effect of reducing the amount of proceeds distributable to holders of the notes in connection with any distribution or payment of assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding involving AMR or American. In addition, the indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends or the issuance or repurchase of securities by AMR, American or any of their respective subsidiaries.

We may not be able to purchase the notes upon an agreed purchase date or a change in control, and may not be obligated to purchase the notes upon certain transactions.

On each of September 23, 2008, 2013 and 2018, holders of the notes may require AMR to purchase their notes. In addition, holders of the notes may require AMR to purchase their notes upon a change in control as defined in the indenture. AMR and American might not have sufficient funds to make the required purchase of the notes and may be required to secure third-party financing to do so. However, AMR and American may not be able to obtain such financing on acceptable terms, or at all. Moreover, AMR's ability to fund a required purchase of the notes upon a change in control or to secure third-party financing to do so may be adversely affected to the extent that AMR's or its subsidiaries' current or future debt instruments also require the repayment of such debt upon the occurrence of such a change in control. In addition, AMR's ability to repurchase the notes when required, including upon a change in control under the indenture, may be restricted by law or by the terms of agreements to which AMR or its subsidiaries are now and may hereafter be parties. The failure to repurchase the notes when required would constitute an event of default under the indenture, which might in turn constitute a default under the terms of other indebtedness of AMR or its subsidiaries. Further, certain important corporate events, such as a spin-off transaction, a reorganization or a leveraged recapitalization that would increase the level of AMR's indebtedness, may not constitute a change in control under the indenture and would not trigger AMR's obligation to repurchase the notes. See Description of Notes Purchase of Notes by AMR at the Option of the Holder and Change in Control Permits Purchase of Notes by AMR at the Option of the Holder.

Because there is no public market for the notes, and the notes are subject to transfer restrictions, holders may not be able to resell the notes easily or at a favorable price.

The notes are a new issue of securities for which there is no trading market. Although the notes are currently eligible for trading on PORTAL, any notes resold under this prospectus will no longer be eligible for trading on PORTAL. We do not intend to apply for listing of the notes on any securities exchange or other stock market. Although the initial purchaser of the notes has advised us that it intends to make a market for the notes, it is not obligated to do so. The initial purchaser could stop making a market in the notes at any time without notice. Accordingly, a market for the notes may not develop, and we are not certain of the liquidity of any market that may

develop, the ability of holders to sell their notes or the price at which holders would be able to sell their notes. If a market were to develop, the market price for the notes may be adversely affected by, among other factors, changes in our financial performance or prospects, changes in our credit ratings, changes in the overall market for similar securities, changes in interest rates and the financial performance or prospects of other airlines.

We have the right, pursuant to the registration rights agreement, to suspend the use of the shelf registration statement of which this prospectus is a part in certain circumstances. During such a suspension, holders would not

Table of Contents

be able to sell any notes or shares of common stock issuable upon conversion of the notes. See Description of the Notes Registration Rights.

The price of our common stock may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price of our common stock could fluctuate significantly for various reasons which include:

our quarterly or annual earnings or those of other companies in our industry;

the public's reaction to our press releases, our other public announcements and our filings with the SEC;

changes in earnings or recommendations by research analysts who track our common stock or the stock of other airlines;

changes in general conditions in the U.S. and global economy, financial markets or airline industry, including those resulting from war, incidents of terrorism or responses to such events; and

the other factors described in these Risk Factors.

In addition, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies, including companies in our industry. The changes frequently appear to occur without regard to the operating performance of these companies. The price of our common stock could fluctuate based upon factors that have little or nothing to do with our company, and these fluctuations could materially reduce our stock price.

We expect that the trading value of the notes will be significantly affected by the price of our common stock and the availability of shares for sale in the market.

The market price of the notes is expected to be significantly affected by the market price of our common stock, which has been volatile. This may result in greater volatility in the trading value of the notes than would be expected for nonconvertible debt securities we issue.

The sale or availability for sale of substantial amounts of our common stock also could adversely impact its price. AMR maintains various plans providing for the grant of stock options, stock appreciation rights, restricted stock, deferred stock, stock purchase rights and other stock-based awards. As of March 31, 2004, under such plans approximately 73 million shares of common stock were subject to outstanding options, deferred stock awards and

other stock-based awards. This includes approximately 37.1 million shares subject to options issued to employees (excluding officers) pursuant to the modified labor agreements entered into in April 2003. These options, which vest in equal installments over a three year period, expire in April 2013. In addition, AMR anticipates that it will issue over time approximately 2.5 million shares of our common stock to certain vendors, lessors, lenders and suppliers with whom AMR and its subsidiaries have reached concessionary agreements. Approximately 2.4 million of such shares had been issued as of March 31, 2004.

Under fraudulent conveyance laws, a court could void obligations under the American guarantee.

Under the federal bankruptcy laws and comparable provisions of state fraudulent conveyance or fraudulent transfer laws, a court could void obligations under the American guarantee, subordinate those obligations to pari passu or more junior obligations of American or require holders of the notes to repay any payments made pursuant to the guarantee, if an unpaid creditor or representative of creditors, such as a trustee in bankruptcy of American as a debtor-in-possession, claims that the guarantee constituted a fraudulent conveyance or fraudulent transfer. For this claim to succeed, the claimant must generally show that:

Table of Contents

American did not receive fair consideration or reasonably equivalent value in exchange for the guarantee; and
at the time the guarantee was issued, American:

was insolvent;

was rendered insolvent by reason of the guarantee;

was engaged in a business or transaction for which its remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay them as the debts matured.

The measure of insolvency for these purposes will depend upon the law of the jurisdiction being applied.

Generally, however, an obligor will be considered insolvent for these purposes if:

the sum of its debts, including contingent liabilities, was greater than the saleable value of all of its assets at a fair valuation;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

Moreover, regardless of solvency, a court could void an incurrence of indebtedness, including under the American guarantee, if it determined that the transaction was made with intent to hinder, delay or defraud American's creditors.

Table of Contents

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale of the notes and the common stock issuable upon conversion of the notes offered by this prospectus. We will not receive any proceeds. We used the net proceeds from the initial issuance of the notes for working capital and general corporate purposes. See **Selling Securityholders** for a list of entities receiving proceeds from the sale of the notes and the common stock issuable upon conversion of the notes.

Table of Contents**PRICE RANGE OF OUR COMMON STOCK**

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol AMR. The following table sets forth for the periods indicated below the high and low closing prices for our common stock as reported by the New York Stock Exchange.

	High	Low
	<hr/>	<hr/>
Fiscal Year Ended December 31, 2002		
First Quarter	\$29.05	\$21.92
Second Quarter	25.56	16.00
Third Quarter	15.93	3.60
Fourth Quarter	8.25	3.15
Fiscal Year Ending December 31, 2003		
First Quarter	\$ 6.95	\$ 1.41
Second Quarter	11.32	3.00
Third Quarter	13.23	8.04
Fourth Quarter	14.90	11.21
Fiscal Year Ending December 31, 2004		
First Quarter	\$17.38	\$10.63
Second Quarter (through April 27, 2004)	13.93	12.03

In March 2003, Standard and Poor's removed our common stock from the S&P 500 index.

DIVIDEND POLICY

We have paid no cash dividends on our common stock and have no current intention of doing so. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, subject to applicable limitations under Delaware law, and will be dependent upon our results of operations, financial condition, contractual restrictions and other factors deemed relevant by our Board of Directors.

Table of Contents**RATIOS OF EARNINGS TO FIXED CHARGES**

The following table sets forth the ratios of earnings to fixed charges of AMR and of American for the periods indicated:

Year ended December 31,					Three Months
					Ended
1999	2000	2001	2002	2003	March 31, 2004

Ratio of Earnings to Fixed Charges

(1) For the year ended December 31, 2001, AMR earnings were not sufficient to cover fixed charges. We needed additional earnings of \$2,900 million to achieve a ratio of earnings to fixed charges of 1.0.

(2) In April 2001, the board of directors of American approved the unconditional guarantee by American (the American Guarantee) of the existing debt obligations of AMR. As such, as of December 31, 2001, American unconditionally guaranteed through the life of the related obligations approximately \$676 million of unsecured debt and approximately \$573 million of secured debt. The impact of these unconditional guarantees is not included in the above computation. For the year ended December 31, 2001, earnings were not sufficient to cover fixed charges. American needed additional earnings of \$2,584 million to achieve a ratio of earnings to fixed charges of 1.0.

(3) For the year ended December 31, 2002, AMR earnings were not sufficient to cover fixed charges. We needed additional earnings of \$3,946 million to achieve a ratio of earnings to fixed charges of 1.0.

(4) At December 31, 2002, American's exposure under the American Guarantee was approximately \$636 million with respect to unsecured debt and approximately \$538 million with respect to secured debt. For the year ended December 31, 2002, earnings were not sufficient to cover fixed charges. American needed additional earnings of \$3,749 million to achieve a ratio of earnings to fixed charges of 1.0.

(5) For the year ended December 31, 2003, AMR earnings were not sufficient to cover fixed charges. We needed additional earnings of \$1,379 million to achieve a ratio of earnings to fixed charges of 1.0.

(6) At December 31, 2003, American's exposure under the American Guarantee was approximately \$936 million with respect to unsecured debt and approximately \$503 million with respect to secured debt. For the year ended December 31, 2003, earnings were not sufficient to cover fixed charges. American needed additional earnings of \$1,475 million to achieve a ratio of earnings to fixed charges of 1.0.

(7) For the three months ended March 31, 2004, AMR earnings were not sufficient to cover fixed charges. We needed additional earnings of \$184 million to achieve a ratio of earnings to fixed charges of 1.0.

(8) At March 31, 2004, American's exposure under the American Guarantee was approximately \$1.3 billion with respect to unsecured debt and approximately \$484 million with respect to secured debt. For the three months ended March 31, 2004, earnings were not sufficient to cover fixed charges. American needed additional earnings of \$199 million to achieve a ratio of earnings to fixed charges of 1.0.

For purposes of the table, earnings represents consolidated income from continuing operations before income taxes, extraordinary items, cumulative effect of accounting change and fixed charges (excluding interest capitalized). Fixed charges consists of interest expense (including interest capitalized), amortization of debt expense and the

portion of rental expense we deem representative of the interest factor.

Table of Contents

DESCRIPTION OF THE NOTES

We issued the notes under an indenture, dated as of September 23, 2003, among us, as issuer, American Airlines, Inc., as guarantor, and Wilmington Trust Company, as trustee. The following summarizes the material provisions of the notes. The following description does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the indenture and the notes, which we urge you to read because they, and not this description, define your rights as a note holder. A copy of the indenture is available upon request to us. As used in this description of the notes, the words we, us, our, or AMR refer only to AMR Corporation and do not include any current or future subsidiary of AMR Corporation, and references to American Airlines, Inc. refer only to American Airlines, Inc. and do not include any current or future subsidiary of American Airlines, Inc.

General

The notes are limited to \$300,000,000 aggregate principal amount. The notes will mature on September 23, 2023. The notes are in denominations of \$1,000 and integral multiples of \$1,000. The notes are payable at the principal corporate trust office of the paying agent, which initially is an office or agency of the trustee, or an office or agency maintained by us for such purpose, in the Borough of Manhattan, The City of New York.

The notes bear interest at the rate of 4.25% per year from the issue date or from the most recent date to which interest has been paid or provided for. Interest will be payable semiannually in arrears on March 23 and September 23 of each year, commencing on March 23, 2004, to holders of record at the close of business on the March 8 or September 8 immediately preceding such interest payment date. Each payment of interest on the notes will include interest accrued through the day before the applicable interest payment date (or purchase, redemption or, in certain circumstances, conversion date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day as if made on the date such payment was due and no interest will accrue for the period from and after the interest payment date, maturity date, purchase date or repurchase date, as the case may be, to the date of payment on the next succeeding business day. The amount of interest will be calculated using a 360-day year comprised of twelve 30-day months.

Interest will cease to accrue on a note upon its maturity, conversion, purchase by us at the option of a holder or redemption. We may not reissue a note that has matured or been converted, purchased by us at your option, redeemed or otherwise cancelled, except for registration of transfer, exchange or replacement of such note.

Notes may be presented for conversion at the office of the conversion agent and for exchange or registration of transfer at the office of the registrar. The conversion agent and the registrar shall initially be the trustee. No service charge will be made for any registration of transfer or exchange of notes. However, we may require the holder to pay any tax, assessment or other governmental charge payable as a result of such transfer or exchange.

The indenture does not limit the amount of other indebtedness or securities that may be issued by us or any of our subsidiaries. The indenture does not contain any financial covenants or restrictions on the payment of dividends, the incurrence of senior debt, securing our debt or the issuance or repurchase of our securities (other than the notes). The indenture contains no covenants or other provisions to afford protection to holders of notes in the event of a highly leveraged transaction or a change in control except to the extent described under **Change in Control Permits Purchase of Notes by AMR at the Option of the Holder**.

Guarantee

American Airlines, Inc. unconditionally guarantees, on an unsecured basis, the performance and full and punctual payment when due, whether at stated maturity or otherwise, of all our obligations under the indenture (including

obligations to the trustee) and the notes, whether for payment of principal of or interest on or any additional amounts in respect of the notes, expenses, indemnification or otherwise. American Airlines, Inc. agrees to pay, in addition to the amount stated above, any and all costs and expenses incurred by the trustee or the holders

Table of Contents

in enforcing their rights under the note guarantee. The guarantee is limited in amount to an amount not to exceed the maximum amount that can be guaranteed by American Airlines, Inc. without rendering the guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Ranking

The notes are our unsecured senior obligations and rank equal in right of payment with all of our other existing and future unsecured and unsubordinated indebtedness. The American Airlines, Inc. guarantee is an unsecured senior obligation of American Airlines, Inc. and ranks equal in right of payment with all existing and future unsecured and unsubordinated indebtedness of American Airlines, Inc. The notes and the guarantee are effectively subordinated to all existing and future secured debt of AMR Corporation and American Airlines, Inc., respectively, to the extent of the security for such secured debt.

As of March 31, 2004, there was approximately \$14.4 billion of long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR Corporation, American Airlines, Inc. and their consolidated subsidiaries. As of March 31, 2004, \$12.1 billion of the long-term debt (including current maturities) and obligations under capital leases (including current obligations) of AMR Corporation, American Airlines, Inc. and their consolidated subsidiaries was secured. Since March 31, 2004, AMR Corporation, American Airlines, Inc. and their respective subsidiaries have incurred additional indebtedness. AMR Corporation, American Airlines, Inc. and their respective subsidiaries may incur substantial additional debt, including secured debt, in the future.

In addition, the notes and the guarantee are structurally subordinated to all existing and future liabilities (including debt and trade payables) of the existing and future subsidiaries of AMR Corporation (other than American Airlines, Inc.) and American Airlines, Inc., respectively.

Conversion Rights

A holder may convert notes, in multiples of \$1,000 principal amount, into common stock only if at least one of the conditions described below is satisfied. In addition, a holder may convert a note only until the close of business on the second business day prior to the redemption date if we call a note for redemption. A note for which a holder has delivered a purchase notice or a change in control purchase notice requiring us to purchase the note, as described below, may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

The initial conversion rate is 57.61 shares of common stock per each \$1,000 principal amount of notes, subject to adjustment upon the occurrence of certain events described below (the conversion rate). A holder of a note otherwise entitled to a fractional share will receive cash equal to the applicable portion of the closing sale price of our common stock on the trading day immediately preceding the conversion date. Upon a conversion, we will have the option to deliver cash, shares of our common stock or a combination of cash and shares of our common stock as described below. The ability to surrender notes for conversion will expire at the close of business on September 17, 2023.

To convert a note into shares of common stock, a holder must:

complete and manually sign a conversion notice, a form of which is on the back of the note, and deliver the conversion notice to the conversion agent;

surrender the note to the conversion agent;

if required by the conversion agent, furnish appropriate endorsements and transfer documents; and
if required, pay all transfer or similar taxes.

Table of Contents

If the notes are not in certificated form, a holder's notice must comply with appropriate DTC procedures.

On conversion of a note, except as described below, a holder will not receive any payment representing accrued and unpaid interest. Delivery to the holder of the full number of shares of common stock into which the note is convertible (or, at our option, cash in lieu thereof), together with any cash payment of such holder's fractional shares, will be deemed to satisfy:

our obligation to pay the full principal amount of the note; and

except as described below, our obligation to pay accrued and unpaid interest attributable to the period from the issue date through the conversion date.

As a result, except as described below, accrued and unpaid interest is deemed paid in full rather than cancelled, extinguished or forfeited. Holders of notes surrendered for conversion during the period from the close of business on any regular record date next preceding any interest payment date to the opening of business of such interest payment date will receive the semiannual interest payable on such notes on the corresponding interest payment date notwithstanding the conversion at any time after the close of business on such regular record date. Notes surrendered for conversion by a holder during the period from the close of business on any regular record date to the opening of business on the next interest payment date, except for notes to be redeemed within this period, must be accompanied by payment of an amount equal to the interest that the holder is to receive on the notes so converted.

In lieu of delivery of shares of our common stock upon notice of conversion of any notes (for all or any portion of the notes), we may elect to pay holders surrendering notes an amount in cash for each \$1,000 principal amount of notes equal to the average closing sale price of our common stock for the five consecutive trading days immediately following either (a) the date of our notice of our election to deliver cash as described below, if we have not given notice of redemption, or (b) the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter, in either case multiplied by the conversion rate in effect on that date. We will inform the holders through the trustee no later than two business days following the date on which we receive a conversion notice of our election to deliver shares of our common stock or to pay cash in lieu of delivery of the shares, unless we have already informed holders of our election in connection with our optional redemption of the notes as described under Redemption of Notes at Our Option. If we elect to deliver all of such payment in shares of our common stock, the shares will be delivered through the conversion agent no later than the fifth business day following the conversion date. If we elect to pay all or a portion of such payment in cash, the payment, including any delivery of our common stock, will be made to holders surrendering notes no later than the tenth business day following the applicable conversion date. If an event of default, as described under Events of Default and Acceleration below (other than a default in a cash payment upon conversion of the notes), has occurred and is continuing, we may not pay cash upon conversion of any notes or portion of a note (other than cash for fractional shares).

For a discussion of the tax treatment of a holder surrendering notes for conversion, see Certain United States Federal Income Tax Considerations Conversion of Notes.

A business day is any weekday that is not a day on which banking institutions in the City of New York are authorized or obligated to close. A trading day is any day on which the NYSE is open for trading or, if the applicable security is admitted for trading or quoted on the NASDAQ National Market, a day on which trades may be made on such market or, if the applicable security is not so listed, admitted for trading or quoted, any business day.

The conversion rate will not be adjusted for accrued and unpaid interest. We will, however, adjust the conversion rate, as provided in the indenture, for:

(1) dividends or distributions on our common stock payable in our common stock or other capital stock of AMR;

Table of Contents

(2) subdivisions, combinations or certain reclassifications of our common stock;

(3) distributions to all holders of our common stock of certain rights to purchase our common stock for a period expiring within 60 days of such distribution at a price per share less than the then current sale price (as defined in the indenture); provided however that if such rights are exercisable only upon the occurrence of a triggering event, then the conversion price will not be adjusted until such triggering event occurs;

(4) distributions to all holders of our common stock of cash, assets (including shares of capital stock of a subsidiary), or debt securities issued by us (but excluding those rights, dividends and distributions referred to above); and

(5) the purchase of our common stock pursuant to a tender offer or exchange offer for our common stock (excluding odd lots of common stock) made by us or any of our subsidiaries to the extent that the cash and value of any other consideration included in the payment per share of common stock exceeds the closing sale price per share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer; provided that for purposes of this paragraph, purchases pursuant to a stock buyback program shall not constitute a tender or exchange offer.

However, no adjustment to the conversion rate need be made if holders of the notes may participate in the transaction without conversion or in certain other cases.

In the event that we elect to make a distribution to all holders of shares of our common stock pursuant to clause (3) or (4) of the preceding paragraph, which, in the case of clause (4), has a per share value equal to more than 15% of the closing sale price of our shares of common stock on the day preceding the declaration date for such distribution, we will be required to give notice to the holders of notes at least 20 days prior to the date for such distribution and, upon the giving of such notice, the notes may be surrendered for conversion at any time until the close of business on the business day prior to the date of distribution or until we announce that such distribution will not take place.

In the event that we pay a dividend or make a distribution on shares of our common stock consisting of capital stock of, or similar equity interests in, a subsidiary or other business unit of ours, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of our common stock, in each case based on the average closing sale prices of those securities for the ten trading days commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such dividend or distribution on the New York Stock Exchange or such other national or regional exchange or market on which the securities are then listed or quoted or, if not so listed or quoted, otherwise as provided in the indenture.

The indenture permits us to increase the conversion rate from time to time.

In addition, the indenture provides that upon conversion of the notes, the holders of such notes will receive, in addition to the shares of common stock issuable upon such conversion, the rights related to such common stock pursuant to any future shareholder rights plan, whether or not such rights have separated from the common stock at the time of such conversion. However, there shall not be any adjustment to the conversion privilege or conversion rate as a result of:

the issuance of the rights;

the distribution of separate certificates representing the rights;

the exercise or redemption of such rights in accordance with any rights agreement; or

the termination or invalidation of the rights.

Table of Contents

Holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend upon:

a taxable distribution to holders of common stock which results in an adjustment of the conversion rate;

an increase in the conversion rate at our discretion; or

failure to adjust the conversion rate in some instances.

See Certain United States Federal Income Tax Considerations Constructive Dividend.

If we are a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of our assets pursuant to which our common stock is converted to cash, securities or other assets, the right to convert a note into common stock may be changed into a right to convert it into the kind and amount of securities, cash or other assets of AMR or another person which the holder would have received if the holder had converted the holder's note immediately prior to the applicable record date for the transaction. See Conversion Upon Occurrence of Certain Corporate Transactions below. However, if such transaction constitutes a change in control of AMR, the holder also will be able to require us to purchase all or a portion of such holder's notes as described under Change in Control Permits Purchase of Notes by AMR at the Option of the Holder.

No adjustment in the conversion rate is required unless such adjustment would require a change of at least 1% of the conversion rate then in effect; provided that any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment.

Except as stated above, the conversion rate will not be adjusted for the issuance of common stock or any securities convertible into or exchangeable for common stock or carrying the right to purchase any of the foregoing.

The conversion agent will, on our behalf, determine if the notes are convertible and notify the trustee and us accordingly. If one or more of the conditions to the conversion of the notes has been satisfied as described below, we will promptly notify the holders of the notes thereof and use our reasonable best efforts to post this information on our website or otherwise publicly disclose this information.

Conversion Based on Common Stock Price. Holders may surrender notes for conversion into our shares of common stock in any calendar quarter commencing after September 30, 2003 if the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 120% of the conversion price per share of common stock on the last trading day of such preceding calendar quarter. If the foregoing condition is satisfied, then the notes will be convertible at any time thereafter at the option of the holder, through maturity.

The conversion price per share as of any day is equal to \$1,000 divided by the number of shares of common stock issuable upon conversion on that day of a note with a principal amount of \$1,000. The closing sale price of our common stock on any trading day means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the NYSE or other principal national securities exchange on which the common stock is listed or, if our common stock is not listed on a national securities exchange, as reported by the NASDAQ National Market or otherwise as provided in the indenture.