

AMERICAN AIRLINES INC
Form 424B2
July 02, 2003

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Registration No. 333-84292

PROSPECTUS SUPPLEMENT
(TO PROSPECTUS DATED MARCH 21, 2002)

\$254,863,000

(AMERICAN AIRLINES LOGO)

2003-1 PASS THROUGH TRUSTS
PASS THROUGH CERTIFICATES, SERIES 2003-1

American Airlines, Inc. is issuing, through three separate trusts, Class G, Class C, and Class D, Pass Through Certificates, Series 2003-1. Only the Class G Certificates are being offered pursuant to this Prospectus Supplement. The Class C and Class D Certificates will be purchased by affiliates of American concurrently with the issuance of the Class G Certificates. The Class C and Class D Certificates are not being offered pursuant to this Prospectus Supplement.

The proceeds from the sale of Certificates will be used by the trusts to acquire equipment notes to be issued by American on a full recourse basis. Payments on the equipment notes held in each trust will be passed through to the holders of Certificates of such trust. The Certificates represent interests in the assets of the trusts and do not represent interests in or obligations of American or any of its affiliates. The Certificates will not be listed on any national securities exchange.

The equipment notes will be issued for each of seven Boeing aircraft delivered to American from January 1995 to March 2002. The equipment notes issued for each aircraft will be secured by a security interest in such aircraft. Interest on the equipment notes will be payable semiannually on each January 9 and July 9, beginning January 9, 2004. Principal payments on the equipment notes held for the Certificates will be scheduled for payment on January 9 and July 9 in certain years, beginning on January 9, 2004.

The Class G Certificates will rank senior in right to distributions to the other Certificates. The Class C Certificates will rank junior in right to distributions to the Class G Certificates and will rank senior in right to distributions to the Class D Certificates. The Class D Certificates will rank junior in right to distributions to the other Certificates.

There will be a liquidity facility for the Class G Certificates in an amount sufficient to make three semiannual interest distributions on the Class G Certificates. Initially, there will be no liquidity facility for the Class C and Class D Certificates.

Ambac Assurance Corporation will issue a certificate guaranty insurance policy to support the distribution of interest on the Class G Certificates when scheduled and the distribution of the outstanding pool balance on the Class G Certificates on the Final Legal Distribution Date for such Certificates and under certain other circumstances as described herein.

(AMBAC LOGO)

INVESTING IN THE CERTIFICATES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE S-18.

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

| PASS THROUGH CERTIFICATES | FACE AMOUNT | INTEREST RATE | FINAL EXPECTED DISTRIBUTION DATE | PRICE TO PUBLIC(1) |
|------------------------------|----------------|------------------|-------------------------------------|-----------------------|
| Class G | \$254,863,000 | 3.857% | July 9, 2010 | 100% |

(1) Plus accrued interest, if any, from the date of issuance.

The underwriters will purchase all of the Class G Certificates if any are purchased. The aggregate proceeds from the sale of the Class G Certificates will be \$254,863,000. American will pay the underwriters a commission of \$1,784,041. Delivery of the Class G Certificates in book-entry form will be made on or about July 8, 2003 against payment in immediately available funds.

SOLE BOOK-RUNNER

CITIGROUP

JPMORGAN

MERRILL LYNCH & CO.
MORGAN STANLEY

June 30, 2003

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PRESENTATION OF INFORMATION

These offering materials consist of two documents: (a) this prospectus supplement (the "Prospectus Supplement"), which describes the terms of the Certificates that we are currently offering, and (b) the accompanying prospectus (the "Prospectus"), which provides general information about us and our pass through certificates, some of which may not apply to the Certificates that we are currently offering. The information in this Prospectus Supplement replaces any inconsistent information included in the accompanying Prospectus. See "About this Prospectus" in the accompanying Prospectus.

We have given certain capitalized terms specific meanings for purposes of this Prospectus Supplement. The "Index of Terms" attached as Appendix I to this Prospectus Supplement lists the page in this Prospectus Supplement on which we have defined each such term.

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At varying places in this Prospectus Supplement, we refer you to other sections for additional information by indicating the caption heading of such other sections. The page on which each principal caption included in this Prospectus Supplement can be found is listed in the Table of Contents above.

This Prospectus Supplement 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 Securities Exchange Act of 1934, as amended (the "Exchange Act"), which represent our expectations or beliefs concerning future events. When used in this Prospectus Supplement 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, expectations as to future financing needs, overall economic conditions and plans and objectives for future operations, the impact on us of the events of September 11, 2001 and of our results of operations for the past two 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 Supplement and the documents incorporated by reference are based upon information available to us on the date of this Prospectus Supplement 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 actual results to differ materially from our expectations. The following factors, in addition to other possible factors not listed, could cause our actual results to differ materially from those expressed in forward-looking statements: the uncertain financial and business environment we face, the struggling economy, high fuel prices and the availability of fuel, the effects of the war in Iraq, conflicts in the Middle East, the SARS outbreak, historically low fare levels, the competitive environment, 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, and the availability of future financing. Additional information concerning these and other factors is contained in our Securities and Exchange Commission filings, including but not limited to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 and our Annual Report on Form 10-K for the year ended December 31, 2002.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS OR TO WHICH WE HAVE REFERRED YOU. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. THIS DOCUMENT MAY BE USED ONLY WHERE IT IS LEGAL TO SELL THESE SECURITIES. YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE OF THIS PROSPECTUS SUPPLEMENT. ALSO, YOU SHOULD NOT ASSUME THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF AMERICAN, THE LIQUIDITY PROVIDER, OR THE POLICY PROVIDER SINCE THE DATE OF THIS PROSPECTUS SUPPLEMENT.

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This summary highlights selected information from this Prospectus Supplement and may not contain all of the information that is important to you. For more complete information about the Certificates and American Airlines, Inc., you should read this entire Prospectus Supplement and the accompanying Prospectus, as well as the materials filed with the Securities and Exchange Commission (the "Commission") that are considered to be a part of this Prospectus Supplement and the accompanying Prospectus. See "Where You Can Find More Information" in the Prospectus. Unless otherwise indicated, "we," "us," "our," and similar terms, as well as references to "American" or the "Company," refer to American Airlines, Inc. The term "you" refers to prospective investors in the Class G Certificates.

SUMMARY OF TERMS OF CERTIFICATES

| | CLASS G CERTIFICATES | CLASS C CERTIFICATES (|
|---|-----------------------------------|---------------------------|
| | ----- | ----- |
| Aggregate face amount | \$ 254,863,000 | \$ 95,573,000 |
| Ratings: | | |
| Moody's | Aaa | NA |
| Standard & Poor's | AAA | NA |
| Initial loan to Aircraft value (cumulative) (2) | 47.4% | 65.1% |
| Expected maximum loan to Aircraft value (cumulative) | 47.4% | 65.1% |
| Expected principal distribution window (in years) | 0.5-7.0 | 0.5-7.0 |
| Initial average life (in years) | 5.1 | 5.1 |
| Regular Distribution Dates | January 9 and July 9 | January 9 and Ju |
| Final expected Regular Distribution Date | July 9, 2010 | July 9, 2010 |
| Final Legal Distribution Date | January 9, 2012 | July 9, 2010 |
| Minimum denomination | \$ 1,000 | \$ 100,000 |
| Section 1110 protection | Yes | Yes |
| Liquidity Facility coverage | 3 semiannual interest payments | None (3) |
| Policy Coverage (4) | Yes | None |

(1) The Class C and Class D Certificates will be purchased by affiliates of American concurrently with the issuance of the Class G Certificates. We are not offering the Class C or Class D Certificates pursuant to this Prospectus Supplement. The Series C and Series D Equipment Notes may be refunded and new class C and class D pass through certificates issued with terms differing from those of the Class C Certificates and Class D Certificates on the Issuance Date, subject to limitations described in "Description of the Certificates -- Possible Refunding of Series C Equipment Notes and Series D Equipment Notes."

(2) The initial aggregate Assumed Aircraft Value of the Aircraft is \$538,023,333. See "Loan To Aircraft Value Ratios" in this Prospectus Supplement Summary for the method we used in calculating the aggregate Assumed Aircraft Value and the initial loan to Aircraft value ratios.

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- (3) New class C pass through certificates issued pursuant to a refunding of the Series C Equipment Notes may have the benefit of a liquidity facility.
- (4) The Policy will support the distribution of interest on the Class G Certificates when scheduled (after taking into account the prior use of any available funds under the Liquidity Facility and the Cash Collateral Account) and the distribution of the outstanding balance of the Class G Certificates on its Final Legal Distribution Date and in certain other circumstances described herein.

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EQUIPMENT NOTES AND THE AIRCRAFT

The Trusts will hold Equipment Notes issued for each of three Boeing 737-823 aircraft, one Boeing 767-300ER aircraft, and three Boeing 777-223ER aircraft. All of the Aircraft have been delivered and are being operated by American. See "Description of the Aircraft and the Appraisals" for a description of the Aircraft. Set forth below is information about the Equipment Notes to be held in the Trusts and the Aircraft.

| AIRCRAFT TYPE ----- | REGISTRATION NUMBER ----- | MONTH DELIVERED ----- | PRINCIPAL AMOUNT OF EQUIPMENT NOTES ----- |
|------------------------|---------------------------------|-----------------------------|---|
| Boeing 737-823 | N961AN | April 2001 | \$ 30,396,891 |
| Boeing 737-823 | N963AN | May 2001 | 30,396,891 |
| Boeing 737-823 | N967AN | July 2001 | 31,019,440 |
| Boeing 767-300ER | N388AA | January 1995 | 30,574,285 |
| Boeing 777-223ER | N784AN | March 2000 | 75,957,305 |
| Boeing 777-223ER | N760AN | January 2002 | 91,974,595 |
| Boeing 777-223ER | N761AJ | March 2002 | 91,974,595 |

- (1) The appraised base value of each Aircraft set forth above is the lesser of the average and median appraised base values of such Aircraft, as appraised by three independent appraisal and consulting firms. Such appraisals are based upon varying assumptions (which may not reflect current market conditions) and methodologies. An appraisal is only an estimate of value and should not be relied upon as a measure of realizable value. American believes that the current market values of the Aircraft at this time are lower than the base values reflected in the appraisals. See "Risk Factors -- Risk Factors Relating to the Certificates and the Offering -- Appraisals and Realizable Value of Aircraft."

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LOAN TO AIRCRAFT VALUE RATIOS

The following table sets forth loan to Aircraft value ratios ("LTVs") for each Class of Certificates as of the date of original issuance of the Class G Certificates (the "Issuance Date") and each Regular Distribution Date thereafter. The table should not be considered a forecast or prediction of expected or likely LTVs but simply a mathematical calculation based upon one set of assumptions. See "Risk Factors -- Risk Factors Relating to the Certificates and the Offering -- Appraisals and Realizable Value of Aircraft."

The following table was compiled on an aggregate basis. However, the Equipment Notes issued under an Indenture are entitled only to certain specified cross-collateralization provisions as described under "Description of the Equipment Notes -- Security." The relevant LTVs in a default situation for the Equipment Notes issued under a particular Indenture would depend on various factors, including the extent to which the debtor or trustee in bankruptcy agrees to perform American's obligations under the Indentures. Therefore, the following aggregate LTVs are presented for illustrative purposes only and should not be interpreted as indicating the degree of cross-collateralization available to the holders of the Certificates.

| Date | Aggregate Assumed Aircraft Value (1) | Outstanding Pool Balance (2) | | | Class G Certificates |
|-----------------|--------------------------------------|------------------------------|----------------------|----------------------|----------------------|
| | | Class G Certificates | Class C Certificates | Class D Certificates | |
| Issuance Date | \$ 538,023,333 | \$ 254,863,000 | \$ 95,573,000 | \$ 31,858,000 | 47.4% |
| January 9, 2004 | 529,286,169 | 248,988,918 | 93,370,234 | 31,123,737 | 47.0 |
| July 9, 2004 | 520,549,005 | 234,609,853 | 87,978,120 | 29,326,347 | 45.1 |
| January 9, 2005 | 511,811,840 | 227,888,182 | 85,457,509 | 28,486,135 | 44.5 |
| July 9, 2005 | 503,074,676 | 207,330,524 | 77,748,438 | 25,916,417 | 41.2 |
| January 9, 2006 | 494,337,511 | 201,945,214 | 75,728,960 | 25,243,251 | 40.9 |
| July 9, 2006 | 485,600,347 | 187,342,092 | 70,252,825 | 23,417,853 | 38.6 |
| January 9, 2007 | 476,863,183 | 181,201,749 | 67,950,212 | 22,650,307 | 38.0 |
| July 9, 2007 | 468,126,018 | 163,114,209 | 61,167,429 | 20,389,356 | 34.8 |
| January 9, 2008 | 459,388,854 | 157,758,237 | 59,158,952 | 19,719,857 | 34.3 |
| July 9, 2008 | 450,651,689 | 143,127,180 | 53,672,341 | 17,890,968 | 31.8 |
| January 9, 2009 | 441,914,525 | 138,018,215 | 51,756,492 | 17,252,345 | 31.2 |
| July 9, 2009 | 433,177,361 | 123,990,425 | 46,496,105 | 15,498,864 | 28.6 |
| January 9, 2010 | 424,440,196 | 119,128,467 | 44,672,883 | 14,891,117 | 28.1 |
| July 9, 2010 | 415,703,032 | -- | -- | -- | NA |

(1) In calculating the aggregate Assumed Aircraft Value, we have assumed that the initial appraised base value of each Aircraft, determined as described under "-- Equipment Notes and the Aircraft," declines annually on the Regular Distribution Date closest to the anniversary of its delivery by the manufacturer by approximately 3% of the appraised base value at delivery. The

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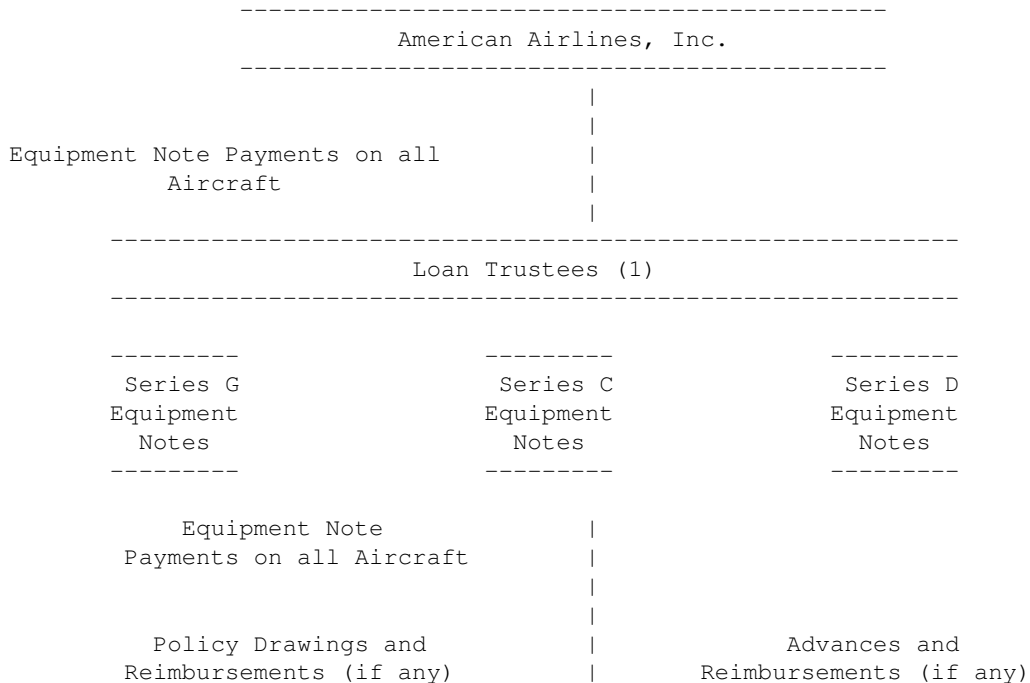
appraised base value at delivery of an Aircraft is the theoretical value that when depreciated at 3% per year from the initial delivery of such Aircraft by the manufacturer, results in the initial appraised base value of such Aircraft specified under "-- Equipment Notes and the Aircraft." Other rates or methods of depreciation would result in materially different LTVs. We cannot assure you that the depreciation rate and method assumed for purposes of the table are the ones most likely to occur or predict the actual future value of any Aircraft. See "Risk Factors -- Risk Factors Relating to the Certificates and the Offering -- Appraisals and Realizable Value of Aircraft."

- (2) The Pool Balance for each Class of Certificates indicates, as of any date, the portion of the original face amount of such Class of Certificates that has not been distributed to Certificateholders.
- (3) We obtained the LTVs for each Class of Certificates for each Regular Distribution Date by dividing (i) the expected outstanding pool balance of such Class together with the expected outstanding pool balance of all other Classes ranking equal or senior in right to distributions to such Class after giving effect to the distributions expected to be made on such date, by (ii) the assumed value of all of the Aircraft on such date based on the assumptions described above.

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CASH FLOW STRUCTURE

This diagram illustrates the structure for the offering of the Certificates and certain cash flows.



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Policy