

AMERICAN AIRLINES INC

Form S-1/A

November 12, 2009

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As filed with the Securities and Exchange Commission on November 12, 2009

Registration No. 333-161718

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

**Amendment No. 1
to
Form S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

AMERICAN AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

4512

*(Primary Standard Industrial
Classification Code Number)*

13-1502798

*(I.R.S. Employer
Identification Number)*

**4333 Amon Carter Blvd.
Fort Worth, Texas 76155
(817) 963-1234**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Gary F. Kennedy, Esq.
Senior Vice President, General Counsel
and Chief Compliance Officer
American Airlines, Inc.
4333 Amon Carter Blvd.
Fort Worth, Texas 76155
(817) 963-1234**

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

With a copy to:

**John T. Curry, III, Esq.
Peter J. Loughran, Esq.
Debevoise & Plimpton LLP
919 Third Avenue**

New York, New York 10022
(212) 909-6000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

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 check the following box.

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 this Form is a post-effective amendment filed pursuant to Rule 462(d) 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant 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 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not complete this exchange offer or issue 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 is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 12, 2009

PROSPECTUS

American Airlines, Inc.

Offer to Exchange

**\$276,400,000 Outstanding 13.0% 2009-2 Secured Notes due 2016 for
\$276,400,000 Registered 13.0% 2009-2 Secured Notes due 2016**

American Airlines, Inc., is offering to exchange the Old Notes, as defined in this prospectus, for a like principal amount of New Notes, as defined in this prospectus.

The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act of 1933, as amended, and the transfer restrictions and registration rights relating to the Old Notes will not apply to the New Notes, and except for certain related differences described in this prospectus.

No public market currently exists for the Old Notes or the New Notes.

The exchange offer will expire at _____, New York City time, on _____, 2009 (the *Expiration Date*) unless we extend the Expiration Date. You should read the section called *The Exchange Offer* for further information on how to exchange your Old Notes for New Notes.

See Risk Factors beginning on page 12 for a discussion of risk factors that you should consider prior to tendering your Old Notes in the exchange offer and risk factors related to ownership of the Notes.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of New Notes received in exchange for Old Notes where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 90 days after the Expiration Date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See *Plan of Distribution*.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is _____, 2009.

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This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge to you upon written or oral request. If you would like a copy of any of this information, please submit your request

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to American Airlines, Inc., 4333 Amon Carter Boulevard, Mail Drop 5651, Fort Worth, Texas 76155, Attention: Investor Relations (Telephone: 817-967-2970).

In order to obtain timely delivery of any information that you request, you must submit your request no later than , 2009, which is five business days before the date the exchange offer is scheduled to expire.

You should rely only on the information contained in this prospectus and the documents incorporated by reference in this prospectus or to which we have referred you. 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 herein by reference is accurate as of any date other than the date of this prospectus or the date of such other document, as the case may be. Also, you should not assume that there has been no change in the affairs of American since the date of this prospectus.

Table of Contents**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 Securities Exchange Act of 1934, as amended (the *Exchange Act*), which represent American's expectations or beliefs concerning future events. When used in this prospectus and in documents incorporated by reference, the words expects, plans, anticipates, indicates, believes, forecast, guidance, outlook, may, will, should, similar expressions are intended to identify forward-looking statements. Similarly, statements that describe our objectives, plans or goals are 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 plans and needs; the amounts of our unencumbered assets and other sources of liquidity; fleet plans; overall economic and industry conditions; plans and objectives for future operations; regulatory approvals and actions, including our application for antitrust immunity with other oneworld alliance members; and the impact on us of our results of operations in recent 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 herein and therein 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. Guidance given in this prospectus and the documents incorporated by reference herein and therein regarding capacity, fuel consumption, fuel prices, fuel hedging and unit costs, and statements regarding expectations of regulatory approval of our application for antitrust immunity with other oneworld members, are forward-looking statements.

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 those discussed under the caption Risk Factors in this prospectus and other possible factors not listed, could cause our actual results to differ materially from those expressed in forward-looking statements: our materially weakened financial condition, resulting from our significant losses in recent years; weaker demand for air travel and lower investment asset returns resulting from the severe global economic downturn; our need to raise substantial additional funds and our ability to do so on acceptable terms; our ability to generate additional revenues and reduce our costs; continued high and volatile fuel prices and further increases in the price of fuel, and the availability of fuel; our substantial indebtedness and other obligations; our ability to satisfy certain covenants and conditions in certain of our financing agreements; changes in economic and other conditions beyond our control, and the volatile results of our operations; the fiercely and increasingly competitive business environment we face; potential industry consolidation and alliance changes; competition with reorganized carriers; low fare levels by historical standards and our reduced pricing power; changes in our corporate or business strategy; government regulation of our business; conflicts overseas or terrorist attacks; uncertainties with respect to our international operations; outbreaks of a disease (such as SARS, avian flu or the H1N1 virus) that affects travel behavior; labor costs that are higher than those of our competitors; uncertainties with respect to our relationships with unionized and other employee work groups; increased insurance costs and potential reductions of available insurance coverage; our ability to retain key management personnel; potential failures or disruptions of our computer, communications or other technology systems; losses and adverse publicity resulting from any accident involving our aircraft; changes in the price of AMR's common stock; and our ability to reach acceptable agreements with third parties. Additional information concerning these and other factors is contained in our and AMR's filings with the Securities and Exchange Commission (the *SEC*), including but not limited to our and AMR's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009 and our and AMR's Annual

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Reports on Form 10-K for the year ended December 31, 2008 (and, in the case of AMR, as updated by AMR's Current Report on Form 8-K filed on April 21, 2009).

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PROSPECTUS SUMMARY

This summary highlights basic information about us and this exchange offer. Because it is a summary, it does not contain all of the information that you should consider before tendering your Old Notes in the Exchange Offer. 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 considered to be a part of this prospectus before making an investment decision. See Where You Can Find More Information in this prospectus. We have given certain capitalized terms specific meanings for purposes of this prospectus. The Index of Terms attached as Appendix I to this prospectus lists the page in this prospectus on which we have defined each such term. 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 or the Noteholders refers to holders of the Notes.

American Airlines, Inc.

American, the principal subsidiary of AMR Corporation (*AMR*), was founded in 1934. All of American's common stock is owned by AMR. As of September 30, 2009, American provided scheduled jet service to approximately 150 destinations throughout North America, the Caribbean, Latin America, Europe and Asia.

As of September 30, 2009, American, AMR Eagle Holding Corporation (*AMR Eagle*), and the AmericanConnection® carrier served nearly 240 cities in 53 countries with, on average, nearly 3,400 daily flights. The combined network fleet numbers approximately 900 aircraft. 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 onboard American's passenger fleet.

American is a founding member of the oneworld® alliance, which enables member airlines to offer their customers more services and benefits than any member airline can provide individually. These services include a broader route network, opportunities to earn and redeem frequent flyer miles across the combined oneworld network and more airport lounges. Together, oneworld members serve nearly 700 destinations in almost 150 countries, with more than 8,000 daily departures.

In addition, American has capacity purchase agreements with AMR Eagle and an independently owned regional airline, which does business as the AmericanConnection (the *AmericanConnection*® carrier). The AMR Eagle and AmericanConnection® carriers provide connecting service from ten of American's high-traffic cities to smaller markets throughout the United States, Canada, Mexico and the Caribbean.

The postal address for American's principal executive offices is 4333 Amon Carter Boulevard, Fort Worth, Texas 76155 (Telephone: 817-963-1234). American's Internet address is <http://www.aa.com>. Information on American's website is not incorporated into this prospectus and is not a part of this prospectus.

Table of Contents**Summary of Terms of Notes**

Principal amount	\$276,400,000
Initial loan to Aircraft value ratio (cumulative)(1)(2)	65.0%
Expected maximum loan to Aircraft value ratio (cumulative)(2)	65.0%
Expected principal distribution window (in years from Issuance Date)	0.5-7.0
Initial average life (in years from Issuance Date)	4.3
Payment Dates	February 1 and August 1
Scheduled Maturity Date	August 1, 2016
Section 1110 protection	Yes

- (1) This percentage is calculated as of November 15, 2009 (the *Cut-Off Date*). In calculating this percentage, we have assumed that the aggregate appraised value of the Aircraft is \$425,233,333 as of such date. The appraisal value is only an estimate and reflects certain assumptions. See Description of the Aircraft and the Appraisals The Appraisals.
- (2) See Loan to Aircraft Value Ratios of Notes in this prospectus summary for the method and assumptions we used in calculating the loan to Aircraft value ratios and a discussion of certain ways that such loan to Aircraft value ratios could change.

Table of Contents**The Aircraft**

The Notes are secured by the lien of the Aircraft Security Agreement dated as of October 19, 2009 (the *Aircraft Security Agreement*) entered into among American, the Trustee and U.S. Bank Trust National Association, as security agent (the *Security Agent*), on each of 12 Boeing aircraft, consisting of nine Boeing 737-823 aircraft, one Boeing 767-323ER aircraft and two Boeing 777-223ER aircraft delivered new to American from May 1999 to September 1999 (each, an *Aircraft* and, collectively, the *Aircraft*). All of the Aircraft are being operated by American. See Description of the Aircraft and the Appraisals for a description of each Aircraft.

Set forth below is certain information about the Aircraft securing the Notes:

Aircraft Type	Registration Number	Manufacturer's Serial Number	Delivery Date	Allocable Portion of the Notes on the Cut-off	Appraised
				Date(1)	Value(2)
Boeing 737-823	N909AN	29511	5/19/1999	\$ 17,069,000	\$ 26,260,000
Boeing 737-823	N910AN	29512	5/26/1999	17,069,000	26,260,000
Boeing 737-823	N912AN	29513	6/25/1999	17,153,000	26,390,000
Boeing 737-823	N914AN	29515	7/19/1999	17,238,000	26,520,000
Boeing 737-823	N915AN	29516	7/28/1999	17,238,000	26,520,000
Boeing 737-823	N916AN	29517	8/6/1999	17,316,000	26,640,000
Boeing 737-823	N917AN	29518	8/27/1999	17,316,000	26,640,000
Boeing 737-823	N918AN	29519	9/10/1999	17,400,000	26,770,000
Boeing 737-823	N919AN	29520	9/15/1999	17,400,000	26,770,000
Boeing 767-323ER	N399AN	29606	5/28/1999	26,097,000	40,150,000
Boeing 777-223ER	N778AN	29587	6/21/1999	47,552,000	73,156,667
Boeing 777-223ER	N779AN	29955	6/27/1999	47,552,000	73,156,667
Total				\$ 276,400,000	\$ 425,233,333

(1) The Allocable Portion of the Notes on the Cut-Off Date set forth above with respect to each Aircraft represents the portion of the principal amount of the Notes attributable to such Aircraft as of such date. The Allocable Portion of the Notes with respect to each Aircraft will not change from the amount set forth above during the period from the Issuance Date to the first Payment Date unless any Allocable Portion of the Notes is redeemed as set forth under Description of the Notes Redemption.

(2) The appraised value of each Aircraft set forth above is the lesser of the average and median appraised value of such Aircraft as appraised by three independent appraisal and consulting firms. Such appraisals indicate appraised current market value of such Aircraft at or around the time of such appraisals. The appraisers based

their appraisals on varying assumptions (which may not reflect accurately current market conditions) and methodologies. See Description of the Aircraft and the Appraisals The Appraisals. An appraisal is only an estimate of value and you should not rely on any appraisal as a measure of realizable value. See Risk Factors Risk Factors Relating to the Notes and the Exchange Offer Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

Table of Contents**Loan to Aircraft Value Ratios**

The following table provides loan to Aircraft value ratios (*LTVs*) for the Notes as of the Cut-Off Date and each Payment Date. The table is not 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 Notes and the Exchange Offer Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

We compiled the following table on an aggregate basis. The Notes are issued pursuant to the Indenture and Security Agreement dated as of July 31, 2009 (the *Indenture*) between American and U.S. Bank Trust National Association, as trustee (the *Trustee*), and all of the Aircraft are subject to the lien of the Aircraft Security Agreement as security for American's obligations on the Notes issued under the Indenture. This means that all proceeds realized from the sale of any Aircraft or other exercise of default remedies will be available to cover any shortfalls on the Notes. The relevant *LTVs* in a default situation for the Notes would depend on various factors, including the extent to which the debtor or trustee in bankruptcy agrees to perform American's obligations under the Indenture and the Aircraft Security Agreement. Therefore, the following *LTVs* are presented for illustrative purpose only.

Date	Aggregate Assumed Aircraft Value(1)	Principal Balance(2)	LTV%(3)
Cut-Off Date	\$ 425,233,333	\$ 276,400,000	65.0%
February 1, 2010	416,121,190	257,994,870	62.0
August 1, 2010	407,009,048	240,135,070	59.0
February 1, 2011	397,896,905	222,821,999	56.0
August 1, 2011	388,784,762	206,055,656	53.0
February 1, 2012	379,672,619	189,836,042	50.0
August 1, 2012	370,560,476	174,163,156	47.0
February 1, 2013	361,448,333	159,036,999	44.0
August 1, 2013	352,336,190	144,457,570	41.0
February 1, 2014	343,224,048	130,424,870	38.0
August 1, 2014	334,111,905	116,938,898	35.0
February 1, 2015	321,962,381	103,027,693	32.0
August 1, 2015	309,812,857	89,845,460	29.0
February 1, 2016	297,663,333	77,392,198	26.0
August 1, 2016	285,513,810		0.0

(1) In calculating the aggregate Assumed Aircraft Value, we assumed that the appraised value of each Aircraft determined as described under Description of the Aircraft and the Appraisals declines in accordance with the Depreciation Assumption described under Description of the Notes Loan to Value Ratios of Notes. Other rates or methods of depreciation could result in materially different *LTVs*. We cannot assure you that the depreciation rate and method assumed for purposes of the above 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 Notes and the Exchange Offer Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

(2)

The principal balance indicates, as of any date, after giving effect to any principal payments scheduled to be made on such date, the portion of the original principal amount of the Notes that has not been paid to the Noteholders.

- (3) We obtained the LTVs for the Cut-Off Date and each Payment Date by dividing (i) the expected outstanding principal balance of the Notes after giving effect to any principal payment scheduled to be made on such date, by (ii) the aggregate Assumed Aircraft Value of the Aircraft on such date based on the assumptions described above. The outstanding principal balances and LTVs will change if any Allocable Portion of the Notes is redeemed as set forth under Description of the Notes Redemption or if a default in payment of principal on the Notes occurs.

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Summary of the Terms of the Exchange Offer

The Notes	<p>On July 31, 2009 (the <i>Issuance Date</i>), we issued and privately placed \$276,400,000 aggregate principal amount of 13% 2009-2 Secured Notes due 2016 pursuant to exemptions from the registration requirements of the Securities Act. The Initial Purchasers for the Old Notes were Morgan Stanley & Co. Incorporated and Stifel, Nicolaus & Company, Incorporated (the <i>Initial Purchasers</i>). When we use the term <i>Old Notes</i> in this prospectus, we mean the 13% 2009-2 Secured Notes due 2016 which were privately placed with the Initial Purchasers on July 31, 2009, and were not registered with the SEC.</p> <p>When we use the term <i>New Notes</i> in this prospectus, we mean the 13% 2009-2 Secured Notes due 2016 registered with the Commission and offered hereby in exchange for the Old Notes. When we use the term <i>Notes</i> in this prospectus, the related discussion applies to both the Old Notes and the New Notes.</p> <p>The terms of the New Notes are identical in all material respects to the terms of the Old Notes, except that the New Notes are registered under the Securities Act and will not be subject to restrictions on transfer, will bear a different CUSIP and ISIN number than the Old Notes, will not entitle their holders to registration rights and will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes.</p>
The Exchange Offer	<p>You may exchange Old Notes for a like principal amount of New Notes. The consummation of the exchange offer is not conditioned upon any minimum or maximum aggregate principal amount of Old Notes being tendered for exchange.</p>
Resale of New Notes	<p>We believe the New Notes that will be issued in the exchange offer may be resold by most investors without compliance with the registration and prospectus delivery provisions of the Securities Act, subject to certain conditions. You should read the discussion under the heading <i>The Exchange Offer</i> for further information regarding the exchange offer and resale of the New Notes.</p>
Registration Rights Agreement	<p>We have undertaken the exchange offer pursuant to the terms of the Registration Rights Agreement we entered into with the Initial Purchasers, dated July 31, 2009 (the <i>Registration Rights Agreement</i>). Pursuant to the Registration Rights Agreement, American agreed, at no cost to the Noteholders, (a) either to consummate an exchange offer for the Notes pursuant to an effective registration statement, or to cause resales of the Notes to be registered under the Securities Act (the <i>Registration Condition</i>), and (b) to obtain ratings for the Notes from each of Moody's and Standard & Poor's (the <i>Rating Condition</i>). The Registration Rights</p>

Agreement provides that if either the Registration Condition or the Rating Condition is not satisfied on or before December 31, 2009, the interest rate on the Notes will permanently increase by 1.00% starting on January 1, 2010. See The Exchange Offer and Exchange Offer; Registration Rights; Ratings. The Notes have been rated B1 by Moody's Investors Service, Inc. (*Moody's*). We have applied for

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and expect to receive shortly a rating for the Notes from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business (*Standard & Poor's*). Moody's and Standard & Poor's are referred to in this prospectus as the *Rating Agencies*.

Consequences of Failure to Exchange the Old Notes

You will continue to hold Old Notes that remain subject to their existing transfer restrictions if:

you do not tender your Old Notes; or

you tender your Old Notes and they are not accepted for exchange.

We will have no obligation to register the Old Notes after we consummate the exchange offer. See *The Exchange Offer - Terms of the Exchange Offer; Period for Tendering Old Notes*.

Expiration Date

The exchange offer will expire at _____, New York City time, on _____, 2009 (the *Expiration Date*), unless we extend it, in which case Expiration Date means the latest date and time to which the exchange offer is extended.

Conditions to the Exchange Offer

The exchange offer is subject to several customary conditions. We will not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes, and we may terminate or amend the exchange offer, if we determine in our reasonable judgment at any time before the Expiration Date that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC. The foregoing conditions are for our sole benefit and may be waived by us at any time. In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any time any stop order is threatened or in effect with respect to:

the registration statement of which this prospectus constitutes a part; or

the qualification of the Indenture under the Trust Indenture Act of 1939, as amended (the *Trust Indenture Act*).

See *The Exchange Offer - Conditions to the Exchange Offer*. We reserve the right to terminate or amend the exchange offer at any time prior to the Expiration Date upon the occurrence of any of the foregoing events.

Procedures for Tendering Old Notes

If you wish to accept the exchange offer, you must tender your Old Notes and do the following on or prior to the Expiration Date, unless you follow the procedures described under *The Exchange Offer - Guaranteed Delivery Procedures*:

if Old Notes are tendered in accordance with the book-entry procedures described under *The Exchange Offer - Book-Entry Transfer*, transmit an Agent's Message to the Exchange Agent through the Automated Tender

Offer Program (*ATOP*) of The Depository Trust Company (*DTC*), or

transmit a properly completed and duly executed letter of transmittal, or a facsimile copy thereof, to the Exchange Agent,

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	including all other documents required by the letter of transmittal.
	See The Exchange Offer Procedures for Tendering Old Notes.
Guaranteed Delivery Procedures	If you wish to tender your Old Notes, but cannot properly do so prior to the Expiration Date, you may tender your Old Notes according to the guaranteed delivery procedures set forth under The Exchange Offer Guaranteed Delivery Procedures.
Withdrawal Rights	Tenders of Old Notes may be withdrawn at any time prior to , New York City time, on the Expiration Date. To withdraw a tender of Old Notes, a notice of withdrawal must be actually received by the Exchange Agent at its address set forth in The Exchange Offer Exchange Agent prior to , New York City time, on the Expiration Date. See The Exchange Offer Withdrawal Rights.
Acceptance of Old Notes and Delivery of New Notes	Except in some circumstances, any and all Old Notes that are validly tendered in the exchange offer prior to , New York City time, on the Expiration Date will be accepted for exchange. The New Notes issued pursuant to the exchange offer will be delivered promptly after such acceptance. See The Exchange Offer Acceptance of Old Notes for Exchange; Delivery of New Notes.
Certain U.S. Federal Tax Considerations	The exchange of the Old Notes for the New Notes will not constitute a taxable exchange for U.S. federal income tax purposes. See Certain U.S. Federal Income Tax Considerations.
Exchange Agent	U.S. Bank National Association is serving as the Exchange Agent (the <i>Exchange Agent</i>).

Table of Contents**The Notes**

The forms and terms of the New Notes are the same in all material respects as the form and terms of the Old Notes, except that the New Notes:

are registered under the Securities Act and will not be subject to restrictions on transfer;

will bear a different CUSIP and ISIN number than the Old Notes;

will not entitle their holders to registration rights; and

will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes.

Issuer	American Airlines, Inc.
The Notes	\$276,400,000 principal amount of 13.0% 2009-2 Secured Notes due 2016
Trustee and Security Agent	U.S. Bank Trust National Association
Principal	Payments of principal on the Notes will be made on each Payment Date as follows:

Payment Date	Principal Payment Amount
February 1, 2010	\$ 18,405,129.71
August 1, 2010	17,859,800.03
February 1, 2011	17,313,071.43
August 1, 2011	16,766,342.88
February 1, 2012	16,219,614.32
August 1, 2012	15,672,885.72
February 1, 2013	15,126,157.20
August 1, 2013	14,579,428.57
February 1, 2014	14,032,700.21
August 1, 2014	13,485,971.65
February 1, 2015	13,911,204.82
August 1, 2015	13,182,233.36
February 1, 2016	12,453,261.99
August 1, 2016	77,392,198.11

Scheduled Maturity Date	August 1, 2016
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Interest	The Notes bear interest at the rate of 13.0% per annum. If either the Registration Condition or the Rating Condition is not satisfied on or before December 31, 2009, the interest rate on the Notes will permanently increase by 1.00% starting on January 1, 2010. See Exchange Offer;
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Registration Rights; Ratings. Interest on the Notes accrues from the most recent date to which interest has been paid or, if no interest has been paid, from the Issuance Date. Interest on the Notes is calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable on the Notes on each Payment Date, commencing on February 1, 2010.

Payment Dates

February 1 and August 1, commencing on February 1, 2010.

Record Dates

The fifteenth day preceding the related Payment Date.

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Collateral

The Notes are secured by a lien on each Aircraft under the Aircraft Security Agreement. The pool of Aircraft consists of 12 Boeing aircraft owned by American, consisting of nine Boeing 737-823 aircraft, one Boeing 767-323ER aircraft and two Boeing 777-223ER aircraft, each of which was delivered new to American during the period from May 1999 to September 1999. The lien on the Aircraft under the Aircraft Security Agreement may be released from time to time as set forth under Description of the Notes Redemption.

Redemption

Mandatory Redemption.

If an Event of Loss occurs with respect to an Aircraft, American will either:

substitute for such Aircraft under the Aircraft Security Agreement an aircraft meeting certain requirements; or

redeem the Allocable Portion of the Notes attributable to such Aircraft.

The redemption price in such case will be the Allocable Portion of the Notes attributable to such Aircraft, together with accrued and unpaid interest on such Allocable Portion, but without any premium. Following such partial redemption, the lien on such Aircraft under the Aircraft Security Agreement will be released and such Aircraft will no longer secure the amounts that may be owing under the Indenture. In addition, the obligation of American thereafter to make the scheduled interest and principal payments with respect to such Allocable Portion of the Notes will cease.

See Description of the Notes Redemption Mandatory Redemption for further details. The Allocable Portion of the Notes with respect to each Aircraft on the Cut-Off Date and each Payment Date is set forth in Appendix III. For any date before the first Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Cut-Off Date. For any date after the first Payment Date, other than a Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Payment Date that immediately precedes such date.

Optional Redemption. American may elect to redeem all, but not less than all, of the Notes at any time prior to the Scheduled Maturity Date. The redemption price will be the unpaid principal amount of the Notes, together with accrued and unpaid interest thereon, plus the Make-Whole Amount (if any). Following such redemption, the lien on the Aircraft under the Aircraft Security Agreement will be released. See Description of the Equipment Notes Redemption Optional Redemption.

As a condition to the subjection of each Aircraft to the lien of the Aircraft Security Agreement, American's General Counsel provided an opinion to the Trustee and the Security Agent that the benefits of Section 1110 (*Section 1110*) of the U.S. Bankruptcy Code (*Bankruptcy Code*) will be available with respect to such Aircraft. Any cash held as collateral as a result of the exercise of

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remedies under the Aircraft Security Agreement will not be entitled to the benefits of Section 1110. See Risk Factors Risk Factors Relating to the Notes and the Exchange Offer Payment on the Notes and the ability to exercise remedies with respect to certain collateral may be restricted in the case of a bankruptcy of American.

Ratings

Pursuant to the Registration Rights Agreement, American agreed, at no cost to the Noteholders, to obtain ratings for the Notes from each of Moody's and Standard & Poor's. If the Rating Condition is not satisfied on or before December 31, 2009, the interest rate on the Notes will permanently increase by 1.00% starting on January 1, 2010. See Exchange Offer; Registration Rights; Ratings. The Notes have been rated B1 by Moody's. We have applied for and expect to receive shortly a rating for the Notes from Standard & Poor's.

Certain ERISA Considerations

Each person who acquires a Note or any interest therein will be deemed to have represented that either:

no assets of (a) an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, (b) a plan described in Section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, (c) an entity whose underlying assets are deemed to include assets of any such employee benefit plan or plan, or (d) a foreign governmental or church plan that is subject to any U.S. federal, state, local or foreign law or regulation that is substantially similar to Section 406 of ERISA or Section 4975 of the Code have been used to purchase such Note or interest therein; or

the purchase and holding of such Note or interest therein by such person are exempt from the prohibited transaction restrictions of ERISA, the Code or any similar provision of Similar Law, as applicable, pursuant to one or more prohibited transaction statutory or administrative exemptions.

See Certain ERISA Considerations.

Governing Law

The Notes are governed by the laws of the State of New York.

Table of Contents**Ratio of Earnings to Fixed Charges**

	Nine Months Ended		Year Ended December 31,				
	September 30, 2009	2008	2008	2007	2006	2005	2004
Ratio of earnings to fixed charges(1)				1.20	1.08		

(1) As of September 30, 2009, American has guaranteed approximately \$887 million of unsecured debt of its parent, AMR Corporation and approximately \$262 million of secured debt of AMR Eagle. The impact of these unconditional guarantees is not included in the above computation. Earnings were inadequate to cover fixed charges by \$2,564 million, \$956 million, \$898 million, \$1,163 million and \$2,226 million for the years ended December 31, 2008, December 31, 2005, December 31, 2004, the nine months ended September 30, 2009 and the nine months ended September 30, 2008, respectively.

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RISK FACTORS

You should carefully consider all of the information contained in or incorporated by reference in this prospectus, including but not limited to, our and AMR's Annual Reports on Form 10-K for the year ended December 31, 2008 (and, in the case of AMR, as updated by AMR's Current Report on Form 8-K filed on April 21, 2009), our and AMR's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009. In addition, you should carefully consider the risk factors described below, along with any risk factors that may be included in our future reports to the SEC.

Risk Factors Relating to the Company

Our ability to become profitable and our ability to continue to fund our obligations on an ongoing basis will depend on a number of risk factors, many of which are largely beyond our control. Some of the factors that may have a negative impact on us are described below:

As a result of significant losses in recent years, our financial condition has been materially weakened.

We incurred significant losses in 2001-2005, which materially weakened our financial condition. We lost \$892 million in 2005, \$821 million in 2004, \$1.3 billion in 2003, \$3.5 billion in 2002 and \$1.6 billion in 2001. Although we earned a profit of \$356 million in 2007 and \$164 million in 2006, we lost \$2.5 billion in 2008 (which included a \$1.0 billion impairment charge), and \$1.1 billion in the nine months ended September 30, 2009. Because of our weakened financial condition, we are vulnerable both to the impact of unexpected events (such as terrorist attacks or spikes in jet fuel prices) and to deterioration of the operating environment (such as a deepening of the current global recession or significant increased competition).

The severe global economic downturn has resulted in weaker demand for air travel and lower investment asset returns, which may have a significant negative impact on us.

We are experiencing significantly weaker demand for air travel driven by the severe downturn in the global economy. Many of the countries we serve are experiencing economic slowdowns or recessions. We began to experience weakening demand late in 2008, and this weakness has continued in 2009. We reduced capacity in 2008, and in 2009 we have announced additional reductions to our capacity plan for this year. If the global economic downturn persists or worsens, demand for air travel may continue to weaken. No assurance can be given that capacity reductions or other steps we may take will be adequate to offset the effects of reduced demand.

The economic downturn has resulted in broadly lower investment asset returns and values, and our pension assets suffered a material decrease in value in 2008 related to broader stock market declines, which will result in higher pension expense in 2009 and future years and higher required contributions in future years. In addition, under these unfavorable economic conditions, the amount of the cash reserves we are required to maintain under our credit card processing agreements may increase substantially. These issues individually or collectively may have a material adverse impact on our liquidity. Also, disruptions in the capital markets and other sources of funding may make it impossible for us to obtain necessary additional funding or make the cost of that funding prohibitive.

We face numerous challenges as we seek to maintain sufficient liquidity, and we will need to raise substantial additional funds. We may not be able to raise those funds, or to do so on acceptable terms.

We have significant debt, lease and other obligations in the next several years, including significant pension funding obligations. As of September 30, 2009, we were contractually committed to make approximately \$1.4 billion of principal payments on long-term debt and payments on capital leases during the fourth quarter of 2009 and during 2010, and during that period we expect to make substantial capital expenditures. In addition, in 2010, we expect to be required to contribute approximately \$525 million to our defined benefit pension plans. Moreover, the global economic downturn, potential increases in the amount of required reserves under credit card processing agreements, and the obligation to post cash collateral on fuel hedging contracts have negatively impacted, and may in the future negatively impact, our liquidity. To meet our commitments

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and to maintain sufficient liquidity as we continue to implement our restructuring and cost reduction initiatives, we will need continued access to substantial additional funding. Moreover, while we have arranged financings that, subject to certain terms and conditions (including, in the case of financing arrangements covering a significant number of aircraft, a condition that, at the time of borrowing, we have a certain amount of unrestricted cash and short term investments), cover all of our aircraft delivery commitments through 2011, we will continue to need to raise substantial additional funds to meet our commitments to purchase aircraft and execute our fleet replacement plan.

Our ability to obtain future financing is limited by the value of our unencumbered assets. A very large majority of our aircraft assets (including most of our aircraft eligible for the benefits of Section 1110) are encumbered. Also, the market value of our aircraft assets has declined in recent years, and may continue to decline.

Since the terrorist attacks of September 2001 (the *Terrorist Attacks*), our credit ratings have been lowered to significantly below investment grade. These reductions have increased our borrowing costs and otherwise adversely affected borrowing terms, and limited borrowing options. Additional reductions in our credit ratings might have other effects on us, such as further increasing borrowing or other costs or further restricting our ability to raise funds.

A number of other factors, including our financial results in recent years, our substantial indebtedness, the difficult revenue environment we face, our reduced credit ratings, recent historically high fuel prices, and the financial difficulties experienced in the airline industry, adversely affect the availability and terms of funding for us. In addition, the global economic downturn and recent severe disruptions in the capital markets and other sources of funding have resulted in greater volatility, less liquidity, widening of credit spreads, and substantially more limited availability of funding. As a result of these and other factors, although we believe we have sufficient liquidity to fund our operations and obligations, there can be no assurances to that effect. An inability to obtain necessary additional funding on acceptable terms would have a material adverse impact on us and on our ability to sustain our operations.

The amount of the reserves we are required to maintain under our credit card processing agreements could increase substantially, which would materially adversely impact our liquidity.

American has agreements with a number of credit card companies and processors to accept credit cards for the sale of air travel and other services. Under certain of American's current credit card processing agreements, the related credit card company or processor may hold back, under certain circumstances, a reserve from American's credit card receivables.

Under one such agreement, the amount of the reserve that may be required generally is based on the amount of unrestricted cash (not including undrawn credit facilities) held by the Company and the processor's exposure to the Company under the agreement. On September 29, 2009, the full amount of the reserve under such agreement, which at that time was approximately \$200 million, was released to the Company, and based on its current forecasts, the Company does not currently expect to be required to maintain any reserve for the near term. However, the factors underlying such forecasts are volatile and uncertain. If circumstances were to occur that would allow the credit card processor to require the Company to maintain a reserve, the Company's liquidity could be negatively impacted.

Our initiatives to generate additional revenues and to reduce our costs may not be adequate or successful.

As we seek to improve our financial condition, we must continue to take steps to generate additional revenues and to reduce our costs. Although we have a number of initiatives underway to address our cost and revenue challenges, some of these initiatives involve changes to our business which we may be unable to implement. In addition, we expect that, as time goes on, it will be progressively more difficult to identify and implement significant revenue enhancement and cost savings initiatives. The adequacy and ultimate success of our initiatives to generate additional revenues and reduce our costs are not known at this time and cannot be assured. Moreover, whether our initiatives will

be adequate or successful depends in large measure on factors

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beyond our control, notably the overall industry environment, including passenger demand, yield and industry capacity growth, and fuel prices. It will be very difficult for us to continue to fund our obligations on an ongoing basis, and to return to profitability, if the overall industry revenue environment does not improve substantially or if fuel prices were to increase and persist for an extended period at high levels.

We may be adversely affected by increases in fuel prices, and we would be adversely affected by disruptions in the supply of fuel.

Our results are very significantly affected by the volatile price and the availability of jet fuel, which are in turn affected by a number of factors beyond our control. Fuel prices have only recently declined from historic high levels.

Due to the competitive nature of the airline industry, we may not be able to pass on increased fuel prices to customers by increasing fares. Although we had some success in raising fares and imposing fuel surcharges in reaction to recent high fuel prices, these fare increases and surcharges did not keep pace with the extraordinary increases in the price of fuel that occurred in 2007 and 2008. Furthermore, even though fuel prices have declined from their recent historically high levels, reduced demand or increased fare competition, or both, and resulting lower revenues may offset any potential benefit of these lower fuel prices.

While we do not currently anticipate a significant reduction in fuel availability, dependence on foreign imports of crude oil, limited refining capacity and the possibility of changes in government policy on jet fuel production, transportation and marketing make it impossible to predict the future availability of jet fuel. If there are additional outbreaks of hostilities or other conflicts in oil producing areas or elsewhere, or a reduction in refining capacity (due to weather events, for example), or governmental limits on the production or sale of jet fuel, there could be a reduction in the supply of jet fuel and significant increases in the cost of jet fuel. Major reductions in the availability of jet fuel or significant increases in its cost would have a material adverse impact on us.

We have a large number of older aircraft in our fleet, and these aircraft are not as fuel efficient as more recent models of aircraft. We believe it is imperative that we continue to execute our fleet renewal plans. However, there will be significant delays in the deliveries of the Boeing 787-9 aircraft we currently have on order.

While we seek to manage the risk of fuel price increases by using derivative contracts, there can be no assurance that, at any given time, we will have derivatives in place to provide any particular level of protection against increased fuel costs. In addition, a deterioration of our financial position could negatively affect our ability to enter into derivative contracts in the future. Moreover, declines in fuel prices below the levels established in derivative contracts may require us to post cash collateral to secure the loss positions on such contracts, and if such contracts close when fuel prices are below the applicable levels, we would be required to make payments to close such contracts; these payments would be treated as additional fuel expense.

Our indebtedness and other obligations are substantial and could adversely affect our business and liquidity.

We have and will continue to have significant amounts of indebtedness, obligations to make future payments on aircraft equipment and property leases, and obligations under aircraft purchase agreements, as well as a high proportion of debt to equity capital. As of September 30, 2009, we were contractually committed to make approximately \$1.4 billion of principal payments on long-term debt and payments on capital leases during the fourth quarter of 2009 and during 2010. We expect to incur substantial additional debt (including secured debt) and lease obligations in the future. We also have substantial pension funding obligations. Our substantial indebtedness and other obligations have important consequences. For example, they:

limit our ability to obtain additional funding for working capital, capital expenditures, acquisitions and general corporate purposes, and adversely affect the terms on which such funding can be obtained;

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require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness and other obligations, thereby reducing the funds available for other purposes;

make us more vulnerable to economic downturns; and

limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

Our business is affected by many changing economic and other conditions beyond our control, and our results of operations tend to be volatile and fluctuate due to seasonality.

Our business and our results of operations are affected by many changing economic and other conditions beyond our control, including, among others:

actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, inflation, higher interest rates, wars, terrorist attacks or political instability;

changes in consumer preferences, perceptions, spending patterns or demographic trends;

changes in the competitive environment due to industry consolidation and other factors;

actual or potential disruptions to the air traffic control systems;

increases in costs of safety, security and environmental measures;

outbreaks of diseases that affect travel behavior; and

weather and natural disasters.

As a result, our results of operations tend to be volatile and subject to rapid and unexpected change. In addition, due to generally greater demand for air travel during the summer, our revenues in the second and third quarters of the year tend to be stronger than revenues in the first and fourth quarters of the year.

The airline industry is fiercely competitive and may undergo further consolidation or changes in industry alliances, and we are subject to increasing competition.

Service over almost all of our routes is highly competitive and fares remain at low levels by historical standards. We face vigorous, and, in some cases, increasing, competition from major domestic airlines, national, regional, all-cargo and charter carriers, foreign air carriers, low-cost carriers and, particularly on shorter segments, ground and rail transportation. We also face increasing and significant competition from marketing/operational alliances formed by our competitors. The percentage of routes on which we compete with carriers having substantially lower operating costs than ours has grown significantly over the past decade, and we now compete with low-cost carriers on a large majority of our domestic non-stop mainline network routes.

Certain airline alliances have been granted immunity from antitrust regulations by governmental authorities for specific areas of cooperation, such as joint pricing decisions. To the extent alliances formed by our competitors can undertake activities that are not available to us, our ability to effectively compete may be hindered.

Pricing decisions are significantly affected by competition from other airlines. Fare discounting by competitors historically has had a negative effect on our financial results because we must generally match competitors' fares, since failing to match would result in even less revenue. We have faced increased competition from carriers with simplified fare structures, which are generally preferred by travelers. Any fare reduction or fare simplification initiative may not be offset by increases in passenger traffic, reduction in cost or changes in the mix of traffic that would improve yields. Moreover, decisions by our competitors that increase or reduce overall industry capacity, or capacity dedicated to a particular domestic or foreign region, market or route, can have a material impact on related fare levels.

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There have been numerous mergers and acquisitions within the airline industry and numerous changes in industry alliances. Recently, two of our largest competitors, Delta Air Lines, Inc. and Northwest Airlines Corporation, merged, and the combined entity became the largest scheduled passenger airline in the world in terms of available seat miles and revenue passenger miles. In addition, another two of our largest competitors, United Air Lines, Inc. and Continental Airlines, Inc., recently announced that they had entered into a framework agreement to cooperate extensively and under which Continental would join the global alliance of which United, Lufthansa and certain other airlines are members.

In the future, there may be additional mergers and acquisitions, and changes in airline alliances, including those that may be undertaken in response to the merger of Delta and Northwest or other developments in the airline industry. Any airline industry consolidation or changes in airline alliances, including **oneworld**, could substantially alter the competitive landscape and result in changes in our corporate or business strategy. We regularly assess and explore the potential for consolidation in our industry and changes in airline alliances, our strategic position and ways to enhance our competitiveness, including the possibilities for our participation in merger activity. Consolidation involving other participants in our industry could result in the formation of one or more airlines with greater financial resources, more extensive networks, and/or lower cost structures than exist currently, which could have a material adverse effect on us. For similar reasons, changes in airline alliances could also adversely affect our competitive position.

In 2008, we entered into a joint business agreement and related marketing arrangements with British Airways and Iberia, providing for commercial cooperation on flights between North America and most countries in Europe, pooling and sharing of certain revenues and costs, expanded codesharing, enhanced frequent flyer program reciprocity, and cooperation in other areas. Along with these carriers and certain other carriers, we have applied to the U.S. Department of Transportation (*DOT*) for antitrust immunity for this planned cooperation. The carriers are also seeking to address issues raised by a Statement of Objection issued by the European Union (*EU*) which asserts that certain aspects of the joint business agreement would infringe EU competition law. Implementation of this agreement and the related arrangements is subject to conditions, including various U.S. and foreign regulatory approvals, successful negotiation of certain detailed financial and commercial arrangements, and other approvals. Governmental entities from which such approvals must be obtained, including DOT and the EU, may impose requirements or limitations as a condition of granting any such approvals, such as requiring divestiture of routes, gates, slots or other assets. No assurances can be given as to any arrangements that may ultimately be implemented or any benefits that we may derive from such arrangements.

We compete with reorganized carriers, which results in competitive disadvantages for us.

We must compete with air carriers that have reorganized under the protection of Chapter 11 of the Bankruptcy Code in recent years, including United, Delta, Northwest and U.S. Airways. It is possible that other significant competitors may seek to reorganize in or out of Chapter 11.

Successful reorganizations by other carriers present us with competitors with significantly lower operating costs and stronger financial positions derived from renegotiated labor, supply, and financing contracts. These competitive pressures may limit our ability to adequately price our services, may require us to further reduce our operating costs, and could have a material adverse impact on us.

Fares are at low levels and our reduced pricing power adversely affects our ability to achieve adequate pricing, especially with respect to business travel.

Our passenger yield remains very low by historical standards. We believe that this is due in large part to a corresponding decline in our pricing power. Our reduced pricing power is the product of several factors including: greater cost sensitivity on the part of travelers (particularly business travelers); pricing transparency resulting from the

use of the Internet; greater competition from low-cost carriers and from carriers that have recently reorganized under the protection of Chapter 11; other carriers being well hedged against rising fuel costs and able to better absorb high jet fuel prices; and fare simplification efforts by certain carriers. We believe that our reduced pricing power could persist indefinitely.

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Our corporate or business strategy may change.

In light of the rapid changes in the airline industry, we evaluate our assets on an ongoing basis with a view to maximizing their value to us and determining which are core to our operations. We also regularly evaluate our corporate and business strategies, and they are influenced by factors beyond our control, including changes in the competitive landscape we face. Our corporate and business strategies are, therefore, subject to change.

In the future, AMR may consider and engage in discussions with third parties regarding the divestiture of AMR Eagle and other separation transactions, and may decide to proceed with one or more such transactions. There can be no assurance that AMR will complete any separation transactions or that any announced plans or transactions will be consummated, and no prediction can be made as to the impact of any such transactions on stockholder value or on us.

Our business is subject to extensive government regulation, which can result in increases in our costs, disruptions to our operations, limits on our operating flexibility, reductions in the demand for air travel, and competitive disadvantages.

Airlines are subject to extensive domestic and international regulatory requirements. Many of these requirements result in significant costs. For example, the Federal Aviation Administration (FAA) from time to time issues directives and other regulations relating to the maintenance and operation of aircraft. Compliance with those requirements drives significant expenditures and has in the past, and may in the future, cause disruptions to our operations. In addition, the ability of U.S. carriers to operate international routes is subject to change because the applicable arrangements between the United States and foreign governments may be amended from time to time, or because appropriate slots or facilities are not made available.

Moreover, additional laws, regulations, taxes and airport rates and charges have been enacted from time to time that have significantly increased the costs of airline operations, reduced the demand for air travel or restricted the way we can conduct our business. For example, the Aviation and Transportation Security Act, which became law in 2001, mandated the federalization of certain airport security procedures and resulted in the imposition of additional security requirements on airlines. In addition, many aspects of our operations are subject to increasingly stringent environmental regulations, and concerns about climate change, in particular, may result in the imposition of additional regulation. For example, the U.S. Congress is considering climate change legislation, and the EU has approved a proposal that will put a cap on carbon dioxide emissions for all flights into and out of the EU effective in 2012. Laws or regulations similar to those described above or other U.S. or foreign governmental actions in the future may adversely affect our business and financial results.

The results of our operations, demand for air travel, and the manner in which we conduct our business each may be affected by changes in law and future actions taken by governmental agencies, including:

changes in law which affect the services that can be offered by airlines in particular markets and at particular airports;

the granting and timing of certain governmental approvals (including foreign government approvals) needed for codesharing alliances and other arrangements with other airlines;

restrictions on competitive practices (for example court orders, or agency regulations or orders, that would curtail an airline's ability to respond to a competitor);

the adoption of regulations that impact customer service standards (for example new passenger security standards, passenger bill of rights);

restrictions on airport operations, such as restrictions on the use of takeoff and landing slots at airports or the auction of slot rights currently or previously held by us; or

the adoption of more restrictive locally imposed noise restrictions.

In addition, the air traffic control (*ATC*) system, which is operated by the FAA, is not successfully managing the growing demand for U.S. air travel. U.S. airlines carry about 757 million passengers a year and

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are forecast to accommodate a billion passengers annually by 2021. Air-traffic controllers rely on outdated technologies that routinely overwhelm the system and compel airlines to fly inefficient, indirect routes. We support a common-sense approach to ATC modernization that would allocate costs to all ATC system users in proportion to the services they consume. Reauthorization of legislation that funds the FAA, which includes proposals regarding upgrades to the ATC system, has been passed by the House of Representatives. It is uncertain when the Senate will act and when such legislation will become law. In the meantime, FAA funding continues under temporary periodic extensions.

We could be adversely affected by conflicts overseas or terrorist attacks.

Actual or threatened U.S. military involvement in overseas operations has, on occasion, had an adverse impact on our business, financial position (including access to capital markets) and results of operations, and on the airline industry in general. The continuing conflicts in Iraq and Afghanistan, or other conflicts or events in the Middle East or elsewhere, may result in similar adverse impacts.

The Terrorist Attacks had a material adverse impact on us. The occurrence of another terrorist attack (whether domestic or international and whether against us or another entity) could again have a material adverse impact on us.

Our international operations could be adversely affected by numerous events, circumstances or government actions beyond our control.

Our current international activities and prospects could be adversely affected by factors such as reversals or delays in the opening of foreign markets, exchange controls, currency and political risks, environmental regulation, taxation and changes in international government regulation of our operations, including the inability to obtain or retain needed route authorities and/or slots.

For example, the open skies air services agreement between the United States and the EU which took effect in March 2008 provides airlines from the United States and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly beyond the United States and any airport in the EU including London's Heathrow Airport. The agreement has resulted in American facing increased competition in these markets, including Heathrow, where we have lost market share. In addition, the United States and Japan are in negotiations that could result in an open skies air services agreement between the two countries.

We could be adversely affected by an outbreak of a disease that affects travel behavior.

In the second quarter of 2009, there was an outbreak of the H1N1 virus which had an adverse impact throughout our network but primarily on our operations to and from Mexico. In 2003, there was an outbreak of Severe Acute Respiratory Syndrome (SARS), which had an adverse impact primarily on our Asia operations. In addition, in the past there have been concerns about outbreaks or potential outbreaks of other diseases, such as avian flu. Any outbreak of a disease (including a worsening of the outbreak of the H1N1 virus) that affects travel behavior could have a material adverse impact on us. In addition, outbreaks of disease could result in quarantines of our personnel or an inability to access facilities or our aircraft, which could adversely affect our operations.

Our labor costs are higher than those of our competitors.

Wages, salaries and benefits constitute a significant percentage of our total operating expenses. In 2008, they constituted approximately 23 percent of our total operating expenses. All of the major hub-and-spoke carriers with whom American competes have achieved significant labor cost savings through or outside of bankruptcy proceedings. We believe American's labor costs are higher than those of its primary competitors, and it is unclear how long this

labor cost disadvantage may persist.

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We could be adversely affected if we are unable to have satisfactory relations with any unionized or other employee work group.

Our operations could be adversely affected if we fail to have satisfactory relations with any labor union representing our employees. In addition, any significant dispute we have with, or any disruption by, an employee work group could adversely impact us. Moreover, one of the fundamental tenets of our strategic Turnaround Plan is increased union and employee involvement in our operations. To the extent that we are unable to have satisfactory relations with any unionized or other employee work group, our ability to execute our strategic plans could be adversely affected.

American is currently in mediated negotiations with each of its three major unions regarding amendments to their respective labor agreements. The negotiations process in the airline industry typically is slow and sometimes contentious. The union that represents American's pilots has filed a number of grievances, lawsuits and complaints, most of which American believes are part of a corporate campaign related to the union's labor agreement negotiations with American. While American is vigorously defending these claims, unfavorable outcomes of one or more of them could require American to incur additional costs, change the way it conducts some parts of its business, or otherwise adversely affect us.

Our insurance costs have increased substantially and further increases in insurance costs or reductions in coverage could have an adverse impact on us.

We carry insurance for public liability, passenger liability, property damage and all-risk coverage for damage to our aircraft. As a result of the Terrorist Attacks, aviation insurers significantly reduced the amount of insurance coverage available to commercial air carriers for liability to persons other than employees or passengers for claims resulting from acts of terrorism, war or similar events (war-risk coverage). At the same time, these insurers significantly increased the premiums for aviation insurance in general.

The U.S. government has agreed to provide commercial war-risk insurance for U.S. based airlines through August 31, 2010, covering losses to employees, passengers, third parties and aircraft. If the U.S. government does not provide such insurance at any time beyond that date, or reduces the coverage provided by such insurance, we will attempt to purchase similar coverage with narrower scope from commercial insurers at an additional cost. To the extent this coverage is not available at commercially reasonable rates, we would be adversely affected.

While the price of commercial insurance had declined since the period immediately after the Terrorist Attacks, in the event commercial insurance carriers further reduce the amount of insurance coverage available to us, or significantly increase its cost, we would be adversely affected.

We may be unable to retain key management personnel.

Since the Terrorist Attacks, a number of our key management employees have elected to retire early or leave for more financially favorable opportunities at other companies, both within and outside of the airline industry. There can be no assurance that we will be able to retain our key management employees. Any inability to retain our key management employees, or attract and retain additional qualified management employees, could have a negative impact on us.

We could be adversely affected by a failure or disruption of our computer, communications or other technology systems.

We are heavily and increasingly dependent on technology to operate our business. The computer and communications systems on which we rely could be disrupted due to various events, some of which are beyond our control, including natural disasters, power failures, terrorist attacks, equipment failures, software failures and computer viruses and

hackers. We have taken certain steps to help reduce the risk of some (but not all) of these potential disruptions. There can be no assurance, however, that the measures we have taken are adequate to prevent or remedy disruptions or failures of these systems. Any substantial or repeated failure of these systems could impact our operations and customer service, result in the loss of important data, loss of

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revenues, and increased costs, and generally harm our business. Moreover, a failure of certain of our vital systems could limit our ability to operate our flights for an extended period of time, which would have a material adverse impact on our operations and our business.

We are at risk of losses and adverse publicity which might result from an accident involving any of our aircraft.

If one of our aircraft were to be involved in an accident, we could be exposed to significant tort liability. The insurance we carry to cover damages arising from any future accidents may be inadequate. In the event that our insurance is not adequate, we may be forced to bear substantial losses from an accident. In addition, any accident involving an aircraft operated by us could adversely affect the public's perception of us.

Risk Factors Relating to the Notes and the Exchange Offer

Noteholders may not be able to resell the Notes easily or at a favorable price.

The New Notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the Notes on any securities exchange or otherwise. The Initial Purchasers are not obligated to make a market in the Notes, and any such market-making may be discontinued at any time, at the sole discretion of the Initial Purchasers. In addition, such market-making activities may be limited by the Securities Act and the Exchange Act during the pendency of the exchange offer or the effectiveness of a shelf registration in lieu thereof. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the New Notes or in the case of non-exchanging holders of Old Notes, the trading market for the Old Notes following the exchange offer.

The liquidity of, and trading market for, the Old Notes or the New Notes also may be adversely affected by general declines in the markets or by declines in the market for similar securities. Such declines may adversely affect such liquidity and trading markets independent of our financial performance and prospects.

You may have difficulty selling the Old Notes that you do not exchange.

If you do not exchange your Old Notes for New Notes in the exchange offer, your Old Notes will continue to be subject to significant restrictions on transfer. Those transfer restrictions are described in the Indenture and arose because we originally issued the Old Notes under exemptions from the registration requirements of the Securities Act. The Old Notes may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the Securities Act, pursuant to an exemption from registration under the Securities Act or in a transaction not subject to the registration requirements of the Securities Act, and in compliance with applicable state securities laws. We did not register the Old Notes under the Securities Act, and we do not intend to do so. If you do not exchange your Old Notes, your ability to sell the Old Notes may be significantly limited. If a large number of outstanding Old Notes are exchanged for New Notes issued in the exchange offer, it may be more difficult for you to sell your unexchanged Old Notes due to the limited amounts of Old Notes that would remain outstanding following the exchange offer.

Holders of Old Notes who do not tender their Old Notes will have no further registration rights.

Holders of Old Notes who do not tender their Old Notes will not have any further registration rights under the Registration Rights Agreement or otherwise and will no longer have the right to receive additional interest under the Registration Rights Agreement unless we fail to obtain ratings for the Notes as described under Exchange Offer; Registration Rights; Ratings.

Your Old Notes may not be accepted for exchange if you fail to follow the exchange offer procedures, and, as a result, your Old Notes could continue to be subject to existing transfer restrictions.

We are not required to accept your Old Notes for exchange if you do not follow the exchange offer procedures. We will issue New Notes as part of the exchange offer only after a timely receipt of your Old Notes, a properly completed and duly executed letter of transmittal or Agent's Message and all other required

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documents, or waiver of any such requirements, in accordance with the procedures described under The Exchange Offer. If we do not receive your Old Notes, confirmation of a book-entry transfer of your Old Notes, letter of transmittal or Agent's Message and other required documents by the Expiration Date, we may not accept your Old Notes for exchange. We are under no duty to notify you of defects or irregularities with respect to your tender of Old Notes for exchange. If there are defects or irregularities with respect to your tender of Old Notes, we may not accept your Old Notes for exchange. See The Exchange Offer.

Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

Three independent appraisal and consulting firms have prepared appraisals of the Aircraft. The appraisal letters provided by these firms are annexed to this prospectus as Appendix II. We have not undertaken to update the appraisals in connection with the exchange offer. Such appraisals of the Aircraft are subject to a number of significant assumptions and methodologies (which differ among the appraisers) and were prepared without a physical inspection of the Aircraft. The appraisals may not accurately reflect the current market value of the Aircraft. Appraisals that are based on other assumptions and methodologies (or a physical inspection of the Aircraft) may result in valuations that are materially different from those contained in such appraisals. See Description of the Aircraft and the Appraisals The Appraisals.

An appraisal is only an estimate of value. It does not necessarily indicate the price at which an aircraft may be purchased or sold in the market. In particular, the appraisals of the Aircraft are estimates of the values of the Aircraft assuming the Aircraft are in a certain condition, which may not have been the case when the Aircraft were subjected to the lien of the Aircraft Security Agreement. An appraisal should not be relied upon as a measure of realizable value. The proceeds realized upon the exercise of remedies with respect to any Aircraft, including a sale of such Aircraft, may be less than its appraised value. The value of an Aircraft if remedies are exercised under the Aircraft Security Agreement will depend on various factors, including market, economic and airline industry conditions; the supply of similar aircraft; the availability of buyers; the condition of such Aircraft; the time period in which such Aircraft is sought to be sold; and whether such Aircraft is sold separately or as part of a block.

Since the Terrorist Attacks, the airline industry has suffered substantial losses. In response to adverse market conditions, we and many other U.S. air carriers have reduced the number of aircraft in operation, and there may be further reductions, particularly by air carriers in bankruptcy or liquidation. Any such reduction of aircraft of the same models as the Aircraft could adversely affect the value of the Aircraft.

Accordingly, we cannot assure you that the proceeds realized upon any exercise of remedies with respect to the Aircraft would be sufficient to satisfy in full payments due on the Notes.

If we fail to perform maintenance responsibilities, the value of the Aircraft may deteriorate.

To the extent described in the Aircraft Security Agreement, we are responsible for the maintenance, service, repair and overhaul of the Aircraft. If we fail to perform these responsibilities adequately, the value of the Aircraft may be reduced. In addition, the value of the Aircraft may deteriorate even if we fulfill our maintenance responsibilities. As a result, it is possible that upon a liquidation, there will be less proceeds than anticipated to repay Noteholders. See Description of the Notes Certain Provisions of the Aircraft Security Agreement Maintenance and Operation.

Inadequate levels of insurance may result in insufficient proceeds to repay Noteholders.

To the extent described in the Aircraft Security Agreement, we must maintain all-risk aircraft hull insurance on the Aircraft. If we fail to maintain adequate levels of insurance, the proceeds which could be obtained upon an Event of Loss of an Aircraft may be insufficient to repay the Allocable Portion of the Notes with respect to such Aircraft. See

Description of the Notes Certain Provisions of the Aircraft Security Agreement Insurance.

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Repossession of Aircraft may be difficult, time-consuming and expensive.

There are no general geographic restrictions on our ability to operate the Aircraft. Although we do not currently intend to do so, we are permitted to register the Aircraft in certain foreign jurisdictions and to lease the Aircraft, and to enter into interchange or pooling arrangements with respect to the Aircraft, with unrelated third parties. It may be difficult, time-consuming and expensive for the Security Agent to exercise its repossession rights, particularly if an Aircraft is located outside the United States, is registered in a foreign jurisdiction or is leased to or in the possession of a foreign or domestic operator. Additional difficulties may exist if such a lessee or other operator is the subject of a bankruptcy, insolvency or similar event. See Description of the Notes Certain Provisions of the Aircraft Security Agreement Registration, Leasing and Possession.

In addition, some jurisdictions may allow for other liens or other third party rights to have priority over the Security Agent's security interest in an Aircraft. As a result, the benefits of the Security Agent's security interest in an Aircraft may be less than they would be if the Aircraft were located or registered in the United States.

Upon repossession of an Aircraft, the Aircraft may need to be stored and insured. The costs of storage and insurance can be significant and the incurrence of such costs could reduce the proceeds available to repay the Noteholders. In addition, at the time of foreclosing on the lien on the Aircraft under the Aircraft Security Agreement, an Airframe subject to the lien of the Aircraft Security Agreement might not be equipped with the Engines associated with that Airframe. If American fails to obtain title to engines not owned by American that are attached to repossessed Aircraft, it could be difficult, expensive and time-consuming to assemble an Aircraft consisting of an Airframe and the associated Engines subject to the lien of the Aircraft Security Agreement.

The proceeds from the disposition of any Aircraft may not be sufficient to pay all amounts distributable to the Noteholders.

During the continuation of any Event of Default under the Indenture, the Aircraft may be sold in the exercise of remedies. The market for Aircraft during the continuation of any Event of Default may be very limited, and there can be no assurance as to whether they could be sold or the price at which they could be sold.

As a Noteholder, you will have no protection against our entry into extraordinary transactions, including acquisitions and other business combinations, and there are no financial or other covenants in the Notes or the underlying agreements that impose restrictions on our financial and business operations or our ability to execute any such transaction.

The Notes and the other Operative Documents will not contain any financial or other covenants or event risk provisions protecting the Noteholders in the event of a highly leveraged or other extraordinary transaction, including an acquisition or other business combination, affecting American or its affiliates. We do from time to time analyze opportunities presented by various types of transactions, and we may conduct our business in a manner that could cause the market price or liquidity of the Notes to decline, could have a material adverse effect on our financial condition or otherwise could restrict or impair our ability to pay amounts due under the Notes and/or the related agreements, including by entering into a highly leveraged or other extraordinary transaction.

Payments on the Notes and the ability to exercise remedies with respect to certain collateral may be restricted in the case of a bankruptcy of American.

Section 1110, which provides certain special rights to secured parties with a security interest in aircraft equipment such as the Aircraft (see Description of the Notes Remedies), does not apply to any cash collateral held by the Security Agent. If we become the subject of a case under the Bankruptcy Code, the ability of the Noteholders to

enforce their security interest in such cash collateral would be subject to the automatic stay under Section 362 of the Bankruptcy Code. Any resulting delay in the enforcement of the

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security interest could be for a substantial period of time. Moreover, the Bankruptcy Code permits a debtor, with the approval of the bankruptcy court, to use cash collateral even though the debtor is in default under the applicable debt instrument, provided that the secured creditor is given adequate protection. What constitutes adequate protection varies under the circumstances, and it is not possible to predict in advance what a bankruptcy court might judge to be adequate protection in a particular instance.

In addition, the substitution of the Aircraft for the Cash Collateral could be subject to partial avoidance as a preference under Section 547 of the Bankruptcy Code if (1) it occurred within 90 days before a bankruptcy filing by us (or one year in the case of Notes held by an insider of American within the meaning of the U.S. Bankruptcy Code) and (2) it enabled the Noteholders to receive more than they would receive if we were liquidated under Chapter 7 of the Bankruptcy Code and the substitution had not occurred which would likely be the case.

Ratings of the Notes may be lowered or withdrawn in the future.

The Notes have been rated B1 by Moody's. We have applied for and expect to receive shortly a rating for the Notes from Standard & Poor's. Ratings are not a recommendation to purchase, hold or sell the Notes, because ratings do not address market price or suitability for a particular investor. Ratings may change during any given period of time and may be lowered or withdrawn entirely by a Rating Agency if in its judgment circumstances in the future (including the downgrading of American) so warrant. Moreover, any change in a Rating Agency's assessment of the risks of aircraft-backed debt (and similar securities such as the Notes) could adversely affect any rating issued by such Rating Agency with respect to the Notes. The failure of American to satisfy the Rating Condition will result in an adjustment to the interest rate for the Notes (see Exchange Offer; Registration Rights; Ratings). Such failure or the reduction, suspension or withdrawal of any ratings of the Notes will not, by itself, constitute an Event of Default.

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THE EXCHANGE OFFER

Pursuant to the Registration Rights Agreement, we agreed to prepare and file with the SEC a registration statement on an appropriate form under the Securities Act with respect to a proposed offer to the holders of the Old Notes to issue and deliver to such holders of Old Notes, in exchange for their Old Notes, a like aggregate principal amount of New Notes that are identical in all material respects to the Old Notes, except for provisions relating to registration rights and the transfer restrictions relating to the Old Notes, and except for certain related differences described below. See Exchange Offer; Registration Rights; Ratings.

Terms of the Exchange Offer; Period for Tendering Old Notes

This prospectus and the accompanying letter of transmittal contain the terms and conditions of the exchange offer. Upon the terms and subject to the conditions included in this prospectus and in the accompanying letter of transmittal, which together constitute the exchange offer, we will accept for exchange Old Notes which are properly tendered on or prior to the Expiration Date, unless you have previously withdrawn them.

When you tender Old Notes as provided below, our acceptance of the Old Notes will constitute a binding agreement between you and American upon the terms and subject to the conditions in this prospectus and in the accompanying letter of transmittal. In tendering Old Notes, you should also note the following important information:

You may only tender Old Notes in minimum denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof.

We will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date on which notice of the exchange offer is mailed to holders of the Old Notes. We are sending this prospectus, together with the letter of transmittal, on or about the date of this prospectus, to all of the registered holders of Old Notes at their addresses listed in the Trustee's security register with respect to the Old Notes.

The exchange offer expires at _____, New York City time, on _____, 2009; provided, however, that we, in our sole discretion, may extend the period of time for which the exchange offer is open.

As of the date of this prospectus, \$276,400,000 aggregate principal amount of Old Notes was outstanding. The exchange offer is not conditioned upon any minimum principal amount of Old Notes being tendered.

Our obligation to accept Old Notes for exchange in the exchange offer is subject to the conditions described under _____ Conditions to the Exchange Offer.

We expressly reserve the right, at any time, to extend the period of time during which the exchange offer is open, and thereby delay acceptance of any Old Notes, by giving oral or written notice of an extension to the Exchange Agent and notice of that extension to the Noteholders as described below. During any extension, all Old Notes previously tendered will remain subject to the exchange offer unless withdrawal rights are exercised as described under _____ Withdrawal Rights. Any Old Notes not accepted for exchange for any reason will be returned without expense to the tendering Noteholder as promptly as practicable after the expiration or termination of the exchange offer.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any Old Notes that we have not yet accepted for exchange, at any time prior to the Expiration Date.

We will give oral or written notice of any extension, amendment, termination or non-acceptance described above to holders of the Old Notes as promptly as practicable. If we extend the Expiration Date, we will give notice by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the business day after the previously scheduled Expiration Date. Without limiting the manner in which we may choose to make any public announcement and subject to applicable law, we will have no obligation to publish, advertise or otherwise communicate any public

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announcement other than by issuing a release to an appropriate news agency. Such announcement may state that we are extending the exchange offer for a specified period of time.

Holders of Old Notes do not have any appraisal or dissenters' rights in connection with the exchange offer.

Old Notes which are not tendered for exchange, or are tendered but not accepted, in connection with the exchange offer will remain outstanding and be entitled to the benefits of the Indenture, but will not be entitled to any further registration rights under the Registration Rights Agreement.

We intend to conduct the exchange offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the SEC thereunder.

By executing, or otherwise becoming bound by, the letter of transmittal, you will be making to us the representations described under Resale of the New Notes.

Important rules concerning the exchange offer

You should note the following important rules concerning the exchange offer:

All questions as to the validity, form, eligibility, time of receipt and acceptance of Old Notes tendered for exchange will be determined by us in our sole discretion, which determination shall be final and binding.

We reserve the absolute right to reject any and all tenders of any particular Old Notes not properly tendered or to not accept any particular Old Notes if such acceptance might, in our judgment or the judgment of our counsel, be unlawful.

We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular Old Notes either before or after the Expiration Date, including the right to waive the ineligibility of any holder who seeks to tender Old Notes in the exchange offer. Unless we agree to waive any defect or irregularity in connection with the tender of Old Notes for exchange, you must cure any defect or irregularity within any reasonable period of time as we shall determine.

Our interpretation of the terms and conditions of the exchange offer as to any particular Old Notes either before or after the Expiration Date shall be final and binding on all parties. Neither American, the Exchange Agent nor any other person shall be under any duty to notify you of any defect or irregularity with respect to any tender of Old Notes for exchange, nor shall any of them incur any liability for failing to so notify you.

Procedures for Tendering Old Notes

What to submit and how

If you, as a holder of any Old Notes, wish to tender your Old Notes for exchange in the exchange offer, you must, except as described under Guaranteed Delivery Procedures, transmit the following on or prior to the Expiration Date to the Exchange Agent:

(1) if Old Notes are tendered in accordance with the book-entry procedures described under Book-Entry Transfer, an Agent's Message, as defined below, transmitted through DTC's ATOP, or

(2) a properly completed and duly executed letter of transmittal, or a facsimile copy thereof, to the Exchange Agent at the address set forth below under Exchange Agent, including all other documents required by the letter of transmittal.

In addition,

(1) a timely confirmation of a book-entry transfer of Old Notes into the Exchange Agent's account at DTC using the procedure for book-entry transfer described under Book-Entry Transfer (a *Book-*

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Entry Confirmation), along with an Agent's Message, must be actually received by the Exchange Agent prior to the Expiration Date, or

(2) certificates for Old Notes must be actually received by the Exchange Agent along with the letter of transmittal on or prior to the Expiration Date, or

(3) you must comply with the guaranteed delivery procedures described below.

The term *Agent's Message* means a message, transmitted through ATOP by DTC to, and received by, the Exchange Agent and forming a part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgement that the tendering holder has received and agrees to be bound by the letter of transmittal or, in the case of an Agent's Message relating to guaranteed delivery, that such holder has received and further agrees to be bound by the notice of guaranteed delivery, and that we may enforce the letter of transmittal, and the notice of guaranteed delivery, as the case may be, against such holder.

The method of delivery of Old Notes, letters of transmittal, notices of guaranteed delivery and all other required documentation, including delivery of Old Notes through DTC and transmission of Agent's Messages through DTC's ATOP, is at your election and risk. Delivery will be deemed made only when all required documentation is actually received by the Exchange Agent. Delivery of documents or instructions to DTC does not constitute delivery to the Exchange Agent. If delivery is by mail, we recommend that registered mail, properly insured, with return receipt requested, be used. In all cases, sufficient time should be allowed to assure timely delivery to the Exchange Agent. Holders tendering Old Notes or transmitting Agent's Messages through DTC's ATOP must allow sufficient time for completion of ATOP procedures during DTC's normal business hours. No Old Notes, Agent's Messages, letters of transmittal, notices of guaranteed delivery or any other required documentation should be sent to American.

How to sign your letter of transmittal and other documents

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the Old Notes being surrendered for exchange are tendered:

(1) by a registered holder of the Old Notes who has not completed the box entitled *Special Issuance Instructions* or *Special Delivery Instructions* on the letter of transmittal, or

(2) for the account of an eligible guarantor institution within the meaning of Rule 17Ad-15 under the Exchange Act, or a commercial bank or trust company having an office or correspondent in the United States that is a member in good standing of a medallion program recognized by the Securities Transfer Association Inc., including the Securities Transfer Agents Medallion Program (*STAMP*), the Stock Exchanges Medallion Program (*SEMP*) and the New York Stock Exchange Medallion Signature Program (*MSP*) (each, an *Eligible Institution*).

If signatures on a letter of transmittal or a notice of withdrawal, as the case may be, are required to be guaranteed, the guarantees must be by an Eligible Institution.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of Old Notes, the Old Notes must be endorsed or accompanied by appropriate powers of attorney, in either case signed exactly as the name or names of the registered holder or holders appear on the Old Notes and with the signatures guaranteed.

If the letter of transmittal or any Old Notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers or corporations or others acting in a fiduciary or representative capacity, the person should so indicate when signing and, unless waived by us, proper evidence satisfactory to us of such person's

authority to so act must be submitted.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Once all of the conditions to the exchange offer are satisfied or waived, we will accept, promptly after the Expiration Date, all Old Notes properly tendered and not properly withdrawn, and will issue the New

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Notes of the same series promptly after such acceptance. See Conditions to the Exchange Offer below. For purposes of the exchange offer, our giving of oral or written notice of acceptance to the Exchange Agent will be considered our acceptance of the tendered Old Notes.

In all cases, we will issue New Notes in exchange for Old Notes of the same series that are accepted for exchange only after timely receipt by the Exchange Agent of:

- a Book-Entry Confirmation or Old Notes in proper form for transfer,
- a properly transmitted Agent's Message or a properly completed and duly executed letter of transmittal, and
- all other required documentation.

If we do not accept any tendered Old Notes for any reason included in the terms and conditions of the exchange offer, if you submit certificates representing Old Notes in a greater principal amount than you wish to exchange or if you properly withdraw tendered Old Notes in accordance with the procedures described under Withdrawal Rights, we will return any unaccepted, non-exchanged or properly withdrawn Old Notes, as the case may be, without expense to the tendering holder. In the case of Old Notes tendered by book-entry transfer into the Exchange Agent's account at DTC using the book-entry transfer procedures described below, unaccepted, non-exchanged or properly withdrawn Old Notes will be credited to an account maintained with DTC. We will return the Old Notes or have them credited to the DTC account, as applicable, as promptly as practicable after the expiration or termination of the exchange offer.

Book-Entry Transfer

The Exchange Agent will make a request to establish an account with respect to the Old Notes at DTC for purposes of the exchange offer promptly after the date of this prospectus. Any financial institution that is a participant in DTC's systems, including Euroclear Bank, S.A./N.V., as operator of the Euroclear System (*Euroclear*), or Clearstream Banking, société anonyme (*Clearstream*) may make book-entry delivery of Old Notes by causing DTC to transfer Old Notes into the Exchange Agent's account at DTC in accordance with DTC's ATOP procedures for transfer. However, the exchange for the Old Notes so tendered will only be made after timely confirmation of book-entry transfer of Old Notes into the Exchange Agent's account, and timely receipt by the Exchange Agent of an Agent's Message and all other documents required by the letter of transmittal. Only participants in DTC may deliver Old Notes by book-entry transfer.

Although delivery of Old Notes may be effected through book-entry transfer into the Exchange Agent's account at DTC, the letter of transmittal, or a facsimile copy thereof, properly completed and duly executed, with any required signature guarantees, or an Agent's Message, with all other required documentation, must in any case be transmitted to and received by the Exchange Agent at its address listed under Exchange Agent on or prior to the Expiration Date, or you must comply with the guaranteed delivery procedures described below under Guaranteed Delivery Procedures.

If your Old Notes are held through DTC, you must complete the accompanying form called Instructions to Registered Holder and/or Book-Entry Participant, which will instruct the DTC participant through whom you hold your Old Notes of your intention to tender your Old Notes or not tender your Old Notes. Please note that delivery of documents or instructions to DTC does not constitute delivery to the Exchange Agent and we will not be able to accept your tender of Old Notes until the Exchange Agent actually receives from DTC the information and documentation described under Acceptance of Old Notes for Exchange; Delivery of Old Notes.

Guaranteed Delivery Procedures

If you are a registered holder of Old Notes and you want to tender your Old Notes but the procedure for book-entry transfer cannot be completed prior to the Expiration Date, your Old Notes are not immediately

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available or time will not permit your Old Notes to reach the Exchange Agent before the Expiration Date, a tender may be effected if:

the tender is made through an Eligible Institution, as defined above,

prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution, by facsimile transmission, mail or hand delivery, a properly completed and duly executed notice of guaranteed delivery, substantially in the form provided by us, or an Agent's Message with respect to guaranteed delivery in lieu thereof, in either case stating:

the name and address of the holder of Old Notes,

the amount of Old Notes tendered,

that the tender is being made by delivering such notice and guaranteeing that, within three New York Stock Exchange trading days after the Expiration Date, a Book-Entry Confirmation or the certificates for all physically tendered Old Notes, in proper form for transfer, together with either an appropriate Agent's Message or a properly completed and duly executed letter of transmittal in lieu thereof, and all other required documentation, will be deposited by that Eligible Institution with the Exchange Agent, and

a Book-Entry Confirmation or the certificates for all physically tendered Old Notes, in proper form for transfer, together with either an appropriate Agent's Message or a properly completed and duly executed letter of transmittal in lieu thereof, and all other required documentation, are received by the Exchange Agent within three New York Stock Exchange trading days after the Expiration Date.

Withdrawal Rights

You can withdraw your tender of Old Notes at any time on or prior to _____, New York City time, on the Expiration Date.

For a withdrawal to be effective, a written notice of withdrawal must be actually received by the Exchange Agent prior to such time, properly transmitted either through DTC's ATOP or to the Exchange Agent at the address listed below under _____ Exchange Agent. Any notice of withdrawal must:

specify the name of the person having tendered the Old Notes to be withdrawn;

identify the Old Notes to be withdrawn;

specify the principal amount of the Old Notes to be withdrawn;

contain a statement that the tendering holder is withdrawing its election to have such Notes exchanged for New Notes;

except in the case of a notice of withdrawal transmitted through DTC's ATOP system, be signed by the holder in the same manner as the original signature on the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees, or be accompanied by documents of transfer to have the trustee with respect to the Old Notes register the transfer of the Old Notes in the name of the person withdrawing the tender;

if certificates for Old Notes have been delivered to the Exchange Agent, specify the name in which the Old Notes are registered, if different from that of the withdrawing holder;

if certificates for Old Notes have been delivered or otherwise identified to the Exchange Agent, then, prior to the release of those certificates, specify the serial numbers of the particular certificates to be withdrawn, and, except in the case of a notice of withdrawal transmitted through DTC's ATOP system, include a notice of withdrawal signed in the same manner as the letter of transmittal by which the Old Notes were tendered, including any required signature guarantees; and

if Old Notes have been tendered using the procedure for book-entry transfer described above, specify the name and number of the account at DTC from which the Old Notes were tendered and the name

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and number of the account at DTC to be credited with the withdrawn Old Notes, and otherwise comply with the procedures of DTC.

Please note that all questions as to the validity, form, eligibility and time of receipt of notices of withdrawal will be determined by us, and our determination shall be final and binding on all parties. Any Old Notes so withdrawn will be considered not to have been validly tendered for exchange for purposes of the exchange offer. New Notes will not be issued in exchange for such withdrawn Old Notes unless the Old Notes so withdrawn are validly re-tendered.

If you have properly withdrawn Old Notes and wish to re-tender them, you may do so by following one of the procedures described under Procedures for Tendering Old Notes above at any time on or prior to the Expiration Date.

Conditions to the Exchange Offer

Notwithstanding any other provisions of the exchange offer, we will not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes and may terminate or amend the exchange offer, if we determine in our reasonable judgment at any time before the Expiration Date that the exchange offer would violate applicable law or any applicable interpretation of the staff of the SEC.

The foregoing conditions are for our sole benefit and may be waived by us regardless of the circumstances giving rise to that condition. Our failure at any time to exercise the foregoing rights shall not be considered a waiver by us of that right. The rights described in the prior paragraph are ongoing rights which we may assert at any time and from time to time.

In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any such Old Notes, if at any time any stop order is threatened or in effect with respect to the registration statement of which this prospectus constitutes a part or the qualification of the Indenture under the Trust Indenture Act.

We reserve the right to terminate or amend the exchange offer at any time prior to the Expiration Date upon the occurrence of any of the foregoing events.

Exchange Agent

U.S. Bank National Association has been appointed as the Exchange Agent for the exchange offer. All executed letters of transmittal, notices of guaranteed delivery, notices of withdrawal and any other required documentation should be directed to the Exchange Agent at the address set forth below. Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the Exchange Agent, addressed as follows:

Deliver To:

*By registered or certified mail,
hand delivery or overnight courier:*

By facsimile:

For information call:

U.S. Bank Corporate Trust
Attn: Lori Buckles Specialized
Finance
60 Livingston Avenue
2nd Floor

(651) 495-8158

(651) 495-3520

St. Paul, MN 55107

Delivery to an address other than the address of the Exchange Agent as listed above or transmission of instructions via facsimile other than as listed above does not constitute a valid delivery.

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Fees and Expenses

The principal solicitation is being made by mail; however, additional solicitation may be made by telephone or in person by our officers, regular employees and affiliates. We will not pay any additional compensation to any of our officers and employees who engage in soliciting tenders. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. However, we will pay the Exchange Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses in connection with the exchange offer.

The estimated cash expenses to be incurred in connection with the exchange offer, including legal, accounting, SEC filing, printing and Exchange Agent expenses, will be paid by us and are estimated in the aggregate to be \$305,000.

Transfer Taxes

Holders who tender their Old Notes for exchange will not be obligated to pay any transfer taxes in connection therewith, except that holders who instruct us to register New Notes in the name of, or request that Old Notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder will be responsible for the payment of any applicable transfer tax.

Resale of the New Notes

Under existing interpretations of the staff of the SEC contained in several no-action letters to third parties, the New Notes would in general be freely transferable by holders thereof (other than affiliates of us) after the exchange offer without further registration under the Securities Act (subject to certain representations required to be made by each holder of Old Notes participating in the exchange offer, as set forth below). The relevant no-action letters include the Exxon Capital Holdings Corporation letter, which was made available by the SEC on May 13, 1988, the Morgan Stanley & Co. Incorporated letter, which was made available by the SEC on June 5, 1991, the K-111 Communications Corporation letter, which was made available by the SEC on May 14, 1993, and the Shearman & Sterling letter, which was made available by the SEC on July 2, 1993.

However, any purchaser of Old Notes who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing the New Notes:

will not be able to rely on such SEC interpretation;

will not be able to tender its Old Notes in the exchange offer; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of Old Notes unless such sale or transfer is made pursuant to an exemption from those requirements.

By executing, or otherwise becoming bound by, the letter of transmittal, each holder of the Old Notes will represent that:

any New Notes to be received by such holder will be acquired in the ordinary course of its business;

it has no arrangements or understandings with any person to participate in the distribution of the Notes within the meaning of the Securities Act; and

it is not an affiliate of us or, if it is such an affiliate, such holder will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable.

We have not sought, and do not intend to seek, a no-action letter from the SEC with respect to the effects of the exchange offer, and there can be no assurance that the SEC staff would make a similar determination with respect to the New Notes as it has made in previous no-action letters.

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In addition, in connection with any resales of those Old Notes, each exchanging dealer, as defined below, receiving New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such exchanging dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of such New Notes. See Plan of Distribution.

The SEC has taken the position in the Shearman & Sterling no-action letter, which it made available on July 2, 1993, that exchanging dealers may fulfill their prospectus delivery requirements with respect to the New Notes, other than a resale of an unsold allotment from the original sale of the Old Notes, by delivery of the prospectus contained in the exchange offer registration statement.

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USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the Registration Rights Agreements we entered into in connection with the private offering of the Old Notes. We will not receive any cash proceeds from the issuance of the New Notes under the exchange offer. In consideration for issuing the New Notes as contemplated by this prospectus, we will receive Old Notes in like principal amounts, the terms of which are identical in all material respects to the New Notes, subject to limited exceptions. Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, the issuance of the New Notes will not result in any increase in our indebtedness.

American deposited the entire proceeds from the sale of the Old Notes with the Trustee under the Indenture to be held by the Trustee as cash collateral for American's obligations under the Notes. Upon the subjection of the Aircraft to the lien of the Aircraft Security Agreement, an amount of the Cash Collateral equal to the Allocable Portion of the Notes attributable to each such Aircraft was released to American. American used the Cash Collateral and investment earnings thereon released to it to reimburse itself in part for the repayment of the equipment notes issued under the 1999-1 EETC. Final distributions on those equipment notes were made on October 15, 2009. See Description of the Notes Collateral.

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DESCRIPTION OF THE NOTES

The following summary describes certain material terms of the Notes. The summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Notes, the Indenture and the Aircraft Security Agreement (collectively, the *Operative Documents*). We urge you to read each of the Operative Documents for additional detail and further information because they, and not this description, define your rights. Each of the Operative Documents and specimen copies of the Notes have been filed as exhibits to the registration statement of which this prospectus constitutes a part. Copies are available as set forth under *Where You Can Find More Information*. The references to Sections in parentheses in the following summary are to the relevant Sections of the applicable Operative Document.

General

The American Airlines, Inc. 13.0% 2009-2 Secured Notes due 2016 (the *Old Notes*) were issued on July 31, 2009 (the *Issuance Date*) under an Indenture (the *Indenture*) between American and U.S. Bank Trust National Association, as trustee (the *Trustee*).

The New Notes will be issued pursuant to the Indenture. The forms and terms of the New Notes are the same in all material respects as the form and terms of the Old Notes, except that the New Notes:

are registered under the Securities Act and will not be subject to restrictions on transfer;

will bear a different CUSIP and ISIN number than the Old Notes;

will not entitle their holders to registration rights; and

will be subject to terms relating to book-entry procedures and administrative terms relating to transfers that differ from those of the Old Notes.

The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of \$2,000 or integral multiples of \$1,000 in excess thereof, except that one Note may be issued in a different denomination. (Indenture, Section 2.01(b)) The Notes are secured by a lien on the collateral and are full recourse obligations of American. See *Collateral*. The New Notes will be subject to the provisions described below under *Book-Entry, Delivery and Form*.

Although separate Notes are not issued with respect to each Aircraft, the Indenture specifies that a certain portion of the outstanding principal amount of the Notes is allocable to each Aircraft (the *Allocable Portion*). The Allocable Portion of the Notes with respect to each Aircraft on the Cut-Off Date and each Payment Date is specified in Appendix III. For any date before the first Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Cut-Off Date. For any date after the first Payment Date, other than a Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Payment Date that immediately precedes such date.

Payments of Principal and Interest

The Notes are limited to \$276,400,000 of principal in the aggregate. Subject to the provisions of the Indenture, payments of principal on the Notes are scheduled to be paid on each February 1 and August 1, commencing

February 1, 2010 (each February 1 and August 1, a *Payment Date*), until August 1, 2016 (the *Scheduled Maturity Date*) as set forth below.

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Payment Date	Principal Payment Amount
February 1, 2010	\$ 18,405,129.71
August 1, 2010	17,859,800.03
February 1, 2011	17,313,071.43
August 1, 2011	16,766,342.88
February 1, 2012	16,219,614.32
August 1, 2012	15,672,885.72
February 1, 2013	15,126,157.20
August 1, 2013	14,579,428.57
February 1, 2014	14,032,700.21
August 1, 2014	13,485,971.65
February 1, 2015	13,911,204.82
August 1, 2015	13,182,233.36
February 1, 2016	12,453,261.99
August 1, 2016	77,392,198.11

Interest accrues on the unpaid principal amount of each Note at the fixed rate per annum set forth on the cover page of this prospectus, subject to a potential increase if we fail to obtain ratings for the Notes as described in Exchange Offer; Registration Rights; Ratings (the *Stated Interest Rate*). Interest on the Notes is payable on each Payment Date. Interest on the Notes accrues from the most recent date to which interest has been paid or, if no interest has been paid, from the Issuance Date. Interest on the Notes is calculated on the basis of a 360-day year consisting of twelve 30-day months.

Payments of principal and interest are made to holders of record of the Notes on the 15th day preceding the applicable Payment Date, whether or not such record date is a Business Day. If any date scheduled for a payment of principal, interest or Make-Whole Amount, if any, is not a Business Day, such payment will be made on the next succeeding Business Day without additional interest. (Indenture, Section 2.07(d))

If the money for purposes of any payment of principal or interest on the Notes has not been deposited, in whole or in part, with the Trustee by American on any Payment Date, the Trustee will make such payment on the next Business Day on which some or all of the money has been deposited with the Trustee. However, if some or all of the money has not been deposited with the Trustee for purposes of making a payment of principal or interest on the Notes within five days after the Payment Date for such payment, American will be required to fix a special payment date and special record date for such payment and to give written notice to the Noteholders of such special dates and the amount of defaulted principal or interest to be paid.

Business Day means any day other than: a Saturday, a Sunday, or other day on which commercial banks are authorized or required by law to close in New York, New York, Fort Worth, Texas, or the city and state in which the Trustee is located.

Redemption***Mandatory Redemption***

If an Event of Loss occurs with respect to an Aircraft and such Aircraft is not replaced by American under the Aircraft Security Agreement as set forth under Certain Provisions of the Aircraft Security Agreement Event of Loss, American will be required to redeem the Allocable Portion of the Notes with respect to such Aircraft. The redemption

price in such case will be the Allocable Portion of the Notes with respect to such Aircraft, together with all accrued and unpaid interest on such Allocable Portion to (but excluding) the date of redemption, but without any premium, and all other obligations with respect to such Aircraft owed or then due and payable to the Noteholders. (Indenture, Section 2.19(c)) Following such partial redemption, the lien on such Aircraft under the Aircraft Security Agreement will be released and such Aircraft will no longer secure the amounts that may be owing under the Indenture or the Aircraft Security Agreement.

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(Aircraft Security Agreement, Section 7.05) In addition, the obligation of American thereafter to make the scheduled interest and principal payments with respect to such Allocable Portion of the Notes will cease.

Optional Redemption

All, but not less than all, of the Notes may be redeemed prior to maturity at any time, at the option of American. The redemption price in such case will be equal to 100% of the unpaid principal thereof, together with all accrued and unpaid interest thereon to (but excluding) the date of redemption, plus the Make-Whole Amount (if any), and all other obligations owed or then due and payable to Noteholders under the Indenture. (Indenture, Section 2.20)

General

With respect to any redemption, the Trustee will send to each Noteholder a notice of redemption at least 15 days but not more than 60 days before any redemption date. If applicable, such notice shall identify the Allocable Portion of the Notes to be redeemed. If less than all of the Notes are to be redeemed, the Notes will be redeemed on a pro rata basis. On the redemption date, interest will cease to accrue on the Notes or the Allocable Portion thereof called for redemption, unless American fails to make the redemption payment for such Notes. (Indenture, Section 2.24)

Make-Whole Amount means, with respect to the Notes or any Allocable Portion of the Notes, the amount (as determined by an independent investment banker selected by American (and, following the occurrence and during the continuance of an Event of Default, reasonably acceptable to the Trustee)), if any, by which (i) the present value of the remaining scheduled payments of principal and interest (or in the case of any Allocable Portion of the Notes, the remaining amounts listed in Appendix III under *Scheduled Principal Payment* for the relevant Aircraft plus scheduled payments of interest thereon) from the redemption date to, and including, the Scheduled Maturity Date computed by discounting each such payment on a semiannual basis from its respective payment date (assuming a 360-day year of twelve 30-day months) using a discount rate equal to the Treasury Yield plus 0.75% (such percentage, the *Make-Whole Spread*), exceeds (ii) the outstanding aggregate principal amount of the Notes or such Allocable Portion plus accrued but unpaid interest thereon to the date of redemption. (Indenture, Annex A)

For purposes of determining the Make-Whole Amount, *Treasury Yield* means, at the date of determination, the interest rate (expressed as a semiannual equivalent and as a decimal rounded to the number of decimal places as appears in the interest rate applicable to the Notes and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Average Life Date and trading in the public securities market either as determined by interpolation between the most recent weekly average constant maturity, non-inflation-indexed series yield to maturity for two series of United States Treasury securities, trading in the public securities markets, (A) one maturing as close as possible to, but earlier than, the Average Life Date and (B) the other maturing as close as possible to, but later than, the Average Life Date, in each case as reported in the most recent H.15(519) or, if a weekly average constant maturity, non-inflation-indexed series yield to maturity for United States Treasury securities maturing on the Average Life Date is reported in the most recent H.15(519), such weekly average yield to maturity as reported in such H.15(519).

H.15(519) means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System. The date of determination of a Make-Whole Amount shall be the third Business Day prior to the applicable redemption date and the *most recent H.15(519)* means the latest H.15(519) published prior to the close of business on the third Business Day prior to the applicable redemption date. (Indenture, Annex A)

Average Life Date for the Notes or each Allocable Portion of the Notes to be redeemed shall be the date which follows the redemption date by a period equal to the Remaining Weighted Average Life at the redemption date of the Notes or such Allocable Portion. *Remaining Weighted Average Life* of the Notes or any Allocable Portion of the Notes, at the

redemption date of the Notes or such Allocable Portion, shall be the number of days equal to the quotient obtained by dividing: (i) the sum of the products obtained by multiplying

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(A) the amount of each then remaining installment of principal, including the payment due on the Scheduled Maturity Date (or in the case of any Allocable Portion of the Notes, each remaining amount listed in Appendix III under Scheduled Principal Payment for the relevant Aircraft to, and including, the Scheduled Maturity Date), by (B) the number of days from and including the redemption date to but excluding the scheduled payment date of such principal installment (or in the case of the any Allocable Portion of the Notes, the scheduled payment date for such amount so listed in Appendix III) by (ii) the then unpaid principal amount of the Notes or such Allocable Portion. (Indenture, Annex A)

Collateral

On the Issuance Date American deposited the entire proceeds from the sale of the Old Notes with the Trustee under the Indenture to be held by the Trustee as cash collateral (the *Cash Collateral*) for American's obligations under the Notes. The Trustee invested the Cash Collateral in certain permitted investments and the interest that accrued on the Cash Collateral was for American's account. The investment earnings on the Cash Collateral were paid over to American on October 19, 2009, the last day on which any Cash Collateral with respect to the Allocable Portion of the Notes attributable to any Aircraft was released to American.

The Aircraft were subject to the liens of separate indentures (the *1999-1 Indentures*) as part of an enhanced equipment trust certificate transaction entered into by American in 1999 (the *1999-1 EETC*). Final distributions on the equipment notes in the 1999-1 EETC were made on October 15, 2009 (the *1999-1 Maturity Date*), and the aggregate amount of principal under the 1999-1 EETC on the 1999-1 Maturity Date was \$401,494,000, of which \$313,130,404.20 related to the Aircraft. On October 19, 2009, American subjected the Aircraft to the lien of the Aircraft Security Agreement. This included an assignment for security purposes to the Security Agent of certain of American's warranty rights with respect to such Aircraft under its purchase agreements with Boeing. (Aircraft Security Agreement, Granting Clause) The subjection of each Aircraft to the lien of the Aircraft Security Agreement was subject to a number of terms and conditions, including that no Event of Default (or an event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both) under the Indenture had occurred and was continuing; that no event that would constitute an Event of Loss under the applicable 1999-1 Indenture (or an event that would constitute an Event of Loss under any such 1999-1 Indenture but for the requirement that notice be given or time elapse or both) with respect to such Aircraft had occurred and was continuing; that there were no liens on such Aircraft (including the liens created under the applicable 1999-1 Indenture), other than certain permitted liens as defined in the Indenture; that there was an assignment for security purposes of certain of American's rights under its purchase agreement with the manufacturer of such Aircraft; and that American's General Counsel provided an opinion that the benefit of Section 1110 will be available with respect to such Aircraft.

Release of Cash Collateral

On and subject to the terms of the Indenture, once an Aircraft was subjected to the lien of the Aircraft Security Agreement, and provided that no Event of Default had occurred and was continuing, the Trustee released an amount of Cash Collateral equal to the Allocable Portion of the Notes attributable to such Aircraft to American. The investment earnings on all such Cash Collateral were paid over to American on the last day on which any Cash Collateral with respect to the Allocable Portion of the Notes attributable to any Aircraft is released to American.

Cash

Cash, including funds held as the result of an occurrence of Event of Loss with respect to an Aircraft, held from time to time by the Trustee or the Security Agent, as the case may be, is invested and reinvested by the Trustee or the Security Agent, as the case may be, at the direction of American, in investments described in the Indenture or the Aircraft Security Agreement, as the case may be. (Indenture, Section 5.06; Aircraft Security Agreement, Section 5.06)

Such investments are not entitled to the benefits of Section 1110. See Risk Factors Risk Factors Relating to the Notes and the Exchange Offer Payment on the Notes and the ability to exercise remedies with respect to certain collateral may be restricted in the case of a bankruptcy of American.

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Loan to Value Ratios of Notes

The tables in Appendix III to this prospectus set forth LTVs for the Allocable Portion of the Notes with respect to each Aircraft as of the Cut-Off Date and each Payment Date. For any date before the first Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Cut-Off Date. For any date after the first Payment Date, other than a Payment Date, the Allocable Portion of the Notes with respect to each Aircraft will be the amount specified in Appendix III for the Payment Date that immediately precedes such date.

The LTVs for the Cut-Off Date and each Payment Date listed in the tables in Appendix III were obtained by dividing (i) the Allocable Portion of the Notes with respect to each Aircraft (assuming that no Payment Default or redemption has occurred) determined immediately after giving effect to any principal payments scheduled to be made on each such date by (ii) the assumed aircraft value (the *Assumed Aircraft Value*) on such date, calculated based on the Depreciation Assumption, of such Aircraft.

The tables in Appendix III are based on the assumption (the *Depreciation Assumption*) that the Assumed Aircraft Value of each Aircraft depreciates annually by approximately 3% of the value at delivery per year for the first 15 years after delivery of such Aircraft by the manufacturer, by approximately 4% per year thereafter for the next five years and by approximately 5% each year after that. The appraised value of each Aircraft is the theoretical value that, when depreciated from the initial delivery of such Aircraft by the manufacturer in accordance with the Depreciation Assumption, results in the appraised value of such Aircraft specified under Prospectus Summary The Aircraft and Description of the Aircraft and the Appraisals The Appraisals.

Other rates or methods of depreciation could result in materially different LTVs, and no assurance can be given (i) that the depreciation rate and method assumed for the purposes of the tables are the ones most likely to occur or (ii) as to the actual future value of any Aircraft. Thus, the tables should not be considered a forecast or prediction of expected or likely LTVs, but simply a mathematical calculation based on one set of assumptions. See Risk Factors Risk Factors Relating to the Notes and the Exchange Offer Appraisals should not be relied upon as a measure of realizable value of the Aircraft.

Events of Default

Each of the following constitutes an *Event of Default* with respect to the Notes:

the failure by American to pay any interest, principal or Make-Whole Amount (if any) within 15 days after the same has become due on any Note (such failure, without giving effect to any such notice or grace period, a *Payment Default*);

the failure by American to pay any amount (other than interest, principal or Make-Whole Amount (if any)) when due under the Indenture or any Note for more than 30 days after American receives written notice from the Trustee or the holders of at least 25% of the principal amount of the outstanding Notes;

the failure by American to perform or observe in any material respect any other covenant, condition or agreement to be performed or observed by it under the Indenture that continues for a period of 60 days after American receives written notice from the Trustee or the holders of at least 25% of the principal amount of the outstanding Notes; *provided* that, if such failure is capable of being remedied, no such failure will constitute an Event of Default for a period of one year after such notice is received by American so long as American is

diligently proceeding to remedy such failure;

any representation or warranty made by American in the Indenture or in any Note proves to have been incorrect in any material respect when made, and such incorrectness continues to be material to the transactions contemplated by the Indenture and remains unremedied for a period of 60 days after American receives written notice from the Trustee or the holders of at least 25% of the principal amount of the outstanding Notes; *provided* that, if such incorrectness is capable of being remedied, no such incorrectness will constitute an Event of Default for a period of one year after such notice is received by American so long as American is diligently proceeding to remedy such incorrectness;

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the occurrence of certain events of bankruptcy, reorganization or insolvency of American (each, an *American Bankruptcy Event*); or

after the Aircraft Security Agreement is entered into, the occurrence of an Aircraft Security Event of Default. (Indenture, Section 4.01)

Each of the following constitutes an *Aircraft Security Event of Default* with respect to the Notes:

the failure by American to pay to the Security Agent any amount when due under the Aircraft Security Agreement for more than 30 days after American receives written notice from the Security Agent or the Trustee;

the failure by American to carry and maintain (or cause to be maintained) insurance or indemnity on or with respect to any Aircraft in accordance with the provisions of the Aircraft Security Agreement; *provided* that no such failure to carry and maintain insurance will constitute an Aircraft Security Event of Default until the earlier of (i) the date such failure has continued unremedied for a period of 30 days after the Security Agent receives notice of the cancellation or lapse of such insurance or (ii) the date such insurance is not in effect as to the Security Agent;

the failure by American to perform or observe (or cause to be performed or observed) in any material respect any other covenant, condition or agreement to be performed or observed by it under the Aircraft Security Agreement that continues for a period of 60 days after American receives written notice from the Security Agent or the Trustee; *provided* that, if such failure is capable of being remedied, no such failure will constitute an Aircraft Security Event of Default for a period of one year after such notice is received by American so long as American is diligently proceeding to remedy such failure; or

any representation or warranty made by American in the Aircraft Security Agreement proves to have been incorrect in any material respect when made, and such incorrectness continues to be material to the transactions contemplated by the Aircraft Security Agreement and remains unremedied for a period of 60 days after American receives written notice from the Security Agent or the Trustee; *provided* that, if such incorrectness is capable of being remedied, no such incorrectness will constitute an Aircraft Security Event of Default for a period of one year after such notice is received by American so long as American is diligently proceeding to remedy such incorrectness;

provided that notwithstanding anything to the contrary contained in the foregoing, any failure by American to perform or observe any covenant, condition or agreement shall not constitute an Aircraft Security Event of Default if such failure arises by reason of an event referred to in the definition of *Event of Loss* so long as American is continuing to comply with all of the terms described under *Certain Provisions of the Aircraft Security Agreement* *Event of Loss*. (Aircraft Security Agreement, Section 4.01)

If an event occurs and is continuing which is, or after notice or passage of time, or both, would be an Event of Default (a *Default*) and if such Default is known to the Trustee, the Trustee shall mail to American, the Security Agent and each Noteholder notice of such Default within 90 days after the occurrence thereof except as otherwise permitted by the Trust Indenture Act. Except in the case of a Payment Default, the Trustee may withhold the notice if and so long as it, in good faith, determines that withholding the notice is in the interests of the Noteholders. (Indenture, Section 5.05)

Remedies

If an Event of Default (other than an American Bankruptcy Event) occurs and is continuing, the Trustee may, and upon receipt of written instruction of the holders of a majority of the principal amount of the outstanding Notes, the Trustee shall, declare by notice to American, all unpaid principal of, and accrued but unpaid interest on, the outstanding Notes and other amounts otherwise payable under the Indenture, if any, to be due and payable immediately (without premium). If an American Bankruptcy Event occurs, such amounts shall be due and payable without any declaration or other act on the part of the Trustee or any Noteholder. The holders of a majority of the principal amount of the outstanding Notes by notice to the Trustee may

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rescind an acceleration and its consequences if (i) there has been paid to or deposited with the Trustee an amount sufficient to pay all overdue installments of principal and interest on the Notes, and all other amounts owing under the Operative Documents, that have become due otherwise than by such declaration of acceleration and (ii) all other Events of Default, other than nonpayment of principal amount or interest on the Notes that have become due solely because of such acceleration, have been cured or waived; *provided* that no such rescission or annulment will extend to or affect any subsequent Default or Event of Default or impair any right consequent thereon. (Indenture, Section 4.02(d))

The holders of a majority of the principal amount of the outstanding Notes by notice to the Trustee may authorize the Trustee to waive an existing Default or Event of Default and its consequences, except a Default or Event of Default (i) in the payment of principal of, interest on, or Make-Whole Amount, if any, with respect to, any Note (other than with the consent of the holder thereof) or (ii) in respect of a covenant or provision of the Indenture or the Aircraft Security Agreement that cannot be amended or supplemented without the consent of each Noteholder affected thereby. See Modifications and Waiver of the Indenture and Certain Other Operative Documents. When a Default or Event of Default is waived, it is cured and ceases, and American, the Noteholders, the Trustee and the Security Agent shall be restored to their former positions and rights hereunder respectively; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon. (Indenture, Section 4.05)

No Noteholder may institute any remedy with respect to the Indenture, the Aircraft Security Agreement or the Notes unless such Noteholder has previously given to the Trustee written notice of a continuing Event of Default, the holders of at least 25% of the principal amount of the outstanding Notes have requested in writing that the Trustee pursue the remedy, such holder has offered the Trustee indemnity against any loss, liability and expense satisfactory to the Trustee, the Trustee has failed so to act for 60 days after receipt of the same and during such 60 day period, the holders of a majority of the principal amount of the outstanding Notes have not given the Trustee a direction inconsistent with the request. (Indenture, Section 4.06) Notwithstanding the foregoing, the right of any Noteholder to receive payment when due of principal, interest and Make-Whole Amount, if any, or to bring suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such Noteholder. (Indenture, Section 4.09)

The holders of a majority of the principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee (subject, in the case of any actions based on the status of the Trustee as trustee, to any limitations otherwise expressly provided for in the Operative Documents) or exercising any trust or power conferred on it; *provided* that the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction. The Trustee may refuse to follow any direction or authorization if the Trustee has been advised by counsel that such action requested is contrary to the Indenture or is otherwise contrary to law. The Trustee shall have no obligation to take any action requested by the Noteholders unless it receives a satisfactory indemnification from them for following any actions or omissions to act which are in accordance with any such direction or authorization. (Indenture, Sections 4.02(b) and 5.01(d))

The Indenture and the Aircraft Security Agreement provide that, if an Event of Default has occurred and is continuing, the Trustee or the Security Agent, as the case may be, may exercise certain rights or remedies available to it under the Indenture and the Aircraft Security Agreement or under applicable law. Such remedies include the right to take possession of any Aircraft subject to the Aircraft Security Agreement and to sell all or any part of the Airframe or any Engine comprising such Aircraft. (Indenture, Section 4.02(a); Aircraft Security Agreement, Section 4.02(a))

If an Event of Default occurs and is continuing, any sums held or received by the Trustee may be applied to reimburse the Trustee and the Security Agent for any tax, expense or other loss incurred by it and to pay any other amounts due to the Trustee or the Security Agent prior to any payments to Noteholders. (Indenture, Section 3.03)

In the case of Chapter 11 bankruptcy proceedings in which an air carrier is a debtor, Section 1110 provides special rights to holders of security interests with respect to equipment (as defined in Section 1110). Section 1110 provides that, subject to the limitations specified therein, the right of a secured party with a

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security interest in equipment to take possession of such equipment in compliance with the provisions of a security agreement and to enforce any of its rights or remedies thereunder is not affected after 60 days after the date of the order for relief in a case under Chapter 11 of the Bankruptcy Code by any provision of the Bankruptcy Code.

Section 1110, however, provides that the right to take possession of an aircraft and enforce other remedies may not be exercised for 60 days following the date of the order for relief (or such longer period consented to by the holder of a security interest and approved by the court) and may not be exercised at all after such period if the trustee in reorganization agrees, subject to the approval of the court, to perform the debtor's obligations under the security agreement and cures all defaults (other than a default of a kind specified in Section 365(b)(2) of the Bankruptcy Code, such as a default that is a breach of a provision relating to the financial condition, bankruptcy or insolvency of the debtor).

Equipment is defined in Section 1110, in part, as an aircraft, aircraft engine, propeller, appliance, or spare part (as defined in section 40102 of title 49 of the United States Code) that is subject to a security interest granted by, leased to, or conditionally sold to a debtor that, at the time such transaction is entered into, holds an air carrier operating certificate issued pursuant to chapter 447 of title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo.

As a condition to the subjection of an Aircraft to the lien of the Aircraft Security Agreement, American's General Counsel provided an opinion to the Trustee and the Security Agent that, if American were to become a debtor under Chapter 11 of the Bankruptcy Code, the Trustee would be entitled to the benefits of Section 1110 with respect to the Airframe and Engines comprising such Aircraft. This opinion was subject to certain qualifications and assumptions.

The opinion of American's General Counsel did not address the possible replacement of an Aircraft after an Event of Loss in the future, the consummation of which is conditioned upon the contemporaneous delivery of an opinion of counsel to the effect that the Security Agent will be entitled to Section 1110 benefits with respect to the replacement Airframe unless there is a change in law or court interpretation that results in Section 1110 not being available. See

Certain Provisions of the Aircraft Security Agreement Events of Loss. The opinion of American's General Counsel also did not address the availability of Section 1110 with respect to the bankruptcy proceedings of any possible lessee of an Aircraft if it is leased by American.

Post Default Appraisals

Upon the occurrence and continuation of an Event of Default, the Trustee will be required to obtain three desktop appraisals from the Appraisers or other appraisers selected by the holders of a majority of the principal amount of the outstanding Notes setting forth the appraised current market value, current lease rate and distressed value (in each case, as defined by the International Society of Transport Aircraft Trading or any successor organization) of the Aircraft subject to the lien of the Aircraft Security Agreement (each such appraisal, an *Appraisal*). For so long as any Event of Default shall be continuing, the Trustee will be required to obtain additional Appraisals on the date that is 364 days from the date of the most recent Appraisal or if an American Bankruptcy Event shall have occurred and is continuing, on the date that is 180 days from the date of the most recent Appraisal and shall post such Appraisals on the DTC's Internet bulletin board or make such other commercially reasonable efforts as the holders of a majority of the principal amount of the outstanding Notes may deem appropriate to make such Appraisals available to all Noteholders. (Indenture, Section 4.02(e))

Priority of Distributions

During the existence of an Event of Default, if the Notes have become due and payable in full as described in

Remedies, all amounts received by the Trustee in respect of the Notes will be promptly paid in the following order:

to the Trustee or the Security Agent, to the extent required to pay, reimburse or indemnify for any tax, expense or loss actually incurred by the Trustee or the Security Agent and to pay certain out-of-pocket costs and expenses actually incurred by the Trustee or the Security Agent;

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to reimburse any Noteholder in respect of indemnification payments made to the Trustee or the Security Agent in connection with actions taken by the Trustee or the Security Agent at the direction of the Noteholders (including actions taken in connection with the exercise of remedies), in each case, pro rata;

to the Noteholders, to the extent required to pay in full amounts due on the Notes; and

to the Company. (Indenture, Section 3.03)

Reports

Promptly after the occurrence of an American Bankruptcy Event or an Event of Default resulting from the failure of American to make payments on any Note and on every Payment Date while the American Bankruptcy Event or such Event of Default shall be continuing, the Trustee will provide to the Noteholders and American a statement setting forth the following information:

after an American Bankruptcy Event, with respect to each Aircraft subject to the lien of the Aircraft Security Agreement, whether such Aircraft is (i) subject to the 60-day period of Section 1110, (ii) subject to an election by American under Section 1110(a) of the Bankruptcy Code, (iii) covered by an agreement contemplated by Section 1110(b) of the Bankruptcy Code or (iv) not subject to any of (i), (ii) or (iii);

to the best of the Trustee's knowledge, after requesting such information from American, (i) whether each such Aircraft is currently in service or parked in storage, (ii) the maintenance status of such Aircraft and (iii) location of the Engines associated with such Aircraft. American has agreed to provide such information upon request of the Trustee, but no more frequently than every three months with respect to each Aircraft so long as it is subject to the lien of the Aircraft Security Agreement;

the current aggregate outstanding principal amount of the Notes and the Allocable Portion of the Notes for each such Aircraft as of the next Payment Date;

the expected amount of interest which will have accrued on the Notes as of the next Payment Date;

other amounts expected to be paid to each person on the next Payment Date pursuant to the Indenture;

details of the amounts expected to be paid on the next Payment Date identified by reference to the relevant provision of the Indenture; and

after an American Bankruptcy Event, any operational reports filed by American with the bankruptcy court which are available to the Trustee on a non-confidential basis. (Indenture, Section 6.01)

In addition, American shall furnish to the Trustee within 120 days after the end of each calendar year a certificate signed by a principal executive officer, principal financial officer or principal accounting officer of American stating that to his or her knowledge during such preceding calendar year no Default or Event of Default has occurred (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge). (Indenture, Section 10.03(c))

Modifications and Waiver of the Indenture and Certain Other Operative Documents

American and the Trustee may amend or supplement the Indenture, the Notes, the Aircraft Security Agreement and any related document, in each case without notice to or the consent of the Noteholders:

to evidence the succession of another entity to American and provide for the assumption by such entity of American's obligations under the Indenture, the Notes, the Aircraft Security Agreement and any related document in the case of a merger, consolidation or transfer of all or substantially all of the assets of American;

to add to the covenants of American for the benefit of Noteholders, or surrender any right or power conferred upon American in the Indenture, the Notes, the Aircraft Security Agreement or any related document;

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to comply with requirements of the SEC or otherwise to the extent necessary in connection with, or to continue, the qualification of the Indenture or any other agreement under the Trust Indenture Act or under any similar U.S. federal statute or to add provisions permitted by the Trust Indenture Act;

to add or change any of the provisions of the Indenture or the other Operative Documents as necessary or advisable to obtain credit ratings on the Notes; *provided* that no such addition or change shall materially adversely affect the interest of any Noteholder, as evidenced solely by the delivery of the certificate of an officer of American;

to comply with any requirement of the SEC or of any other regulatory body or to comply with any applicable law, rules, or regulations of or relating to any exchange or quotation system on which any Notes are listed (or to facilitate any listing of any Notes on any exchange or quotation system);

to comply with any requirement of DTC, Euroclear, Clearstream or like depository, or of the Trustee, in respect of the provisions of the Indenture, the Notes, the Aircraft Security Agreement or any related document, relating to transfers and exchanges of the Notes or beneficial interests therein, or to include on the Notes any legend as may be required by law or as may otherwise be necessary or advisable;

to provide for any successor or additional Trustee or Security Agent with respect to the Notes or to add to or change any of the provisions of the Indenture or the Aircraft Security Agreement as shall be necessary or advisable to provide for or facilitate the administration of the trusts under the Indenture or the Aircraft Security Agreement by more than one Trustee or Security Agent, respectively;

to provide for the delivery of Notes or any supplement to the Indenture, the Notes, the Aircraft Security Agreement or any other related document in or by means of any computerized, electronic, or other medium, including computer diskette;

to provide for the guarantee by AMR Corporation or another entity of the Indenture, the Notes, the Aircraft Security Agreement or any other related document, and to make appropriate provisions in respect of such guarantor;

to correct, supplement or amplify the description of the collateral, or convey, transfer, assign, mortgage or pledge any property to or with the Trustee or Security Agent;

to cure any ambiguity or correct any mistake, defect or inconsistency;

to make any other change not inconsistent with the Indenture or the Aircraft Security Agreement; *provided* that such action does not materially adversely affect the interests of any Noteholder. (Indenture, Section 12.01)

In addition, subject to certain limited exceptions described below, American and the Trustee may otherwise amend or supplement the Indenture, the Notes, the Aircraft Security Agreement and any other related documents, with the consent of the holders a majority of the principal amount of the outstanding Notes.

Whether before or after the occurrence of an Event of Default, the holders a majority of the principal amount of the outstanding Notes may authorize the Trustee to, and the Trustee upon such authorization shall, waive compliance by American with any provision of the Indenture, the Notes, the Aircraft Security Agreement or any related document (other than certain provisions in the Indenture and the Aircraft Security Agreement as described below). However, no amendment, supplement or waiver of any provision in the Indenture, any Note, the Aircraft Security Agreement or

any related document may, without the consent of each Noteholder affected:

reduce the amount of Notes whose holders must consent to an amendment, supplement or waiver;

reduce the rate or change the time for payment of interest on any Note;

reduce the amount or change the time for payment of principal of, redemption price of, or Make-Whole Amount, if any, with respect to (in each case, whether on redemption or otherwise), any Note;

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change the place of payment where, or the coin or currency in which any Note (or the redemption price thereof), interest thereon or Make-Whole Amount, if any, with respect thereto, is payable;

change the priority of distributions and application of payments specified in the Indenture in a manner materially adverse to the Noteholders;

impair the right of any Noteholder to institute suit for the enforcement of any amount of principal or interest payable on any Note when due;

waive a Payment Default with respect to any Note; or

create any lien with respect to any part of the collateral, including any Aircraft, that is prior to or *pari passu* with the lien thereon pursuant to the Indenture or the Aircraft Security Agreement, as applicable, except as permitted by the Indenture or the Aircraft Security Agreement, or deprive the Trustee or the Security Agent of the benefit of the lien on the collateral, including any such Aircraft, created by the Indenture or the Aircraft Security Agreement, except as permitted by the Indenture or the Aircraft Security Agreement. (Indenture, Section 12.02)

American or any affiliate of American may, to the extent permitted by applicable law, at any time purchase or otherwise acquire any or all of the Notes, including in the open market or by tender at any price or by private agreement. In determining whether the holders of the required principal amount of the Notes have consented to an amendment, modification or waiver, any such Notes owned by American or any affiliate of American will be disregarded and deemed not outstanding. (Indenture, Section 2.13)

Merger, Consolidation and Transfer of Assets

American is prohibited from consolidating with or merging into any other entity where American is not the surviving entity or conveying, transferring, or leasing substantially all of its assets as an entirety to any other entity unless:

the successor or transferee entity is organized and validly existing under the laws of the United States or any state thereof or the District of Columbia;

the successor or transferee entity is, if and to the extent required under Section 1110 in order that the Trustee continues to be entitled to any benefits of Section 1110 with respect to an Aircraft, a *citizen of the United States* (as defined in Title 49 of the United States Code relating to aviation (the *Transportation Code*)) holding an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of the Transportation Code;

the successor or transferee entity expressly assumes all of the obligations of American contained in the Notes, the Indenture and the Aircraft Security Agreement;

if the Aircraft are, at the time, registered with the FAA or such person is located in a Contracting State (as such term is used in the Cape Town Treaty), the transferor or successor entity makes such filings and recordings with the FAA pursuant to the Transportation Code and registrations under the Cape Town Treaty, or, if the Aircraft are, at the time, not registered with the FAA, the transferor or successor entity makes such filings and recordings with the applicable aviation authority, as are necessary to evidence such consolidation, merger or transfer; and

American has delivered a certificate and an opinion or opinions of counsel indicating that such transaction, in effect, complies with such conditions.

In addition, after giving effect to such transaction, no Event of Default shall have occurred and be continuing. (Indenture, Section 10.02(e))

None of the Notes or any of the other Operative Documents contain any covenants or provisions which may afford the Trustee, the Security Agent or Noteholders protection in the event of a highly leveraged transaction, including transactions effected by management or affiliates, which may or may not result in a change in control of American.

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Book-Entry, Delivery and Form

The New Notes will be issued in book-entry form only, which means that the New Notes will be represented by one or more permanent global certificates (*Global Notes*) registered in the name of DTC or its nominee. You may hold interests in the Notes directly through DTC, Euroclear or Clearstream if you are a participant in any of these clearing systems, or indirectly through organizations which are participants in those systems. Links have been established among DTC, Clearstream and Euroclear to facilitate the issuance of the Notes and cross-market transfers of the Notes associated with secondary market trading. DTC is linked indirectly to Clearstream and Euroclear through the depository accounts of their respective U.S. depositories. Notes in book-entry form can be exchanged for definitive Notes under the circumstances described under The Notes.

The Notes

Book-Entry Procedures for the Global Notes

All interests in the Global Notes, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of their systems. The descriptions of the operations and procedures of DTC, Euroclear and Clearstream described below are provided solely as a matter of convenience. These operations and procedures are solely within the control of these settlement systems and are subject to change by them from time to time. Neither we nor any paying agent, if applicable, takes any responsibility for these operations or procedures, and investors are urged to contact the relevant system or its participants directly to discuss these matters.

The clearing systems have advised us as follows:

DTC

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the U.S. Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under Section 17A of the Exchange Act. DTC holds securities that its participants, known as DTC participants, deposit with DTC. DTC also facilitates the settlement among DTC participants of securities transactions, such as transfers and pledges, in deposited securities through computerized records for DTC participants' accounts. This eliminates the need to exchange certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC's book-entry system is also used by other organizations such as securities brokers and dealers, banks and trust companies that work through a DTC participant. The rules that apply to DTC and its participants are on file with the SEC.

We expect that pursuant to procedures established by DTC:

upon deposit of each Global Note, DTC will credit the accounts of participants in DTC with an interest in the Global Note; and

ownership of the Notes will be shown on, and the transfer of ownership of the Notes will be effected only through, records maintained by DTC, with respect to the interests of participants in DTC, and the records of participants and indirect participants, with respect to the interests of persons other than participants in DTC.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of the securities in definitive form. Accordingly, the ability to transfer interests in the Notes represented by a Global Note to these persons may be limited. In addition, because DTC can act only on behalf of its participants, who in turn act on behalf of persons who hold interests through participants, the ability of a person having an interest in Notes represented by a Global Note to pledge or transfer that interest to persons

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or entities that do not participate in DTC's system, or to otherwise take actions in respect of that interest, may be affected by the lack of a physical definitive security in respect of the interest.

So long as DTC or its nominee is the registered owner of a Global Note, DTC or the nominee, as the case may be, will be considered the sole owner or Noteholder represented by the Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note:

will not be entitled to have Notes represented by the Global Note registered in their names;

will not receive or be entitled to receive physical delivery of certificated Notes; and

will not be considered the owners or Noteholders under the Indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the Trustee under the Indenture.

Accordingly, each holder owning a beneficial interest in a Global Note must rely on the procedures of DTC and, if the holder is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the holder owns its interest, to exercise any rights of a Noteholder under the Indenture or the Global Note. We understand that under existing industry practice, if we request any action of Noteholder, or a holder that is an owner of a beneficial interest in a Global Note desires to take any action that DTC, as the holder of the Global Note, is entitled to take, then DTC would authorize its participants to take the action and the participants would authorize holders owning through participants to take the action or would otherwise act upon the instruction of such holders. Neither we, the Trustee nor any paying agent, if applicable will have any responsibility or liability for any aspect of the records relating to or payments made on account of Notes by DTC, or for maintaining, supervising or reviewing any records of DTC relating to the Notes.

Payments with respect to the principal of, Make-Whole Amount, if any, and interest on, any Notes represented by a Global Note registered in the name of DTC or its nominee on the applicable record date will be payable by the Trustee or any paying agent, if applicable, to or at the direction of DTC or its nominee in its capacity as the registered holder of the Global Note representing those Notes under the Indenture. Under the terms of the Indenture, we, the Trustee and any paying agent, if applicable may treat the persons in whose names the Notes, including the Global Notes, are registered as the owners of the Notes for the purpose of receiving payment on the Notes and for any and all other purposes whatsoever. Accordingly, neither we, the Trustee nor any paying agent, if applicable, has or will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a Global Note, including principal, premium, if any, additional interest, if any, and interest. Payments by the participants and the indirect participants in DTC to the owners of beneficial interests in a Global Note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants and DTC. Transfers between participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Upon receipt of any payment of principal or interest, DTC will credit DTC participants' accounts on the payment date according to such participants' respective holdings of beneficial interests in the Global Notes as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting rights to DTC participants whose accounts are credited with securities on a record date by using an omnibus proxy. Payments by DTC participants to owners of beneficial interests in the Global Notes, and voting by DTC participants, will be governed by the customary practices between the DTC participants and owners of beneficial interests, as is the case with securities held for the accounts of customers registered in street name. However, these payments will be the responsibility of the DTC participants and not of DTC, the Trustee, any paying agent, if applicable, or us.

Clearstream

Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations, known as Clearstream participants, and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry

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changes in accounts of Clearstream participants, eliminating the need for physical movement of certificates. Clearstream provides to Clearstream participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant either directly or indirectly.

Distributions with respect to Global Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream participants in accordance with its rules and procedures, to the extent received by the U.S. depository for Clearstream.

Euroclear

Euroclear was created in 1968 to hold securities for its participants, known as Euroclear participants, and to clear and settle transactions between Euroclear participants and between Euroclear participants and participants of certain other securities intermediaries through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear is owned by Euroclear Clearance System Public Limited Company and operated through a license agreement by Euroclear Bank, S.A./N.V., known as the Euroclear operator. The Euroclear operator provides Euroclear participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing and related services. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries.

Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear operator is regulated and examined by the Belgian Banking and Finance Commission. Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, collectively referred to as the terms and conditions. The terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to Global Notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear participants in accordance with the terms and conditions, to the extent received by the U.S. depository for Euroclear.

Global Clearance and Settlement Procedures

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in same-day funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures

applicable to conventional eurobonds in same-day funds.

Cross-market transfers between persons holding directly or indirectly through DTC participants, on the one hand, and directly or indirectly through Clearstream or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the European international clearing system by its U.S. depositary; however, these cross-market transactions will require delivery of instructions to the European

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international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The European international clearing system will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Notes in DTC, and making or receiving payment in accordance with normal procedures for settlement in DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to their respective U.S. depository.

Because of time-zone differences, credits of Global Notes received in Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. The credits or any transactions in the Global Notes settled during this processing will be reported to the Clearstream or Euroclear participants on the same business day. Cash received in Clearstream or Euroclear as a result of sales of the Global Notes by or through a Clearstream participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear are expected to follow these procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, Clearstream and Euroclear, they will be under no obligation to perform or continue to perform these procedures and these procedures may be changed or discontinued at any time. Neither we, the Trustee nor any paying agent, if applicable, will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchanges of Book-Entry Notes for Certificated Notes

You may not exchange your beneficial interest in a Global Note for a Note in certificated form unless:

- (1) DTC (a) notifies us that it is unwilling or unable to continue as depository for the Global Note or (b) has ceased to be a clearing agency registered under the Exchange Act, and in either case we thereupon fail to appoint a successor depository;
- (2) we, at our option, notify the Trustee in writing that we are electing to issue the Notes in certificated form; or
- (3) an Event of Default shall have occurred and be continuing with respect to the Notes and the Trustee has received a written request from DTC to issue Notes in certificated form.

In all cases, certificated Notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository (in accordance with its customary procedures). Any such exchange will be effected through the DTC Deposit/Withdraw at Custodian system and an appropriate adjustment will be made in the records of the security registrar to reflect a decrease in the principal amount of the relevant Global Note.

Indemnification

American has agreed to indemnify the Trustee and the Security Agent, but not the Noteholders, for certain losses, claims and other matters. (Indenture, Section 8.02) Neither the Trustee nor the Security Agent will be indemnified, however, for actions arising from its negligence or willful misconduct, or for the inaccuracy of any representation or warranty made in its individual capacity under the Indenture or the Aircraft Security Agreement.

Neither the Trustee nor the Security Agent will be required to take any action or refrain from taking any action (other than notifying the Noteholders if it knows of an Event of Default as described under Events of Default) unless it has received indemnification satisfactory to it against any risks incurred in connection therewith. (Indenture, Section 5.01(d); Aircraft Security Agreement, Section 5.01(d))

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Certain Provisions of the Aircraft Security Agreement

The following describes the terms of the Aircraft Security Agreement that apply to each Aircraft.

Maintenance and Operation

Under the terms of the Aircraft Security Agreement, American is obligated, among other things and at its expense, to keep each Aircraft duly registered, and to maintain, service, repair, and overhaul such Aircraft (or cause the same to be done) so as to keep it in such condition as necessary to maintain the airworthiness certificate for such Aircraft in good standing at all times (other than during temporary periods of storage, maintenance, testing or modification or during periods of grounding by applicable governmental authorities). (Aircraft Security Agreement, Sections 7.02(a), (c) and (e))

American will not maintain, use, service, repair, overhaul or operate any Aircraft in violation of any law, rule or regulation of any government having jurisdiction over such Aircraft, or in violation of any airworthiness certificate, license or registration relating to such Aircraft issued by such government, except to the extent American (or any lessee) is contesting in good faith the validity or application of any such law, rule or regulation or airworthiness certificate, license or registration in any manner that does not involve any material risk of sale, forfeiture or loss of such Aircraft or impair the lien of the Aircraft Security Agreement with respect to such Aircraft. (Aircraft Security Agreement, Section 7.02(b))

American must make all alterations, modifications, and additions to each Airframe and Engine necessary to meet the applicable requirements of the Federal Aviation Administration (the *FAA*) or any other applicable governmental authority of another jurisdiction in which the related Aircraft may then be registered; provided that American (or any lessee) may in good faith contest the validity or application of any such requirement in any manner that does not involve, among other things, a material risk of sale, forfeiture or loss of such Aircraft and does not adversely affect the Security Agent's interest in such Aircraft under (and as defined in) the Aircraft Security Agreement. American (or any lessee) may add further parts and make other alterations, modifications, and additions to any Airframe or any Engine as American (or any such lessee) may deem desirable in the proper conduct of its business, including removal (without replacement) of parts, so long as such alterations, modifications, additions, or removals do not materially diminish the value or utility of such Airframe or Engine below its value or utility immediately prior to such alteration, modification, addition, or removal (assuming such Airframe or Engine was maintained in accordance with the Aircraft Security Agreement), except that the value (but not the utility) of any Airframe or Engine may be reduced from time to time by the value of any such parts which have been removed that American deems obsolete or no longer suitable or appropriate for use on such Airframe or Engine. All parts (with certain exceptions) incorporated or installed in or added to such Airframe or Engine as a result of such alterations, modifications or additions will be subject to the lien of the Aircraft Security Agreement. American (or any lessee) is permitted to remove (without replacement) parts that are in addition to, and not in replacement of or substitution for, any part originally incorporated or installed in or attached to an Airframe or Engine at the time of delivery thereof to American, as well as any part that is not required to be incorporated or installed in or attached to such Airframe or Engine pursuant to applicable requirements of the FAA or other jurisdiction in which the related Aircraft may then be registered, or any part that can be removed without materially diminishing the requisite value or utility of such Aircraft. (Aircraft Security Agreement, Section 7.04(c))

Except as set forth above, American will be obligated to replace or cause to be replaced all parts that are incorporated or installed in or attached to any Airframe or any Engine and become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or permanently rendered unfit for use. Any such replacement parts will become

subject to the lien of the Aircraft Security Agreement in lieu of the part replaced. (Aircraft Security Agreement, Section 7.04(a))

Registration, Leasing and Possession

Although American has certain re-registration rights, as described below, American generally is required to keep each Aircraft duly registered under the Transportation Code with the FAA and to record the Aircraft Security Agreement under the Federal Aviation Act. (Aircraft Security Agreement, Section 7.02(e)) In

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addition, American registered the international interests created pursuant to the Aircraft Security Agreement under the Cape Town Convention on International Interests in Mobile Equipment and the related Aircraft Equipment Protocol (the *Cape Town Treaty*). (Aircraft Security Agreement, Section 7.02(e)) Although American has no current intention to do so, American is permitted to register an Aircraft in certain jurisdictions outside the United States, subject to certain conditions specified in the Aircraft Security Agreement. These conditions include a requirement that the laws of the new jurisdiction of registration will give effect to the lien of and the security interest created by the Aircraft Security Agreement in the applicable Aircraft. (Aircraft Security Agreement, Section 7.02(e)) American is also permitted, subject to certain limitations, to lease any Aircraft to any United States certificated air carrier, to certain foreign air carriers or to certain manufacturers of airframes or engines (or their affiliates acting under an unconditional guarantee of such manufacturer). In addition, subject to certain limitations, American is permitted to transfer possession of any Airframe or any Engine other than by lease, including transfers of possession by American or any lessee in connection with certain interchange and pooling arrangements, wet leases, and transfers in connection with maintenance or modifications and transfers to the government of the United States, Canada, France, Germany, Japan, The Netherlands, Sweden, Switzerland and the United Kingdom or any instrumentality or agency thereof. (Aircraft Security Agreement, Section 7.02(a)) There are no general geographical restrictions on American's (or any lessee's) ability to operate any Aircraft. The extent to which the Security Agent's lien would be recognized in an Aircraft if such Aircraft were located in certain countries is uncertain. Permitted foreign air carrier lessees are not limited to those based in a country that is a party to the Convention on the International Recognition of Rights in Aircraft (Geneva 1948) (the *Mortgage Convention*) or a party to the Cape Town Treaty. It is uncertain to what extent the Security Agent's security interest would be recognized if an Aircraft is registered or located in a jurisdiction not a party to the Mortgage Convention or the Cape Town Treaty. The Cape Town Treaty provides, that, subject to certain exceptions, a registered international interest has priority over a subsequently registered interest and over an unregistered interest for purposes of the law of those jurisdictions that have ratified the Cape Town Treaty. There are many jurisdictions in the world that have not ratified the Cape Town Treaty, and an Aircraft may be located in any such jurisdiction from time to time. There is no legal precedent with respect to the application of the Cape Town Treaty in any jurisdiction and therefore it is unclear how the Cape Town Treaty will be applied.

In addition, any exercise of the right to repossess an Aircraft may be difficult, expensive and time-consuming, particularly when such Aircraft is located outside the United States or has been registered in a foreign jurisdiction or leased to or in possession of a foreign or domestic operator. Any such exercise would be subject to the limitations and requirements of applicable law, including the need to obtain consents or approvals for deregistration or re-export of such Aircraft, which may be subject to delays and political risk. When a defaulting lessee or other permitted transferee is the subject of a bankruptcy, insolvency, or similar event such as protective administration, additional limitations may apply. See Risk Factors Risk Factors Relating to the Notes and the Exchange Offer Repossession of Aircraft may be difficult, time-consuming and expensive.

In addition, some jurisdictions may allow for other liens or other third party rights to have priority over the Security Agent's security interest in an Aircraft. As a result, the benefits of the Security Agent's security interest in an Aircraft may be less than they would be if such Aircraft were located or registered in the United States.

Upon repossession of such Aircraft, the Aircraft may need to be stored and insured. The costs of storage and insurance can be significant, and the incurrence of such costs could reduce the proceeds available to repay the Noteholders. In addition, at the time of foreclosing on the lien on an Aircraft under the Aircraft Security Agreement, the Airframe relating thereto subject to the Aircraft Security Agreement might not be the equipped with the Engines associated with such Aircraft and under the Aircraft Security Agreement. If American fails to transfer title to engines not owned by American that are attached to repossessed Aircraft, it could be difficult, expensive and time-consuming to assemble an Aircraft consisting of an Airframe and Engines subject to the Aircraft Security Agreement.

Table of Contents***Liens***

American is required to maintain each Aircraft free of any liens, other than the lien of the Aircraft Security Agreement, any other rights existing pursuant to the other Operative Documents related thereto, the rights of others in possession of such Aircraft in accordance with the terms of the Aircraft Security Agreement and liens attributable to other parties to the Operative Documents related thereto and other than certain other specified liens, including but not limited to (i) liens for taxes either not yet overdue or being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of the Airframe or the Engine related to such Aircraft or the Security Agent's interest therein or impair the lien of the Aircraft Security Agreement; (ii) materialmen's, mechanics', workers', landlord's, repairmen's, employees' or other similar liens arising in the ordinary course of business and securing obligations that either are not yet overdue for more than 60 days or are being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material risk of the sale, forfeiture or loss of the Airframe or the Engine related to such Aircraft or the Security Agent's interest therein or impair the lien of the Aircraft Security Agreement; (iii) judgment liens so long as such judgment is discharged or vacated within 60 days or the execution of such judgment is stayed pending appeal or such judgment is discharged, vacated or reversed within 60 days after expiration of such stay and so long as during any such 60 day period there is not, or any such judgment or award does not involve, any material risk of the sale, forfeiture or loss of any Aircraft, any Airframe or any Engine or the interest of the Security Agent therein or impair the lien of the Aircraft Security Agreement; (iv) salvage or similar rights of insurers under insurance policies maintained by American; (v) any other lien as to which American has provided a bond, cash collateral or other security adequate in the reasonable opinion of the Security Agent; and (vi) Liens approved in writing by the Security Agent with the consent of the Trustee. (Aircraft Security Agreement, Section 7.01)

Insurance

Subject to certain exceptions, American is required to maintain, at its expense (or at the expense of a lessee), all-risk aircraft hull insurance covering each Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by American (or any permitted lessee) with respect to other aircraft operated by American (or any permitted lessee) on same or similar routes), at all times in an amount not less than 110% of the Allocable Portion of the Notes relating to such Aircraft. However, after giving effect to self-insurance permitted as described below, the amount payable under such insurance may be less than such amounts payable with respect to such Allocable Portion. If an Aircraft suffers an Event of Loss, insurance proceeds up to an amount equal to the Allocable Portion of the Notes relating to such Aircraft, together with accrued but unpaid interest thereon, plus an amount equal to the interest that will accrue on such Allocable Portion of the Notes during the period commencing on the day following the date of payment of such insurance proceeds to the Security Agent and ending on the loss payment date (the sum of those amounts being, the *Loan Amount* for such Aircraft) will be paid to the Security Agent. If an Aircraft or Engine suffers loss or damage not constituting an Event of Loss but involving insurance proceeds in excess of \$12,000,000 (in the case of a Boeing 777-223ER), \$8,000,000 (in the case of a Boeing 767-323ER) or \$6,000,000 (in the case of a Boeing 737-823), proceeds in excess of such specified amounts up to the applicable Loan Amount will be payable to the Security Agent, and the proceeds up to such specified amounts and proceeds in excess of the applicable Loan Amount will be payable directly to American unless there is a continuing Event of Default or Payment Default, in which event all insurance proceeds will be payable to the Security Agent. So long as the loss does not constitute an Event of Loss, insurance proceeds will be applied to repair or replace the equipment. (Aircraft Security Agreement, Sections 7.06(b) and 7.06(d))

In addition, American is obligated to maintain or cause to be maintained aircraft liability insurance at its expense (or at the expense of a lessee), including, without limitation, bodily injury, personal injury and property damage liability insurance (exclusive of manufacturer's product liability insurance), and contractual liability insurance with respect to each Aircraft. Such liability insurance must be underwritten by insurers of recognized responsibility. The amount of

such liability insurance coverage may not be less than the amount of aircraft liability insurance from time to time applicable to similar aircraft in American's fleet on which

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American carries insurance and operated by American on the same or similar routes on which the Aircraft is operated. (Aircraft Security Agreement, Section 7.06(a))

American may self-insure under a program applicable to all aircraft in its fleet, but the amount of such self-insurance in the aggregate may not exceed for any 12-month policy year 1% of the average aggregate insurable value (during the preceding policy year) of all aircraft on which American carries insurance, unless an insurance broker of national standing certifies that the standard among all other major U.S. airlines is a higher level of self-insurance, in which case American may self-insure the Aircraft to such higher level. In addition, American may self-insure to the extent of (i) any applicable deductible per occurrence that is not in excess of the amount customarily allowed as a deductible in the industry or is required to facilitate claims handling, or (ii) any applicable mandatory minimum per aircraft (or, if applicable, per annum or other period) liability insurance or hull insurance deductibles imposed by the aircraft liability or hull insurers. (Aircraft Security Agreement, Section 7.06(c))

In respect of each Aircraft, American is required to name the Security Agent as an additional insured party under the liability insurance policy required with respect to such Aircraft. In addition, the hull and liability insurance policies will be required to provide that, in respect of the interests of such additional insured party, the insurance shall not be invalidated or impaired by any action or inaction of American. (Aircraft Security Agreement, Sections 7.06(a) and 7.06(b))

Events of Loss

If an Event of Loss occurs with respect to an Airframe or the Airframe and one or more Engines of an Aircraft, American must elect within 90 days after such occurrence (i) to replace such Airframe and any such Engines or (ii) to pay the Security Agent the Allocable Portion of the Notes relating to such Aircraft together with interest accrued thereon. Depending upon American's election, not later than the first Business Day after the 120th day following the date of occurrence of such Event of Loss, American will (i) redeem the Notes in part under the Indenture by paying to the Trustee the Allocable Portion of the Notes relating to such Aircraft, together with accrued interest thereon, but without any premium or (ii) substitute an airframe (or airframe and one or more engines, as the case may be) for the Airframe, or Airframe and Engine(s), that suffered such Event of Loss. If American elects to replace an Airframe (or Airframe and one or more Engines, as the case may be) that suffered such Event of Loss, it will do so with an airframe or airframe and engines of the same model as the Airframe or Airframe and Engines to be replaced or a comparable or improved model, and with a value and utility (without regard to hours or cycles) at least equal to the Airframe or Airframe and Engines to be replaced, assuming that such Airframe and such Engines were in the condition and repair required by the Aircraft Security Agreement. American is also required to provide to the Security Agent opinions of counsel (i) to the effect that Security Agent will be entitled to the benefits of Section 1110 with respect to the replacement airframe (unless, as a result of a change in law or governmental or judicial interpretation, such benefits were not available with respect to the Aircraft that suffered the Event of Loss immediately prior to such replacement), and (ii) as to the due registration of the replacement aircraft, the due recordation of a supplement to the Aircraft Security Agreement relating to such replacement aircraft, the registration of such replacement airframe with the International Registry under the Cape Town Treaty, if applicable, and the validity and perfection of the security interest granted to the Security Agent in the replacement aircraft. If American elects not to replace such Airframe, or Airframe and Engine(s), then upon payment of the Allocable Portion of the Notes issued with respect to the related Aircraft, together with accrued but unpaid interest thereon (but without any premium), the lien of the Aircraft Security Agreement will terminate with respect to such Aircraft, and the obligation of American thereafter to make the scheduled interest and principal payments with respect to such Allocable Portion of the Notes will cease. The payments made under the Aircraft Security Agreement by American will be deposited with the Security Agent. Amounts in excess of the amounts due and owing under the Allocable Portion of the Notes issued with respect to such Aircraft will be distributed by the Security Agent to American. (Indenture, Sections 2.19(c) and 3.02; Aircraft Security Agreement, Sections 7.05(a) and 7.05(c))

If an Event of Loss occurs with respect to an Engine alone, American will be required to replace such Engine within 120 days after the occurrence of such Event of Loss with another engine, free and clear of all

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liens (other than certain permitted liens). Such replacement engine will be the same model as the Engine to be replaced, or a comparable or improved model of the same or another manufacturer, suitable for installation and use on the related Airframe, and will have a value and utility (without regard to hours or cycles) at least equal to the Engine to be replaced, assuming that such Engine was in the condition and repair required by the terms of the Aircraft Security Agreement. (Aircraft Security Agreement, Section 7.05(b))

An *Event of Loss* with respect to any Aircraft, any Airframe or any Engine means any of the following events with respect to such property:

the loss of such property or of the use thereof due to destruction, damage to such property beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever;

any damage to such property that results in an insurance settlement with respect to such property on the basis of a total loss or a compromised or constructive total loss;

the theft, hijacking or disappearance of such property for a period exceeding 180 consecutive days;

the requisition for use of such property by any government (other than a requisition for use by the government of Canada, France, Germany, Japan, The Netherlands, Sweden, Switzerland, the United Kingdom or the United States or the government of the country of registry of the related Aircraft) that results in the loss of possession of such property by American (or any lessee) for a period exceeding 12 consecutive months;

the operation or location of such Aircraft, while under requisition for use by any government, in any area excluded from coverage by any insurance policy in effect with respect to such Aircraft required by the terms of the Aircraft Security Agreement, unless American has obtained indemnity or insurance in lieu thereof from such government;

any requisition of title or other compulsory acquisition, capture, seizure, deprivation, confiscation or detention (excluding requisition for use not involving a requisition of title) for any reason of such Aircraft, Airframe, or Engine by any government that results in the loss of title or use of such Aircraft, Airframe or Engine by American (or a permitted lessee) for a period in excess of 180 consecutive days;

as a result of any law, rule, regulation, order or other action by the FAA or other government of the country of registry, the use of such Aircraft or Airframe in the normal business of air transportation is prohibited by virtue of a condition affecting all aircraft of the same type for a period of 18 consecutive months, unless American is diligently carrying forward all steps that are necessary or desirable to permit the normal use of such Aircraft or Airframe or, in any event, if such use is prohibited for a period of three consecutive years; and

with respect to an Engine only, any divestiture of title to or interest in such Engine or, in certain circumstances, the installation of such Engine on an airframe that is subject to a conditional sale or other security agreement or the requisition for use of by any government of such Engine not then installed on an Airframe.

An Event of Loss with respect to an Aircraft is deemed to have occurred if an Event of Loss occurs with respect to the Airframe that is a part of such Aircraft unless American elects to substitute a replacement Airframe pursuant to the Aircraft Security Agreement. (Aircraft Security Agreement, Annex A)

If, at any time before the Scheduled Maturity Date, the Allocable Portion of the Notes with respect to an Aircraft are repaid in full in the case of an Event of Loss with respect to such Aircraft, the lien on such Aircraft under the Aircraft Security Agreement will be released, and such Aircraft will not thereafter secure any Notes.

Governing Law

The Indenture, the Notes and the Aircraft Security Agreement are governed by the laws of the State of New York. (Indenture, Section 13.17; Aircraft Security Agreement, Section 10.15)

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The Trustee and Security Agent

U.S. Bank Trust National Association is the Trustee and the Security Agent. Except as otherwise provided in the Indenture and the Aircraft Security Agreement, neither the Trustee nor the Security Agent, in its individual capacity, is or will be answerable or accountable under the Indenture, the Aircraft Security Agreement or the Notes under any circumstances except, among other things, for its own willful misconduct or negligence. American and its affiliates have in the past, and may from time to time in the future enter into, banking and trustee relationships with the Trustee, the Security Agent and their respective affiliates. The address for the Trustee and the Security Agent is U.S. Bank Trust National Association, One Federal Street, 3rd Floor, Mail Code EX-FED-MA, Boston, Massachusetts 02110, Attention: Corporate Trust Services.

The Trustee may resign at any time, and may be removed by American under certain circumstances. In such cases, a successor Trustee will be appointed by American as provided in the Indenture. The Security Agent may resign at any time, and may be removed by American under certain circumstances. In such cases, a successor Security Agent will be appointed by American as provided in the Aircraft Security Agreement. The holders of a majority of the principal amount of the outstanding Notes may at any time remove the Trustee or cause the Trustee to remove the Security Agent as provided in the Indenture or the Aircraft Security Agreement, respectively, in which event a successor Trustee or Security Agent may be appointed by such holders with the consent of American as provided in the Indenture or the Aircraft Security Agreement, respectively. Any resignation or removal of the Trustee or the Security Agent and appointment of a successor Trustee or Security Agent does not become effective until acceptance of the appointment by such successor Trustee or Security Agent. (Indenture, Section 5.09; Aircraft Security Agreement, Section 8.01)

Table of Contents**DESCRIPTION OF THE AIRCRAFT AND THE APPRAISALS****The Aircraft**

On October 19, 2009, American subjected the Aircraft to the lien of the Aircraft Security Agreement. The pool of Aircraft consists of nine Boeing 737-823 aircraft, one Boeing 767-323ER aircraft and two Boeing 777-223ER aircraft, each of which was delivered new to American during the period from May 1999 to September 1999. The airframe constituting part of an Aircraft is referred to herein as an *Airframe*, and each engine constituting part of an Aircraft is referred to herein as an *Engine*. Each Aircraft is being operated by American. The Aircraft have been designed to comply with Stage 3 noise level standards, which are the most restrictive regulatory standards currently in effect in the United States with respect to the Aircraft for aircraft noise abatement. The ER designation is provided by the manufacturer and is not recognized by the FAA.

The Boeing 737-823 is a narrow-body commercial jet aircraft. Seating capacity in American's two-class configuration for the Boeing 737-823 aircraft that are subject to the lien of the Aircraft Security Agreement is 148 seats. The Boeing 737-823 is powered by two CFM56-7B26 model commercial jet engines manufactured by CFM International, Inc.

The Boeing 767-323ER and the Boeing 777-223ER are both wide-body commercial jet aircraft. Seating capacity in American's two-class configuration for the Boeing 767-323ER is 225 seats and American's three-class configuration for the Boeing 777-223ER is 247 seats. The Boeing 767-323ER is powered by two CF6-80C2B6 model commercial jet engines manufactured by The General Electric Company. The Boeing 777-223ER is powered by two RB211-TRENT-892 model commercial jet engines manufactured by Rolls-Royce plc.

The Appraisals

The table below sets forth the appraised values of the Aircraft that were financed with the proceeds from the sale of the Old Notes, as determined by Aircraft Information Services, Inc. (*AISI*), BK Associates, Inc. (*BK*) and Morten Beyer & Agnew, Inc. (*MBA*), and together with AISI and BK, the *Appraisers*), independent aircraft appraisal and consulting firms, and certain additional information regarding such Aircraft. The references to AISI, BK and MBA, and to their respective appraisal reports, are included herein in reliance upon the authority of each such firm as an expert with respect to the matters contained in its appraisal report.

Aircraft Type	Registration/Manufacturer's			Appraiser's Valuations			Appraised Value(1)
	Number	Serial Number	Delivery Date	AISI	BK	MBA	
Boeing 737-823	N909AN	29511	5/19/1999	\$ 25,640,000	\$ 27,600,000	\$ 26,260,000	\$ 26,260,000
Boeing 737-823	N910AN	29512	5/26/1999	25,640,000	27,600,000	26,260,000	26,260,000
Boeing 737-823	N912AN	29513	6/25/1999	25,640,000	27,600,000	26,390,000	26,390,000
Boeing 737-823	N914AN	29515	7/19/1999	25,640,000	27,600,000	26,520,000	26,520,000
Boeing 737-823	N915AN	29516	7/28/1999	25,640,000	27,600,000	26,520,000	26,520,000
Boeing 737-823	N916AN	29517	8/6/1999	25,640,000	28,200,000	26,640,000	26,640,000
Boeing 737-823	N917AN	29518	8/27/1999	25,640,000	28,200,000	26,640,000	26,640,000
Boeing 737-823	N918AN	29519	9/10/1999	25,640,000	28,200,000	26,770,000	26,770,000
Boeing 737-823	N919AN	29520)					
	\$132,764	\$78,004	\$54,760				

Operating
income (loss)

Segment
operating margin

Fluids systems and engineering	11.4	%	9.4	%
Mats and integrated services	47.7	%	38.5	%
Environmental services	24.4	%	27.6	%

Fluids Systems and Engineering

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010		
	2011	2010	\$		%
United States	\$ 533,629	\$ 402,106	\$ 131,523	33	%
Canada	51,712	23,021	28,691	125	%
Total North America	585,341	425,127	160,214	38	%
EMEA	113,386	111,416	1,970	2	%
Latin America	75,642	61,252	14,390	23	%
Asia Pacific	24,588	-	24,588	-	
Total	\$ 798,957	\$ 597,795	\$ 201,162	34	%

North American revenues increased 38% to \$585.3 million in 2011, as compared to \$425.1 million in 2010, largely attributable to the 22% increase in the U.S. rig count, a 20% increase in the Canadian rig count, along with market share improvements in Canada and several U.S. regions.

Internationally, revenues were up 24% to \$213.6 million in 2011, as compared to \$172.7 million in 2010. This increase includes \$24.6 million of revenues from our Asia Pacific region following the April 2011 acquisition described above and a \$14.4 million increase in Brazil, primarily attributable to the continued ramp-up of activity under our long-term contract with Petrobras. EMEA revenues increased \$2.0 million, as a \$13.4 million increase in Eastern Europe and a \$5.9 million increase in Algeria was largely offset by declines in other markets, including a \$5.9 million decline in Tunisia attributable to a reduction in customer activity, and a \$10.0 million decline in Libya due to the political and social unrest in that country.

Operating Income

Operating income for this segment was \$90.7 million reflecting an operating margin of 11.4% in 2011, compared to \$56.2 million and a 9.4% operating margin in 2010. Of this \$34.4 million improvement, our North American operating income increased \$28.0 million on a \$160.2 million increase in revenues, reflecting an 18% incremental margin.

Our international operations generated a \$6.5 million increase in operating income on a \$40.9 million increase in revenues, reflecting a 16% incremental margin. The low incremental margin is partially due to the acquisition of our Asia Pacific business unit in the second quarter of 2011, which generated \$2.3 million of operating income in 2011. In addition, operating income of our international operations was negatively impacted in 2011 by a \$2.3 million provision for an allowance of a customer receivable in North Africa.

Mats and Integrated Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010		
	2011	2010	\$		%
Mat rental and services	\$ 68,579	\$ 45,945	\$ 22,634	49	%
Mat sales	41,832	23,452	18,380	78	%
Total	\$ 110,411	\$ 69,397	\$ 41,014	59	%

Mat rental and services revenues increased \$22.6 million, including a \$12.1 million increase in the Northeast U.S., a \$5.8 million increase in the Gulf Coast and \$4.8 million increase in the Rocky Mountain region. The increase is primarily driven by higher demand for our DuraBase composite mats, which provide environmental protection and soil stability at the drilling sites.

Mat sales also increased \$18.4 million, due to increasing demand for our DuraBase composite mat products from international E&P customers and other industries.

Operating Income

Segment operating income increased by \$26.0 million on the \$41.0 million increase in revenues, reflecting an incremental margin of 63%. The high incremental margin, relative to recent historical experience, is primarily attributable to the significant increase in mat rental revenues. Incremental margins on mat rentals are stronger than mat sales or service activities, due to the fixed nature of operating expenses, including depreciation expense on our rental mat fleet.

Environmental Services

Revenues

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2011 vs 2010		
	2011	2010	\$		%
E&P waste	\$ 36,957	\$ 39,169	\$ (2,212)	(6	%)
NORM and industrial waste	11,855	9,593	2,262	24	%
Total	\$ 48,812	\$ 48,762	\$ 50	0	%

Environmental services revenues were \$48.8 million in both 2011 and 2010. Revenues in 2010 included \$10.5 million generated from disposals associated with the April 2010 Deepwater Horizon oil spill. The loss of this revenue in 2011 was offset by market share gains and increased activity in oilfield waste disposals from state water and inland locations, along with a \$2.3 million increase in NORM and industrial waste disposals.

Operating Income

Operating income for this segment decreased by \$1.5 million from 2010 to 2011, primarily due to a \$0.5 million increase in transportation costs, due to a higher mix of inland waste disposals in 2011, and a \$0.7 million non-cash charge in 2011 for the abandonment of a disposal well.

Corporate office

Corporate office expenses increased \$4.1 million to \$22.5 million in 2011, compared to \$18.4 million in 2010. The increase includes a \$2.3 million increase in employee compensation, primarily attributable to a \$1.6 million increase in employee incentives, along with \$1.0 million of transaction-related expenses associated with the April 2011 acquisition described above.

Liquidity and Capital Resources

Net cash provided by operating activities during 2012 totaled \$110.2 million. Net income adjusted for non-cash items provided \$104.2 million of cash during the period, while changes in operating assets and liabilities provided \$6.1 million of cash.

Net cash used in investing activities during 2012 was \$96.2 million, which included \$53.1 million for the Alliance acquisition described above. Capital expenditures were \$44.0 million in 2012, consisting primarily of \$27.9 million in expenditures in our fluids systems and engineering segment, including \$11.3 million associated with the construction of a new technology center and \$13.4 million associated with purchases of equipment at our operating locations. In addition, \$8.2 million was used in the mats and integrated services segment for expansion of the mat rental fleet and capacity expansion at our mat manufacturing facility.

Net cash provided by financing activities during 2012 was \$5.9 million, including net borrowings under our lines of credit of \$67.5 million, largely offset by \$50.8 million in repurchases of our outstanding common stock and a payment associated with the one-year earn-out obligation of \$11.9 million following the April 2011 acquisition.

We anticipate that our working capital requirements for our operations will decline in the near term due to continued efforts to reduce accounts receivable and inventory from the levels at December 31, 2012. We expect total 2013 capital expenditures to range between \$50 million to \$60 million. As of December 31, 2012, substantially all of our \$46.8 million of cash on-hand resides within our foreign subsidiaries which we intend to leave permanently reinvested abroad. We expect our subsidiary cash on-hand, along with cash generated by operations and availability under our existing credit agreement to be adequate to fund our anticipated capital needs during the next 12 months.

Our capitalization was as follows as of December 31:

(In thousands)	2012	2011
Senior Notes	\$ 172,500	\$ 172,500
Revolving credit facility	84,000	17,000
Other	2,931	2,608
Total	259,431	192,108
Stockholder's equity	513,578	497,846
Total capitalization	\$ 773,009	\$ 689,954

Total debt to capitalization	33.6	%	27.8	%
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Our financing arrangements include \$172.5 million of Senior Notes and a \$125.0 million revolving credit facility. The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of our common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of our common stock. We may not redeem the Senior Notes prior to their maturity date.

In November 2011, we entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") which provides for a \$125 million revolving loan facility available for borrowings and letters of credit and expires in November 2016. Under the terms of the Credit Agreement, we can elect to borrow at an interest rate either based on LIBOR plus a margin based on our consolidated leverage ratio, ranging from 175 to 300 basis points, or at an interest rate based on the greatest of: (a) prime rate, (b) the federal funds rate in effect plus 50 basis points, or (c) the Eurodollar rate for a Eurodollar Loan with a one-month interest period plus 100 basis points, in each case plus a margin ranging from 75 to 200 basis points. The applicable margin on LIBOR borrowings on December 31, 2012 was 200 basis points. In addition, we are required to pay a commitment fee on the unused portion of the Credit Agreement of 37.5 basis points. The Credit Agreement contains customary financial and operating covenants, including a consolidated leverage ratio, a senior secured leverage ratio and an interest coverage ratio. We were in compliance with these covenants as of December 31, 2012.

At December 31, 2012, \$84.0 million was outstanding under the Credit Agreement, and \$6.9 million in letters of credit were issued and outstanding under the Credit Agreement leaving \$34.1 million of availability at December 31, 2012. Additionally, we had \$0.2 million in letters of credit outstanding relating to foreign operations.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral.

Our foreign Fluid Systems and Engineering subsidiaries in Italy and Brazil maintain local credit arrangements consisting primarily of lines of credit with several banks, which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs, as well as to reduce the net investment in foreign operations subject to foreign currency risk. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary's accounts receivable or firm contracts with certain customers. The weighted average interest rate under these arrangements was 2.81% and 3.54% on total outstanding balances of \$2.5 million and \$2.2 million at December 31, 2012 and 2011, respectively.

Off-Balance Sheet Arrangements

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$3.9 million and \$3.6 million at December 31, 2012 and 2011. We also had \$8.6 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2012 and 2011.

Other than normal operating leases for office and warehouse space, barges, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Contractual Obligations

A summary of our outstanding contractual and other obligations and commitments at December 31, 2012 is as follows:

(In thousands)	2013	2014-2015	2016-2017	Thereafter	Total
Current maturities of long term debt	\$ 53	\$-	\$-	\$ -	\$ 53
Long-term debt including capital leases	-	332	84,000	172,500	256,832
Interest on 4.0% Senior Notes	6,900	13,800	12,133	-	32,833
Foreign bank lines of credit	2,546	-	-	-	2,546
Operating leases	15,510	13,803	5,800	229	35,342
Trade accounts payable and accrued liabilities	156,997	-	-	-	156,997
Purchase commitments, not accrued	3,498	-	-	-	3,498
Other long-term liabilities	-	-	-	18,187	18,187
Performance bond obligations	6,237	2,371	-	-	8,608
Letter of credit commitments	6,928	-	-	-	6,928
Total contractual obligations	\$ 198,669	\$30,306	\$101,933	\$ 190,916	\$ 521,824

The above table does not reflect expected tax payments and uncertain tax positions due to the inability to make a reasonably reliable estimate of the timing and amount to be paid. For additional discussion on uncertain tax positions, see “Note 8 - Income Taxes” to our Notes to Consolidated Financial Statements included in Part II Item 8 in this report.

We anticipate that the obligations and commitments listed above that are due in less than one year will be paid from operating cash flows, available cash on-hand, and availability under our existing Credit Agreement. The specific timing of settlement for certain long-term obligations cannot be reasonably estimated.

Critical Accounting Policies

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted within the United States (“U.S. GAAP”), which requires us to make assumptions, estimates and judgments that affect the amounts and disclosures reported. Significant estimates used in preparing our consolidated financial statements include the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, estimated performance and values associated with employee incentive programs, fair values used for goodwill impairment testing, undiscounted cash flows used for impairment testing of long-lived assets and valuation allowances for deferred tax assets. Note 1 to the consolidated financial statements contains the accounting policies governing each of these matters. Our estimates are based on historical experience and on our future expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

We believe the critical accounting policies described below affect our more significant judgments and estimates used in preparing our consolidated financial statements.

Allowance for Doubtful Accounts

Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable. The majority of our revenues are from mid-sized and international oil companies as well as government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances. For 2012, 2011 and 2010, provisions for uncollectible accounts receivable were \$1.7 million, \$2.4 million and \$0.5 million, respectively.

Allowance for Product Returns

We maintain reserves for estimated customer returns of unused materials in our Fluids Systems and Engineering segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales. Future customer return levels may differ from the historical return rate.

Impairments of Long-lived Assets

Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. The impairment test includes a comparison of the carrying value of net assets of our reporting units, including goodwill, with their estimated fair values, which we determine using a combination of a market multiple and discounted cash flow approach. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

We determine the impairment of goodwill by comparing the carrying amounts of our reporting units with fair values, which we estimate using a combination of a market multiple and discounted cash flow approach. In completing our November 1, 2012 evaluation, we determined that each reporting unit's fair value was in excess of the net carrying value and therefore, no impairment was required.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

Insurance

We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical cost experience under these programs, including estimated development of known claims under these programs and estimated incurred-but-not-reported claims. Required reserves could change significantly based upon changes in insurance coverage, loss experience or inflationary impacts. As of December 31, 2012 and 2011, total insurance reserves were \$4.3 million and \$4.4 million, respectively.

Income Taxes

We have total deferred tax assets of \$34.5 million at December 31, 2012. A valuation allowance must be established to offset a deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. We have considered future taxable income and tax planning strategies in assessing the need for our valuation allowance. At December 31, 2012, a total valuation allowance of \$13.6 million was recorded, substantially all of which offsets \$13.3 million of net operating loss carryforwards for state tax purposes, as well as Brazil. Changes in the expected future generation of qualifying taxable income within these jurisdictions or in the realizability of other tax assets may result in an adjustment to the valuation allowance, which would be charged or credited to income in the period this determination was made. Specifically, we have a \$3.8 million valuation allowance recorded on the net operating loss carryforward in Brazil which could be reversed in the future, depending on our ability to generate taxable income.

New Accounting Standards

In July 2012, the Financial Accounting Standards Board (“FASB”) issued an update to previous guidance regarding testing indefinite-lived intangible assets for impairment. The revised guidance permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The update is effective for impairment tests performed for fiscal years beginning after September 15, 2012. We do not expect the adoption of this additional guidance to have a material effect on our consolidated financial statements.

In September 2011, the FASB issued additional guidance regarding intangibles and goodwill impairment testing. The objective of the additional guidance is to simplify how entities test goodwill for impairment. Under the new requirements, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, further quantitative testing is not required. The changes in this update were effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this additional guidance did not have a material effect on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates and changes in foreign currency rates. A discussion of our primary market risk exposure in financial instruments is presented below.

Interest Rate Risk

At December 31, 2012, we had total debt outstanding of \$259.4 million, including \$172.5 million of borrowings under our Senior Notes, bearing interest at a fixed rate of 4.0%. Variable rate debt totaled \$86.9 million which included \$84.0 million outstanding under our revolving credit facility and \$2.9 million of borrowings under foreign bank lines of credit. At the December 31, 2012 balance, a 200 basis point increase in market interest rates during 2012 would cause our annual interest expense to increase approximately \$1.7 million resulting in a \$0.02 per diluted share reduction in annual net earnings.

Foreign Currency

Our principal foreign operations are conducted in certain areas of EMEA, Latin America, Asia Pacific, Canada, U.K. and Mexico. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate which include European euros, Australian dollars, Canadian dollars and Brazilian reais. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies because the dollar amount of these transactions has not warranted our using hedging instruments.

Unremitted foreign earnings permanently reinvested abroad upon which deferred income taxes have not been provided aggregated approximately \$95.0 million and \$84.7 million at December 31, 2012 and 2011, respectively. We have the ability and intent to leave these foreign earnings permanently reinvested abroad.

ITEM 8.

Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Newpark Resources, Inc.
The Woodlands, Texas

We have audited the accompanying consolidated balance sheets of Newpark Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Newpark Resources, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2013 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 28, 2013

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Newpark Resources, Inc.

Consolidated Balance Sheets
December 31,

(In thousands, except share data)

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 46,846	\$ 25,247
Receivables, net	323,439	328,590
Inventories	209,734	175,929
Deferred tax asset	11,596	13,224
Prepaid expenses and other current assets	12,441	10,828
Total current assets	604,056	553,818
Property, plant and equipment, net	253,990	231,055
Goodwill	87,388	71,970
Other intangible assets, net	41,018	20,850
Other assets	8,089	9,144
Total assets	\$ 994,541	\$ 886,837
LIABILITIES AND STOCKHOLDERS' EQUITY		
Short-term debt	\$ 2,599	\$ 2,232
Accounts payable	114,377	97,168
Accrued liabilities	42,620	47,443
Total current liabilities	159,596	146,843
Long-term debt, less current portion	256,832	189,876
Deferred tax liability	46,348	46,844
Other noncurrent liabilities	18,187	5,428
Total liabilities	480,963	388,991
Commitments and contingencies (Note 14)		
Common stock, \$0.01 par value, 200,000,000 shares authorized and 95,733,677 and 94,497,526 shares issued, respectively	957	945
Paid-in capital	484,962	477,204
Accumulated other comprehensive (loss) income	(734)	789
Retained earnings	95,015	34,983
Treasury stock, at cost; 10,115,951 and 2,803,987 shares, respectively	(66,622)	(16,075)
Total stockholders' equity	513,578	497,846
Total liabilities and stockholders' equity	\$ 994,541	\$ 886,837

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Operations
Years Ended December 31,

(In thousands, except per share data)	2012	2011	2010
Revenues	\$ 1,038,019	\$ 958,180	\$ 715,954
Cost of revenues	846,529	744,176	576,920
Selling, general and administrative expenses	86,352	81,672	64,157
Other operating income, net	(759)	(432)	(3,127)
Operating income	105,897	132,764	78,004
Foreign currency exchange loss (gain)	749	522	(1,134)
Interest expense, net	9,740	9,226	10,267
Income from operations before income taxes	95,408	123,016	68,871
Provision for income taxes	35,376	42,999	27,245
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Income per common share -basic:	\$ 0.69	\$ 0.89	\$ 0.47
Income per common share -diluted:	\$ 0.62	\$ 0.80	\$ 0.46

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Comprehensive Income
Years Ended December 31,

(In thousands)	2012	2011	2010
Net income	\$60,032	\$80,017	\$41,626
Settlement of interest rate swap, net of tax	-	-	858
Foreign currency translation adjustments	(1,523)	(7,792)	(912)
Comprehensive income	\$58,509	\$72,225	\$41,572

See Accompanying Notes to Consolidated Financial Statements

Newpark Resources, Inc.

Consolidated Statements of Stockholders' Equity

(In thousands)	Common Stock	Paid-In Capital	Accumulated Other Compre- hensive Income (Loss)	Retained (Deficit) Earnings	Treasury Stock	Total
Balance at January 1, 2010	\$917	\$460,544	\$ 8,635	\$(86,660)	\$(15,414)	\$368,022
Net income	-	-	-	41,626	-	41,626
Employee stock options, restricted stock and employee stock purchase plan	14	3,838	-	-	(220)	3,632
Stock-based compensation expense	-	3,876	-	-	-	3,876
Income tax effect, net, of employee stock related activity	-	245	-	-	-	245
Settlement of interest rate swap, net of tax	-	-	858	-	-	858
Foreign currency translation	-	-	(912)	-	-	(912)
Balance at December 31, 2010	931	468,503	8,581	(45,034)	(15,634)	417,347
Net income	-	-	-	80,017	-	80,017
Employee stock options, restricted stock and employee stock purchase plan	14	3,574	-	-	(441)	3,147
Stock-based compensation expense	-	4,535	-	-	-	4,535
Income tax effect, net, of employee stock related activity	-	592	-	-	-	592
Foreign currency translation	-	-	(7,792)	-	-	(7,792)
Balance at December 31, 2011	945	477,204	789	34,983	(16,075)	497,846
Net income	-	-	-	60,032	-	60,032
Employee stock options, restricted stock and employee stock purchase plan	12	1,088	-	-	(402)	698
Stock-based compensation expense	-	7,103	-	-	-	7,103
Income tax effect, net, of employee stock related activity	-	(433)	-	-	-	(433)
Treasury shares purchased at cost	-	-	-	-	(50,145)	(50,145)
Foreign currency translation	-	-	(1,523)	-	-	(1,523)
Balance at December 31, 2012	\$957	\$484,962	\$ (734)	\$95,015	\$(66,622)	\$513,578

Newpark Resources, Inc.

Consolidated Statements of Cash Flows
Years Ended December 31,

(In thousands)	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 60,032	\$ 80,017	\$ 41,626
Adjustments to reconcile net income to net cash provided by operations:			
Impairment charges	443	-	225
Depreciation and amortization	32,821	28,971	27,010
Stock-based compensation expense	7,103	4,535	3,876
Provision for deferred income taxes	1,358	26,623	18,030
Net provision for doubtful accounts	1,709	2,400	478
Loss (gain) on sale of assets	724	630	(257)
Change in assets and liabilities:			
Decrease (increase) in receivables	23,565	(135,303)	(75,829)
Increase in inventories	(28,758)	(48,129)	(8,085)
(Increase) decrease in other assets	(641)	(434)	1,898
Increase in accounts payable	13,702	30,425	2,810
(Decrease) increase in accrued liabilities and other	(1,813)	(3,293)	19,694
Net cash provided by (used in) operating activities	110,245	(13,558)	31,476
Cash flows from investing activities:			
Capital expenditures	(43,955)	(36,897)	(12,134)
Proceeds from sale of property, plant and equipment	863	522	1,585
Business acquisitions, net of cash acquired	(53,075)	(26,775)	-
Net cash used in investing activities	(96,167)	(63,150)	(10,549)
Cash flows from financing activities:			
Borrowings on lines of credit	364,426	27,619	141,497
Payments on lines of credit	(296,944)	(9,951)	(231,613)
Principal payments on notes payable and long-term debt	(40)	(219)	(30,457)
Proceeds from senior notes, net of offering costs	-	-	167,756
Proceeds from employee stock plans	1,059	3,588	3,591
Post-closing payment for business acquisition	(11,892)	(2,055)	-
Purchase of treasury stock	(50,756)	(644)	(153)
Net cash provided by financing activities	5,853	18,338	50,621
Effect of exchange rate changes on cash	1,668	607	(72)
Net increase (decrease) in cash and cash equivalents	21,599	(57,763)	71,476
Cash and cash equivalents at beginning of year	25,247	83,010	11,534
Cash and cash equivalents at end of year	\$ 46,846	\$ 25,247	\$ 83,010

Cash paid for:

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Income taxes (net of refunds)	\$ 24,508	\$ 29,675	\$ 7,395
Interest	\$ 8,355	\$ 7,794	\$ 7,956

See Accompanying Notes to Consolidated Financial Statements

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NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

Organization and Principles of Consolidation. Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. We are a diversified oil and gas industry supplier providing products and services primarily to the oil and gas exploration (“E&P”) industry serving customers in North America, Europe, the Middle East and Africa (“EMEA”), Latin America and Asia Pacific regions. The consolidated financial statements include our company and our wholly-owned subsidiaries (“we”, “our” or “us”). All intercompany transactions are eliminated in consolidation.

Use of Estimates and Market Risks. The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used in preparing our consolidated financial statements include, but are not limited to the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, reserves for incentive compensation programs, fair values used for goodwill impairment testing, undiscounted future cash flows used for impairment testing of long-lived assets, depreciation using the unit-of-production method and valuation allowances for deferred tax assets.

Our operating results depend primarily on oil and gas drilling activity levels in the markets we serve. Drilling activity, in turn, depends on oil and gas commodities pricing, inventory levels and product demand. Oil and gas prices and activity are cyclical and volatile. This market volatility has a significant impact on our operating results.

Cash Equivalents. All highly liquid investments with a remaining maturity of three months or less at the date of acquisition are classified as cash equivalents.

Allowance for Doubtful Accounts. Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable.

The majority of our revenues are from mid-sized and international oil companies and government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances.

Allowance for Product Returns. We maintain reserves for estimated customer returns of unused materials in our Fluids Systems and Engineering segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales.

Inventories. Inventories are stated at the lower of cost (principally average cost) or market. Certain conversion costs associated with the acquisition, production, blending and storage of inventory in our Fluids Systems and Engineering segment as well as in the manufacturing operations in the Mats and Integrated Services segment are capitalized as a component of the carrying value of the inventory and expensed as a component of cost of revenues as the products are sold. Reserves for inventory obsolescence are determined based on the fair value of the inventory using factors such as our historical usage of inventory on-hand, future expectations related to our customers needs, market conditions and the development of new products.

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. Additions and improvements that extend the useful life of the assets are capitalized. Maintenance and repairs are charged to expense as incurred. The cost of property, plant and equipment sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts, and any gain or loss is credited or charged to income.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

For financial reporting purposes, except as described below, depreciation is provided on property, plant and equipment, including assets held under capital leases, by utilizing the straight-line method over the following estimated useful service lives or lease term:

			Years
Computer hardware and office equipment	3	-	5
Computer software	3	-	10
Autos & light trucks	5	-	7
Furniture, fixtures & trailers	7	-	10
Composite mats	7	-	12
Machinery and heavy equipment	5	-	15
Owned buildings	20	-	39
Leasehold improvements	Lease term, including reasonably assured renewal periods		

We compute the provision for depreciation on certain of our environmental disposal assets and our barite grinding mills using the unit-of-production method. In applying this method, we have considered certain factors which affect the expected production units (lives) of these assets. These factors include periods of non-use for normal maintenance and economic slowdowns.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net identifiable assets acquired. Goodwill and other intangible assets with indefinite lives are not amortized. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the asset are realized. Any period costs of maintaining intangible assets are expensed as incurred.

Impairment of Long-Lived Assets. Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. The impairment test includes a comparison of the carrying value of net assets of our reporting units, including goodwill, with their estimated fair values, which we determine using a combination of a market multiple and discounted cash flow approach. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

Insurance. We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical cost experience under these programs, including estimated development of known claims and estimated incurred-but-not-reported claims.

Revenue Recognition. The Fluids Systems and Engineering segment recognizes sack and bulk material additive revenues upon shipment of materials and passage of title. Formulated liquid systems revenues are recognized when utilized or lost downhole while drilling. An allowance for product returns is maintained, reflecting estimated future customer product returns. Engineering and related services are provided to customers at agreed upon hourly or daily rates, and revenues are recognized when the services are performed.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

For the Mats and Integrated Services segment, revenues from the sale of mats are recognized when title passes to the customer, which is upon shipment or delivery, depending upon the terms of the underlying sales contract. Revenues for services and rentals provided by this segment are generated from both fixed-price and unit-priced contracts, which are short-term in duration. The activities under these contracts include site preparation, pit design, construction, drilling waste management, and the installation and rental of mat systems for a period of time generally not to exceed 60 days. Revenues from services provided under these contracts are recognized as the specified services are completed. Revenues from any subsequent extensions to the rental agreements are recognized over the extension period.

For our Environmental Services segment, revenues are recognized when we take title to the waste, which is upon receipt of the waste at one of our facilities. All costs related to the transporting and disposing of the waste received are accrued when that revenue is recognized.

Shipping and handling costs are reflected in cost of revenues, and all reimbursements by customers of shipping and handling costs are included in revenues.

Income Taxes. We provide for deferred taxes using an asset and liability approach by measuring deferred tax assets and liabilities due to temporary differences existing at year end using currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. We reduce deferred tax assets by a valuation allowance when, based on our estimates, it is more likely than not that a portion of those assets will not be realized in a future period. The estimates utilized in recognition of deferred tax assets are subject to revision, either up or down, in future periods based on new facts or circumstances. We evaluate uncertain tax positions and record a liability as circumstances warrant. We have a \$2.8 million and \$1.2 million liability for uncertain tax positions recorded as of December 31, 2012 and 2011, respectively.

Stock-Based Compensation. All share-based payments to employees, including grants of employee stock options, are recognized in the income statement based on their fair values. We use the Black-Scholes option-pricing model for measuring the fair value of stock options granted and recognize stock-based compensation based on the grant date fair value, net of an estimated forfeiture rate, for all share-based awards, on a straight-line basis over the vesting term.

Foreign Currency Transactions. The majority of our transactions are in U.S. dollars; however, our foreign subsidiaries maintain their accounting records in the respective local currency. These currencies are converted to U.S. dollars with the effect of the foreign currency translation reflected in “accumulated other comprehensive income (loss),” a component of stockholders’ equity. Foreign currency transaction gains and losses, if any, are credited or charged to income. We recorded a net transaction loss (gain) totaling \$0.7 million, \$0.5 million and (\$1.1) million in 2012, 2011 and 2010, respectively. At December 31, 2012 and 2011, accumulated other comprehensive income (loss) related to foreign subsidiaries reflected in stockholders’ equity amounted to (\$0.7) million and \$0.9 million, respectively.

Derivative Financial Instruments. We monitor our exposure to various business risks including interest rates and foreign currency exchange rates and occasionally use derivative financial instruments to manage the impact of certain of these risks. At the inception of a new derivative, we designate the derivative as a cash flow or fair value hedge or we determine the derivative to be undesignated as a hedging instrument based on the underlying facts. We do not enter into derivative instruments for trading purposes.

New Accounting Standards. In July 2012, the Financial Accounting Standards Board (“FASB”) issued an update to previous guidance regarding testing indefinite-lived intangible assets for impairment. The revised guidance permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The update is effective for impairment tests performed for fiscal years beginning after September 15, 2012. We do not expect the adoption of this additional guidance to have a material effect on our consolidated financial statements.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In September 2011, the FASB issued additional guidance regarding intangibles and goodwill impairment testing. The objective of the additional guidance is to simplify how entities test goodwill for impairment. Under the new requirements, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, further quantitative testing is not required. The changes in this update were effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The adoption of this additional guidance did not have a material effect on our consolidated financial statements.

Note 2 — Inventories

Inventories consisted of the following items at December 31:

(In thousands)	2012	2011
Raw materials and components:		
Drilling fluids	\$ 208,580	\$ 174,659
Mats	754	623
Total raw materials and components	209,334	175,282
Finished goods- mats		
Finished goods- mats	400	647
Total	\$ 209,734	\$ 175,929

The increase in inventory during 2012 includes a \$20.8 million increase in U.S. barite ore inventory, a key raw material in our drilling fluids systems.

Note 3 — Property, Plant and Equipment

Our investment in property, plant and equipment consisted of the following at December 31:

(In thousands)	2012	2011
Land	\$14,517	\$14,677
Buildings and improvements	148,726	134,628
Machinery and equipment	239,873	219,993
Mats (rental fleet)	44,811	40,597
Construction in progress	14,489	3,520
	462,416	413,415
Less accumulated depreciation	(208,426)	(182,360)
Property, plant and equipment, net	\$253,990	\$231,055

Depreciation expense was \$29.5 million, \$25.6 million and \$23.9 million in 2012, 2011 and 2010, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 4 — Goodwill, Other Intangibles and Impairments of Long-Lived Assets

Changes in the carrying amount of goodwill by reportable segment are as follows:

(In thousands)	Fluids Systems & Engineering	Mats and Integrated Services	Total
Balance at December 31, 2010	\$ 47,378	\$ 14,929	\$ 62,307
Acquisition	10,275	-	10,275
Effects of foreign currency	(612)	-	(612)
Balance at December 31, 2011	57,041	14,929	71,970
Acquisition	15,060	-	15,060
Effects of foreign currency	358	-	358
Balance at December 31, 2012	\$ 72,459	\$ 14,929	\$ 87,388

We have evaluated the carrying values of our goodwill and other indefinite-lived intangible assets as of November 1, 2012. We determine any impairment of goodwill by comparing the carrying amounts of our reporting units with fair values, which we estimate using a combination of a market multiple and discounted cash flow approach. In completing this evaluation, we determined that no reporting unit has a fair value below its net carrying value and therefore, no impairment was required.

Other intangible assets consist of the following:

(In thousands)	December 31, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Intangible assets, net
Technology related	\$5,421	\$ (2,910)	\$2,511	\$5,531	\$ (2,607)	\$2,924
Customer related	42,540	(10,559)	31,981	20,675	(7,854)	12,821
Employment related	2,327	(593)	1,734	2,679	(2,337)	342
Total amortizing intangible assets	50,288	(14,062)	36,226	28,885	(12,798)	16,087
Permits and licenses	3,941	-	3,941	3,929	-	3,929
Trademarks	851	-	851	834	-	834
Total indefinite-lived intangible assets	4,792	-	4,792	4,763	-	4,763
Total intangible assets	\$55,080	\$ (14,062)	\$41,018	\$33,648	\$ (12,798)	\$20,850

Total amortization expense in 2012, 2011 and 2010 related to other intangible assets was \$3.3 million, \$3.3 million and \$3.1 million, respectively.

The increase in goodwill and other intangible assets in 2012 relates to the acquisition of Alliance Drilling Fluids, LLC. See "Note 5-Acquisitons" for additional details.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Estimated future amortization expense for the years ended December 31 is as follows (in thousands):

2013	\$11,006
2014	8,163
2015	5,009
2016	3,680
2017	2,871
Thereafter	5,497
Total	\$36,226

Note 5 — Acquisitions

In December 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC (“Alliance”), a provider of drilling fluids, proppant distribution, and related services headquartered in Midland, Texas. Total cash consideration at closing was approximately \$53 million, which was funded through borrowings on our revolving credit facility. The purchase price is subject to further adjustments, based upon actual working capital conveyed. Additional consideration up to \$4.3 million may be payable based on the profitability of the proppant distribution business over the two year period following the acquisition.

The transaction has been recorded using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The excess of the total consideration, including projected additional consideration, was recorded as goodwill and includes the value of the assembled workforce. While the initial purchase price allocation has been completed, the allocation of the purchase price is subject to change for a period of one year following the acquisition. The following table summarizes the amounts recognized for assets acquired and liabilities assumed as of the December 31, 2012 acquisition date.

(In thousands)

Receivables, net	\$22,782
Inventories	5,769
Prepaid expenses and other current assets	189
Property, plant and equipment, net	4,932
Goodwill	11,528
Customer relationships	19,810
Tradename	2,030
Employment contracts	1,625
Total assets acquired	\$68,665
Accounts payable	\$7,014
Accrued liabilities	4,276
Other noncurrent liabilities	4,300
Total liabilities assumed	\$15,590
Total cash conveyed at closing	\$53,075

The other non-current liabilities balance above includes \$4.3 million of post-closing payments due to the seller, reflecting the expected contingent consideration described above.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

In April 2011, we completed the acquisition of the drilling fluids and engineering services business from Rheochem PLC, a publicly-traded Australian-based oil and gas company. The acquired business provides drilling fluids and related engineering services to the oil and gas exploration and geothermal industries with operations in Australia, New Zealand and India. Total cash paid in 2011 was AUD\$27.2 million (\$28.8 million). During 2012, the final payment was made which totaled AUD\$11.9 million (\$11.9 million) reflecting additional consideration required based on financial results of the acquired business over a one year earn-out period ended February 2012.

The transaction was recorded using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their fair values as of the acquisition date. The excess of the total consideration, including projected additional consideration, was recorded as goodwill and includes the value of the access to markets in Asia Pacific and an assembled workforce.

The following table summarizes the amounts recognized for assets acquired and liabilities assumed, as of the April 2011 acquisition date.

(In thousands)

Cash and cash equivalents	\$315
Receivables, net	3,316
Inventories	7,166
Prepaid expenses and other current assets	773
Property, plant and equipment, net	9,465
Goodwill	13,842
Customer relationships (11 year life)	10,492
Tradename (5 year life)	700
Other assets	510
Total assets acquired	\$46,579
Accounts payable	\$717
Accrued liabilities	16,243
Deferred tax liability	3,432
Other noncurrent liabilities	271
Total liabilities assumed	\$20,663
Total cash conveyed at closing	\$25,916

The accrued liabilities at the date of acquisition in the table above includes \$14.8 million reflecting the post-closing payments to the seller under the terms of the agreement, including \$2.9 million that was paid during the third quarter of 2011 and the final payment of \$11.9 million paid in 2012. There were no material changes to our initial goodwill estimate from the inception of the acquisition.

Pro forma results of operation for the acquired businesses have not been presented as the effect of these acquisitions are not material to our consolidated financial statements.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 6 — Financing arrangements

Financing arrangements consisted of the following at December 31, 2012 and 2011:

(In thousands)	2012	2011
Senior Notes	\$ 172,500	\$ 172,500
Revolving credit facility	84,000	17,000
Other	2,931	2,608
Total debt	\$ 259,431	\$ 192,108
Less: current portion	(2,599)	(2,232)
Long-term portion	\$ 256,832	\$ 189,876

Our financing arrangements include \$172.5 million of unsecured convertible senior notes (“Senior Notes”) and a \$125.0 million revolving credit facility which can be increased by \$75.0 million for a maximum \$200.0 million of capacity. The Senior Notes bear interest at a rate of 4.0% per year, payable semi-annually in arrears on April 1 and October 1 of each year, beginning April 1, 2011. Holders may convert the Senior Notes at their option at any time prior to the close of business on the business day immediately preceding the October 1, 2017 maturity date. The conversion rate is initially 90.8893 shares of our common stock per \$1,000 principal amount of Senior Notes (equivalent to an initial conversion price of \$11.00 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, the Senior Notes will be settled in shares of our common stock. We may not redeem the Senior Notes prior to their maturity date.

In November 2011, we entered into a Second Amended and Restated Credit Agreement (the “Credit Agreement”) which provides for a \$125 million revolving loan facility available for borrowings and letters of credit and expires in November 2016. Under the terms of the Credit Agreement, we can elect to borrow at an interest rate either based on LIBOR plus a margin based on our consolidated leverage ratio, ranging from 175 to 300 basis points, or at an interest rate based on the greatest of: (a) prime rate, (b) the federal funds rate in effect plus 50 basis points, or (c) the Eurodollar rate for a Eurodollar Loan with a one-month interest period plus 100 basis points, in each case plus a margin ranging from 75 to 200 basis points. The applicable margin on LIBOR borrowings on December 31, 2012 was 200 basis points. In addition, we are required to pay a commitment fee on the unused portion of the Credit Agreement of 37.5 basis points. The Credit Agreement contains customary financial and operating covenants, including a consolidated leverage ratio, a senior secured leverage ratio and an interest coverage ratio. We were in compliance with these covenants as of December 31, 2012.

At December 31, 2012, \$84.0 million was outstanding under the Credit Agreement, and \$6.9 million in letters of credit were issued and outstanding under the Credit Agreement leaving \$34.1 million of availability at December 31, 2012. Additionally, we had \$0.2 million in letters of credit outstanding relating to foreign operations.

The Credit Agreement is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets, including our accounts receivable and inventory. Additionally, a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral.

Our foreign Fluid Systems and Engineering subsidiaries in Italy and Brazil maintain local credit arrangements consisting primarily of lines of credit with several banks, which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs, as well as to reduce the net investment in foreign operations subject to foreign currency risk. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary's accounts receivable or firm contracts with certain customers. The weighted average interest rate under these arrangements was 2.81% and 3.54% on total outstanding balances of \$2.5 million and \$2.2 million at December 31, 2012 and 2011, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We incurred net interest expense of \$9.7 million, \$9.2 million, and \$10.3 million for the years ended December 31, 2012, 2011 and 2010, respectively. Scheduled maturities of all long-term debt are as follows (in thousands):

2014	\$67
2015	265
2016	84,000
2017	172,500
Thereafter	-
Total	\$256,832

Note 7 — Fair Value of Financial Instruments and Concentrations of Credit Risk

Fair Value of Financial Instruments

Our financial instruments include cash and cash equivalents, receivables, payables and debt. We believe the carrying values of these instruments, with the exception of our Senior Notes, approximated their fair values at December 31, 2012 and December 31, 2011. The estimated fair value of our Senior Notes is \$176.0 million at December 31, 2012 and \$195.8 million at December 31, 2011, based on quoted market prices at these respective dates.

Concentrations of Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash, trade accounts and notes receivable. At December 31, 2012, substantially all of our cash deposits are held in accounts at numerous financial institutions across the various regions that we operate in. A majority of the cash is held in accounts that maintain deposit ratings of P-1 by Moody's, A-1 by Standard and Poor's, and F1+ by Fitch. As part of our investment strategy, we perform periodic evaluations of the relative credit standing of these financial institutions.

Accounts Receivable

Accounts receivable at December 31, 2012 and 2011 include the following:

(In thousands)	2012	2011
Gross trade receivables	\$307,276	\$306,791
Allowance for doubtful accounts	(4,078)	(3,161)
Net trade receivables	303,198	303,630
Other receivables	20,241	24,960
Total receivables, net	\$323,439	\$328,590

Other receivables includes \$17.7 million and \$21.9 million for value added, goods and service taxes related to foreign jurisdictions and other tax related receivables as of December 31, 2012 and 2011, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is highly concentrated in major and independent oil and gas E&P companies operating in the markets that we serve. In 2012, approximately 40% of our consolidated revenues were derived from our 20 largest customers. We maintain an allowance for losses based upon the expected collectability of accounts receivable. Changes in this allowance for 2012, 2011 and 2010 are as follows.

(In thousands)	2012	2011	2010
Balance at beginning of year	\$ 3,161	\$ 5,839	\$ 5,969
Provision for uncollectible accounts	1,709	2,400	478
Write-offs, net of recoveries	(792)	(5,078)	(608)
Balance at end of year	\$ 4,078	\$ 3,161	\$ 5,839

During 2011, \$5.2 million of fully reserved trade receivables were written off against the allowance for doubtful accounts. During the years ended December 31, 2012, 2011 and 2010, no single customer accounted for more than 10% of total sales.

Note 8 — Income Taxes

The provision for income taxes charged to continuing operations was as follows:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Current tax expense (benefit):			
U.S. Federal	\$ 24,154	\$ 6,082	\$ 1,110
State	1,693	2,752	1,868
Foreign	8,682	7,234	6,427
Total current	34,529	16,068	9,405
Deferred tax expense (benefit):			
U.S. Federal	(2,248)	26,373	17,532
State	(1,248)	372	552
Foreign	4,343	186	(244)
Total deferred	847	26,931	17,840
Total provision	\$ 35,376	\$ 42,999	\$ 27,245

Income from operations before income taxes was as follows:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
U.S.	\$68,212	\$95,267	\$52,608
Foreign	27,196	27,749	16,263

Income from operations before income taxes	\$95,408	\$123,016	\$68,871
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NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The effective income tax rate is reconciled to the statutory federal income tax rate as follows:

	Year Ended December 31,					
	2012		2011		2010	
Income tax expense at federal statutory rate	35.0	%	35.0	%	35.0	%
Nondeductible expenses	1.6	%	1.9	%	1.9	%
Manufacturing deduction	(2.2)	%	(0.9)	%	0.0	%
Different rates on earnings of foreign operations	(2.9)	%	(2.3)	%	(2.6)	%
Change in valuation allowance	(1.8)	%	(1.1)	%	2.2	%
Foreign tax withholdings	4.5	%	0.7	%	0.4	%
State tax expense, net	1.2	%	1.8	%	2.6	%
Other	1.7	%	(0.1)	%	0.1	%
Total income tax expense	37.1	%	35.0	%	39.6	%

The 2012 provision for income taxes included a \$3.9 million charge associated with a tax assessment and related increase in tax rate for the period of 2006 through 2012 in a foreign subsidiary.

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31, 2012 and 2011 are as follows:

(In thousands)	2012	2011
Deferred tax assets:		
Net operating losses	\$ 14,965	\$ 16,045
Accruals not currently deductible	11,676	13,185
Bad debts	1,168	750
Foreign tax credits	1,653	2,026
Other	4,988	4,331
Total deferred tax assets	34,450	36,337
Valuation allowance	(13,563)	(16,734)
Total deferred tax assets, net of allowances	20,887	19,603
Deferred tax liabilities:		
Accelerated depreciation and amortization	43,063	47,320
Other	12,821	5,922
Total deferred tax liabilities	55,884	53,242
Total net deferred tax liability	\$(34,997)	\$(33,639)
Current portion of deferred tax assets	\$ 11,596	\$ 13,224

Non current portion of deferred tax assets	274	341
Current portion of deferred tax liabilities	(519)	(360)
Non current portion of deferred tax liabilities	(46,348)	(46,844)
Net deferred tax liabilities	\$(34,997)	\$(33,639)

For state income tax purposes, we have net operating loss carryforwards (“NOLs”) of approximately \$219 million available to reduce future state taxable income. These NOLs expire in varying amounts beginning in year 2013 through 2030. Foreign NOLs of approximately \$11.2 million are available to reduce future taxable income, some of which expire beginning in 2015.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The realization of our net deferred tax assets is dependent on our ability to generate taxable income in future periods. At December 31, 2012 and December 31, 2011, we have recorded a valuation allowance in the amount of \$13.6 million and \$16.7 million, respectively, related to state and foreign NOL carryforwards.

Unremitted foreign earnings permanently reinvested abroad upon which deferred income taxes have not been provided aggregated approximately \$95.0 million and \$84.7 million at December 31, 2012 and 2011, respectively. We have the ability and intent to leave these foreign earnings permanently reinvested abroad.

We file an income tax return in the U.S. federal jurisdiction, and various state and foreign jurisdictions. We are no longer subject to income tax examinations for substantially all tax jurisdictions for years prior to 2000.

A reconciliation of the beginning and ending provision for uncertain tax positions is as follows:

(In thousands)	2012	2011	2010
Balance at January 1	\$ 1,218	\$ 1,568	\$ 750
Additions (reductions) for tax positions of prior years	1,350	(350)	818
Additions for tax positions of current year	185	-	-
Balance at December 31	\$ 2,753	\$ 1,218	\$ 1,568

The provision for uncertain tax positions, if recognized, would affect the annual effective tax rate. The Company recognizes accrued interest and penalties related to uncertain tax positions in operating expenses.

Note 9 — Capital Stock

Common stock

Changes in outstanding Common Stock for the years ended December 31, 2012, 2011 and 2010 were as follows:

(In thousands of shares)	2012	2011	2010
Outstanding, beginning of year	94,498	93,143	91,673
Shares issued upon exercise of options	286	671	677
Shares issued for grants of time vested restricted stock	950	684	773
Shares issued upon vesting of performance units	-	-	20
Outstanding, end of year	95,734	94,498	93,143

Preferred stock

We are authorized to issue up to 1,000,000 shares of Preferred Stock, \$0.01 par value. There was no outstanding preferred stock at December 31, 2012, 2011 or 2010.

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NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Treasury stock

During 2012, 2011 and 2010, 104,995, 72,721 and 27,134 shares were repurchased, respectively, for an aggregate price of \$0.6 million, \$0.6 million, \$0.2 million, respectively, representing employee shares surrendered in lieu of taxes under vesting of restricted stock awards. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

During 2012, 2011 and 2010, 34,724, 35,646 and 59,804 shares of treasury stock were re-issued, respectively, pursuant to our employee stock purchase plan.

Share repurchase program

In February 2012, our Board of Directors approved a share repurchase program that authorized the repurchase of up to \$50.0 million of our outstanding shares of common stock. During 2012, we executed the full \$50.0 million of repurchases authorized, purchasing 7,241,693 shares for an aggregate price of approximately \$6.92 per share, including commissions. All of the shares repurchased are held as treasury stock. We record treasury stock purchases under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 10 — Earnings per Share

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share:

(In thousands, except per share data)	Year Ended December 31,		
	2012	2011	2010
Basic EPS:			
Net income	\$60,032	\$80,017	\$41,626
Weighted average number of common shares outstanding	87,522	90,022	89,103
Basic income per common share	\$0.69	\$0.89	\$0.47
Diluted EPS:			
Net income	\$60,032	\$80,017	\$41,626
Assumed conversions of Senior Notes	4,868	4,969	1,138
Adjusted net income	\$64,900	\$84,986	\$42,764
Weighted average number of common shares outstanding-basic	87,522	90,022	89,103
Add: Dilutive effect of stock options and restricted stock awards	876	965	790
Dilutive effect of Senior Notes	15,682	15,682	3,824
Diluted weighted average number of common shares outstanding	104,080	106,669	93,717
Diluted income per common share	\$0.62	\$0.80	\$0.46
Stock options and warrants excluded from calculation of diluted earnings per share because anti-dilutive for the period	2,671	2,907	3,913

Note 11 — Stock Based Compensation and Other Benefit Plans

The following describes stockholder approved plans utilized by the Company for the issuance of stock based awards.

2003 Long-Term Incentive Plan

During 2011, our stockholders approved the Amended and restated 2003 Long Term Incentive Plan (the “2003 Plan”). As amended, the 2003 Plan, allows awards of restricted stock with multi-year vesting as well as previously authorized awards of performance-based restricted stock units made at the beginning of overlapping three-year

performance periods. The maximum number of shares that may be granted in the form of performance-based restricted stock units and restricted stock awards to any participant in any calendar year is 50,000 shares. Subject to adjustment upon a stock split, stock dividend or other recapitalization event, the maximum number of shares of common stock that may be issued under the 2003 Plan is 1,000,000. The common stock issued under the 2003 Plan will be from authorized but un-issued shares of our common stock, although shares re-acquired due to forfeitures or any other reason may be re-issued under the 2003 Plan. At December 31, 2012, 65,106 shares remained available for award under the 2003 Plan.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

2004 Non-Employee Directors' Incentive Compensation Plan

In June 2004, our stockholders approved the 2004 Non-Employee Directors' Stock Option Plan ("2004 Plan"). During 2007, stockholders approved the amended and restated 2004 Plan (renamed the 2004 Non-Employee Directors' Incentive Compensation Plan) which authorizes grants of restricted stock to non-employee directors instead of stock options. In 2012, each non-employee director received \$130,000 in restricted stock (valued as of the date of the annual stockholder's meeting), upon their election or re-election. At December 31, 2012, 247,973 shares remained available for award under the amended 2004 Plan.

2006 Equity Incentive Plan

In December 2006, our stockholders approved the 2006 Equity Incentive Plan ("2006 Plan"), pursuant to which the Compensation Committee of our Board of Directors ("Compensation Committee") may grant to key employees, including executive officers and other corporate and divisional officers, a variety of forms of equity-based compensation, including options to purchase shares of common stock, shares of restricted common stock, restricted stock units, stock appreciation rights, other stock-based awards, and performance-based awards. During 2011, the 2006 Plan was amended to increase the number of shares available for issuance from 5,000,000 to 8,000,000. At December 31, 2012, 1,363,315 shares remained available for award under the 2006 Plan, as amended.

The Compensation Committee approves the granting of all stock based compensation to employees, utilizing shares available under the 2003 Plan and 2006 Plan. Stock based awards are granted in a variety of forms, including stock options, restricted stock awards and performance-based restricted stock units. The Committee also grants other stock based awards to non-executive employees including cash-settled stock appreciation rights and cash-settled performance-based restricted stock equivalents, which are not part of the plans outlined above and are not available to executives or non-employee directors. Activity under each of these programs is described below.

Stock Options & Cash-Settled Stock Appreciation Rights

Stock options granted by the Compensation Committee are generally granted with a three year vesting period and a term of ten years. During 2012, 1,438,158 options were granted with a three year vesting period and a ten year term. The exercise price of each stock option granted was equal to the fair market value on the date of grant.

The following table summarizes activity for our outstanding stock options for the year ended December 31, 2012:

	Shares	Weighted-Average Exercise Price	Weighted- Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at beginning of period	3,621,013	\$ 6.21		
Granted	1,438,158	5.57		
Exercised	(286,457)	3.70		
Expired or cancelled	(292,688)	6.72		
Outstanding at end of period	4,480,026	\$ 6.13	6.63	\$8,560,159

Vested or expected to vest at end of period	4,365,298	\$ 6.14	6.56	\$8,321,556
Options exercisable at end of period	2,281,385	\$ 6.44	4.64	\$3,582,813

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We estimated the fair value of options granted on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	Year Ended December 31,					
	2012		2011		2010	
Risk-free interest rate	0.68	%	1.59	%	1.99	%
Expected life of the option in years	5.22		5.22		5.22	
Expected volatility	60.3	%	63.1	%	62.5	%
Dividend yield	-		-		-	

The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The expected life of the option is based on observed historical patterns. The expected volatility is based on historical volatility of the price of our common stock. The dividend yield is based on the projected annual dividend payment per share divided by the stock price at the date of grant, which is zero because we have not paid dividends for several years and do not expect to pay dividends in the foreseeable future.

The following table summarizes information about the weighted-average exercise price and the weighted-average grant date fair value of stock options granted:

	Year Ended December 31,		
	2012	2011	2010
Weighted-average exercise price of the stock on the date of grant	\$5.57	\$9.13	\$5.61
Weighted-average grant date fair value on the date of grant	\$2.89	\$5.00	\$3.08

All stock options granted for the years ended December 31, 2012, 2011 and 2010 reflected an exercise price equal to the market value of the stock on the date of grant.

The total intrinsic value of options exercised was \$1.0 million, \$2.5 and \$1.9 million for the years ended December 31, 2012, 2011 and 2010, while cash from option exercises totaled \$1.1 million, \$3.6 million and \$3.6 million, respectively.

The following table summarizes activity for outstanding cash-settled stock appreciation rights for the year-ended December 31, 2012:

	Rights
Outstanding at the beginning of the period	312,666
Exercised	(41,100)
Outstanding at the end of the period	271,566

Exercisable at end of period	271,566
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During 2012, there were no additional grants of cash-settled stock appreciation rights. The remaining outstanding cash-settled stock appreciation rights, if exercised, will ultimately be settled in cash for the difference between market value of our outstanding shares at the date of exercise, and \$7.89. As such, the projected cash settlement is adjusted each period based upon the ending fair market value of the underlying stock. At December 31, 2012, the fair market value of each cash-settled stock appreciation right was \$1.20, resulting in a liability of \$0.3 million.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Total compensation cost recognized for stock options and cash-settled stock appreciation rights during the years ended December 31, 2012, 2011 and 2010 was \$2.3 million, \$2.1 million and \$1.8 million, respectively. For the years ended December 31, 2012, 2011 and 2010, we recognized tax benefits resulting from the exercise of stock options totaling \$0.3 million, \$0.8 million and \$0.6 million, respectively.

Performance-Based Restricted Stock Units & Cash-Settled Performance-Based Restricted Stock Units

The Compensation Committee may use various business criteria to set the performance objectives for awards of performance-based restricted stock units. For awards made during 2009, the Compensation Committee determined that our cumulative earnings per share for the three-year performance period ending December 31, 2011 was the performance criterion for vesting in the award shares. No performance-based awards were granted during 2010, 2011 or 2012.

The following table summarizes activity for outstanding performance-based restricted stock units for the year-ended December 31, 2012:

Nonvested Shares (Performance-Based)	Shares	Weighted-Average Grant Date Fair Value
Outstanding at beginning of the period	381,230	\$ 3.31
Forfeited	(381,230)	3.31
Outstanding at the end of the period	-	

The performance shares under this award related to the three-year performance period ending December 31, 2011 were forfeited in the first quarter of 2012 as performance objectives were not achieved.

During 2012, 2011 and 2010, no compensation cost was recognized for performance-based restricted stock units.

Restricted Stock Awards and Units

Time-vested restricted stock awards and restricted stock units are periodically granted to key employees, including grants for employment inducements, as well as to members of our Board of Directors. Employee awards provide for vesting periods ranging from three to four years. Non-employee director grants fully vest at the one year anniversary from the date of grant. Upon vesting of these grants, shares are issued to award recipients. The following tables summarize our activity for our outstanding time-vesting restricted stock awards and restricted stock units for the year-ended December 31, 2012.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Nonvested Shares (Time-Vesting)	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2012	1,165,729	\$ 7.93
Granted	997,709	5.86
Vested	(414,624)	7.44
Forfeited	(61,833)	7.26
Nonvested at December 31, 2012	1,686,981	\$ 6.85

Nonvested Share Units (Time-Vesting)	Shares	Weighted-Average Grant Date Fair Value
Nonvested at January 1, 2012	57,916	\$ 9.13
Granted	93,134	5.60
Vested	(19,309)	5.69
Forfeited	-	-
Nonvested at December 31, 2012	131,741	\$ 7.14

Total compensation cost recognized for restricted stock awards and restricted stock units was \$4.6 million, \$2.8 million and \$1.8 million for the years ended December 31, 2012, 2011 and 2010 respectively. Total unrecognized compensation cost at December 31, 2012 related to restricted stock awards and restricted stock units is approximately \$9.2 million which is expected to be recognized over the next 2.3 years. During the years ended December 31, 2012, 2011 and 2010, the total fair value of shares vested was \$2.5 million, \$3.2 million and \$1.2 million, respectively.

For the years ended December 31, 2012, 2011 and 2010, we recognized tax benefits resulting from the vesting of share awards totaling \$0.9 million, \$1.1 million and \$0.6 million, respectively.

Defined Contribution Plan

Substantially all of our U.S. employees are covered by a defined contribution plan (“401(k) Plan”). Employees may voluntarily contribute up to 50% of compensation, as defined in the 401(k) Plan. Participants’ contributions, up to 3% of compensation, are matched 100% by us, and the participants’ contributions, from 3% to 6% of compensation, are matched 50% by us. Under the 401(k) Plan, our cash contributions were \$3.3 million, \$2.8 million and \$1.7 million in 2012, 2011 and 2010, respectively.

Note 12 — Segment and Related Information

Our Company consists of three reportable segments, which offer different products and services to a relatively homogenous customer base. The reportable segments include: Fluids Systems and Engineering, Mats and Integrated Services, and Environmental Services. Intersegment revenues are generally recorded at cost for items which are included in inventory of the purchasing segment, and at standard markups for items which are included in cost of revenues of the purchasing segment. All intersegment revenues and related profits have been eliminated.

Fluids Systems and Engineering — Our Fluids Systems and Engineering business offers customized solutions including highly technical drilling projects involving complex subsurface conditions, such as horizontal directional, geologically deep or deep water drilling. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. We provide drilling fluids products and technical services to markets in North America, EMEA, Latin America, and the Asia Pacific region. Additionally, following our December 2012 purchase of Alliance Drilling Fluids we provide stimulation products (proppants), and other specialty chemicals and fluids and related services. We also provide completion services and equipment rental to customers in Oklahoma and Texas.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

We have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the drilling fluids market. We grind barite and other industrial minerals at facilities in Houston and Corpus Christi, Texas, New Iberia, Louisiana and Dyersburg, Tennessee. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third party industrial (non oil and gas) markets, from our main plant in Houston, Texas and from the plant in Dyersburg, Tennessee.

Mats and Integrated Services — This segment provides mat rentals, location construction and related site services to oil and gas customers at well, production, transportation and refinery locations in the Northeast U.S. region, onshore U.S. Gulf Coast, and Rocky Mountain regions, and mat rentals to the petrochemical industry in the U.S. and utility industry in the U.K. These mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions.

We manufacture our DuraBase composite mat system for sales as well as for use in our domestic and international rental operations. Our marketing efforts for this product remain focused in principal oil and gas industry markets which include the Asia Pacific, Latin America, EMEA, as well as markets outside the E&P sector in the U.S. and Europe. We believe these mats have worldwide applications outside our traditional oilfield market, primarily in infrastructure construction, maintenance and upgrades of electric utility transmission lines, military logistics and as temporary roads for movement of oversized or unusually heavy loads.

Environmental Services — This segment provides disposal services for both oilfield E&P waste and industrial waste. The primary method used for disposal is low pressure injection into environmentally secure geologic formations deep underground. This segment operates in the U.S. Gulf Coast and West Texas markets.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Summarized financial information concerning our reportable segments is shown in the following tables:

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Revenues			
Fluids Systems & Engineering	\$861,670	\$ 798,957	\$ 597,795
Mats & Integrated Services	122,283	110,411	69,397
Environmental Services	54,066	48,812	48,762
Total Revenues	\$1,038,019	\$ 958,180	\$ 715,954
Depreciation and Amortization			
Fluids Systems & Engineering	\$18,419	\$ 17,126	\$ 15,253
Mats & Integrated Services	7,952	7,581	7,672
Environmental Services	3,875	3,016	3,169
Corporate Office	2,575	1,248	916
Total Depreciation and Amortization	\$32,821	\$ 28,971	\$ 27,010
Operating Income (loss)			
Fluids Systems & Engineering	\$59,987	\$ 90,683	\$ 56,234
Mats & Integrated Services	54,251	52,678	26,684
Environmental Services	13,622	11,909	13,447
Corporate Office	(21,963)	(22,506)	(18,361)
Operating Income	\$105,897	\$ 132,764	\$ 78,004
Segment Assets			
Fluids Systems & Engineering	\$790,147	\$ 673,794	\$ 476,677
Mats & Integrated Services	81,252	93,078	79,957
Environmental Services	76,604	70,122	69,058
Corporate	46,538	49,843	111,650
Total Assets	\$994,541	\$ 886,837	\$ 737,342
Capital Expenditures			
Fluids Systems & Engineering	\$27,916	\$ 16,033	\$ 7,033
Mats & Integrated Services	8,174	7,629	2,253
Environmental Services	1,558	1,693	738
Corporate	6,307	11,542	2,110
Total Capital Expenditures	\$43,955	\$ 36,897	\$ 12,134

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table sets forth information about our operations by geographic area. Revenues by geographic location are determined based on the operating location from which services are rendered or products are sold.

(In thousands)	Year Ended December 31,		
	2012	2011	2010
Revenue			
United States	\$ 738,150	\$ 690,205	\$ 516,786
Canada	48,643	51,713	23,846
EMEA	121,175	115,319	113,295
Latin America and Mexico	88,157	76,355	62,027
Asia Pacific	41,894	24,588	-
Total Revenue	\$ 1,038,019	\$ 958,180	\$ 715,954
Long-Lived Assets			
United States	\$ 304,954	\$ 252,751	\$ 243,194
Canada	11,830	11,730	12,334
EMEA	30,729	25,814	26,380
Latin America and Mexico	11,158	12,920	14,904
Asia Pacific	31,539	29,463	-
Total Long-Lived Assets	\$ 390,210	\$ 332,678	\$ 296,812

No single customer accounted for more than 10% of our consolidated revenues for years ended December 31, 2012, 2011 or 2010.

Note 13 — Supplemental Cash Flow and Other Information

Included in accounts payable and accrued liabilities at December 31, 2012, 2011, and 2010, were capital expenditures of \$1.0 million, \$3.7 million, and \$2.3 million, respectively.

Accrued liabilities at December 31, 2012 and 2011 were \$42.6 million and \$47.4 million respectively. The balance at December 31, 2012 included \$14.0 million for employee incentives and other compensation related expenses while 2011 included \$19.7 million for employee incentives and other compensation related expenses, and \$8.2 million in estimated obligations under the one-year earn-out provision relating to our April 2011 acquisition.

During the years ended December 31, 2012, 2011 and 2010, we did not finance the acquisition of property, plant and equipment with capital leases.

Note 14 — Commitments and Contingencies

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. In the opinion of management, any liability in these matters should not have a material effect on our consolidated financial statements.

Leases

We lease various manufacturing facilities, warehouses, office space, machinery and equipment, including transportation equipment, under operating leases with remaining terms ranging from one to six years, with various renewal options. Substantially all leases require payment of taxes, insurance and maintenance costs in addition to rental payments. Total rental expenses for all operating leases were approximately \$26.5 million, \$24.2 million and \$25.4 million for the years ending 2012, 2011 and 2010, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Future minimum payments under non-cancelable operating leases, with initial or remaining terms in excess of one year are included in the table below. Future minimum payments under capital leases are not significant.

(In thousands)	
2013	\$ 15,510
2014	9,274
2015	4,529
2016	3,494
2017	2,306
Thereafter	229
	\$35,342

Other

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$3.9 million and \$3.6 million at December 31, 2012 and 2011, respectively. We also had \$8.6 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2012 and 2011.

Other than normal operating leases for office and warehouse space, barges, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

We are self-insured for health claims, subject to certain “stop loss” insurance policies. Claims in excess of \$225,000 per incident are insured by third-party insurers. We had accrued liabilities of \$1.2 million for unpaid claims incurred, based on historical experience at December 31, 2012 and 2011. Substantially all of these estimated claims are expected to be paid within six months of their occurrence.

We are self-insured for certain workers’ compensation, auto and general liability claims up to a certain policy limit. Claims in excess of \$750,000 are insured by third-party reinsurers. At December 31, 2012 and 2011, we had accrued a liability of \$3.1 million and \$3.2 million, respectively, for the uninsured portion of claims.

We maintain accrued liabilities for asset retirement obligations, which represent obligations associated with the retirement of tangible long-lived assets that result from the normal operation of the long-lived asset. Our asset retirement obligations primarily relate to repair cost obligations associated with the return of leased barges as well as required expenditures associated with owned and leased facilities. Upon settlement of the liability, a gain or loss for any difference between the settlement amount and the liability recorded is recognized. As of December 31, 2012 and 2011, we had accrued asset retirement obligations of \$2.7 million and \$2.1 million, respectively.

NEWPARK RESOURCES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Note 15 — Supplemental Selected Quarterly Financial Data (Unaudited)

(In thousands, except per share amounts)	Quarter Ended			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2012				
Revenues	\$262,336	\$245,756	\$259,599	\$270,328
Operating income	26,135	24,755	28,756	26,251
Net income	15,634	14,463	18,742	11,193
Net income per share:				
Basic	0.17	0.16	0.22	0.13
Diluted	0.16	0.15	0.20	0.12
Fiscal Year 2011				
Revenues	\$202,651	\$230,822	\$261,193	\$263,514
Operating income	27,948	31,596	39,179	34,041
Net income	15,854	19,280	22,997	21,886
Net income per share:				
Basic	0.18	0.21	0.25	0.24
Diluted	0.16	0.19	0.23	0.22

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of disclosure controls and procedures

Based on their evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this report, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2012.

Changes in internal control over financial reporting

The SEC allows companies to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. On December 31, 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC ("Alliance"), a provider of drilling fluids, proppants, and related services headquartered in Midland, Texas. For purposes of determining the effectiveness of our internal control over financial reporting, management has excluded Alliance from its evaluation of these matters.

There have been no other changes in the Company's internal controls over financial reporting during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Management's Report on Internal Control Over Financial Reporting

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities and Exchange Act Rule 13(a)-15(f). Our internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance, not absolute assurance with respect to the financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2012 as required by the Securities and Exchange Act of 1934 Rule 13a-15(c). In making its assessment, we have utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "Internal Control — Integrated Framework." We concluded that based on our evaluation, our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

The SEC allows companies to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition. On December 31, 2012, we completed the acquisition of substantially all assets and operations of Alliance Drilling Fluids, LLC (“Alliance”), a provider of drilling fluids, proppants, and related services headquartered in Midland, Texas. For purposes of determining the effectiveness of our internal control over financial reporting, management has excluded Alliance from its evaluation of these matters.

/s/ Paul L. Howes

Paul L. Howes
President, Chief Executive Officer

/s/ Gregg S. Piontek

Gregg S. Piontek
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Newpark Resources, Inc.
The Woodlands, Texas

We have audited the internal control over financial reporting of Newpark Resources, Inc. and subsidiaries (the "Company") as of December 31, 2012, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control Over Financial Reporting, on December 31, 2012, the Company acquired substantially all assets and operations of Alliance Drilling Fluids, LLC, a provider of drilling fluids, headquartered in Midland, Texas ("Alliance"). For the purposes of assessing internal control over financial reporting, management excluded Alliance, whose financial statements constitute 7% of consolidated total assets and 0% of consolidated revenues, of the consolidated financial statement amounts as of and for the year ended December 31, 2012. Accordingly, our audit did not include the internal control over financial reporting at Alliance. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control — Integrated Framework issued by the

Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012, of the company and our report dated February 28, 2013 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
February 28, 2013

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ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Executive Officers and Directors

The information required by this Item is incorporated by reference to the “Executive Officers” and “Election of Directors” sections of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

Compliance with Section 16(a) of the Exchange Act

The information required by this Item is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

Code of Conduct and Ethics

We have adopted a Code of Ethics that applies to all of our directors and senior officers, and a Corporate Compliance and Business Ethics Manual (“Ethics Manual”) that applies to all officers and employees. The Code of Ethics and Ethics Manual are publicly available in the investor relations area of our website at www.newpark.com. This Code of Ethics is incorporated in this report by reference. Copies of our Code of Ethics may also be requested in print by writing to Newpark Resources, Inc., 2700 Research Forest Drive, Suite 100, The Woodlands, Texas, 77381.

ITEM 11. Executive Compensation

The information required by this Item is incorporated by reference to the “Executive Compensation” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated by reference to the “Ownership of Common Stock” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated by reference to the “Related Person Transactions” and “Director Independence” sections of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

ITEM 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference to the “Independent Auditor” section of the definitive Proxy Statement relating to our 2013 Annual Meeting of Stockholders.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) List of documents filed as part of this report or incorporated herein by reference.

1. Financial Statements

The following financial statements of the Registrant as set forth under Part II, Item 8 of this report on Form 10-K on the pages indicated.

	Page in this Form 10-K
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets as of December 31, 2012 and 2011	33
Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010	34
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2012, 2011 and 2010	35
Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2012, 2011 and 2010	36
Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010	37
Notes to Consolidated Financial Statements	38

2. Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

The exhibits listed are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

3.1 Restated Certificate of Incorporation of Newark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Form 10-K405 for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).

3.2 Certificate of Designation of Series A Cumulative Perpetual Preferred Stock of Newark Resources, Inc., incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 27, 1999 (SEC File No. 001-02960).

3.3 Certificate of Designation of Series B Convertible Preferred Stock of Newark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 7, 2000 (SEC File No. 001-02960).

3.4 Certificate of Rights and Preferences of Series C Convertible Preferred Stock of Newark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 4, 2001

(SEC File No. 001-02960).

3.5 Certificate of Amendment to the Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 4, 2009 (SEC File No. 001-02960).

3.6 Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 13, 2007 (SEC File No. 001-02960).

- 4.1 Specimen form of common stock certificate of Newpark Resources, Inc., incorporated by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (SEC File No. 33-40716).
- 4.2 Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-02960).
- 4.3 First Supplemental Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
- 4.4 Form of 4.00% Convertible Senior Note due 2017, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
- *10.1 Amended and Restated 1993 Non-Employee Directors' Stock Option Plan, incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- *10.2 Newpark Resources, Inc. 2003 Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 3, 2005 (SEC File No. 001-02960).
- *10.3 Form of Award Agreement under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2004 filed on March 16, 2005 (SEC File No. 001-02960).
- *10.4 Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.9 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.5 Form of Non-Employee Director Restricted Stock Agreement under the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.6 Amended and Restated Employment Agreement, dated as of December 31, 2008, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2009 (SEC File No. 001-02960).
- *10.7 Indemnification Agreement, dated June 7, 2006, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.8 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.9 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and James E. Braun, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.10

Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).

*10.11 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed on March 26, 2007 (SEC File No. 333-0141577).

*10.12 Employment Agreement between Newpark Resources, Inc. and Bruce Smith dated April 20, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 filed on May 8, 2007 (SEC File No. 001-02960).

- 10.13 Amendment to the Indemnification Agreement between Newpark Resources, Inc. and Paul L. Howes dated September 11, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 14, 2007 (SEC File No. 001-02960).
- *10.14 First Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.25 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.15 Newpark Resources, Inc., 2008 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.1 the Company's Registration Statement on Form S-8 filed on December 9, 2008 (SEC File No. 333-156010).
- *10.16 Employment Agreement, dated as of June 2, 2008, by an between Newpark Resources, Inc. and William D. Moss, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 6, 2006 (SEC File no. 001-02960).
- 10.17 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008 filed on May 2, 2008 (SEC File No. 001-02960).
- *10.18 Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated April 20, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.19 Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated April 21, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-L filed on April 23, 2009 (SEC File No. 001-02960).
- *10.20 Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated April 22, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.21 Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated April 22, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.22 Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated April 23, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.23 Extension Letter Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated November 30, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.24 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated November 30, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.25 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated November 30, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).

- *10.26 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated November 30, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.27 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated November 30, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).

- 10.28 Letter Agreement dated as of March 3, 2010 between Newpark Resources, Inc. and William D. Moss, incorporated by reference to the Company's Current Report on Form 8-K filed on March 9, 2010 (SEC File No. 001-02960).
- 10.29 Employment Agreement, dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.30 Change in Control Agreement dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.31 Newpark Resources, Inc. 2010 Annual Cash Incentive Plan, incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2010 (SEC File No. 001-02960).

†*10.32

Director Compensation Summary.

- *10.33 Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed on August 14, 2009 (SEC File No. 333-161378).
- *10.34 Amendment No. 1 to the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.35 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.36 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.37 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.38 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.39 Newpark Resources, Inc. 2003 Long Term Incentive Plan, Amended and Restated Effective March 8, 2011, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2011 (SEC File No. 001-02960).
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- *10.47 Form of Non-Qualified Stock Option Agreement for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.48 Second Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- *10.49 Amendment to Employment Agreement, dated December 31, 2012, between Mark Airola and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- *10.50 Amendment to Employment Agreement, dated December 31, 2012, between Bruce Smith and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- †10.51 Asset Purchase Agreement, dated December 28, 2012, between Alliance Drilling Fluids, LLC, Xtreme Specialty Products, LLC, Prop-Tech Services, LLC, each of the members listed therein, Newpark Drilling Fluids LLC and Newpark Resources, Inc.

†21.1 Subsidiaries of the Registrant.

†23.1 Consent of Independent Registered Public Accounting Firm.

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†32.1

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Certification of Paul L. Howes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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†101.DEF XBRL Definition Linkbase Document

† Filed herewith.

* Management compensation plan or agreement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

NEWPARK RESOURCES, INC

By: /s/Paul L. Howes
Paul L. Howes
President and Chief Executive
Officer

Dated: February 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ Paul L. Howes Paul L. Howes	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2013
/s/ / Gregg S. Piontek Gregg S. Piontek	Vice President and Chief Financial Officer (Principal Financial Accounting Officer)	February 28, 2013
/s/ Jerry W. Box Jerry W. Box	Chairman of the Board	February 28, 2013
/s/ James W. McFarland James W. McFarland	Director, Member of the Audit Committee	February 28, 2013
/s/ G. Stephen Finley G. Stephen Finley	Director, Member of the Audit Committee	February 28, 2013
/s/ Gary L. Warren Gary L. Warren	Director, Member of the Audit Committee	February 28, 2013

/s/ David C. Anderson
David C. Anderson

Director

February 28, 2013

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NEWPARK RESOURCES, INC

EXHIBIT INDEX

The exhibits listed are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

- 3.1 Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Form 10-K405 for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- 3.2 Certificate of Designation of Series A Cumulative Perpetual Preferred Stock of Newpark Resources, Inc. incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 27, 1999 (SEC File No. 001-02960).
- 3.3 Certificate of Designation of Series B Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 7, 2000 (SEC File No. 001-02960).
- 3.4 Certificate of Rights and Preferences of Series C Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 4, 2001 (SEC File No. 001-02960).
- 3.5 Certificate of Amendment to the Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 4, 2009 (SEC File No. 001-02960).
- 3.6 Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 13, 2007 (SEC File No. 001-02960).
 - 4.1 Specimen form of common stock certificate of Newpark Resources, Inc., incorporated by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (SEC File No. 33-40716).
 - 4.2 Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-02960).
 - 4.3 First Supplemental Indenture, dated October 4, 2010, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
 - 4.4 Form of 4.00% Convertible Senior Note due 2017, incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 4, 2010 (SEC File No. 001-2960).
- *10.1 Amended and Restated 1993 Non-Employee Directors' Stock Option Plan, incorporated by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- *10.2 Newpark Resources, Inc. 2003 Executive Incentive Compensation Plan, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2005 filed on May 3,

2005 (SEC File No. 001-02960).

- *10.3 Form of Award Agreement under 2003 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.31 to the Company's Form 10-K for the year ended December 31, 2004 filed on March 16, 2005 (SEC File No. 001-02960).
- *10.4 Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.9 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.5 Form of Non-Employee Director Restricted Stock Agreement under the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.10 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).

- *10.6 Amended and Restated Employment Agreement, dated as of December 31, 2008, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2009 (SEC File No. 001-02960).
- *10.7 Indemnification Agreement, dated June 7, 2006, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.8 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- *10.9 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and James E. Braun, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.10 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- *10.11 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed on March 26, 2007 (SEC File No. 333-0141577).
- *10.12 Employment Agreement between Newpark Resources, Inc. and Bruce Smith dated April 20, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 filed on May 8, 2007 (SEC File No. 001-02960).
- 10.13 Amendment to the Indemnification Agreement between Newpark Resources, Inc. and Paul L. Howes dated September 11, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 14, 2007 (SEC File No. 001-02960).
- *10.14 First Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.25 to the Company's Form 10-K filed on March 10, 2009 (SEC File No. 001-02960).
- *10.15 Newpark Resources, Inc., 2008 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.1 the Company's Registration Statement on Form S-8 filed on December 9, 2008 (SEC File No. 333-156010).
- *10.16 Employment Agreement, dated as of June 2, 2008, by an between Newpark Resources, Inc. and William D. Moss, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 6, 2006 (SEC File no. 001-02960).
- 10.17 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008 filed on May 2, 2008 (SEC File No. 001-02960).
- *10.18 Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated April 20, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).

- *10.19 Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated April 21, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-L filed on April 23, 2009 (SEC File No. 001-02960).
- *10.20 Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated April 22, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).

- *10.21 Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated April 22, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.22 Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated April 23, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- *10.23 Extension Letter Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated November 30, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.24 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and James E. Braun dated November 30, 2009, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.25 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated November 30, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.26 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated November 30, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- *10.27 Extension Letter Amendment to Employment Agreement between Newpark Resources, Inc. and William D. Moss dated November 30, 2009, incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on December 7, 2009 (SEC File No. 001-02960).
- 10.28 Letter Agreement dated as of March 3, 2010 between Newpark Resources, Inc. and William D. Moss, incorporated by reference to the Company's Current Report on Form 8-K filed on March 9, 2010 (SEC File No. 001-02960).
- 10.29 Employment Agreement, dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.30 Change in Control Agreement dated as of October 15, 2010, by and between Newpark Resources, Inc. and Jeffery L. Juergens, incorporated by reference to the Company's Current Report on Form 8-K filed on October 18, 2010 (SEC File No. 001-02960).
- 10.31 Newpark Resources, Inc. 2010 Annual Cash Incentive Plan, incorporated by reference to the Company's Current Report on Form 8-K filed on April 2, 2010 (SEC File No. 001-02960).

†*10.32

Director Compensation Summary.

- *10.33 Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed on August 14, 2009 (SEC File No. 333-161378).

- *10.34 Amendment No. 1 to the Newark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.35 Form of Non-Qualified Stock Option Agreement under the Newark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- *10.36 Form of Non-Qualified Stock Option Agreement under the Newark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).

- *10.37 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
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- *10.48

Second Amendment to the Newpark Resources, Inc. Amended and Restated Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).

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