

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13E-4/A
ISSUER TENDER OFFER STATEMENT
(Pursuant to Section 13(e)(1) of the
Securities Exchange Act of 1934)

Amendment No. 3

AMR CORPORATION

(Name of the Issuer)

AMR CORPORATION

(Name of Person Filing Statement)

SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

(Title of Class of Securities)

001765 80 9

(CUSIP Number of Class of Securities)

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(817) 963-1234

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Debevoise & Plimpton
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(212) 909-6000

(Name, Address and Telephone Number of Persons Authorized
to Receive Notices and Communications on Behalf of Person
Filing Statement)

October 14, 1994

(Date Tender Offer First Published, Sent or Given to Security Holders)

Calculation of Filing Fee

Transaction Valuation*	Amount of Filing Fee
-----	-----
\$924,000,000	\$184,800

* Calculated as of August 18, 1994, pursuant to Rule 0-11(a)(4) under the Securities Act of 1933, as amended.

/x/ Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: \$318,621
Form or Registration No.: S-4 (Registration No. 33-55191)
Filing Party: AMR Corporation
Date Filed: August 23, 1994
Total of Sequentially Numbered Pages: Five
Exhibit Index: Page 5

AMR Corporation ("AMR") hereby amends its Issuer Tender Offer Statement on Schedule 13E-4 (No. 5-33763, the "Statement") filed under the Securities Exchange Act of 1934, as amended, in connection with the registration statement on Form S-4 (the "Registration Statement", No. 33-55191) regarding an exchange offer (the "Exchange Offer") to holders of its Series A Cumulative Convertible Preferred Stock (the "Preferred Stock") by amending its answers to item 9 in the Statement as set forth below and the references in its answers to all of the items to the term "Preliminary Prospectus" to mean AMR's Prospectus dated October 14, 1994 included in Amendment No. 3 to the Registration Statement on Form S-4, filed with the Securities and Exchange Commission on October 14, 1994. A copy of the Prospectus dated October 14, 1994 is attached hereto as Exhibit A.

ITEM 9. Material to be Filed as Exhibits.

The following additional or revised exhibits are filed herewith:

- (a) Proposed form of Letter of Transmittal (Exhibit B); Proposed form of Notice of Guaranteed Delivery (Exhibit C); Proposed form of Letter to Registered Holders and DTC Participants (Exhibit D); Proposed form of Letter to Clients (Exhibit E); Proposed form of Newspaper Announcement (Exhibit F); Proposed form of Press Release (Exhibit G).
- (b) Proposed form of Indenture dated as of November 1, 1994, between AMR and First National Bank of Chicago, as Trustee (Exhibit H).
- (c) Exchange Agent Agreement, dated October 14, 1994, between AMR and First Chicago Trust Company of New York, (Exhibit I) and Information Agent Agreement, dated October 14, 1994, between AMR and D.F. King & Co., Inc. (Exhibit J).
- (d) Tax opinion of Debevoise & Plimpton (Exhibit K).
- (e) Prospectus dated October 14, 1994 (Exhibit A).

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: October 14, 1994

AMR CORPORATION

By /s/Charles D. MarLett
Charles D. MarLett
Corporate Secretary

INDEX TO EXHIBITS

Exhibit -----	Description -----
A	Prospectus dated October 14, 1994
B	Proposed form of Letter of Transmittal
C	Proposed form of Notice of Guaranteed Delivery
D	Proposed form of Letter of Registered Holders and DTC Participants
E	Proposed form of Letter to Clients
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G	Proposed form of Press Release
H	Proposed form of Indenture
I	Exchange Agent Agreement
J	Information Agent Agreement
K	Tax Opinion of Debevoise & Plimpton

PROSPECTUS

AMR CORPORATION
OFFER TO EXCHANGE

6 1/8% CONVERTIBLE SUBORDINATED QUARTERLY INCOME CAPITAL SECURITIES DUE 2024

("CONVERTIBLE QUICSSM")
FOR SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK-----
THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M.,
NEW YORK CITY TIME, ON NOVEMBER 15, 1994, UNLESS EXTENDED.

AMR Corporation (the "Company"), a Delaware corporation, hereby offers, upon the terms and subject to the conditions set forth in this Prospectus (the "Prospectus") and the accompanying Letter of Transmittal (the "Letter of Transmittal" which, together with the Prospectus, constitute the "Exchange Offer"), to exchange up to \$1,100,000,000 aggregate principal amount of debentures designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures") for up to all shares of the outstanding Series A Cumulative Convertible Preferred Stock of the Company (the "Preferred Stock"). The Debentures are offered in minimum denominations of \$1,000 and integral multiples thereof, and the Preferred Stock has a liquidation preference of \$500 per share. Consequently, the Exchange Offer will be effected on a basis of \$1,000 principal amount of Debentures for every two (2) shares of Preferred Stock validly tendered and accepted for exchange. The Company will pay amounts of less than \$1,000 due to exchanging shareholders in cash, in lieu of issuing Debentures with a principal amount of less than \$1,000. The dividend on the Preferred Stock payable on November 1, 1994 will be payable to shareholders of record on October 14, 1994 regardless of when shares of the Preferred Stock are tendered pursuant to the Exchange Offer. Dividends accumulated after November 1, 1994 will not be paid on Preferred Stock accepted for exchange in the Exchange Offer. In lieu thereof, holders of Debentures will be entitled to interest from November 1, 1994, as described below.

Ownership of the Preferred Stock may be evidenced by certain \$3.00 Depositary Shares (the "Depositary Shares"). Each Depositary Share represents 1/10 of a share of Preferred Stock, and entitles the owner, proportionately, to all the rights and preferences of the Preferred Stock represented thereby. Either Depositary Shares or Preferred Stock may be tendered in the Exchange Offer. See "The Exchange Offer -- General".

The Company will accept for exchange Preferred Stock validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on November 15, 1994, or if extended by the Company, in its sole discretion, the latest date and time to which extended (the "Expiration Date"). The Exchange Offer will expire on the Expiration Date. Tenders of Preferred Stock may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after forty business days after the date of this Prospectus. The Company expressly reserves the right to (i) extend, amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company). See "The Exchange Offer -- Expiration Date; Extensions; Amendments; Termination".

The Debentures will mature on November 1, 2024 and will bear interest at an annual rate of 6 1/8% from the first day following the Expiration Date (the "Issue Date"). In addition, holders of the Debentures will be entitled to interest at a rate of 6% per annum from November 1, 1994 through the Expiration Date in lieu of dividends accumulating after November 1, 1994 on their Preferred Stock accepted for exchange, payable at the time of the first interest payment on the Debentures. Interest will be payable quarterly in arrears on February 1, May 1, August 1, and November 1 of each year, commencing February 1, 1995, provided that, so long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with New York Stock Exchange rules at any time during the term of the Debentures, to extend the interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters (each, an "Extension Period"). No interest shall be due and payable during an Extension Period, but at the end of each Extension Period the Company shall pay all interest then accrued and unpaid on the Debentures, together with interest thereon, compounded quarterly. Upon the termination of any Extension Period and the payment of all interest then due, the Company may commence a new Extension Period. After prior notice by public announcement given in accordance with New York Stock Exchange rules, the Company also may prepay at any time all or any portion of the interest accrued during an Extension Period. Consequently, there could be multiple Extension Periods of varying lengths (up to six Extension Periods of 20 consecutive calendar quarters each or more numerous shorter Extension Periods) throughout the term of the Debentures. The Company has no current intention of exercising its right to extend an interest payment period. However, should the Company determine to exercise such right in the future, the market price of the Debentures is likely to be affected. See "Special Considerations Relating to the Debentures" and "Description of Debentures -- Interest" and "-- Option to Extend Interest Payment Period".

Each Debenture is convertible at the option of the holder at any time after the date of original issuance thereof, unless previously redeemed, into shares of common stock, par value \$1.00 per share, of the Company (the "Common Stock"), at a conversion price of \$79.00 per share of Common Stock (equivalent to 12.658 shares of Common Stock per \$1,000 principal amount of Debentures converted). Such conversion price is subject to adjustment in certain events, including a Non-Stock Fundamental Change or Common Stock Fundamental Change (each as defined herein). See "Description of Debentures -- Conversion". On October 12, 1994, the last reported sale price of the Common Stock on the New York Stock Exchange was \$51 per share.

The Debentures are redeemable at any time after February 1, 1996 at the option of the Company, in whole or in part, initially at a redemption price of 104.2% of the principal amount of the Debentures redeemed, and thereafter at prices declining ratably to 100% of the principal amount of the Debentures redeemed from and after February 1, 2003, plus interest accrued and unpaid to the redemption date. No sinking fund will be established for the payment of the Debentures. See "Description of Debentures -- Redemption". The Debentures are unsecured obligations of the Company and will be subordinate to all Senior Indebtedness (as defined herein) of the Company. Because the Company is a holding company that conducts business through its subsidiaries, the Debentures are also effectively subordinated to all existing and future obligations of the Company's subsidiaries. On June 30, 1994, approximately \$6.6 billion of such Senior Indebtedness and approximately \$15.5 billion of additional indebtedness, leases and other obligations of the Company's subsidiaries not included in Senior Indebtedness were outstanding. See "Description of Debentures -- Subordination".

For federal income tax purposes, the exchange of Preferred Stock for Debentures will, depending upon each particular exchanging holder's facts and circumstances, be treated as either an exchange in which gain or loss is recognized or as a dividend, and the Debentures will be treated as having been issued with original issue discount. For a discussion of these and other United States federal income tax considerations relevant to the Exchange Offer, see "Certain Federal Income Tax Considerations" and "Certain Federal Tax Considerations for Non-United States Persons".

SEE "SPECIAL CONSIDERATIONS RELATING TO THE DEBENTURES" FOR A DISCUSSION OF CERTAIN FACTORS RELATING TO THE DEBENTURES THAT SHOULD BE CONSIDERED BY INVESTORS.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Debentures constitute a new issue of securities with no established trading market. While the Debentures have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, there can be no assurance that an active market for the Debentures will develop. The Depositary Shares, the Preferred Stock represented thereby and the Common Stock issuable upon conversion of such Preferred Stock have not been and will not be registered under the Securities Act of 1933 and are subject to certain restrictions on transfer provided for therein. Such restrictions will continue to apply to Depositary Shares, the Preferred Stock represented thereby and the Common Stock issuable upon conversion of such Preferred Stock that is not exchanged for Debentures. Moreover, to the extent that Preferred Stock or Depositary Shares are tendered and accepted in the Exchange Offer, a holder's ability to sell untendered Preferred Stock or Depositary Shares could be adversely affected.

Lehman Brothers and Goldman Sachs & Co. have been retained as Dealer Managers to solicit exchanges of Preferred Stock and Depositary Shares for Debentures. See "The Exchange Offer -- Dealer Managers". D.F. King & Co., Inc. has been retained by the Company to act as Information Agent to assist in connection with the Exchange Offer.

The Dealer Managers for the Exchange Offer are:
LEHMAN BROTHERS GOLDMAN, SACHS & CO.
The date of this Prospectus is October 14, 1994.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE EXCHANGE OFFER OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY EXCHANGE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE RESPECTIVE DATES AS OF WHICH INFORMATION IS GIVEN HEREIN. THE EXCHANGE OFFER IS NOT BEING MADE TO (NOR WILL TENDERS BE ACCEPTED FROM OR ON BEHALF OF) HOLDERS OF PREFERRED STOCK IN ANY JURISDICTION IN WHICH THE MAKING OF THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE LAWS OF SUCH JURISDICTION. HOWEVER, THE COMPANY MAY, AT ITS DISCRETION, TAKE SUCH ACTION AS IT MAY DEEM NECESSARY TO MAKE THE EXCHANGE OFFER IN ANY SUCH JURISDICTION AND EXTEND THE EXCHANGE OFFER TO HOLDERS OF PREFERRED STOCK IN SUCH JURISDICTION. IN ANY JURISDICTION THE SECURITIES LAWS OR BLUE SKY LAWS OF WHICH REQUIRE THE EXCHANGE OFFER TO BE MADE BY A LICENSED BROKER OR DEALER, THE EXCHANGE OFFER IS BEING MADE ON BEHALF OF THE COMPANY BY THE DEALER MANAGERS OR ONE OR MORE REGISTERED BROKERS OR DEALERS WHICH ARE LICENSED UNDER THE LAWS OF SUCH JURISDICTION.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information concerning the Company can be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, Room 1024; Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and 7 World Trade Center, Suite 1300, New York, New York 10048. Copies of such material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such material can also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, N.Y. 10005.

This Prospectus constitutes a part of a registration statement on Form S-4 (together with all amendments and exhibits, the "Registration Statement") filed by the Company with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all of the information included in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. Statements contained herein concerning the provisions of any document do not purport to be complete and, in each instance, are qualified in all respects by reference to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission. Each such statement is subject to and qualified in its entirety by such reference. Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the securities offered hereby.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission and are incorporated herein by reference:

1. The Company's Annual Report on Form 10-K for the year ended December 31, 1993.
2. The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1994 and June 30, 1994.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified and superseded, to constitute a part of this Prospectus.

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE WHICH ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON, INCLUDING ANY BENEFICIAL OWNER OF THE PREFERRED STOCK, TO WHOM THIS PROSPECTUS IS DELIVERED, UPON THE WRITTEN OR ORAL REQUEST OF SUCH PERSON, A COPY OF ANY OR ALL OF THE FOREGOING DOCUMENTS INCORPORATED HEREIN BY REFERENCE, OTHER THAN EXHIBITS TO SUCH DOCUMENTS (UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE INTO SUCH DOCUMENTS). REQUESTS FOR SUCH DOCUMENTS SHOULD BE DIRECTED TO THE CORPORATE SECRETARY OF THE COMPANY AT P.O. BOX 619616, MAIL DROP 5675, DALLAS/FORT WORTH AIRPORT, TEXAS 75261-9616 (TELEPHONE 817-963-1234). IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE NOT LATER THAN FIVE BUSINESS DAYS PRIOR TO THE EXPIRATION DATE.

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PROSPECTUS SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by the detailed information contained elsewhere in this Prospectus. Unless the context otherwise requires, references herein to the Company's Series A Cumulative Convertible Preferred Stock (the "Preferred Stock") shall include Preferred Stock represented by certain \$3.00 Depositary Shares (evidenced by depositary receipts) (the "Depositary Shares") issued pursuant to the Deposit Agreement, dated February 4, 1993 (the "Deposit Agreement"), among the Company, First Chicago Trust Company of New York (in such capacity, the "Depositary") and holders from time to time of depositary receipts issued thereunder. Each Depositary Share represents 1/10 of a share of Preferred Stock and entitles the owner, proportionately, to all the rights and preferences of the Preferred Stock represented thereby. Either Depositary Shares or Preferred Stock may be tendered in the Exchange Offer. See "The Exchange Offer -- General".

THE COMPANY

The Company has three business units: the Air Transportation Group; The SABRE Group; and the AMR Management Services Group. The Air Transportation Group includes the Passenger and Cargo Divisions of American Airlines, Inc. ("American"), the Company's principal subsidiary, and AMR Eagle, Inc. American's passenger division is one of the largest scheduled passenger airlines in the world. The SABRE Group includes the Company's information technology businesses. The AMR Management Services Group includes the Company's airline management, aviation services, training, consulting, and investment service activities. See "The Company" and "Recent Developments".

THE EXCHANGE OFFER

PURPOSE OF EXCHANGE OFFER

The principal purpose of the Exchange Offer is to improve the Company's after-tax cash flow by replacing the Preferred Stock with the Debentures. The potential cash flow benefit to the Company arises because interest payable on the Debentures should be deductible by the Company for federal income tax purposes, while dividends payable on the Preferred Stock are not deductible. See "The Exchange Offer -- Purpose of the Exchange Offer."

THE EXCHANGE OFFER; SECURITIES OFFERED

Upon the terms and subject to the conditions set forth herein and in the Letter of Transmittal, the Company hereby offers to exchange up to \$1,100,000,000 aggregate principal amount of debentures designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures") for up to all of the outstanding shares of Preferred Stock. Exchanges will be made on a basis of \$1,000 principal amount of Debentures (the minimum permitted denomination) for every two (2) shares of Preferred Stock validly tendered and accepted for exchange in the Exchange Offer. The Company will pay amounts of less than \$1,000 due to any exchanging shareholder in cash, in lieu of issuing Debentures with a principal amount of less than \$1,000. See "The Exchange Offer -- Terms of the Exchange Offer".

The Debentures will mature on November 1, 2024 and will bear interest at an annual rate of 6 1/8% from the first day following the Expiration Date (the "Issue Date") or from the most recent interest payment date to which interest has been paid or duly provided for. Interest will be payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 1995, provided that, so long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with New York Stock Exchange rules at any time during the term of the Debentures, to extend the interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters. The Company has no current intention of exercising its right to extend an interest payment period. However, should the Company determine to exercise such right in the future, the market price of the Debentures is likely to be affected. See "Special Considerations Relating to the Debentures" and "Description of Debentures -- Option to Extend Interest Payment Period."

The dividend on the Preferred Stock payable on November 1, 1994 will be payable to shareholders of record on October 14, 1994, regardless of when shares of the Preferred Stock are tendered pursuant to the Exchange Offer. Dividends accumulated after November 1, 1994 will not be paid on Preferred Stock accepted for exchange in the Exchange Offer. In lieu thereof, holders of the Debentures will be entitled to interest at a rate of 6% per annum from November 1, 1994 through the Expiration Date, payable at the time of the first interest payment on the Debentures. The Debentures will be issued pursuant to an indenture, to be dated as of November 1, 1994, between the Company and The First National Bank of Chicago, as trustee. See "Description of Debentures".

EXPIRATION DATE; WITHDRAWALS

The Company will accept for exchange Preferred Stock, validly tendered and not withdrawn prior to 5:00 p.m., New York City time, on November 15, 1994, or if extended by the Company, in its sole discretion, the latest date and time to which extended (the "Expiration Date"). The Exchange Offer will expire on the Expiration Date. Tenders of Preferred Stock pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after forty business days after the date of this Prospectus. See "The Exchange Offer -- Withdrawal of Tenders" and "-- Expiration Date; Extensions; Amendments; Termination".

EXTENSIONS, AMENDMENTS AND TERMINATION

The Company expressly reserves the right to (i) extend, amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company). See "The Exchange Offer -- Expiration Date; Extensions; Amendments; Termination".

PROCEDURES FOR TENDERING

Each Holder of the Preferred Stock wishing to accept the Exchange Offer must (i) properly complete and sign the Letter of Transmittal or a facsimile thereof (all references in this Prospectus to the Letter of Transmittal shall be deemed to include a facsimile thereof) in accordance with the instructions contained herein and therein, together with any required signature guarantees, and deliver the same to the First Chicago Trust Company of New York, as Exchange Agent, at either of its addresses set forth in "The Exchange Offer -- Exchange Agent and Information Agent" and either (a) certificates for the Preferred Stock must be received by the Exchange Agent at such address or (b) such Preferred Stock must be transferred pursuant to the procedures for book-entry transfer described herein and a confirmation of such book-entry transfer must be received by the Exchange Agent, in each case prior to the Expiration Date or (ii) comply with the guaranteed delivery procedures described herein.

Holder of Depositary Shares may effect a tender of the underlying Preferred Stock by tendering such Depositary Shares to the Exchange Agent who, as agent for tendering holders, will withdraw such underlying Preferred Stock and tender it in the Exchange Offer. When tendering Depositary Shares, holders must comply with all of the documentation and timing requirements applicable to tenders of Preferred Stock described herein and in the Letter of Transmittal. The Exchange Agent will not withdraw Preferred Stock underlying Depositary Shares tendered in the Exchange Offer unless such Preferred Stock is to be accepted for exchange by the Company. See "The Exchange Offer -- General" and "-- Procedures for Tendering".

SPECIAL PROCEDURE FOR BENEFICIAL OWNERS

Any beneficial owner whose Preferred Stock is registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on its own behalf, such owner must, prior to completing and executing a Letter of Transmittal and delivering its Preferred Stock, either make appropriate arrangements to register ownership of the Preferred Stock in such owner's name or obtain a properly completed stock power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the Expiration Date. See "The Exchange Offer -- Procedures for Tendering -- Signature Guarantee".

GUARANTEED DELIVERY PROCEDURES

If a Holder desires to accept the Exchange Offer and time will not permit a Letter of Transmittal or Preferred Stock to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected in accordance with the guaranteed delivery procedures set forth in "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery".

ACCEPTANCE OF SHARES AND DELIVERY OF DEBENTURES

Upon the terms and subject to the conditions of the Exchange Offer, including the reservation by the Company of the right to withdraw or terminate the Exchange Offer and certain other rights, the Company will accept for exchange shares of Preferred Stock that are properly tendered in the Exchange Offer and not withdrawn prior to the Expiration Date. Subject to such terms and conditions, the Debentures issued pursuant to the Exchange Offer will be issued as of the Issue Date and will be delivered as promptly as practicable following the Expiration Date. See "The Exchange Offer -- Terms of the Exchange Offer" and "-- Expiration Date; Extensions; Amendments; Termination".

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The exchange of Preferred Stock for Debentures pursuant to the Exchange Offer will be a taxable event. Depending on each exchanging shareholder's particular facts and circumstances, the exchange may be treated as (i) a transaction in which gain or loss will be recognized in an amount equal to the difference between the fair market value of the Debentures received in the exchange and the exchanging shareholder's tax basis in the shares of Preferred Stock surrendered or (ii) a distribution taxable as a dividend in an amount equal to the fair market value of the Debentures received by such exchanging shareholder. See "Certain Federal Income Considerations" and "Certain Federal Tax Considerations for Non-United States Persons".

In the event an Extension Period occurs, holders of the Debentures would continue under the original issue discount rules to accrue income corresponding to stated interest on the Debentures for United States federal income tax purposes. As a result, a holder ordinarily would include such amounts in gross income in advance of the receipt of cash. A holder that disposes of its Debentures prior to the record date for payment of interest at the end of an Extension Period will not receive cash from the Company related to such interest because such interest will be paid to the holder of record on such record date, regardless of who the holders of record may have been on other dates during the Extension Period. The extent to which such a holder would receive a return on the Debentures for the period it held such Debentures will depend on the market for the Debentures at the time of disposition. In addition, under the original issue discount rules, a holder will, in effect, be required to accrue the difference between the fair market value of the Debentures at the time of the exchange and the stated principal amount as interest income over the term of the Debentures. See "Certain Federal Income Tax Considerations -- Interest and Original Issue Discount on Debentures."

UNTENDERED SHARES

Holders of Preferred Stock who do not tender their Preferred Stock in the Exchange Offer or whose Preferred Stock is not accepted for exchange (including, without limitation, as a result of the proration referred to below) will continue to hold such Preferred Stock and will be entitled to all the rights and preferences, and will be subject to all of the limitations, applicable thereto, including without limitation the existing restrictions on transfer under the Securities Act. See "The Exchange Offer -- Listing and Trading of Debentures and Preferred Stock; Transfer Restrictions."

EXCHANGE AGENT AND INFORMATION AGENT

First Chicago Trust Company of New York has been appointed as Exchange Agent in connection with the Exchange Offer. 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 D.F. King & Co., Inc., which has been retained by the Company to act as Information Agent for the Exchange Offer. The address and telephone number of the Information Agent are set forth in "The Exchange Offer -- Exchange Agent and Information Agent".

DEALER MANAGERS

Lehman Brothers and Goldman, Sachs & Co. have been retained as Dealer Managers to solicit exchanges of Preferred Stock for Debentures. Questions with respect to the Exchange Offer may be directed to Lehman Brothers, Equity Syndicate Desk at (800) 524-4462 and to Goldman, Sachs & Co. at (800) 323-5678.

COMPARISON OF DEBENTURES AND PREFERRED STOCK

The following is a brief summary comparison of certain of the principal terms of the Debentures and the Preferred Stock.

	DEBENTURES	PREFERRED STOCK
Interest/Dividend Rate	6 1/8% annual interest from the Issue Date (6% per annum for the period from and including November 1, 1994 through the Expiration Date) payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 1995, subject to the Company's right to extend the interest payment period from time to time to a period of up to 20 consecutive calendar quarters, as described herein. At the end of each Extension Period the Company shall pay to the holders all interest then accrued and unpaid, together with interest thereon, compounded quarterly, at the rate of interest on the Debentures.	6% annual dividend, payable quarterly out of funds legally available therefor on February 1, May 1, August 1 and November 1 of each year, when, as and if declared by the Company's Board of Directors. All dividends on the Preferred Stock have been paid to date and the Company has declared the dividend payable on November 1, 1994 to holders of record on October 14, 1994. In the event dividends are not paid on a dividend payment date in the future, holders would not be entitled to receive interest on any dividend arrearages.
Conversion	Convertible into Common Stock at a conversion price of \$79.00 per share of Common Stock (equivalent to 12.658 shares of Common Stock per \$1,000 principal amount of Debentures converted), subject to adjustment as described herein.	Convertible into Common Stock at a conversion price of \$78.75 per share of Common Stock (equivalent to 6.349 shares of Common Stock per \$500 liquidation preference of Preferred Stock converted), subject to adjustment as described herein.
Optional Redemption	Redeemable at the option of the Company at any time on or after February 1, 1996, in whole or in part, initially at a redemption price of 104.2% of the principal amount of the Debentures redeemed, declining ratably to 100% of the principal amount of the Debentures redeemed from and after February 1, 2003, in each case plus accrued and unpaid interest to the date fixed for redemption.	Redeemable at the option of the Company at any time on or after February 1, 1996, in whole or in part, initially at a redemption price of 104.2% of the liquidation preference of the Preferred Stock redeemed, declining ratably to 100% of the liquidation preference of the Preferred Stock redeemed from and after February 1, 2003, in each case plus accumulated and unpaid dividends to the date fixed for redemption.
Subordination	Subordinated to all existing and future Senior Indebtedness of the Company, and effectively subordinated to all obligations of the Company's subsidiaries, but senior to preferred stock of the Company, including the Preferred Stock, and to the Common Stock. On June 30, 1994, approximately \$6.6 billion of such Senior Indebtedness and approximately \$15.5 billion of additional indebtedness, leases and other obligations of the Company's subsidiaries not included in Senior Indebtedness were outstanding.	Subordinate to claims of creditors, including holders of the Company's outstanding debt securities and the Debentures, and effectively subordinated to all obligations of the Company's subsidiaries, but senior to the Common Stock.
Voting Rights	None.	None, except in certain circumstances.
Transfer Restrictions; New York Stock Exchange Listing	The Debentures and the Common Stock issuable upon conversion thereof will be registered under the Securities Act and will be transferable to the extent permitted thereunder. The Debentures have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.	The Depositary Shares, the Preferred Stock represented thereby and the Common Stock issuable upon conversion of such Preferred Stock have not been and will not be registered under the Securities Act and have not been and will not be listed on the New York Stock Exchange. The Depositary Shares, the Preferred Stock represented thereby and such Common Stock are subject to certain significant restrictions on their transfer under the Securities Act, and unexchanged Depositary Shares, Preferred Stock and Common Stock issued upon conversion thereof will remain subject to such transfer restrictions.
Dividends Received Deduction	Interest will not be eligible for the dividends received deduction for corporate shareholders.	Dividends are eligible for the dividends received deduction for corporate shareholders.

SPECIAL CONSIDERATIONS RELATING TO THE DEBENTURES

Prospective exchanging shareholders should carefully consider, in addition to the other information set forth under "Recent Operating Results and Developments" and elsewhere in this Prospectus, the following:

EXCHANGE OFFER AS TAXABLE EVENT

The exchange of Preferred Stock for Debentures pursuant to the Exchange Offer will be a taxable event. Depending on each exchanging shareholder's particular facts and circumstances, the exchange may be treated as (i) a transaction in which gain or loss will be recognized in an amount equal to the difference between the fair market value of the Debentures received in the exchange and the exchanging shareholder's tax basis in the shares of Preferred Stock surrendered or (ii) a distribution taxable as a dividend in an amount equal to the fair market value of the Debentures received by such exchanging shareholder. See "Certain Federal Income Tax Considerations" and "Certain Federal Tax Considerations for Non-United States Persons." All holders of Preferred Stock are advised to consult their own tax advisors regarding the federal, state, local and foreign tax consequences of the exchange of Preferred Stock.

RIGHT OF COMPANY TO DEFER INTEREST

So long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with New York Stock Exchange rules at any time during the term of the Debentures, to extend the interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters (each, an "Extension Period"). No interest shall be due and payable during an Extension Period, but on the interest payment date occurring at the end of each Extension Period the Company shall pay to the holders of record on the record date for such interest payment date (regardless of who the holders of record may have been on other dates during the Extension Period) all accrued and unpaid interest on the Debentures, together with interest thereon, compounded quarterly.

Upon the termination of any Extension Period and the payment of all interest then due, the Company may commence a new Extension Period. After prior notice given by public announcement in accordance with New York Stock Exchange rules, the Company may also prepay at any time all or a portion of the interest accrued during an Extension Period. Consequently, there could be multiple Extension Periods of varying lengths (up to six Extension Periods of 20 consecutive calendar quarters each or more numerous shorter Extension Periods) throughout the term of the Debentures. See "Description of Debentures -- Option to Extend Interest Payment Period."

The Company has no current intention of exercising its right to defer an interest payment period.

POTENTIAL MARKET VOLATILITY DURING EXTENSION PERIOD

As described above, the Company has the right to extend an interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters. In the event the Company determines to extend an interest payment period, or in the event the Company thereafter extends an Extension Period or prepays interest accrued during an Extension Period as described above, the market price of the Debentures is likely to be affected. In addition, as a result of such rights, the market price of the Debentures may be more volatile than other debt instruments with original issue discount that do not have such rights. A holder that disposes of its Debentures during an Extension Period, therefore, may not receive the same return on its investment as a holder that continues to hold its Debentures. See "Description of Debentures -- Option to Extend Interest Payment Period."

NO CASH PAYMENTS DURING EXTENSION PERIOD TO PAY ACCRUED TAX LIABILITY

In the event an Extension Period occurs, holders of the Debentures would continue under the original issue discount rules to accrue income corresponding to stated interest on the Debentures for United States federal income tax purposes. As a result, a holder ordinarily would include such amounts in gross income in

advance of the receipt of cash. A holder that disposes of its Debentures prior to the record date for payment of interest at the end of an Extension Period will not receive cash from the Company related to such interest because such interest will be paid to the holder of record on such record date, regardless of who the holders of record may have been on other dates during the Extension Period. The extent to which such a holder would receive a return on the Debentures for the period it held such Debentures will depend on the market for the Debentures at the time of disposition. See "Certain Federal Income Tax Considerations -- Interest and Original Issue Discount on Debentures."

ORIGINAL ISSUE DISCOUNT

Under the original issue discount rules, a holder will, in effect, be required to accrue the difference between the fair market value of the Debentures at the time of the exchange and the stated principal amount as interest income over the term of the Debentures. See "Certain Federal Income Tax Considerations -- Interest and Original Issue Discount on Debentures."

SUBORDINATION OF DEBENTURES

The Debentures are unsecured obligations of the Company and will be subordinate to all Senior Indebtedness (as defined) of the Company. Because the Company is a holding company that conducts business through its subsidiaries, the Debentures will also be effectively subordinated to all existing and future obligations of the Company's subsidiaries. On June 30, 1994, approximately \$6.6 billion of such Senior Indebtedness and approximately \$15.5 billion of additional indebtedness, leases and other obligations of the Company's subsidiaries not included in Senior Indebtedness were outstanding. See "Description of Debentures -- Subordination."

THE COMPANY

The Company was incorporated in 1982 and its principal subsidiary, American, was founded in 1934. The Company's three business units are the Air Transportation Group, The SABRE Group and the AMR Management Services Group.

The Air Transportation Group includes American's Passenger and Cargo Divisions and AMR Eagle, Inc. American's Passenger Division is one of the largest scheduled passenger airlines in the world. At the end of 1993, American provided scheduled jet service to 106 cities in the U.S. mainland and Hawaii, 28 in Latin America, 14 in Europe and 24 other destinations worldwide, including service to six cities provided through cooperative agreements with other airlines.

The SABRE Group includes the Company's information technology business. The AMR Management Services Group includes the Company's airline management, aviation services, training, consulting, and investment service activities.

More detailed descriptions of the Company's three business units, and their recent operating results, are included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 1994.

RECENT OPERATING RESULTS AND DEVELOPMENTS

GENERAL

The Company incurred aggregate net losses during the period from 1990 through 1993 of \$1.325 billion. (See "Selected Consolidated Financial Data".) During 1993, the Company completed a comprehensive review of the competitive realities of its businesses and determined that the Company must change significantly to generate sufficient earnings. The fundamental problems of the airline -- increasing competition from low-cost, low-fare carriers, its inability to reduce labor costs to competitive levels, and the changing values of its customers -- demand new solutions. As an initial response to that need, the Company created and began implementing a new strategic framework known as the Transition Plan. The plan has three parts, each intended to improve the Company's results. First, make the core airline business bigger and stronger where economically justified. Second, and conversely, shrink the airline where it cannot compete profitably. Third, reallocate resources and effort to the growing information and management services businesses, which are more profitable than the airline.

The Transition Plan recognizes the unfavorable and uncertain economics which characterized the core airline business in recent years, acknowledges the airline cost problem and seeks to maximize the contribution of the Company's more profitable businesses. In 1994, the Company has continued the course of change initiated in 1993 under the Transition Plan. Over the long term, the Company will continue its best efforts to reduce airline costs and to restore the airline operations to profitability. Based upon the success or failure of those efforts, the Company will make ongoing determinations as to the appropriate degree of reallocation of resources from the airline operations to the Company's other businesses, which may include, if the airline cannot be run profitably, the disposition or termination, over the long term, of a substantial part or all of the airline operations.

1994 RESULTS OF OPERATIONS

The Company recorded net earnings of \$146 million (\$1.48 per common share, both primary and fully diluted) for the six month period ended June 30, 1994 compared with the net earnings of \$25 million (\$0.03 loss per common share, both primary and fully diluted) for the same period of 1993. The Company's operating income improved 16.7 percent to \$560 million.

The Company's results for the six months ended June 30, 1994 included a \$35 million positive adjustment (\$22 million after tax) to passenger revenues produced by a change in the Company's estimate of the usage patterns of miles sold to participating companies in American's AAdvantage frequent flyer program. The results for the six months ended June 30, 1993 included a positive \$115 million adjustment (\$67 million net of related commission expense and taxes) to passenger revenues for a change in estimate related to certain earned passenger revenues and a \$125 million charge (\$79 million after tax) for the retirement of 31 McDonnell Douglas DC-10 aircraft.

The improvement of the Company's results reflected better performance by two of the Company's three business units -- the Air Transportation Group, which includes American's Passenger and Cargo divisions and AMR Eagle, Inc.; and The SABRE Group, which includes AMR's information technology businesses. The Company's third business unit is the Management Services Group, which includes the Company's airline management, aviation services, training, consulting, and investment service activities.

Air Transportation Group. American's passenger revenues decreased 4.8 percent, \$316 million, in the first six months of 1994. Passenger revenue yield per passenger mile decreased 2.3 percent to 13.44 cents in 1994. Excluding the impact of the passenger revenue adjustments mentioned previously, yield would have decreased 1.1 percent. Revenue passenger miles decreased 2.5 percent while available seat miles (ASMs) fell 7.1 percent, resulting in an improvement of 2.9 points in the passenger load factor. As a result, American's passenger revenue per ASM increased by 2.4 percent.

The decrease in American's ASMs is the result of retiring 71 aircraft (31 McDonnell Douglas DC-10 and 40 Boeing 727 aircraft) and subleasing two McDonnell Douglas MD-11 aircraft, partially offset by the addition of 35 new aircraft (24 Fokker F100, seven Boeing 757, and four Boeing 767 aircraft) since June 30, 1993.

For the first six months of 1994 compared to the same period in 1993, American's domestic traffic decreased 4.1 percent on capacity reductions of 7.8 percent and international traffic grew 1.7 percent on a capacity reduction of 5.0 percent. The change in international traffic was driven by an 8.8 percent growth in Latin America with capacity growth of 0.4 percent, offset by a 4.5 percent decrease in traffic to Europe primarily driven by a capacity reduction of 10.9 percent.

Passenger revenues of the AMR Eagle carriers increased 12.5 percent, \$43 million, primarily due to the expansion of regional operations into larger markets. Traffic on the AMR Eagle carriers increased 21.0 percent, while capacity grew 14.3 percent.

Cargo revenues increased 1.6 percent, \$5 million, driven by a 7.2 percent increase in American's domestic and international cargo volumes, partially offset by a decrease in yields of 4.4 percent brought about by strong price competition resulting from excess industry capacity.

American's capacity or ASMs decreased 7.1 percent in the first six months of 1994 primarily as a result of the fleet changes mentioned previously. Air Transportation Group's operating expenses decreased 3.8 percent, \$278 million. Because capacity decreased more rapidly than expenses, American's passenger division cost per ASM increased by 2.0 percent to 8.51 cents. Wages, salaries and benefits rose 0.9 percent, \$21 million, due primarily to salary adjustments for existing employees, partially offset by a 3.8 percent reduction in the average number of equivalent employees. Aircraft fuel expense decreased 19.3 percent, \$187 million, due to an 11.8 percent decrease in American's average price per gallon, combined with a 9.1 percent decrease in gallons consumed by American. Commissions to agents decreased 6.5 percent, \$46 million, due principally to decreased passenger revenues. New aircraft acquisitions and other capital improvements, raised depreciation and amortization costs 7.3 percent, \$36 million. Other operating expenses, consisting of aircraft rentals, other rentals and landing fees, food service costs, maintenance costs and other miscellaneous operating expenses decreased 3.9 percent, \$102 million, primarily due to lower maintenance costs as a result of retiring older jet aircraft from the fleet and increased operating efficiencies. In addition, food costs and landing fees fell as a result of declines in traffic and capacity, respectively.

The SABRE Group. Revenues for The SABRE Group increased 14.3 percent, \$97 million, primarily due to increased booking fee revenues resulting from growth in booking volumes, increases in average fees per booking collected from participating vendors and the introduction of a premium product. Wages, salaries and benefits increased 19.1 percent, \$39 million, due to wage and salary increases and a 7.3 percent increase in the average number of equivalent employees. Other operating expenses increased 2.6 percent, \$6 million, due to higher incentive payments to travel agents partially offset by a decrease in maintenance costs on computer equipment.

AMR Management Services Group. Revenues for the AMR Management Services Group increased 22.3 percent, \$47 million. AMR Services' revenues increased 20.5 percent to \$165 million, primarily as a result of strong domestic fuel and deicing service sales, expansion of European operations, and the acquisition of an additional domestic fixed-base operator in November 1993. Americas Ground Services, which began operations in the second quarter of 1993, contributed \$13 million in revenues. Revenues of AMR Training and Consulting Group, which began operations in the first quarter of 1993, increased by approximately \$14 million in the first six months of 1994. Wages, salaries and benefits increased 56.0 percent, \$28 million, due primarily to a 38.5 percent increase in the average number of equivalent employees. Other operating expenses increased 12.1 percent, \$17 million, due primarily to the startup of operations for Americas Ground Services and AMR Training and Consulting Group and the expansion of AMR Services.

RECENT DEVELOPMENTS

In November 1993, American endured a five-day strike by its flight attendants' union; the strike ended when both sides agreed to binding arbitration. The arbitration process is expected to be complex and will likely not be decided for several months. While the ultimate outcome is uncertain, the new contract will likely result in higher unit labor costs.

American's labor contract with its pilots' union became amendable on August 31, 1994. The Company and the union leadership have commenced negotiations. The ultimate outcome of these negotiations cannot be estimated at this time.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The Common Stock is listed on the New York Stock Exchange (the "NYSE") and traded under the symbol AMR. The following table sets forth, for the calendar periods indicated, the high and low closing sales prices per share of the Common Stock as reported on the NYSE Composite Tape. The last reported sale price of the Common Stock on the NYSE on October 12, 1994 was \$51 per share.

	HIGH -----	LOW -----
1991		
1st Quarter.....	\$62 1/4	\$44 3/8
2nd Quarter.....	67 3/4	57 1/4
3rd Quarter.....	66 1/2	55 7/8
4th Quarter.....	70 1/2	54 3/4
1992		
1st Quarter.....	\$79 1/4	\$69 3/8
2nd Quarter.....	73	61 6/8
3rd Quarter.....	66 7/8	55 1/4
4th Quarter.....	67 1/2	55
1993		
1st Quarter.....	\$69 5/8	\$55 5/8
2nd Quarter.....	72 5/8	60 1/2
3rd Quarter.....	67 5/8	59 5/8
4th Quarter.....	71 3/4	63 7/8
1994		
1st Quarter.....	\$71 3/4	\$56 1/2
2nd Quarter.....	60 3/4	52 1/4
3rd Quarter.....	62 7/8	50 3/4
4th Quarter (through October 12, 1994).....	51 3/4	48 1/8

On February 13, 1986, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of the Common Stock to stockholders of record on February 24, 1986. See "Description of Rights and Junior Preferred Stock." Except for such dividend, no dividends have been paid on the Common Stock and, prior to October 1, 1982 (the date as of which the Company became the parent of American), no dividends had been paid on the common stock of American after the first quarter of 1980.

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND
PREFERRED STOCK DIVIDENDS

The following table sets forth the ratio of earnings to combined fixed charges and preferred stock dividends for the Company for the periods indicated. Earnings represent consolidated earnings (loss) before income taxes and the cumulative effect of accounting changes and fixed charges (excluding interest capitalized). Fixed charges consist of interest and the portion of rental expense deemed representative of the interest factor. The preferred stock dividend requirements were assumed to be equal to the pre-tax earnings that would be required to cover such dividend requirements. The amount of such pre-tax earnings required to cover preferred stock dividends was computed using the Company's effective tax rate for the applicable year. During 1989, the Company redeemed all the outstanding shares of no par preferred auction rate stock issued in 1987. The Company had no preferred stock outstanding from the end of 1989 until the issuance of the Preferred Stock in 1993.

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1989	1990	1991	1992	1993	1993	1994
Ratio of earnings to combined fixed charges and preferred stock dividends.....	2.11	(a)	(a)	(a)	(a)	(a)	1.26
	=====	=====	=====	=====	=====	=====	=====

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(a) Earnings were inadequate to cover combined fixed charges and preferred stock dividends by \$150 million for the year ended December 31, 1990; by \$499 million for the year ended December 31, 1991; by \$798 million for the year ended December 31, 1992; by \$224 million for the year ended December 31, 1993; and by \$34 million for the six months ended June 30, 1993.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at June 30, 1994 and as adjusted to give effect to the Exchange Offer (assuming that 50% and 100% of the outstanding shares of the Preferred Stock are exchanged). The financial data at June 30, 1994 in the following table are derived from the Company's unaudited financial statements for the quarter ended June 30, 1994.

	JUNE 30, 1994	AS ADJUSTED ASSUMING	
		50% EXCHANGE	100% EXCHANGE
	-----	-----	-----
		(IN MILLIONS)	
INDEBTEDNESS(1)			
Current maturities of long-term debt.....	\$ 61	\$ 61	\$ 61
Current obligations under capital leases.....	128	128	128
Long-term debt, less current maturities.....	5,441	5,441	5,441
Obligations under capital leases, less current obligations.....	2,269	2,269	2,269
Debentures(2).....	--	550	1,100
	-----	-----	-----
Total Indebtedness.....	7,899	8,449	8,999
	-----	-----	-----
STOCKHOLDERS' EQUITY(1)			
Series A Cumulative Convertible Preferred Stock.....	1,081	541	0
Common stock-76 million shares issued and outstanding...	76	76	76
Additional paid-in capital.....	2,038	2,028	2,019
Retained earnings.....	1,204	1,204	1,204
	-----	-----	-----
Total Stockholders' Equity.....	4,399	3,849	3,299
	-----	-----	-----
Total Capitalization.....	\$ 12,298	\$ 12,298	\$12,298
	=====	=====	=====

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(1) For additional information regarding obligations under capital leases, long-term debt (including repayment requirements), Preferred Stock, Common Stock and retained earnings, see notes 4, 5, 6, 8 and 9 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1993. See "Incorporation of Certain Documents by Reference".

(2) The amounts shown for the Debentures are based on their aggregate principal amount. After the consummation of the Exchange Offer, the amounts shown for the Debentures on the consolidated financial statements of the Company will be based on the fair market value of the Debentures at the time of their issuance, which is expected to be less than such aggregate principal amount.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data in the table below for each of the five years in the period ended December 31, 1993 have been derived from audited consolidated financial statements of the Company previously filed with the Commission. The selected consolidated financial data in the table below as of June 30, 1994 and for the six months ended June 30, 1993 and 1994 are unaudited but in the opinion of management include all adjustments necessary for a fair presentation. The following information should be read in conjunction with the consolidated financial statements and related notes of the Company included, or incorporated by reference, in its reports filed under the Exchange Act that are incorporated by reference herein. See "Incorporation of Certain Documents by Reference."

	YEAR ENDED DECEMBER 31,					SIX MONTHS ENDED JUNE 30,	
	1989	1990	1991	1992(1)	1993	1993	1994
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)							
SELECTED CONSOLIDATED OPERATING DATA(2):							
Total operating revenues.....	\$10,480	\$11,720	\$12,887	\$14,396	\$15,816	\$8,026	\$7,909
Total operating expenses.....	9,736	11,596	12,882	14,421	15,126	7,546	7,349
Operating income (loss).....	744	124	5	(25)	690	480	560
Earnings (loss) before extraordinary loss and cumulative effect of accounting changes.....	455	(40)	(240)	(475)	(96)	25	146
Earnings (loss) before cumulative effect of accounting changes....	455	(40)	(240)	(475)	(110)	25	146
Net earnings (loss).....	455	(40)	(240)	(935)	(110)	25	146
Earnings (loss) per common share before extraordinary loss and cumulative effect of accounting changes:							
Primary.....	7.16	(0.64)	(3.54)	(6.35)	(2.05)	(0.03)	1.48
Fully diluted.....	7.15	(0.64)	(3.54)	(6.35)	(2.05)	(0.03)	1.48
Net earnings (loss) per common share:							
Primary.....	7.16	(0.64)	(3.54)	(12.49)	(2.23)	(0.03)	1.48
Fully diluted.....	7.15	(0.64)	(3.54)	(12.49)	(2.23)	(0.03)	1.48

	DECEMBER 31,					JUNE 30,
	1989	1990	1991	1992(1)	1993	1994
(IN MILLIONS EXCEPT PER SHARE AMOUNTS)						
SELECTED CONSOLIDATED BALANCE SHEET DATA(2):						
Total assets.....	\$10,877	\$13,354	\$16,208	\$18,706	\$19,326	\$ 19,867
Long-term debt, less current maturities.....	809	1,674	3,951	5,643	5,431	5,441
Obligations under capital leases, less current obligations.....	1,497	1,598	1,928	2,195	2,123	2,269
Obligation for postretirement benefits.....	--	--	--	1,006	1,090	1,058
Preferred stock.....	--	--	--	--	1,081	1,081
Common stock and other stockholders' equity.....	3,766	3,727	3,794	3,349	3,195	3,318
Common shares outstanding at end of period.....	62	62	68	75	76	76
Book value per common share.....	60.50	59.82	55.50	44.41	42.17	43.74

(1) Effective January 1, 1992, the Company adopted Statements of Financial Accounting Standards No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions," and No. 109, "Accounting for Income Taxes."

(2) No dividends were declared on common shares during any of the periods above.

THE EXCHANGE OFFER

GENERAL

Participation in the Exchange Offer is voluntary and Holders (as defined below) should carefully consider whether to accept. Neither the Board of Directors nor the Company makes any recommendation to Holders as to whether to tender or refrain from tendering in the Exchange Offer. Holders of the Preferred Stock are urged to consult their financial and tax advisors in making their own decisions on what action to take in light of their own particular circumstances.

Unless the context otherwise requires, all references in this section and throughout this Prospectus to Preferred Stock shall include Preferred Stock represented by Depositary Shares. Holders of Depositary Shares may effect tenders of the underlying Preferred Stock in the Exchange Offer by tendering such Depositary Shares to the Exchange Agent who, as agent for such tendering Holders, will withdraw such underlying Preferred Stock and tender it in the Exchange Offer. When tendering Depositary Shares, Holders must comply with all of the documentation and timing requirements applicable to tenders of Preferred Stock described herein and in the Letter of Transmittal. The Exchange Agent will not withdraw Preferred Stock underlying Depositary Shares tendered in the Exchange Offer unless such Preferred Stock is to be accepted for exchange by the Company. See " -- Procedures for Tendering". Unless the context requires otherwise, the term "Holder" with respect to the Exchange Offer means (i) any person in whose name any Preferred Stock or Depositary Shares are registered on the books of the Company or (ii) any other person who has obtained a properly completed stock power from the registered holder, or (iii) any person whose Preferred Stock or Depositary Shares are held of record by The Depository Trust Company ("DTC") who desires to deliver such Preferred Stock by book-entry transfer at DTC. All references herein and in the Letter of Transmittal to registered holders of Preferred Stock shall, in the case of Preferred Stock represented by Depositary Shares, be deemed references to the registered holder of such Depositary Shares.

PURPOSE OF THE EXCHANGE OFFER

The principal purpose of the Exchange Offer is to improve the Company's after-tax cash flow by replacing the Preferred Stock with the Debentures. The potential cash flow benefit to the Company arises because interest payable on the Debentures (whether paid currently or deferred under the terms of the Debentures) should be deductible by the Company as it accrues for federal income tax purposes, while dividends payable on the Preferred Stock are not deductible. The extent of this cash flow benefit, however, cannot be predicted because it depends upon the number of shares of Preferred Stock exchanged pursuant to the Exchange Offer and upon the Company's federal income tax position in any year. Neither the Company's ability to defer interest payments on the Debentures nor the lack of voting rights on the part of holders of the Debentures is a purpose of the Company in making the Exchange Offer.

Except as described herein, the Company has no present plans or intention to make any acquisitions of or offers for the Preferred Stock. However, if any shares of Preferred Stock remain outstanding after the expiration of the Exchange Offer, the Company will continue to monitor the market for the Preferred Stock and reserves the right, in its sole discretion, to acquire and to make offers for Preferred Stock subsequent to the Expiration Date for cash or in exchange for other securities, by optional redemption or otherwise. The terms of any such acquisitions or offers may differ from the terms of the Exchange Offer. Such acquisitions or offers, if any, would depend upon, among other things, the price and availability of such shares and the Company's tax position.

TERMS OF THE EXCHANGE OFFER

Upon the terms and subject to the conditions set forth herein and in the Letter of Transmittal, the Company will exchange up to \$1,100,000,000 aggregate principal amount of Debentures for up to all of the outstanding shares of Preferred Stock. The Debentures are offered in minimum denominations of \$1,000 and integral multiples thereof, and the Preferred Stock has a liquidation preference of \$500 per share. Consequently, the Exchange Offer will be effected on a basis of \$1,000 principal amount of Debentures for every two

(2) shares of Preferred Stock validly tendered and accepted for exchange. The Company will pay cash to tendering Holders of Preferred Stock in lieu of issuing Debentures with a principal amount of less than \$1,000. Upon the terms and subject to the conditions set forth herein and in the Letter of Transmittal, the Company will accept Preferred Stock validly tendered and not withdrawn as promptly as practicable after the Expiration Date unless the Exchange Offer has been withdrawn or terminated. The Company will not accept Preferred Stock for exchange prior to the Expiration Date. The Company expressly reserves the right, in its sole discretion, to delay acceptance for exchange of Preferred Stock tendered under the Exchange Offer or the exchange of the Debentures for the Preferred Stock accepted for exchange (subject to Rules 13e-4 and 14e-1 under the Exchange Act, which require that the Company consummate the Exchange Offer or return the Preferred Stock deposited by or on behalf of the Holders thereof promptly after the termination or withdrawal of the Exchange Offer), or to withdraw or terminate the Exchange Offer and not accept any Preferred Stock at any time for any reason. In all cases, except to the extent waived by the Company, delivery of Debentures in exchange for the Preferred Stock accepted for exchange pursuant to the Exchange Offer will be made only after timely receipt by the Exchange Agent of Preferred Stock (or confirmation of book-entry transfer thereof), a properly completed and duly executed Letter of Transmittal and any other documents required thereby.

As of October 12, 1994, there were 2,200,000 shares of Preferred Stock outstanding. This Prospectus, together with the Letter of Transmittal, is being sent to all registered Holders as of October 12, 1994.

The Company shall be deemed to have accepted validly tendered Preferred Stock (or defectively tendered Preferred Stock with respect to which the Company has waived such defect) when, as and if the Company has given oral or written notice thereof to the Exchange Agent. The Exchange Agent will act as agent for the tendering Holders for the purpose of receiving the Debentures from the Company and remitting such Debentures to tendering Holders. Upon the terms and subject to the conditions of the Exchange Offer, delivery of Debentures in exchange for Preferred Stock will be made as promptly as practicable after the Expiration Date.

If any tendered Preferred Stock is not accepted for exchange because of an invalid tender, the occurrence of certain other events set forth herein or otherwise, unless otherwise requested by the Holder under "Special Delivery Instructions" in the Letter of Transmittal, such Preferred Stock will be returned, without expense, to the tendering Holder thereof (or in the case of Preferred Stock tendered by book-entry transfer into the Exchange Agent's account at DTC, such Preferred Stock will be credited to an account maintained at DTC designated by the participant therein who so delivered such Preferred Stock), as promptly as practicable after the Expiration Date or the withdrawal or termination of the Exchange Offer.

Holders of Preferred Stock will not have any appraisal or dissenters' rights under the General Corporation Law of the State of Delaware (the "DGCL") in connection with the Exchange Offer. The Company intends to conduct the Exchange Offer in accordance with the applicable requirements of the Exchange Act and the rules and regulations of the Commission thereunder.

Holders who tender Preferred Stock in the Exchange Offer will not be required to pay brokerage commissions or fees or, subject to the instructions in the Letter of Transmittal, transfer taxes with respect to the exchange of Preferred Stock pursuant to the Exchange Offer. See "-- Fees and Expenses".

EXPIRATION DATE; EXTENSIONS; AMENDMENTS; TERMINATION

The Exchange Offer will expire on the Expiration Date. The term "Expiration Date" shall mean 5:00 p.m., New York City time, on November 15, 1994, unless the Company, in its sole discretion, extends the Exchange Offer, in which case the term "Expiration Date" shall mean the latest date and time to which the Exchange Offer is extended.

The Company reserves the right to extend the Exchange Offer in its sole discretion at any time and from time to time by giving oral or written notice to the Exchange Agent and by timely public announcement communicated, unless otherwise required by applicable law or regulation, by making a release to the Dow

Jones News Service. During any extension of the Exchange Offer, all Preferred Stock previously tendered pursuant to the Exchange Offer and not withdrawn will remain subject to the Exchange Offer.

The Company expressly reserves the right to (i) amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company). If the Company makes a material change in the terms of the Exchange Offer or if it waives a material condition of the Exchange Offer, the Company will extend the Exchange Offer. The minimum period for which the Exchange Offer will be extended following a material change or waiver, other than a change in the amount of Preferred Stock sought for exchange, will depend upon the facts and circumstances, including the relative materiality of the change or waiver. With respect to a change in the amount of Preferred Stock sought, the offer will be extended for a minimum of ten business days following public announcement of such change. Any withdrawal or termination of the Exchange Offer will be followed as promptly as practicable by public announcement thereof. In the event the Company withdraws or terminates the Exchange Offer, it will give immediate notice to the Exchange Agent, and all Preferred Stock theretofore tendered pursuant to the Exchange Offer will be returned promptly to the tendering Holders thereof. See "-- Withdrawal of Tenders".

ACCUMULATED DIVIDENDS AND INTEREST ON DEBENTURES

The Debentures will bear interest at an annual rate of 6 1/8% from the first day following the Expiration Date (the "Issue Date") or from the most recent interest payment date to which interest has been paid or duly provided for. The dividend on the Preferred Stock payable on November 1, 1994 will be payable to shareholders of record on October 14, 1994, regardless of when shares of the Preferred Stock are tendered pursuant to the Exchange Offer. Dividends accumulated after November 1, 1994 will not be paid on Preferred Stock accepted for exchange in the Exchange Offer. In lieu thereof, holders of Debentures will be entitled to interest at a rate of 6% per annum (equal to the stated dividend rate on the Preferred Stock) from November 1, 1994 through the Expiration Date, payable at the time of the first interest payment on the Debentures. See "Description of Debentures -- Interest".

PROCEDURES FOR TENDERING

The tender of Preferred Stock by a Holder thereof pursuant to one of the procedures set forth below will constitute an agreement between such Holder and the Company in accordance with the terms and subject to the conditions set forth herein and in the Letter of Transmittal.

Each Holder of the Preferred Stock wishing to accept the Exchange Offer must (i) properly complete and sign the Letter of Transmittal or a facsimile thereof (all references in this Prospectus to the Letter of Transmittal shall be deemed to include a facsimile thereof) in accordance with the instructions contained herein and therein, together with any required signature guarantees, and deliver the same to the Exchange Agent, at either of its addresses set forth in "-- Exchange Agent and Information Agent" and either (a) certificates for the Preferred Stock must be received by the Exchange Agent at such address or (b) such Preferred Stock must be transferred pursuant to the procedures for book-entry transfer described below and a confirmation of such book-entry transfer must be received by the Exchange Agent, in each case prior to the Expiration Date or (ii) comply with the guaranteed delivery procedures described below.

LETTERS OF TRANSMITTAL, PREFERRED STOCK AND ANY OTHER REQUIRED DOCUMENTS SHOULD BE SENT ONLY TO THE EXCHANGE AGENT, NOT TO THE COMPANY, THE DEALER MANAGERS OR THE INFORMATION AGENT.

Signature Guarantees. If tendered Preferred Stock is registered in the name of the signer of the Letter of Transmittal and the Debentures to be issued in exchange therefor are to be issued (and any untendered Preferred Stock is to be reissued) in the name of the registered Holder (which term, for the purposes described herein, shall include any participant in DTC whose name appears on a security listing as the owner of Preferred Stock), the signature of such signer need not be guaranteed. If the tendered Preferred Stock is registered in the name of someone other than the signer of the Letter of Transmittal, such tendered Preferred Stock must be endorsed or accompanied by written instruments of transfer in form satisfactory to the

Company and duly executed by the registered Holder, and the signature on the endorsement or instrument of transfer must be guaranteed by a financial institution (including most banks, savings and loans associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program or The New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (any of the foregoing hereinafter referred to as an "Eligible Institution"). If the Debentures and/or Preferred Stock not exchanged are to be delivered to an address other than that of the registered Holder appearing on the register for the Preferred Stock, the signature in the Letter of Transmittal must be guaranteed by an Eligible Institution. Any beneficial owner whose Preferred Stock is registered in the name of a broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on such beneficial owner's behalf. If such beneficial owner wishes to tender on its own behalf, such owner must, prior to completing and executing a Letter of Transmittal and delivering its Preferred Stock, either make appropriate arrangements to register ownership of the Preferred Stock in such owner's name or obtain a properly completed stock power from the registered holder. The transfer of registered ownership may take considerable time and may not be able to be completed prior to the Expiration Date.

THE METHOD OF DELIVERY OF PREFERRED STOCK AND ALL OTHER DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER. IF SENT BY MAIL, IT IS RECOMMENDED THAT REGISTERED MAIL, RETURN RECEIPT REQUESTED, BE USED, PRIOR INSURANCE OBTAINED, AND THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION DATE TO PERMIT DELIVERY TO THE EXCHANGE AGENT ON OR BEFORE THE EXPIRATION DATE.

Book-Entry Transfer. The Company understands that the Exchange Agent will make a request promptly after the date of this Prospectus to establish accounts with respect to the Preferred Stock at DTC for the purpose of facilitating the Exchange Offer, and subject to the establishment thereof, any financial institution that is a participant in DTC's system may make book-entry delivery of Preferred Stock by causing DTC to transfer such Preferred Stock into the Exchange Agent's account with respect to the Preferred Stock in accordance with DTC's Automated Tender Offer Program ("ATOP") procedures for such book-entry transfers. However, the exchange for the Preferred Stock so tendered will only be made after timely confirmation (a "Book-Entry Confirmation") of such Book-Entry Transfer of Preferred Stock into the Exchange Agent's account, and timely receipt by the Exchange Agent of an Agent's Message (as such term is defined in the next sentence) and any other documents required by the Letter of Transmittal. The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility and received by the Exchange Agent and forming a part of a Book-Entry Confirmation, which states that the Book-Entry Transfer Facility has received an express acknowledgment from a participant tendering Preferred Stock that is the subject of such Book-Entry Confirmation that such participant has received and agrees to be bound by the terms of the Letter of Transmittal, and that the Company may enforce such agreement against such participant.

Guaranteed Delivery. If a Holder desires to accept the Exchange Offer and time will not permit a Letter of Transmittal or Preferred Stock to reach the Exchange Agent before the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, a tender may be effected if the Exchange Agent has received at its office prior to the Expiration Date, a letter, telegram or facsimile transmission from an Eligible Institution setting forth the name and address of the tendering Holder, the name(s) in which the Preferred Stock is registered and, if the Preferred Stock is held in certificated form, the certificate number of the Preferred Stock to be tendered, and stating that the tender is being made thereby and guaranteeing that within five NYSE trading days after the date of execution of such letter, telegram or facsimile transmission by the Eligible Institution, the Preferred Stock in proper form for transfer together with a properly completed and duly executed Letter of Transmittal (and any other required documents), or a confirmation of book-entry transfer of such Preferred Stock into the Exchange Agent's account at DTC, will be delivered by such Eligible Institution. Unless the Preferred Stock being tendered by the above-described method is deposited with the Exchange Agent within the time period set forth above (accompanied or preceded by a properly completed Letter of Transmittal and any other required documents) or a confirmation of book-entry transfer of such Preferred Stock into the Exchange Agent's account at DTC in accordance with DTC's ATOP procedures is received, the Company may, at its option, reject the tender. Copies of a Notice of Guaranteed Delivery which

may be used by Eligible Institutions for the purposes described in this paragraph are available from the Exchange Agent and the Information Agent.

Miscellaneous. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of Preferred Stock will be determined by the Company, whose determination will be final and binding. The Company reserves the absolute right to reject any or all tenders not in proper form or the acceptance for exchange of which may, in the opinion of the Company's counsel, be unlawful. The Company also reserves the absolute right to waive any defect or irregularity in the tender of any Preferred Stock, and the Company's interpretation of the terms and conditions of the Exchange Offer (including the Instructions in the Letter of Transmittal) will be final and binding. None of the Company, the Exchange Agent, the Dealer Managers, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

Tenders of Preferred Stock involving any irregularities will not be deemed to have been made until such irregularities have been cured or waived. Preferred Stock received by the Exchange Agent that is not validly tendered and as to which the irregularities have not been cured or waived will be returned by the Exchange Agent to the tendering Holder (or in the case of Preferred Stock tendered by book-entry transfer into the Exchange Agent's account at DTC, such Preferred Stock will be credited to an account maintained at DTC designated by the participant therein who so delivered such Preferred Stock), unless otherwise requested by the Holder in the Letter of Transmittal, as promptly as practicable after the Expiration Date or the withdrawal or termination of the Exchange Offer.

LETTER OF TRANSMITTAL

The Letter of Transmittal contains, among other things, the following terms and conditions, which are part of the Exchange Offer.

The party tendering Preferred Stock for exchange (the "Transferor") exchanges, assigns and transfers the Preferred Stock to the Company and irrevocably constitutes and appoints the Exchange Agent as the Transferor's agent and attorney-in-fact to cause the Preferred Stock to be assigned, transferred and exchanged. The Transferor specifically authorizes the Exchange Agent to withdraw under the Deposit Agreement the Preferred Stock underlying any tendered Depositary Shares, and to tender such underlying Preferred Stock in the Exchange Offer. The Transferor represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Preferred Stock and to acquire Debentures issuable upon the exchange of such tendered Preferred Stock, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Preferred Stock, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The Transferor also warrants that it will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Preferred Stock or transfer ownership of such Preferred Stock on the account books maintained by DTC. All authority conferred by the Transferor will survive the death, bankruptcy or incapacity of the Transferor and every obligation of the Transferor shall be binding upon the heirs, legal representatives, successors, assigns, executors and administrators of such Transferor.

WITHDRAWAL OF TENDERS

Tenders of Preferred Stock pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after 40 business days after the date of this Prospectus.

To be effective, a written notice of withdrawal delivered by mail, hand delivery or facsimile transmission must be timely received by the Exchange Agent at the address set forth in the Letter of Transmittal. The method of notification is at the risk and election of the Holder. Any such notice of withdrawal must specify (i) the Holder named in the Letter of Transmittal as having tendered Preferred Stock to be withdrawn, (ii) if the Preferred Stock is held in certificated form, the certificate numbers of the Preferred Stock to be

withdrawn, (iii) that such Holder is withdrawing his election to have such Preferred Stock exchanged, and (iv) the name of the registered Holder of such Preferred Stock, and must be signed by the Holder in the same manner as the original signature on the Letter of Transmittal (including any required signature guarantees) or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of the Preferred Stock being withdrawn. The Exchange Agent will return the properly withdrawn Preferred Stock promptly following receipt of notice of withdrawal. If Preferred Stock has been tendered pursuant to the procedure for book-entry transfer, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn Preferred Stock and otherwise comply with DTC's procedures. All questions as to the validity of notice of withdrawal, including time of receipt, will be determined by the Company, and such determination will be final and binding on all parties. Withdrawals of tenders of Preferred Stock may not be rescinded and any Preferred Stock withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. Properly withdrawn Preferred Stock, however, may be retendered by following the procedures therefor described elsewhere herein at any time prior to the Expiration Date. See "-- Procedures for Tendering."

EXCHANGE AGENT AND INFORMATION AGENT

First Chicago Trust Company of New York has been appointed as Exchange Agent for the Exchange Offer.

The Exchange Agent:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Hand or Overnight Courier:

Tenders & Exchanges
Suite 4680 -- AMR
14 Wall Street, 8th Floor
New York, NY 10005

By Mail:

Tenders & Exchanges
P.O. Box 2565, Mail Suite 4660
Jersey City, NJ 07303-2565

By Facsimile:

(For Eligible Institutions Only)
(201) 222-4720 or (201) 222-4721

Confirm Receipt of Notice of Guaranteed Delivery by Telephone:

(201) 222-4707

D.F. King & Co., Inc. has been retained by the Company as the Information Agent to assist in connection with the Exchange Offer. Questions and requests for assistance regarding the Exchange Offer, requests for additional copies of this Prospectus or of the Letter of Transmittal and requests for Notice of Guaranteed Delivery may be directed to the Information Agent at 77 Water Street, New York, New York 10005, telephone (800) 347-7869.

The Company will pay the Exchange Agent and Information Agent reasonable and customary fees for their services and will reimburse them for all their reasonable out-of-pocket expenses in connection therewith.

DEALER MANAGERS

Lehman Brothers and Goldman, Sachs & Co., as Dealer Managers, have agreed to solicit exchanges of Preferred Stock for Debentures. The Company will pay each Dealer Manager a fee that is dependent on the number of shares of Preferred Stock accepted pursuant to the Exchange Offer. The maximum fee payable is approximately \$6,875,000. The Company will also reimburse the Dealer Managers for certain reasonable out-of-pocket expenses in connection with the Exchange Offer and will indemnify the Dealer Managers against certain liabilities, including liabilities under the Securities Act. Additional solicitation may be made by telecopier, telephone or in person by officers and regular employees of the Company and its affiliates. No additional compensation will be paid to any such officers and employees who engage in soliciting tenders.

LISTING AND TRADING OF DEBENTURES AND PREFERRED STOCK; TRANSFER RESTRICTIONS

There has not previously been any public market for the Debentures. While the Debentures have been approved for listing on the NYSE subject to official notice of issuance, there can be no assurance that an active market for the Debentures will develop or be sustained in the future on such exchange. Although the Dealer Managers have indicated to the Company that they intend to make a market in the Debentures as permitted by applicable laws and regulations, they are not obligated to do so and may discontinue any such market-making at any time without notice. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Debentures.

The Depositary Shares, the Preferred Stock represented thereby and the Common Stock issuable upon conversion of such Preferred Stock have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Depositary Shares, such Preferred Stock and such Common Stock are subject to restrictions on their transfer designed to ensure compliance with the requirements of the Securities Act and, upon consummation of the Exchange Offer, will continue to be subject to such existing restrictions upon transfer. Holders of Preferred Stock who do not tender their Preferred Stock in the Exchange Offer or whose Preferred Stock is not accepted for exchange will continue to hold such Preferred Stock and will be entitled to all the rights and preferences, and will be subject to all of the limitations applicable thereto. See "Description of Preferred Stock." Moreover, to the extent that Preferred Stock is tendered and accepted in the Exchange Offer, a holder's ability to sell untendered Preferred Stock could be adversely affected.

TRANSACTIONS AND ARRANGEMENTS CONCERNING THE PREFERRED STOCK

Except as described herein, there are no contracts, arrangements, understandings or relationships in connection with the Exchange Offer between the Company or any of its directors or executive officers and any person with respect to any securities of the Company, including the Debentures, the Depositary Shares, the Preferred Stock and the Common Stock issuable upon conversion thereof.

FEES AND EXPENSES; TRANSFER TAXES

The expenses of soliciting tenders of the Preferred Stock will be borne by the Company. For compensation to be paid to the Dealer Managers see "-- Dealer Managers." The total cash expenditures to be incurred by the Company in connection with the Exchange Offer, other than fees payable to the Dealer Managers, but including the expenses of the Dealer Managers, printing, accounting and legal fees, and the fees and expenses of the Exchange Agent, the Information Agent and the Trustee under the Indenture, are estimated to be approximately \$1,185,000.

The Company will pay all transfer taxes, if any, applicable to the exchange of Preferred Stock pursuant to the Exchange Offer. If, however, certificates representing Debentures, or shares of Preferred Stock not tendered or accepted for exchange, are to be delivered to, or are to be issued in the name of, any person other than the registered Holder of the Preferred Stock tendered or if a transfer tax is imposed for any reason other than the exchange of Preferred Stock pursuant to the Exchange Offer, then the amount of any such transfer taxes (whether imposed on the registered Holder or any other persons) will be payable by the tendering Holder. If satisfactory evidence of payment of such taxes or exemption therefrom is not submitted with the Letter of Transmittal, the amount of such transfer taxes will be billed directly to such tendering Holder.

DESCRIPTION OF DEBENTURES

GENERAL

The Debentures are to be issued under an Indenture (the "Indenture"), to be dated as of November 1, 1994, between the Company and The First National Bank of Chicago, as trustee (the "Trustee"). The following statements with respect to the Debentures are summaries and are subject to the detailed provisions of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), and the Indenture, a copy of the form of which has been filed as an exhibit to the Registration Statement. The following summaries of certain provisions of the Indenture do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the Debentures and the Indenture, including the definitions therein of certain terms capitalized and not otherwise defined in this Prospectus. Wherever references are made to particular provisions of the Indenture or terms defined therein, such provisions or definitions are incorporated by reference as part of the statements made and such statements are qualified in their entirety by such references.

The Debentures will be unsecured, subordinated obligations of the Company, will be limited in aggregate principal amount to the aggregate principal amount of Debentures issued in the Exchange Offer and will mature on November 1, 2024. The Debentures will be issued only in fully registered form, without coupons, in minimum denominations of \$1,000 and any integral multiples of \$1,000 in excess thereof.

Debentures will be transferable or exchangeable at the agency of the Company maintained for such purpose in The City of New York (which, unless changed, shall be a corporate trust office or agency of the Trustee). Debentures may be transferred or exchanged without service charge, other than any tax or governmental charge imposed in connection therewith. (Section 3.5 of the Indenture.)

INTEREST

The Debentures will mature on November 1, 2024 and will bear interest at an annual rate of 6 1/8% from the Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for. In addition, holders of the Debentures will be entitled to interest at a rate of 6% per annum from November 1, 1994 through the Expiration Date, in lieu of dividends accumulating after November 1, 1994 on their Preferred Stock accepted for exchange, payable at the time of the first interest payment on the Debentures. Interest will be payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year commencing February 1, 1995, provided that so long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with NYSE rules at any time during the term of the Debentures, to extend the interest payment period from time to time for a period not exceeding 20 consecutive calendar quarters (each, an "Extension Period"). Interest will continue to accrue on the Debentures during an Extension Period and will compound quarterly, at the rate specified for the Debentures, to the extent permitted by applicable law. See "-- Option to Extend Interest Payment Period." Interest payable on any Debenture that is punctually paid or duly provided for on any Interest Payment Date shall be paid to the person in whose name such Debenture is registered at the close of business on the January 15, April 15, July 15 or October 15, respectively, preceding such Interest Payment Date (each, a "Record Date"). Interest will be computed on the basis of twelve 30-day months and a 360-day year and, for any period shorter than a full calendar month, on the basis of the actual number of days elapsed in such period. If any date on which interest is payable on the Debentures is not a Business Day, the payment of interest due on such date may be made on the next succeeding Business Day (and without any interest or other payment in respect of such delay). A "Business Day" shall mean any day other than a day on which banking institutions in The City of New York or in Fort Worth, Texas are authorized or required by law to close. (Section 3.1 of the Indenture.)

Payments in respect of the Debentures will be made at the office or agency of the Company maintained for that purpose in The City of New York (which, unless changed, shall be a corporate trust office or agency of the Trustee). However, at the option of the Company, payments on the Debentures may be made (i) by checks mailed by the Trustee to the Holders entitled thereto at their registered addresses or (ii) by wire transfers to accounts maintained by the Holders entitled thereto as specified in the Register, provided that, in

either case, the payment of principal with respect to any Debenture will be made only upon surrender of such Debenture to the Trustee. Interest payable on any Debenture that is not punctually paid or duly provided for on any Interest Payment Date will forthwith cease to be payable to the person in whose name such Debenture is registered on the relevant Record Date, and such defaulted interest will instead be payable to the person in whose name such Debenture is registered on the special record date or other specified date determined in accordance with the Indenture; provided, however, that interest shall not be considered payable by the Company on any Interest Payment Date falling within an Extension Period unless the Company has elected to make a full or partial payment of interest accrued on the Debentures on such Interest Payment Date. (Section 3.7 of the Indenture.)

In the event the Company fails at any time to make any payment of interest, principal or premium on the Debentures when due (after giving effect to any grace period for payment thereof as described in "-- Events of Default, Notice and Certain Rights on Default") or the Company exercises its option to extend the interest payment period for an Extension Period as described in "-- Option to Extend Interest Payment Period", the Company will not, until all defaulted interest on the Debentures and all interest accrued on the Debentures during an Extension Period and all principal and premium, if any, then due and payable on the Debentures shall have been paid in full, (i) declare, set aside or pay any dividend or distribution on any capital stock of the Company, including the Preferred Stock and the Common Stock, except for dividends or distributions in shares of its capital stock or in rights to acquire shares of its capital stock, or (ii) repurchase, redeem or otherwise acquire, or make any sinking fund payment for the purchase or redemption of, any shares of its capital stock (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries); provided, however, that any moneys deposited in any sinking fund with respect to any preferred stock of the Company in compliance with the provisions of such sinking fund and not in violation of this provision may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund without regard to the restrictions contained in this provision. (Section 9.7 of the Indenture.)

OPTION TO EXTEND INTEREST PAYMENT PERIOD

So long as the Company shall not be in default in the payment of interest on the Debentures, the Company shall have the right, upon prior notice by public announcement given in accordance with NYSE rules at any time during the term of the Debentures, prior to an Interest Payment Date as provided below, to extend the interest payment period from time to time to another Interest Payment Date by one or more quarterly periods, not to exceed 20 consecutive calendar quarters from the last Interest Payment Date to which interest was paid in full (each, an "Extension Period"). No interest shall be due and payable during an Extension Period, but on the Interest Payment Date occurring at the end of each Extension Period the Company shall pay to the holders of record on the Record Date for such Interest Payment Date (regardless of who the holders of record may have been on other dates during the Extension Period) all accrued and unpaid interest on the Debentures, together with interest thereon. Interest will continue to accrue on the Debentures during an Extension Period and will compound quarterly, at the rate specified for the Debentures, to the extent permitted by applicable law. Prior to the termination of any Extension Period, the Company may pay all or any portion of the interest accrued on the Debentures on any Interest Payment Date to holders of record on the Record Date for such Interest Payment Date or from time to time further extend the interest payment period, provided that any such Extension Period together with all such previous and further extensions thereof may not exceed 20 calendar quarters. If the Company shall elect to pay all of the interest accrued on the Debentures on an Interest Payment Date during an Extension Period, such Extension Period shall automatically terminate on such Interest Payment Date. Upon the termination of any Extension Period and the payment of all amounts of interest then due, the Company may commence a new Extension Period, subject to the above requirements. Consequently, there could be multiple Extension Periods of varying lengths (up to six Extension Periods of 20 consecutive calendar quarters each or more numerous shorter Extension Periods) throughout the term of the Debentures. The Company has no current intention of exercising its right to defer an interest payment period. However, in the event the Company determines to extend an interest payment period, or in the event the Company thereafter extends an Extension Period or prepays interest accrued during an Extension Period as described above, the market price of the Debentures is likely to be affected. In

addition, as a result of such rights, the market price of the Debentures may be more volatile than other debt instruments with original issue discount that do not have such rights. A holder that disposes of its Debentures during an Extension Period, therefore, may not receive the same return on its investment as a holder that continues to hold its Debentures.

The Company shall cause the Trustee to give holders of the Debentures prior notice, by public announcement given in accordance with NYSE rules and by mail to all such holders, of (i) the Company's election to initiate an Extension Period and the duration thereof, (ii) the Company's election to extend any Extension Period beyond the Interest Payment Date on which such Extension Period is then scheduled to terminate and the duration of such extension and (iii) the Company's election to make a full or partial payment of interest accrued on the Debentures on any Interest Payment Date during any Extension Period and the amount of such payment. In no event shall such notice be given less than five Business Days prior to the January 15, April 15, July 15 or October 15 next preceding the applicable Interest Payment Date. (Section 3.1 of the Indenture.)

SUBORDINATION

The payment of the principal of, premium, if any, and interest on the Debentures will be subordinated to the extent set forth in the Indenture to the prior payment in full of amounts then due on all Senior Indebtedness (as defined below). No payments or distributions, whether in cash, securities or other property (other than securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinated, at least to the same extent as the Debentures, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment) on account of principal of, premium, if any, or interest on the Debentures may be made by the Company unless full payment of all amounts then due on Senior Indebtedness has been made or provided for in money or money's worth. Upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinated, at least to the same extent as the Debentures, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under such plan of reorganization or readjustment) to creditors upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth, before the holders of the Debentures or the Trustee shall be entitled to retain any assets so paid or distributed (other than the securities described in the first parenthetical of this sentence) in respect of the Debentures (for principal or interest) or of the Indenture. (Article XI of the Indenture.)

The term "Senior Indebtedness" of the Company means each of the following, unless the agreement, instrument or lease evidencing the same expressly provides that it is not senior in right of payment to the Debentures: (1) any Payment Obligation (as defined) of the Company in respect of any indebtedness, directly or indirectly, created, incurred or assumed for borrowed money or in connection with the acquisition of any business, property or asset (including securities), other than any account payable or other indebtedness created, incurred or assumed in the ordinary course of business in connection with the obtaining of materials or services; (2) any Payment Obligation of the Company in respect of any lease that would, in accordance with generally accepted accounting principles, be required to be classified and accounted for as a capital lease; (3) any Payment Obligation of the Company in respect of any interest rate exchange agreement, currency exchange agreement or similar agreement that provides for payment (whether or not contingent) over a period or term (including any renewals or extensions) longer than one year from the execution thereof; (4) any Payment Obligation of the Company in respect of any agreement relating to the lease (including a sale and leaseback) of real or personal property that provides for payment (whether or not contingent) over a period or term (including any renewals or extensions) longer than one year from the execution thereof; (5) any Payment Obligation of any Subsidiary (as defined in the Indenture) or of others of the kind described in the preceding clauses (1) through (4) assumed or guaranteed by the Company or for which the Company is otherwise responsible or liable; and (6) any amendment, renewal, extension or refunding of any of the

foregoing Payment Obligations. However, Senior Indebtedness does not include the Company's obligations in respect of the 5 1/4% Subordinated Debentures due 1998 issued by American and for which the Company and American are jointly and severally liable. The Company's obligations in respect of such 5 1/4% Subordinated Debentures are equal in rank to the Company's obligations to pay principal of, premium, if any, and interest on the Debentures. (Article XI of the Indenture.)

The term "Payment Obligation", when used with respect to Senior Indebtedness, means an obligation stated in an agreement, instrument or lease to pay money (whether for principal, premium, interest, sinking fund, periodic rent, stipulated value, termination value, liquidated damages or otherwise), but excludes an obligation to pay money in respect of fees (including, without limitation, availability, commitment and similar fees) of, or as payment or reimbursement for expenses (including, without limitation, legal, accounting and ordinary out-of-pocket expenses) incurred by or on behalf of, or as indemnity for losses, damages, taxes or other indemnity claims of any kind owed to, any holder of Senior Indebtedness or other party to such agreement, instrument or lease.

By reason of the subordination described herein, in the event of the distribution of assets upon insolvency, creditors of the Company who are not holders of Senior Indebtedness or of the Debentures may recover less, ratably, than holders of Senior Indebtedness, and may recover more, ratably, than holders of the Debentures. Moreover, upon any distribution of the assets of the Company, the holders of the Debentures are required to pay over their share of such distribution to the holders of Senior Indebtedness to the extent necessary to pay all holders of Senior Indebtedness in full.

On June 30, 1994 approximately \$6.6 billion of Senior Indebtedness was outstanding. The calculation of the amount of Senior Indebtedness assumes that the Company is primarily obligated for the present value of future minimum lease payments under operating leases guaranteed by the Company but does not include other contingent obligations such as stipulated values or liquidated damages. There is no restriction under the Indenture on the creation of additional indebtedness, including Senior Indebtedness, by the Company, including indebtedness owed by the Company to American and its other subsidiaries.

Because the Company is a holding company that conducts business through its subsidiaries, the Debentures are effectively subordinated to all existing and future obligations of the Company's subsidiaries, including American. Any right of the Company to participate in any distribution of the assets of any of the Company's subsidiaries, including American, upon the liquidation, reorganization or insolvency of such subsidiary (and the consequent right of the holders of the Debentures to participate in those assets) will be subject to the claims of the creditors (including trade creditors) and preferred stockholders of such subsidiary, except to the extent that claims of the Company itself as a creditor of such subsidiary may be recognized, in which case the claims of the Company would still be subordinate to any security interest in the assets of such subsidiary and any indebtedness of such subsidiary senior to that held by the Company. On June 30, 1994, approximately \$15.5 billion of indebtedness, leases and other obligations (including trade payables) of the Company's subsidiaries not included in the definition of Senior Indebtedness was outstanding.

Because the Company is a holding company, the Company's cash flow and consequent ability to meet its debt obligations are primarily dependent upon the earnings of its subsidiaries, particularly American, and on dividends and other payments therefrom. The Company's subsidiaries are not obligated or required to pay any amounts due pursuant to the Debentures or to make funds available therefor in the form of dividends or advances to the Company. In addition, certain debt and credit facility agreements of American contain certain restrictive covenants, including a cash flow coverage test, a minimum net worth requirement and limitations on indebtedness and the declaration of dividends on shares of its capital stock, that could affect the Company's ability to pay principal of, premium, if any, and interest on the Debentures. At June 30, 1994, under the provisions of the most restrictive of those debt and credit facility agreements, approximately \$859 million of the retained earnings of American were available for payment of cash dividends to the Company.

CONVERSION

Outstanding Debentures will be convertible at the option of the holder thereof at any time after the date of original issuance thereof, unless previously redeemed, into whole shares of Common Stock at a conversion price of \$79.00 per share of Common Stock (equivalent to 12.658 shares of Common Stock per \$1,000 principal amount of Debentures converted), subject to adjustment as described below. (Sections 12.1 and 12.4

of the Indenture.) No fractional shares of Common Stock shall be issued upon conversion of Debentures. Instead of any fractional share of Common Stock that would otherwise be issuable upon conversion of any Debenture, the Company shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the market price per share of Common Stock (as determined or prescribed by the Board of Directors or a duly authorized committee thereof, whose determination shall be conclusive, but which, so long as the Common Stock is listed on the NYSE, shall be the Closing Price reported on the NYSE) at the close of business on the Trading Day (as defined in the Indenture) immediately preceding the Date of Conversion. (Section 12.3 of the Indenture.) Holders that convert their Debentures will not be entitled to payment of any accrued interest on such Debentures, including interest that accrues during an Extension Period. Debentures surrendered for conversion during the period beginning on any Record Date and prior to the corresponding Interest Payment Date must be accompanied by payment of an amount equal to the interest payable on such Debentures on such Interest Payment Date. (Section 12.2 of the Indenture.) Debentures called for redemption will not be convertible after the close of business on the Business Day preceding the date fixed for redemption, unless the Company defaults in payment of the Redemption Price. (Section 12.1 of the Indenture.)

The initial conversion price of \$79.00 per share of Common Stock is subject to adjustment (under formulae set forth in the Indenture) in certain events, including: (i) the issuance of Common Stock as a dividend or distribution on Common Stock of the Company; (ii) certain subdivisions and combinations of the Common Stock; (iii) the issuance to all holders of Common Stock of certain rights or warrants to purchase Common Stock; (iv) the distribution to all holders of Common Stock of shares of capital stock of the Company (other than Common Stock) or evidences of indebtedness of the Company or assets (including securities, but excluding those rights, warrants, dividends and distributions referred to above and dividends and distributions in connection with the liquidation, dissolution or winding up of the Company or paid in cash); (v) distributions consisting of cash, excluding any quarterly cash dividend on the Common Stock to the extent that the aggregate cash dividend per share of Common Stock in any fiscal quarter does not exceed the greater of (x) the amount per share of Common Stock of the next preceding quarterly cash dividend on the Common Stock to the extent that such preceding quarterly dividend did not require an adjustment of the Conversion Price pursuant to this clause (v) (as adjusted to reflect subdivisions or combinations of the Common Stock) and (y) 3.75 percent of the average of the daily Closing Prices (as defined in the Indenture) per share of Common Stock for the ten consecutive Trading Days (determined as provided in the Indenture) immediately prior to the date of declaration of such dividend, and excluding any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company; and (vi) payment in respect of a tender or exchange offer by the Company or any subsidiary of the Company for the Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Common Stock exceeds the Current Market Price of the Common Stock on the Trading Day next succeeding the last time tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended). If any adjustment is required to be made as set forth in clause (v) above as a result of a distribution which is a quarterly dividend, such adjustment would be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant to such clause (v). If an adjustment is required to be made as set forth in clause (v) above as a result of a distribution which is not a quarterly dividend, such adjustment would be based upon the full amount of such distribution.

In the event that the rights issued pursuant to the Rights Agreement (as defined below) are separately distributed to holders of Common Stock upon the occurrence of certain events specified in the Rights Agreement or otherwise such that holders of Debentures would thereafter not be entitled to receive any such rights in respect of the Common Stock issuable upon conversion of such Debentures, the conversion price of the Debentures will be adjusted in accordance with the provisions of the Indenture governing clause (iv) of the preceding paragraph. In addition, in lieu of making any adjustment to the conversion price of the Debentures, the Company has the option to amend the Rights Agreement to provide that the rights shall be issuable upon conversion of the Debentures without regard to whether the shares of Common Stock issuable upon conversion of the Debentures were issued before or after the Distribution Date (as defined in the Rights Agreement).

The Company from time to time may to the extent permitted by law reduce the conversion price by any amount for any period of at least 20 days, in which case the Company shall give at least 15 days' notice of such reduction, if the Board of Directors has made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. The Company may, at its option, make such reductions in the conversion price, in addition to those set forth above, as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. (Section 12.5 of the Indenture.) See "Certain Federal Income Tax Considerations -- Adjustment of Conversion Price."

If any transaction shall occur (including without limitation (i) any recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (ii) any consolidation or merger of the Company with or into any other person or any merger of another person into the Company (other than a merger that does not result in a reclassification, conversion, exchange or cancellation of Common Stock), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange) pursuant to which either shares of Common Stock shall be converted into the right to receive other securities, cash or other property, or, in the case of a sale or transfer of all or substantially all of the assets of the Company, the holders of Common Stock shall be entitled to receive other securities, cash or other property, then appropriate provision shall be made so that the holder of any Debenture then outstanding shall have the right thereafter to convert such Debenture only into (x) in the case of any such transaction that does not constitute a Common Stock Fundamental Change (as defined below) and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of the securities, cash and other property that would have been receivable upon such transaction by a holder of the number of shares of Common Stock issuable upon conversion of such Debenture immediately prior to such transaction, after giving effect, in the case of any Non-Stock Fundamental Change (as defined below), to any adjustment in the conversion price in accordance with clause (1) of the following paragraph, and (y) in the case of any such transaction that constitutes a Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined in accordance with clause (2) of the following paragraph. The company or the person formed by such consolidation or resulting from such merger or that acquires such assets or that acquires the Company's shares, as the case may be, shall execute with the Trustee a supplemental indenture to establish such right. Such a supplemental indenture shall provide for adjustments that, for events subsequent to the effective date of such a supplemental indenture, shall be as nearly equivalent as may be practicable to the relevant adjustments provided for in the preceding paragraphs and in this paragraph. (Section 12.6 of the Indenture.)

Notwithstanding any other provision in the preceding paragraphs to the contrary, if any Fundamental Change (as defined below) occurs, then the conversion price in effect will be adjusted immediately after such Fundamental Change as follows:

(1) in the case of a Non-Stock Fundamental Change, the conversion price of the Debentures immediately following such Non-Stock Fundamental Change shall be the lower of (A) the conversion price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, and (B) the product of (1) the greater of the Applicable Price (as defined below) and the then applicable Reference Market Price (as defined below) and (2) a fraction, the numerator of which is \$1,000 and the denominator of which is the sum of (x) the amount of the redemption price for \$1,000 principal amount of Debentures if the redemption date were the date of such Non-Stock Fundamental Change (or, for the period commencing on the Issue Date and ending on January 31, 1995 and the twelve-month period commencing on February 1, 1995, the product of 105.4% and 104.8%, respectively, times \$1,000) plus (y) an amount equal to any then-accrued and unpaid interest on such Debenture; and

(2) in the case of a Common Stock Fundamental Change, the conversion price of the Debentures immediately following such Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, multiplied by a fraction, the numerator of which is the Purchaser Stock Price (as defined below) and the denominator of which is the Applicable Price; provided, however, that in the event of a Common Stock Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror, or other third party (and cash, if any, paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, common stock of the successor, acquiror or other third party (and any cash paid with respect to fractional interests), the conversion price of the Debentures immediately following such Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of shares of common stock of the successor, acquiror, or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change. (Section 12.10 of the Indenture.)

Depending upon whether a Fundamental Change is a Non-Stock Fundamental Change or a Common Stock Fundamental Change, a Holder may receive significantly different consideration upon conversion. In the event of a Non-Stock Fundamental Change, the Holder has the right to convert Debentures into the kind and amount of the shares of stock and other securities or property or assets (including cash), except as otherwise provided above, as is determined by the number of shares of Common Stock receivable upon conversion at the conversion price as adjusted in accordance with clause (1) of the preceding paragraph. However, in the event of a Common Stock Fundamental Change in which less than 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party, a holder of Debentures who converts such Debentures following the Common Stock Fundamental Change will receive consideration in the form of such common stock only, whereas a holder who converted such Debentures prior to the Common Stock Fundamental Change would have received consideration in the form of such common stock as well as any other securities or assets (which may include cash) issuable upon conversion of such Debentures immediately prior to such Common Stock Fundamental Change.

The term "Applicable Price" means (i) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by a holder of one share of Common Stock and (ii) in the event of any other Non-Stock Fundamental Change or any Common Stock Fundamental Change, the average of the daily Closing Prices per share of Common Stock for the 10 consecutive Trading Days (determined as provided in the Indenture) immediately prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change or, if there is no such record date, prior to the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Common Stock Fundamental Change" means any Fundamental Change in which more than 50% of the value (as determined in good faith by the Board of Directors, which determination shall be conclusive) of the consideration received by holders of Common Stock pursuant to such transaction consists of common stock that, for the 10 Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the Nasdaq National Market; provided, however, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (i) the Company continues to exist after the occurrence of such Fundamental Change and the outstanding Debentures continue to exist as outstanding Debentures, or (ii) not later than the occurrence of such Fundamental Change, a corporation succeeding to the business of the Company complies with the provisions described under the heading "-- Consolidation, Merger or Sale by the Company".

The term "Fundamental Change" means the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of any such series of transactions or events, for purposes of adjustment of the conversion price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive such cash, securities, property or other assets, but the adjustment shall be based upon the consideration that the holders of Common Stock received in the transaction or event as a result of which more than 50% of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets; and provided, further, that such term does not include (i) any such transaction or event in which the Company and/or any of its subsidiaries are the issuers of all the cash, securities, property or other assets exchanged, acquired or otherwise issued in such transaction or event, or (ii) any such transaction or event in which the holders of Common Stock receive securities of an issuer other than the Company or any of its subsidiaries if, immediately following such transaction or event, such holders hold a majority of the securities having the power to vote normally in the election of directors of such other issuer outstanding immediately following such transaction or other event.

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Common Stock Fundamental Change, the average of the closing prices for one share of the common stock received by holders of Common Stock in such Common Stock Fundamental Change during the 10 consecutive Trading Days immediately prior to the date fixed for the determination of the holders of Common Stock entitled to receive such common stock or, if there is no such date, prior to the date upon which the holders of Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean \$42.3333 and, in the event of any adjustment to the conversion price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the conversion price after giving effect to any such adjustment shall always be the same as the ratio of the initial Reference Market Price to the initial conversion price of \$79.00 per share. (Section 12.11 of the Indenture.)

No adjustment to the conversion price will be required to be made in any case until cumulative adjustments require an increase or decrease of at least 1% of the conversion price. (Section 12.5 of the Indenture.)

REDEMPTION

The Debentures will not be subject to any mandatory redemption, sinking fund or other obligation of the Company to amortize, redeem or retire the Debentures, and will not be redeemable prior to February 1, 1996. On and after such date, the Debentures are redeemable at the option of the Company upon notice at any time, in whole or in part, at the following percentages of the principal amount thereof redeemed, plus accrued and unpaid interest, if any, up to but excluding the redemption date, if redeemed during the twelve-month period commencing February 1 of the years indicated:

YEAR ----	REDEMPTION PRICE -----	YEAR ----	REDEMPTION PRICE -----
1996.....	104.2%	2000.....	101.8%
1997.....	103.6%	2001.....	101.2%
1998.....	103.0%	2002.....	100.6%
1999.....	102.4%	2003 and thereafter.....	100.0%

If fewer than all the outstanding Debentures are to be redeemed, the Company will select those Debentures to be redeemed by lot or pro rata or in such other manner permitted by the rules of the NYSE as the Board of Directors may determine.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of record of Debentures to be redeemed at the address shown on the stock transfer books. After the redemption date, interest will cease to accrue on the Debentures called for redemption and all rights of the holders of such Debentures will terminate, except the right to receive the redemption price without interest. (Section 10.5 of the Indenture.)

VOTING RIGHTS

The holders of the Debentures will have no voting rights.

CONSOLIDATION, MERGER OR SALE BY THE COMPANY

The Indenture provides that the Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (a) in the case of a merger or consolidation, the Company is the surviving corporation or (b) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of a sale, conveyance, transfer or other disposition, the successor corporation is a corporation organized and existing under the laws of the United States of America or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Company under the Debentures and under the Indenture, (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default (as defined below) shall have occurred and be continuing and (iii) certain other conditions are met. In the event a successor corporation assumes the obligations of the Company, such successor corporation shall succeed to and be substituted for the Company under the Indenture and under the Debentures and all obligations of the Company thereunder shall terminate. (Section 7.1 of the Indenture.)

EVENTS OF DEFAULT, NOTICE AND CERTAIN RIGHTS ON DEFAULT

The Indenture provides that, if an Event of Default specified therein shall have occurred and be continuing, either the Trustee or the holders of 25% in aggregate principal amount of the Debentures then outstanding may, by written notice to the Company (and to the Trustee, if notice is given by such holders of Debentures), declare the principal of all the Debentures to be due and payable. However, at any time after a declaration of acceleration with respect to the Debentures has been made, but before a judgment or decree based on such acceleration has been obtained, the holders of a majority in aggregate principal amount of the Debentures then outstanding may, under certain circumstances, rescind and annul such acceleration. (Section 5.2 of the Indenture.)

Events of Default are defined in the Indenture as being: default for thirty days in payment of any interest installment when due; default for ten days in payment of principal or premium, if any, at maturity or on redemption or otherwise, on the Debentures when due; default for sixty days after notice to the Company by the Trustee, or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Debentures then outstanding, in the performance of any other covenant in the Indenture; default resulting in acceleration of other indebtedness of the Company for borrowed money where the aggregate principal amount so accelerated exceeds \$150 million and such acceleration is not rescinded or annulled within ten days after the written notice thereof to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of the Debentures then outstanding, provided that such Event of Default will be cured or waived if the default that resulted in the acceleration of such other indebtedness is cured or waived; and certain events of bankruptcy, insolvency or reorganization of the Company. (Section 5.1 of the Indenture.)

The Indenture provides that the Trustee shall, within ninety days after the occurrence of a Default with respect to the Debentures, give to the holders of the Debentures notice of all uncured Defaults known to it; provided that, except in the case of default in payment on the Debentures the Trustee may withhold the notice if and so long as a Responsible Officer (as defined in the Indenture) in good faith determines that withholding

such notice is in the interests of the holders. (Section 6.5 of the Indenture.) "Default" means any event which is, or after notice or passage of time or both, would be, an Event of Default. (Section 1.1 of the Indenture.)

The Indenture provides that the holders of a majority in aggregate principal amount of the Debentures then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, provided that such direction shall not be in conflict with any law or the Indenture and subject to certain other limitations. (Section 5.8 of the Indenture.) The right of any holder of Debentures to institute action for any remedy under the Indenture (except the right to enforce payment of the principal of, interest on, and premium, if any, on its Debentures when due) is subject to certain conditions precedent, including a request to the Trustee by the holders of not less than 25% in aggregate principal amount of Debentures then outstanding to take action, and an offer to the Trustee of satisfactory indemnification against liabilities incurred by it in so doing. (Section 5.9 of the Indenture.)

The Indenture includes a covenant that the Company will file annually with the Trustee a certificate as to the Company's compliance with all conditions and covenants of the Indenture. (Section 9.6 of the Indenture.)

The holders of a majority in aggregate principal amount of the Debentures then outstanding by notice to the Trustee may waive, on behalf of the holders of all the Debentures, any past Default or Event of Default and its consequences except a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any of the Debentures and certain other defaults. (Section 5.7 of the Indenture.)

If a bankruptcy proceeding is commenced in respect of the Company under the Federal Bankruptcy Code or if the principal amount of the Debentures is accelerated upon the occurrence of an event of default, the holders of the Debentures may be unable to recover amounts representing the unamortized portion of any original issue discount at the time such proceeding is commenced or such acceleration occurs.

AGREED TAX TREATMENT

The Indenture provides that the each holder of a Debenture, each person that acquires a beneficial ownership interest in a Debenture and the Company agree that for United States federal, state and local tax purposes it is intended that such Debenture constitute indebtedness. (Section 3.1 of the Indenture.)

MODIFICATION OF THE INDENTURE

The Indenture contains provisions permitting the Company and the Trustee to enter into one or more supplemental indentures without the consent of the holders of any of the Debentures in order (i) to evidence the succession of another corporation to the Company and the assumption of the covenants and obligations of the Company by such successor to the Company; (ii) to add to the covenants of the Company for the benefit of the holders of the Debentures or surrender any right or power of the Company; (iii) to add additional Events of Default; (iv) to secure the Debentures; (v) to evidence and provide for successor Trustees; (vi) to provide for uncertificated Debentures so long as such uncertificated Debentures are in registered form for United States federal income tax purposes; (vii) to correct or supplement any provision of the Indenture which may be inconsistent with any other provision therein or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the Debentures; (viii) to cure any ambiguity or correct any mistake; or (ix) to comply with any requirement of the Commission in connection with the qualification of the Indenture under the Trust Indenture Act. (Section 8.1 of the Indenture.)

The Indenture also contains provisions permitting the Company and the Trustee, with the consent of the holders of a majority in aggregate principal amount of the Debentures then outstanding, to execute supplemental indentures adding any provisions to or changing or eliminating any of the provisions of the Indenture or any supplemental indenture or modifying the rights of the holders, except that no such supplemental indenture may, without the consent of each holder, (i) change the time for payment of principal, premium, if any, or interest on any Debenture; (ii) reduce the principal of, or interest on any Debenture; (iii) reduce the amount of premium, if any, payable upon the redemption of any Debenture; (iv) impair the

right to institute suit for the enforcement of any payment on or with respect to any Debenture; (v) reduce the percentage in principal amount of the outstanding Debentures the consent of whose holders is required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or for waiver of certain default; (vi) adversely affect the right to convert Debentures; (vii) modify any of the provisions relating to the subordination of the Debentures in a manner adverse to the holders of the Debentures; (viii) change the obligation of the Company to maintain an office or agency in the places and for the purposes specified in the Indenture; or (ix) modify the provisions relating to waiver of certain defaults or any of the foregoing provisions. (Section 8.2 of the Indenture.)

THE TRUSTEE

The First National Bank of Chicago is the Trustee under the Indenture. First Chicago Trust Company of New York, an affiliate of the Trustee, will act as Exchange Agent for the Exchange Offer, and currently serves as Depositary under the Deposit Agreement for the Depositary Shares, as Transfer Agent and Registrar for the Preferred Stock and the Common Stock, and as Rights Agent under the Rights Agreement (as defined below).

FORM OF DEBENTURES

The Debentures will be issued in fully registered form, without coupons. Investors may elect to hold their Debentures directly or, subject to the rules and procedures of DTC described below, hold interests in a global Debenture (the "Global Debenture") registered in the name of DTC or its nominee.

DTC has advised the Company as follows: DTC is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act. DTC holds securities that its participants (the "Participants") deposit with DTC and facilitates the clearance and settlement of securities transactions among its Participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly. The Rules applicable to DTC and its Participants are on file with the Commission.

Upon the issuance of a Global Debenture, DTC will credit on its book-entry registration and transfer system, the principal amount of the Debentures represented by such Global Debenture to the accounts of institutions that have accounts with DTC. The accounts to be credited shall be designated by the holders that sold such Debentures to such Participants. Ownership of beneficial interests in a Global Debenture will be limited to Participants or persons that may hold interests through Participants. Ownership of beneficial interests in a Global Debenture will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC for such Global Debenture and on the records of Participants (with respect to the interests of persons holding through Participants). So long as DTC, or its nominee, is the owner of a Global Debenture, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Debentures represented by such Global Debenture for all purposes under the Indenture.

Each person owning a beneficial interest in a Global Debenture must rely on the procedures of DTC and, if such person is not a Participant, on the procedures of the Participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. The Company understands that under existing industry practices, if it requests any action of holders or if an owner of a beneficial interest in a Global Debenture desires to give or take any action which a holder is entitled to give or take under the Indenture, DTC would authorize the Participants holding the relevant beneficial interests to give or take such action, and such Participants would authorize beneficial owners owning through such Participants to give or take such action or would otherwise act upon the instructions of beneficial owners holding through them.

Principal and interest payments on the Debentures will be made to DTC. The Company understands that it is DTC's practice to credit of any Participant's accounts with payments in amounts proportionate to their respective beneficial interests in the Debentures represented by the Global Debenture as shown on the records of DTC on the date payment is scheduled to be made, unless DTC has reason to believe that it will not receive payment on such date. The Company expects that payments by Participants to owners of beneficial interests in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants. Accordingly, although owners who hold Debentures through Participants will not possess Debentures in definitive form, the Participants will provide a mechanism by which holders of Debentures will receive payments and will be able to transfer their interests.

Principal and interest payments on Debentures represented by a Global Debenture registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of such Global Debenture. None of the Company, the Trustee or any other agent of the Company will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interest in such Global Debenture or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If DTC or a successor depository is at any time unwilling or unable to continue as depository of the Global Debentures and a successor depository is not appointed by the Company within ninety days, the Company will issue Certificated Debentures in exchange for the Global Debentures. In addition, the Company may at any time determine not to have Debentures represented by a Global Debenture and, in such event, will issue Certificated Debentures in exchange for the Global Debentures. In either case, an owner of a beneficial interest in a Global Debenture will be entitled to have Certificated Debentures equal in principal amount to such beneficial interest registered in its name and will be entitled to physical delivery of such Certificated Debentures.

SAME-DAY SETTLEMENT IN RESPECT OF GLOBAL DEBENTURES

So long as any Debentures are represented by Global Debentures registered in the name of DTC or its nominee, such Debentures will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in such Debentures will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the Debentures.

DESCRIPTION OF COMMON STOCK

The following statements with respect to the capital stock of the Company are summaries and are subject to the detailed provisions of the Company's certificate of incorporation, as amended (the "Certificate of Incorporation"), and by-laws, as amended (the "By-Laws"). These statements do not purport to be complete, or to give full effect to the provisions of statutory or common law, and are subject to, and are qualified in their entirety by reference to, the terms of the Certificate of Incorporation and the By-Laws, copies of which are filed as exhibits to the Registration Statement and are incorporated by reference into this Prospectus.

The Certificate of Incorporation authorizes the issuance of 150,000,000 shares of Common Stock. On October 5, 1994, 75,859,602 shares of Common Stock were outstanding. The Certificate of Incorporation provides that the Company's Board of Directors (the "Board of Directors") is authorized to provide for the issuance of shares of preferred stock, from time to time, in one or more series, and to fix any voting powers, full or limited, and the designations, preferences and relative, participating, optional or other special rights, applicable to the shares to be included in any such series and any qualifications, limitations or restrictions thereon. No shares of preferred stock of the Company (other than the Preferred Stock) are outstanding as of the date hereof. However, 1,000,000 shares of Series A Junior Participating Preferred Stock of the Company (the "Junior Preferred Stock") have been authorized and reserved for issuance in connection with the

preferred stock purchase rights (the "Rights") described below in "Description of Rights and Junior Preferred Stock."

VOTING RIGHTS

Each holder of Common Stock is entitled to one vote for each share registered in his name on the books of the Company on all matters submitted to a vote of shareholders. Except as otherwise provided by law, the holders of Common Stock vote as one class. The shares of Common Stock do not have cumulative voting rights. As a result, subject to the voting rights, if any, of the holders of any shares of the Company's preferred stock which may at the time be outstanding, including the Preferred Stock, the holders of Common Stock entitled to exercise more than 50% of the voting rights in an election of directors can elect 100% of the directors to be elected if they choose to do so. In such event, the holders of the remaining Common Stock voting for the election of directors will not be able to elect any persons to the Board of Directors.

DIVIDEND RIGHTS

Subject to the rights of the holders of any shares of the Company's preferred stock which may at the time be outstanding, including the Preferred Stock, holders of Common Stock are entitled to such dividends as the Board of Directors may declare out of funds legally available therefor. For a description of contractual provisions and other factors that limit or affect the ability or contractual right of the Company to pay dividends, see "Description of Preferred Stock -- Dividends."

With the exception of the dividend of the Rights, no dividends have been paid on the Common Stock, and, prior to October 1, 1982 (the date as of which the Company became the parent of American), no dividends had been paid on the common stock of American after the first quarter of 1980.

DELAWARE GENERAL CORPORATION LAW SECTION 203

As a corporation organized under the laws of the State of Delaware, the Company is subject to Section 203 of the DGCL which restricts certain business combinations between the Company and an "interested stockholder" (in general, a stockholder owning 15% or more of the Company's outstanding voting stock) or its affiliates or associates for a period of three years following the date on which the stockholder becomes an "interested stockholder". The restrictions do not apply if (i) prior to an interested stockholder becoming such, the Board of Directors approves either the business combination or the transaction in which the stockholder becomes an interested stockholder, (ii) upon consummation of the transaction in which any person becomes an interested stockholder, such interested stockholder owns at least 85% of the voting stock of the Company outstanding at the time the transaction commences (excluding shares owned by certain employee stock ownership plans and persons who are both directors and officers of the Company) or (iii) on or subsequent to the date an interested stockholder becomes such, the business combination is both approved by the Board of Directors and authorized at an annual or special meeting of the Company's shareholders, not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

LIQUIDATION RIGHTS AND OTHER PROVISIONS

Subject to the prior rights of creditors and the holders of any preferred stock which may be outstanding from time to time, including the Preferred Stock, the holders of the Common Stock are entitled in the event of liquidation, dissolution or winding up to share pro rata in the distribution of all remaining assets.

The Common Stock is not liable to any calls or assessments and is not convertible into any other securities. The Certificate of Incorporation provides that the private property of the stockholders shall not be subject to the payment of corporate debts. There are no redemption or sinking fund provisions applicable to the Common Stock, and the Certificate of Incorporation provides that there shall be no preemptive rights.

The Certificate of Incorporation provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for

liability (i) for any breach of the directors's duty of loyalty to the Company or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Section 174 of the DGCL specifies conditions under which directors of Delaware corporations may be liable for unlawful dividends or unlawful stock purchases or redemptions.

The Transfer Agent and Registrar for the Common Stock is First Chicago Trust Company of New York.

DESCRIPTION OF RIGHTS AND JUNIOR PREFERRED STOCK

RIGHTS

On February 13, 1986, the Board of Directors declared a dividend of one Right for each outstanding share of Common Stock to stockholders of record on February 24, 1986. Each share of Common Stock issued thereafter and before the Distribution Date (as defined below) or earlier redemption, exchange or expiration of the Rights pursuant to the Rights Agreement, dated as of February 13, 1986, as amended (the "Rights Agreement"), between the Company and First Chicago Trust Company of New York (as successor Rights Agent to J. Henry Schroder Bank and Trust Company), will also be accompanied by one Right. The following statements with respect to the Rights are summaries and are subject to the detailed provisions of the Rights Agreement, which is filed as an exhibit to the Registration Statement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the provisions of the Rights Agreement, which are incorporated by reference into this Prospectus.

Following the Distribution Date and except as described below, each Right entitles the registered holder thereof to purchase from the Company one one-hundredth of a share of Junior Preferred Stock at a price (the "Purchase Price") of \$200 per one one-hundredth of a share of Junior Preferred Stock, subject to adjustment. See "-- Junior Preferred Stock". The Rights are not exercisable until the Distribution Date. The Rights will expire on February 29, 1996, unless exercised in connection with a transaction of the type described below or unless earlier redeemed or exchanged by the Company.

Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company, including, without limitation, the right to vote or to receive dividends.

Initially, ownership of the Rights will be evidenced by the Common Stock certificates representing shares then outstanding, and no separate certificates representing the Rights (the "Rights Certificates") will be distributed. Until the Distribution Date (or earlier redemption, exchange or expiration of the Rights), the Rights will be transferable only with the Common Stock, and the surrender for transfer of any certificate for Common Stock will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate. The Rights will separate from the Common Stock and a Distribution Date will occur upon the earlier of (i) 10 days following a public announcement that a person or group of affiliates or associated persons (other than the Company, its subsidiaries or employee benefit plans thereof) (an "Acquiring Person") has acquired, or obtained the right to acquire, beneficial ownership of 10% or more of the outstanding Common Stock or (ii) 10 days following the commencement of or announcement of an intention to make a tender offer or exchange offer, the consummation of which would result in the Acquiring Person becoming the beneficial owner of 30% or more of such outstanding Common Stock (such date being called the Distribution Date). As soon as practicable following the Distribution Date, Rights Certificates will be mailed to holders of record of Common Stock as of the close of business on the Distribution Date. After such time, such separate Rights Certificates alone will evidence the Rights and could trade independently from the Common Stock.

In the event that any person or group of affiliated or associated persons becomes the beneficial owner of 10% or more of the outstanding Common Stock, each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Right and in lieu of Junior Preferred Stock, that number of shares of Common Stock having a market value at the time of the 10% acquisition of two times the then current Purchase Price.

In the event that the Company is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power is acquired, proper provision will be made so that each holder of a Right shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price of the Right and in lieu of Junior Preferred Stock, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the then current Purchase Price.

At any time after any person or group has become an Acquiring Person but before any person or group becomes the beneficial owner of 50% or more of the outstanding Common Stock, the Board of Directors may exchange each Right (other than Rights beneficially owned by the Acquiring Person) for one share of Common Stock (or one one-hundredth of a share of Junior Preferred Stock), subject to adjustment.

At any time prior to the time that an Acquiring Person acquires beneficial ownership of 10% or more of the outstanding Common Stock, the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.05 per Right (the "Redemption Price"). Immediately upon the action of the Board of Directors ordering redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The Purchase Price payable, and the number of shares of Junior Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment upon the occurrence of certain events with respect to the Company, including stock dividends, sub-divisions, combinations, reclassifications, rights or warrants offerings of Junior Preferred Stock at less than the then current market price and certain distributions of property or evidences of indebtedness of the Company to holders of Junior Preferred Stock, all as set forth in the Rights Agreement.

The Rights have certain anti-takeover effects. The Rights may cause substantial dilution to a person or group that attempts to acquire the Company on terms not approved by the Board of Directors, except pursuant to an offer conditioned on a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors since the Rights may be redeemed by the Company at \$.05 per Right prior to the time that a person or group has acquired beneficial ownership of 10% or more of the Common Stock.

JUNIOR PREFERRED STOCK

In connection with the Rights Agreement, 1,000,000 shares of Junior Preferred Stock have been authorized and reserved for issuance by the Board of Directors. No shares of Junior Preferred Stock are outstanding as of the date hereof. The following statements with respect to the Junior Preferred Stock are summaries and are subject to the detailed provisions of the Certificate of Incorporation and the certificate of designation relating to the Junior Preferred Stock, which is filed as an exhibit to the Registration Statement (the "Junior Preferred Stock Certificate of Designation"). These statements do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the terms of the Certificate of Incorporation and the Junior Preferred Stock Certificate of Designation, which are incorporated by reference in this Prospectus.

Subject to the prior payment of cumulative dividends on any class of preferred stock ranking senior to the Junior Preferred Stock, a holder of Junior Preferred Stock will be entitled to cumulative dividends out of funds legally available therefor, when, as and if declared by the Board of Directors, at a quarterly rate per share of Junior Preferred Stock equal to the greater of (a) \$5.00 or (b) 100 times (subject to adjustment upon certain dilutive events) the aggregate per share amount of all cash dividends and 100 times (subject to adjustment upon certain dilutive events) the aggregate per share amount of all non-cash dividends or other distributions (other than dividends payable in Common Stock) declared on Common Stock since the last quarterly dividend payment date for the Junior Preferred Stock (or since the date of issuance of the Junior Preferred Stock if no such dividend payment date has occurred).

A holder of Junior Preferred Stock will be entitled to 100 votes (subject to adjustment upon certain dilutive events) per share of Junior Preferred Stock on all matters submitted to a vote of shareholders of the Company. Such holders will vote together with the holders of Common Stock as a single class.

In the event of a merger or consolidation of the Company which results in Common Stock being exchanged or changed for other stock, securities, cash and/or other property, the shares of Junior Preferred Stock shall similarly be exchanged or changed in an amount per share equal to 100 times (subject to adjustment upon certain dilutive events) the aggregate amount of stock, securities, cash and/or other property, as the case may be, into which each share of Common Stock has been exchanged or changed.

In the event of liquidation, dissolution or winding up of the Company, a holder of Junior Preferred Stock will be entitled to receive \$100 per share, plus accrued and unpaid dividends, before any distribution may be made to holders of shares of stock of the Company ranking junior to the Junior Preferred Stock, and the holders of Junior Preferred Stock are entitled to receive an aggregate amount per share equal to 100 times (subject to adjustment upon certain dilutive events) the aggregate amount to be distributed per share to holders of Common Stock.

The Junior Preferred Stock is not subject to redemption. The terms of the Junior Preferred Stock provide that the Company is subject to certain restrictions with respect to dividends and distributions on and redemptions and purchases of shares of stock of the Company ranking junior to or on a parity with the Junior Preferred Stock in the event that payments of dividends or other distributions payable on the Junior Preferred Stock are in arrears.

DESCRIPTION OF PREFERRED STOCK

The following statements with respect to the Preferred Stock are summaries and are subject to the detailed provisions of the Certificate of Incorporation and the By-Laws, as well as the certificate of designations relating to the Preferred Stock (the "Certificate of Designation"). These statements do not purport to be complete, or to give full effect to the provisions of statutory or common law, and are subject to, and are qualified in their entirety by reference to, the terms of the Certificate of Incorporation, the By-Laws, and the Certificate of Designation, copies of which are filed as exhibits to the Registration Statement and are incorporated by reference into this Prospectus.

GENERAL

The Certificate of Incorporation provides that the Company's Board of Directors (the "Board of Directors") is authorized, without stockholder approval, to provide for the issuance of up to 20,000,000 shares of preferred stock, from time to time, in one or more series, and to fix any voting powers, full or limited, and the designations, preferences and relative participating, optional or other special rights, applicable to the shares to be included in any such series and any qualifications, limitations or restrictions thereon. Thus, without stockholder approval, the Company could authorize the issuance of preferred stock with voting, conversion and other rights that could dilute the voting power and other rights of holders of the Common Stock and other series of preferred stock, including the Preferred Stock. No shares of preferred stock of the Company (other than the Preferred Stock) are outstanding as of the date hereof. However, 1,000,000 shares of Junior Preferred Stock have been authorized and reserved for issuance in connection with the Rights described above in "Description of Rights and Junior Preferred Stock."

The Board of Directors has designated 2,200,000 shares of the Company's preferred stock as the Preferred Stock. When issued, the Preferred Stock was fully paid and nonassessable. The holders of the Preferred Stock have no preemptive rights to subscribe for any additional securities which may be issued by the Company.

RANKING

The Preferred Stock, with respect to dividend rights and rights on liquidation, winding up and dissolution of the Company, ranks prior to the Common Stock and Junior Preferred Stock. While any shares of Preferred

Stock are outstanding, the Company may not authorize, create or issue any class of stock that shall, with respect to dividend rights or rights upon liquidation, winding up and dissolution of the Company, rank prior to the Preferred Stock without the consent of the holders of two-thirds of the outstanding shares of Preferred Stock. See "-- Voting Rights" below. The Company may, however, create additional classes of stock or issue series of preferred stock ranking on a parity with the Preferred Stock with respect to the payment of dividends or upon liquidation, dissolution and winding up without the consent of any holder of Preferred Stock.

DIVIDENDS

Holders of shares of Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors out of funds legally available therefor, cash dividends at an annual rate of \$30.00 per share (equivalent to \$3.00 per Depositary Share), payable quarterly in February 1, May 1, August 1 and November 1 of each year, except that if any such date is a Saturday, Sunday or legal holiday then such dividend shall be payable on the next day that is not a Saturday, Sunday or legal holiday. Each such dividend is payable to holders of record as they appear on the stock transfer books on such record dates, not more than 60 nor less than 10 days preceding the payment dates thereof, as are fixed by the Board of Directors. Dividends have accrued from the date of issuance of the Preferred Stock. Dividends are cumulative from such date, whether or not in any dividend period or periods there shall be funds of the Company legally available for the payment of such dividends. Accumulations of dividends on shares of Preferred Stock do not bear interest. Dividends payable on the Preferred Stock for any period greater or less than a full dividend period are calculated on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Preferred Stock for each full dividend period are computed by dividing the annual dividend rate by four.

A certain debt agreement of the Company contains covenants restricting the declaration or payment of any dividend or the making of any distribution in respect of the Company's capital stock (other than a dividend or distribution payable in capital stock of the Company), including Preferred Stock and Common Stock, or the purchase, redemption or other acquisition or retirement of any capital stock of the Company, including Preferred Stock and Common Stock, by the Company or any subsidiary of the Company. At June 30, 1994, under the provisions of this agreement, all of the retained earnings of the Company were available for the payment of dividends. In addition, the Indenture relating to the Debentures will contain a covenant restricting the Company's ability to declare or pay dividends or distributions on its capital stock or repurchase, redeem or otherwise acquire shares of its capital stock in certain circumstances as described in "Description of Debentures -- Interest". There presently are no other contractual agreements of the Company that limit the payment by the Company of dividends on shares of Preferred Stock or Common Stock. However, because the Company is primarily a holding company that conducts its business through its wholly-owned subsidiaries, the Company's cash flow and consequent ability to pay dividends on the Preferred Stock and the Common Stock are primarily dependent upon the earnings of such subsidiaries, particularly American, and on dividends and other payments therefrom. See "Description of Debentures -- Subordination."

No full dividends shall be declared or paid or set apart for payment on stock of the Company of any series ranking, as to dividends, on a parity with (the "Parity Dividend Stock") or junior to (the "Junior Dividend Stock") the Preferred Stock unless full dividends for the immediately preceding dividend period on the Preferred Stock (including any accumulation in respect of unpaid dividends for prior dividend periods) have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment. When dividends are not so paid in full (or a sum sufficient for such full payment is not so set apart) upon the Preferred Stock and any Parity Dividend Stock, dividends upon the Preferred Stock and such Parity Dividend Stock shall be declared pro rata so that the amount of dividends declared per share on the Preferred Stock and such Parity Dividend Stock shall in all cases bear to each other the same ratio that accrued dividends for the then-current dividend period per share on the shares of Preferred Stock (including any accumulation in respect of unpaid dividends for prior dividend periods) and accrued dividends, including required or permitted accumulations, if any, on shares of such Parity Dividend Stock, bear to each other. Unless full dividends on the Preferred Stock have been declared and paid or set apart for payment for the immediately preceding dividend period (including any accumulation in respect of unpaid dividends for prior

dividend periods) (a) no dividend or distribution (other than in shares of Junior Dividend Stock) may be declared, set aside or paid on the Junior Dividend Stock, (b) the Company may not repurchase, redeem or otherwise acquire any shares of its Junior Dividend Stock (except by conversion into or exchange for Junior Dividend Stock and except for a redemption, purchase or other acquisition of shares of Junior Dividend Stock made for the purpose of an employee incentive or benefit plan of the Company or any of its subsidiaries) and (c) the Company may not, directly or indirectly, repurchase, redeem or otherwise acquire any shares of Preferred Stock or Parity Dividend Stock (except by conversion into or exchange for Junior Dividend Stock) other than pursuant to a concurrent redemption of all of the outstanding shares of Preferred Stock or except in accordance with a purchase or exchange offer made by the Company to all holders of Preferred Stock and Parity Dividend Stock. The Company does not currently have outstanding any Parity Dividend Stock.

LIQUIDATION RIGHTS

In the case of the voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, holders of shares of Preferred Stock will be entitled to receive the liquidation preference of \$500 per share (equivalent to \$50 per Depositary Share), plus an amount equal to any accrued and unpaid dividends to the payment date, before any payment or distribution is made to the holders of Common Stock or any series or class of stock hereafter issued that ranks junior as to liquidation rights to the Preferred Stock ("Junior Liquidation Stock"), but the holders of the shares of the Preferred Stock will not be entitled to receive the liquidation preference of such shares until the liquidation preference of any other series or class of stock hereafter issued that ranks senior as to liquidation rights to the Preferred Stock ("Senior Liquidation Stock") has been paid in full. If, upon such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the assets of the Company are insufficient to pay in full the amounts payable thereon with respect to the Preferred Stock and any series or classes of stock ranking on a parity with the Preferred Stock as to liquidation, dissolution or winding up, the holders of the Preferred Stock and of such other class or series of stock will share ratably in any such distribution of assets of the Company (after payment of the liquidation preference of the Senior Liquidation Stock) first in proportion to their respective liquidation preferences until such preferences are paid in full, and then in proportion to their respective amounts of accrued but unpaid dividends. After payment in full of the liquidation preference of the shares of the Preferred Stock and accrued dividends, the holders of such shares will not be entitled to any further participation in any distribution of assets by the Company. Neither the sale of all or substantially all the assets of the Company, nor the merger or consolidation of the Company into or with any other corporation, will be deemed to be a liquidation, dissolution or winding up of the Company.

REDEMPTION

The Preferred Stock is not subject to any mandatory redemption, sinking fund or other obligation of the Company to redeem or retire the Preferred Stock, and will not be redeemable prior to February 1, 1996. On and after such date, the Preferred Stock is redeemable at the option of the Company upon notice at any time, in whole or in part, at the following redemption prices per share (expressed as a percentage of the \$500 liquidation preference thereof), plus accrued and unpaid dividends, if any, up to but excluding the redemption date, if redeemed during the twelve-month period commencing February 1 of the years indicated:

YEAR -----	REDEMPTION PRICE -----	YEAR -----	REDEMPTION PRICE -----
1996.....	104.2%	2000.....	101.8%
1997.....	103.6%	2001.....	101.2%
1998.....	103.0%	2002.....	100.6%
1999.....	102.4%	2003 and thereafter.....	100.0%

If fewer than all the outstanding shares of Preferred Stock are to be redeemed, the Company will select those shares to be redeemed by lot or pro rata or in such manner as the Board of Directors may determine.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of record of shares of Preferred Stock to be redeemed at the address shown on the stock

transfer books. After the redemption date, dividends will cease to accumulate on the shares of Preferred Stock called for redemption and all rights of the holders of such shares will terminate, except the right to receive the redemption price without interest.

VOTING RIGHTS

The holders of the Preferred Stock have no voting rights except as described below or as required by law.

At any time dividends in an aggregate amount equal to at least six quarterly dividends on the Preferred Stock (whether or not consecutive) shall have accrued and be unpaid, the maximum authorized number of directors of the Company will be increased by two and the holders of the Preferred Stock shall have the right to a separate class vote (together with the holders of shares of any Parity Dividend Stock upon which like voting rights have been conferred and are exercisable ("Voting Parity Stock")) to elect two members of the Board of Directors at the next annual meeting of stockholders and thereafter until dividends on the Preferred Stock have been paid or declared and set apart for payment. Upon payment or declaration and setting apart of funds for payment of all such dividends in arrears, the term of office of each director elected will immediately terminate and the number of directors constituting the entire Board of Directors of the Company will be reduced by the number of directors elected by the holders of the Preferred Stock and Voting Parity Stock.

Additionally, without the affirmative vote of the holders of two-thirds of the shares of Preferred Stock then outstanding (voting separately as a class together with any Voting Parity Stock), the Company may not, either directly or indirectly or through merger or consolidation with any other corporation, (i) approve the authorization, creation or issuance of, or an increase in the authorized or issued amount of, any class or series of stock ranking prior to the shares of Preferred Stock in rights and preferences or any security convertible into any such class or series of stock, or (ii) amend, alter or repeal its Certificate of Incorporation or the Certificate of Designation so as to materially and adversely affect the preferences, rights, powers, privileges, qualifications or restrictions of the Preferred Stock. An amendment which increases the number of authorized shares of or authorizes the creation or issuance of other classes or series of preferred stock ranking junior to or on a parity with the Preferred Stock with respect to the payment of dividends or distribution of assets on liquidation, dissolution or winding up shall not be considered to be such an adverse change.

CONVERSION

Shares of the Preferred Stock are convertible at the option of the holder thereof at any time into such number of whole shares of Common Stock as is equal to the aggregate liquidation preference of the shares of Preferred Stock surrendered for conversion divided by the conversion price of \$78.75 per share of Common Stock, subject to adjustment as described below. Shares of Preferred Stock surrendered for conversion during the period after any dividend payment record date and prior to the corresponding dividend payment date must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. Shares of Preferred Stock called for redemption will not be convertible after the close of business on the business day preceding the date fixed for redemption, unless the Company defaults in payment of the redemption price.

The initial conversion price of \$78.75 per share of Common Stock is subject to adjustment (under formulae set forth in the Certificate of Designation) in certain events, including: (i) the issuance of Common Stock as a dividend or distribution on Common Stock of the Company; (ii) certain subdivisions and combinations of the Common Stock; (iii) the issuance to all holders of Common Stock of certain rights or warrants to purchase Common Stock; (iv) the distribution to all holders of Common Stock of shares of capital stock of the Company (other than Common Stock) or evidences of indebtedness of the Company or assets (including securities, but excluding those rights, warrants, dividends and distributions referred to above and dividends and distributions in connection with the liquidation, dissolution or winding up of the Company or paid in cash); (v) distributions consisting of cash, excluding any quarterly cash dividend on the Common Stock to the extent that the aggregate cash dividend per share of Common Stock in any quarter does not exceed the greater of (x) the amount per share of Common Stock of the next preceding quarterly cash dividend on the Common Stock to the extent that such preceding quarterly dividend did not require an

adjustment of the Conversion Price pursuant to this clause (v) (as adjusted to reflect subdivisions or combinations of the Common Stock), and (y) 3.75 percent of the average of the daily Closing Prices (as defined in the Certificate of Designation) of the Common Stock for the ten consecutive Trading Days (as defined in the Certificate of Designation) immediately prior to the date of declaration of such dividend, and excluding any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company; and (vi) payment in respect of a tender or exchange offer by the Company or any subsidiary of the Company for the Common Stock to the extent that the cash and value of any other consideration included in such payment per share of Common Stock exceeds the current market price per share of Common Stock on the last Trading Day preceding the date on which the Company becomes irrevocably obligated to make such payment. If any adjustment is required to be made as set forth in clause (v) above as a result of a distribution which is a quarterly dividend, such adjustment would be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant to such clause (v). If an adjustment is required to be made as set forth in (v) above as a result of a distribution which is not a quarterly dividend, such adjustment would be based upon the full amount of such distribution.

In the event that the rights issued pursuant to the Rights Agreement (as defined above) are separately distributed to holders of Common Stock upon the occurrence of certain events specified in the Rights Agreement or otherwise, such that holders of Preferred Stock would thereafter not be entitled to receive any such rights in respect of the Common Stock issuable upon conversion of such Preferred Stock, the conversion price of the Preferred Stock will be adjusted as provided in clause (iv) of the preceding paragraph.

The Company from time to time may to the extent permitted by law reduce the conversion price by any amount for any period of at least 20 days, in which case the Company shall give at least 15 days' notice of such reduction, if the Board of Directors has made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. The Company may, at its option, make such reductions in the conversion price, in addition to those set forth above, as the Board of Directors deems advisable to avoid or diminish any income tax to holders of Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

If any transaction shall occur (including without limitation (i) any recapitalization or reclassification of shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (ii) any consolidation or merger of the Company with or into another person or any merger of another person into the Company (other than a merger that does not result in a reclassification, conversion, exchange or cancellation of Common Stock), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange pursuant to which either shares of Common Stock shall be converted into the right to receive other securities, cash or other property, or, in the case of a sale or transfer of all or substantially all of the assets of the Company, the holders of Common Stock shall be entitled to receive other securities, cash or other property, then appropriate provision shall be made so that the holder of each share of Preferred Stock then outstanding shall have the right thereafter to convert such share only into (x) in the case of any such transaction that does not constitute a Common Stock Fundamental Change (as defined below) and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the kind and amount of the securities, cash or other property that would have been receivable upon such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange by a holder of the number of shares of Common Stock issuable upon conversion of such share of Preferred Stock immediately prior to such recapitalization, reclassification, consolidation, merger, sale, transfer or share exchange, after giving effect, in the case of any Non-Stock Fundamental Change (as defined below), to any adjustment in the conversion price in accordance with clause (i) of the following paragraph, and (y) in the case of any such transaction that constitutes a Common Stock Fundamental Change, common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined in accordance with clause (ii) of the following paragraph. The company formed by such consolidation or resulting from such merger or that acquires such assets or that acquires the Company's shares, as the case may be, shall make provisions in its certificate or articles of incorporation or other constituent document to establish such right. Such certificate or articles of incorporation or other constituent document shall provide

for adjustments that, for events subsequent to the effective date of such certificate or articles of incorporation or other constituent documents, shall be as nearly equivalent as may be practicable to the relevant adjustments provided for in the preceding paragraphs and in this paragraph.

Notwithstanding any other provision in the preceding paragraphs to the contrary, if any Fundamental Change (as defined below) occurs, then the conversion price in effect will be adjusted immediately after such Fundamental Change as follows:

(1) in the case of a Non-Stock Fundamental Change, the conversion price of the shares of Preferred Stock immediately following such Non-Stock Fundamental Change shall be the lower of (A) the conversion price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, and (B) the product of (1) the greater of the Applicable Price (as defined below) and the then applicable Reference Market Price (as defined below) and (2) a fraction, the numerator of which is \$500 and the denominator of which is (x) the amount of the redemption price for one share of Preferred Stock if the redemption date were the date of such Non-Stock Fundamental Change (or, for the twelve-month periods commencing February 1, 1994 and 1995, the product of 105.4% and 104.8%, respectively, times \$500) plus (y) any then-accumulated and unpaid dividends on such Preferred Stock; and

(2) in the case of a Common Stock Fundamental Change, the conversion price of the shares of Preferred Stock immediately following such Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to the preceding paragraphs, multiplied by a fraction, the numerator of which is the Purchaser Stock Price (as defined below) and the denominator of which is the Applicable Price; provided, however, that in the event of a Common Stock Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror, or other third party (and cash, if any, paid with respect to any fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, common stock of the successor, acquiror or other third party (and any cash with respect to fractional interests), the conversion price of the shares of Preferred Stock immediately following such Common Stock Fundamental Change shall be the conversion price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one (1) and the denominator of which is the number of shares of common stock of the successor, acquiror, or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change.

Depending upon whether a Fundamental Change is a Non-Stock Fundamental Change or a Common Stock Fundamental Change, a holder may receive significantly different consideration upon conversion. In the event of a Non-Stock Fundamental Change, the holder has the right to convert shares of Preferred Stock into the kind and amount of the shares of stock and other securities or property or assets (including cash), except as otherwise provided above, as is determined by the number of shares of Common Stock receivable upon conversion at the conversion price as adjusted in accordance with clause (i) of the preceding paragraph. However, in the event of a Common Stock Fundamental Change in which less than 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party, a holder of a share of Preferred Stock who converts such share following the Common Stock Fundamental Change will receive consideration in the form of such common stock only, whereas a holder who converted such share prior to the Common Stock Fundamental Change would have received consideration in the form of such common stock as well as any other securities or assets (which may include cash) issuable upon conversion of such share of Preferred Stock immediately prior to such Common Stock Fundamental Change.

The term "Applicable Price" means (i) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by a holder of one share of Common Stock and (ii) in the event of any other Non-Stock Fundamental Change or any Common Stock

Fundamental Change, the average of the reported last sale price for one share of the Common Stock (determined as provided in the Certificate of Designation) during the 10 Trading Days immediately prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change or, if there is no such record date, prior to the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Common Stock Fundamental Change" means any Fundamental Change in which more than 50% of the value (as determined in good faith by the Board of Directors of the Company) of the consideration received by holders of Common Stock consists of common stock that, for the 10 Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the Nasdaq National Market; provided, however, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (i) the Company continues to exist after the occurrence of such Fundamental Change and the outstanding shares of Preferred Stock continue to exist as outstanding shares of Preferred Stock, or (ii) not later than the occurrence of such Fundamental Change, the outstanding shares of Preferred Stock are converted into or exchanged for shares of convertible preferred stock of a corporation succeeding to the business of the Company, which convertible preferred stock has powers, preferences and relative, participating, optional or other rights, and qualifications, limitations and restrictions substantially similar to those of the Preferred Stock.

The term "Fundamental Change" means the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Common Stock of the Company shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of any such series of transactions or events, for purposes of adjustment of the conversion price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets, but the adjustment shall be based upon the consideration that the holders of Common Stock received in the transaction or event as a result of which more than 50% of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for, or shall constitute solely the right to receive, such cash, securities, property or other assets; and provided, further, that such term does not include (i) any such transaction or event in which the Company and/or any of its subsidiaries are the issuers of all the cash, securities, property or other assets exchanged, acquired or otherwise issued in such transaction or event, or (ii) any such transaction or event in which the holders of Common Stock receive securities of an issuer other than the Company or any of its subsidiaries if, immediately following such transaction or event, such holders hold a majority of the securities having the power to vote normally in the election of directors of such other issuer outstanding immediately following such transaction or other event.

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Common Stock Fundamental Change, the average of the reported last sale price for one share of the common stock received by holders of Common Stock (determined as provided in the Certificate of Designation) in such Common Stock Fundamental Change during the 10 Trading Days immediately prior to the date fixed for the determination of the holders of Common Stock entitled to receive such common stock or, if there is no such date, prior to the date upon which the holders of Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean \$42.3333 and, in the event of any adjustment to the conversion price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the conversion price after giving effect to any such

adjustment shall always be the same as the ratio of the initial Reference Market Price to the initial conversion price of \$78.75 per share.

No adjustment to the conversion price will be required to be made in any case until cumulative adjustments amount to 1% or more of the conversion price.

DESCRIPTION OF DEPOSITARY SHARES

The Depositary Shares were sold by the Company on February 4, 1993 in reliance on Section 4(2) under the Securities Act to Morgan Stanley & Co. Incorporated and Goldman, Sachs & Co. (the "Initial Purchasers"), who informed the Company that they resold the Depositary Shares (i) within the United States to Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act, (ii) within the United States to a limited number of other institutional "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that, prior to their purchase, delivered a letter to the Initial Purchasers and the Company containing certain representations and agreements and (iii) outside the United States to certain persons other than U.S. persons in reliance on Regulation S under the Securities Act.

GENERAL

Each Depositary Share represents 1/10 of a share of Preferred Stock. The Company has deposited the shares of Preferred Stock underlying the Depositary Shares pursuant to the Deposit Agreement. Subject to the terms of the Deposit Agreement, each owner of Depositary Shares is entitled, in proportion to the applicable fractional interest in a share of Preferred Stock underlying such Depositary Shares, to all the rights and preferences of the Preferred Stock underlying such Depositary Shares (including dividend, voting, redemption, conversion and liquidation rights).

The Depositary Shares are evidenced by receipts ("Depositary Receipts") issued pursuant to the Deposit Agreement. Immediately following the issuance and delivery of the Preferred Stock by the Company to the Depositary, the Company caused the Depositary to issue, on behalf of the Company, the Depositary Receipts evidencing the Depositary Shares to the initial purchasers thereof. Copies of the Deposit Agreement and Form of Depositary Receipt may be obtained from the Company upon request, and the following summary is qualified in its entirety by reference thereto.

DIVIDENDS AND OTHER DISTRIBUTIONS

The Depositary will distribute all cash dividends or other cash distributions received in respect of the Preferred Stock to the record holders of Depositary Shares relating to such Preferred Stock in proportion to the numbers of such Depositary Shares owned by such holders on the relevant record date, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Depositary.

In the event of a distribution other than in cash, the Depositary will distribute property received by it to the record holders of Depositary Shares in proportion to the numbers of Depositary Shares owned by such holders on the relevant record date, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Depositary, unless the Depositary determines that it is not feasible to make such distribution, in which case the Depositary may, with the approval of the Company, sell such property and distribute the net proceeds from such sale to such holders.

WITHDRAWAL OF STOCK

Upon surrender of Depositary Receipts at the corporate trust office of the Depositary (unless the related Depositary Shares have previously been called for redemption), a holder of Depositary Shares evidenced thereby is entitled to have the Depositary deliver to such holder at such office to or upon his order, the number of whole shares of Preferred Stock underlying the Depositary Shares evidenced by the surrendered Depositary Receipts, and any money or other property represented by such Depositary Shares. Holders of Depositary

Shares will be entitled to receive whole shares of Preferred Stock on the basis of one share of Preferred Stock for each ten Depositary Shares, but holders of such whole shares of Preferred Stock will not thereafter be entitled to receive Depositary Shares therefor. If the Depositary Receipts delivered by the holder evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of whole shares of Preferred Stock to be withdrawn, the Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of Depositary Shares. The Depositary also acts as Transfer Agent and Registrar for the Preferred Stock.

REDEMPTION OF DEPOSITARY SHARES

Whenever the Company redeems shares of Preferred Stock held by the Depositary, the Depositary will redeem as of the same redemption date the number of Depositary Shares relating to the shares of Preferred Stock so redeemed, provided the Company shall have paid in full to the Depositary the redemption price of the Preferred Stock to be redeemed plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price per Depositary Share will be equal to 1/10 of the redemption price and any other amounts per share payable with respect to such shares of Preferred Stock. If fewer than all of the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected by lot, pro rata or other equitable method, in each case as may be determined by the Company.

VOTING THE PREFERRED STOCK

Upon receipt of notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the Depositary will mail the information contained in such notice of meeting to the record holders of the Depositary Shares relating to such Preferred Stock. Each record holder of such Depositary Shares on the record date (which will be the same date as the record date for the Preferred Stock) will be entitled to instruct the Depositary as to the exercise of voting rights pertaining to the number of shares of Preferred Stock underlying such holder's Depositary Shares. The Depositary will endeavor, insofar as practicable, to vote the number of shares of Preferred Stock underlying such Depositary Shares in accordance with such instructions, and the Company will agree to take all reasonable action which may be deemed necessary by the Depositary in order to enable the Depositary to do so. The Depositary will abstain from voting shares of Preferred Stock to the extent it does not receive special instructions from the holders of Depositary Shares relating to such Preferred Stock.

CONVERSION OF PREFERRED STOCK

The Depositary Shares, as such, are not convertible into Common Stock or any other securities or property of the Company. Nevertheless, the Depositary Receipts may be surrendered by holders thereof to the Depositary with written instructions to the Depositary to instruct the Company to cause conversion of the Preferred Stock represented by the Depositary Shares evidenced by such receipts into whole shares of Common Stock, and the Company has agreed that upon receipt of such instructions and any amounts payable in respect thereof, it will cause the conversion thereof utilizing the same procedures as those provided for delivery of Preferred Stock to effect such conversions. If the Depositary Shares represented by a Depositary Receipt are to be converted in part only, a new Depositary Receipt or Receipts will be issued for any Depositary Shares not to be converted. See "Description of Preferred Stock -- Conversion."

AMENDMENT AND TERMINATION OF THE DEPOSIT AGREEMENT

The form of Depositary Receipt evidencing the Depositary Shares and any provision of the Deposit Agreement may at any time be amended by agreement between the Company and the Depositary. However, any amendment which materially and adversely alters the rights of the existing holders of Depositary Shares will not be effective unless such amendment has been approved by the record holders of at least a majority (or, in the case of amendments relating to or affecting rights to receive dividends or distributions, or voting, redemption or conversion rights, two-thirds) of the Depositary Shares then outstanding.

The Deposit Agreement may be terminated by the Company upon not less than 60 days' notice whereupon the Depositary shall deliver or make available to each holder of Depositary Receipts, upon surrender of the Depositary Receipts held by such holder, such number of whole or fractional shares of Preferred Stock represented by such receipts. The Deposit Agreement will terminate automatically if (i) all outstanding Depositary Shares relating thereto have been redeemed, (ii) there has been a final distribution in respect of the Preferred Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution has been distributed to the holders of Depositary Receipts or (iii) each share of Preferred Stock shall have been converted into or exchanged for shares of Common Stock.

CHARGES OF DEPOSITARY

The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. The Company will pay the fees and expenses of the Depositary in connection with the performance of its duties under the Deposit Agreement. Holders of Depositary Receipts will pay transfer and other taxes and governmental charges and such other charges as are expressly provided in the Deposit Agreement to be for their accounts.

RESIGNATION AND REMOVAL OF DEPOSITARY

The Depositary may resign at any time by delivering to the Company notice of its election to do so, and the Company may at any time remove the Depositary, any such resignation or removal to take effect upon the appointment of a successor Depositary, which successor Depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

MISCELLANEOUS

The Depositary will forward to holders of Depositary Shares any reports and communications from the Company which are received by the Depositary.

Neither the Depositary nor the Company will be liable if it is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the Deposit Agreement. The obligations of the Company and the Depositary under the Deposit Agreement will be limited to performing their duties thereunder without negligence or willful misconduct, and the Company and the Depositary will not be obligated to prosecute or defend any legal proceeding in respect of any Depositary Shares or Preferred Stock unless satisfactory indemnity is furnished. The Company and the Depositary will be entitled to rely on advice of counsel and accountants, on information provided by persons presenting Preferred Stock for deposit, holders of Depositary Shares or other persons believed to be authorized or competent and on documents believed to be genuine.

In the event the Depositary shall receive conflicting claims, requests or instructions from any holders of Depositary Receipts, on the one hand, and the Company, on the other hand, the Depositary shall be entitled to act on such claims, requests or instructions received from the Company.

BOOK-ENTRY, DELIVERY AND FORM

The Depositary Receipts have been issued in fully registered form, without coupons. Depositary Shares held by "qualified institutional buyers", as defined in Rule 144A under the Securities Act ("QIBs"), but not by other purchasers, are evidenced by a global Depositary Receipt (the "Global Certificate") which has been deposited with DTC and registered in the name of Cede & Co. ("Cede") as DTC's nominee. Except as set forth below, the Global Certificate may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee.

QIBs may hold their interests in the Global Certificate directly through DTC, or indirectly through organizations which are participants in DTC (the "Participants"). Transfers between Participants will be effected in the ordinary way in accordance with DTC rules and will be settled in New York Clearing House

funds. The laws of some states require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer beneficial interests in the Global Certificate to such persons may be limited.

QIBs who are not Participants may beneficially own interests in the Global Certificate held by DTC only through Participants or certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship with a Participant, either directly or indirectly ("Indirect Participants"). So long as Cede, as the nominee of DTC, is the registered owner of the Global Certificate, Cede for all purposes will be considered the sole holder of the Global Certificate. Except as provided below, owners of beneficial interests in the Global Certificate will not be entitled to have certificates registered in their names, will not receive or be entitled to receive physical delivery of certificates in definitive form, and will not be considered the holders thereof.

Payment of dividends and the redemption price of the Global Certificate will be made to Cede, the nominee for DTC, as the registered owner of the Global Certificate by wire transfer of immediately available funds. Neither the Company, the Depository nor any Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

With respect to any payment of dividends on or the redemption price of the Global Certificate, DTC's practice is to credit Participants' accounts on the payment date therefor with payments in amounts proportionate to their respective beneficial interests in the shares represented by the Global Certificate as shown on the records of DTC, unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to owners of beneficial interests in shares represented by the Global Certificate held through such Participants will be the responsibility of such Participants, as is now the case with securities held for the accounts of customers registered in "street name."

Because DTC can only act on behalf of Participants, who in turn act on behalf of Indirect Participants and banks, the ability of a person having a beneficial interest in shares represented by the Global Certificate to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Neither the Company nor the Transfer Agent will have any responsibility for the performance by DTC or its Participants or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as depository and a successor depository is not appointed by the Company within 90 days, the Company will cause Depository Receipts to be issued in definitive form in exchange for the Global Certificate.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the material United States federal income tax considerations relevant to an exchange of Preferred Stock for Debentures and the ownership, disposition and conversion of Debentures by persons acquiring Debentures pursuant to the Exchange Offer. To the extent it relates to matters of law or legal conclusion, this summary constitutes the opinion of Debevoise & Plimpton, special counsel to the Company. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations (including Proposed Regulations and Temporary Regulations) promulgated thereunder, Internal Revenue Service ("IRS") rulings, official pronouncements and judicial decisions, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or different interpretations. This summary is applicable only to holders who are United States persons for federal income tax purposes and who hold Preferred Stock as a capital asset and who will hold Debentures and any Common Stock received on conversion of Debentures as capital assets. For a discussion of certain material United States federal income and estate tax considerations that may be relevant to non-United States persons, see "Certain Federal Tax Considerations for Non-United States Persons".

This summary does not discuss all the tax consequences that may be relevant to a particular holder in light of the holder's particular circumstances and it is not intended to be applicable in all respects to all categories of investors, some of whom--such as insurance companies, tax-exempt persons, financial institutions, regulated investment companies, dealers in securities or currencies, persons that hold Preferred Stock or the Debentures received in the exchange as a position in a "straddle", as part of a "synthetic security", "hedge", "conversion transaction" or other integrated investment or persons whose functional currency is other than United States dollars--may be subject to different rules not discussed below. In addition, this summary does not address any state, local or foreign tax considerations that may be relevant to a holder's decision to exchange Preferred Stock for Debentures pursuant to the Exchange Offer.

References in this discussion and below under the caption "Certain Federal Tax Considerations For Non-United States Persons" to a holder of Preferred Stock includes a holder of Depositary Shares.

ALL PREFERRED STOCK HOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE EXCHANGE OF PREFERRED STOCK FOR DEBENTURES AND OF THE OWNERSHIP, CONVERSION AND DISPOSITION OF DEBENTURES RECEIVED IN THE EXCHANGE IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

EXCHANGE OF PREFERRED STOCK FOR DEBENTURES

The exchange of Preferred Stock for Debentures pursuant to the Exchange Offer will be a taxable event. If, with respect a particular holder, such exchange satisfies one of the tests of section 302 of the Code described below, it will be treated as a transaction in which capital gain or loss is recognized, rather than as a dividend. The tests under Section 302 of the Code are applied on a shareholder-by-shareholder basis; therefore, whether an exchange will be treated as a transaction in which capital gain or loss is recognized or as a dividend with respect to a particular holder will depend on that holder's particular facts and circumstances. If the exchange of Preferred Stock for Debentures is treated as a transaction in which capital gain or loss is recognized with respect to a particular holder, the capital gain or loss will be based on the difference between the fair market value of the Debentures received in the exchange and such holder's adjusted tax basis in the Preferred Stock surrendered therefor. Such capital gain or loss will be long-term capital gain or loss if the Preferred Stock surrendered in the exchange was held by such holder for more than one year. The exchanging holder's tax basis in the Debentures received in the exchange will equal the fair market value of such Debentures at the time of the exchange and the holding period for such Debentures will begin on the day after the day on which the Debentures are acquired by such holder.

Pursuant to section 302 of the Code, an exchange will be treated as a transaction in which gain or loss is recognized if, after giving effect to the constructive ownership rules of section 318 of the Code, the exchange (i) represents a "complete termination" of the exchanging holder's stock interest in the Company, (ii) is "substantially disproportionate" with respect to the exchanging holder or (iii) is "not essentially equivalent to a dividend" with respect to the exchanging holder, all within the meaning of section 302(b) of the Code. Under the constructive ownership rules of section 318 of the Code, a holder of a Debenture will be treated as owning the Common Stock into which such Debenture is convertible. Accordingly, an exchange pursuant to the Exchange Offer could not, standing alone, satisfy the "complete termination" or the "substantially disproportionate" tests. An exchange will be "not essentially equivalent to a dividend" as to a particular holder if it results in a "meaningful reduction" in such holder's interest in the Company (after application of the constructive ownership rules of section 318 of the Code). Because the conversion price of a Debenture is higher than that of the equivalent amount of Preferred Stock to be surrendered therefor, an exchange of Preferred Stock for Debentures would, standing alone, result in some reduction in an exchanging holder's constructive stock interest in the Company. There is no authority, however, on whether such reduction would constitute a "meaningful reduction" in a particular holder's interest in the Company. No assurance can be given that any of these tests will be satisfied. EACH HOLDER SHOULD CONSULT ITS OWN TAX ADVISOR AS TO ITS ABILITY TO SATISFY ANY OF THE FOREGOING TESTS, POSSIBLY BY DISPOSING OF A PORTION OF ITS STOCK INTEREST IN THE COMPANY CONTEMPORANE-

OUSLY, AND AS PART OF AN INTEGRATED PLAN, WITH THE EXCHANGE OF PREFERRED STOCK FOR DEBENTURES, IN LIGHT OF ITS OWN PARTICULAR CIRCUMSTANCES.

If an exchange is treated as a dividend with respect to a particular exchanging holder under section 302 of the Code, such holder (i) will not recognize any loss on the exchange and (ii) will recognize dividend income (rather than capital gain) in an amount equal to the fair market value of the Debentures (and any cash in lieu of fractional Debentures) received (without regard to such holder's basis in the Preferred Stock surrendered in the exchange), to the extent of its proportionate share of the Company's current or accumulated earnings and profits. Such holder's tax basis in the Debentures generally will equal the fair market value of such Debentures at the time of the exchange (without regard to such holder's basis in the Preferred Stock surrendered in the exchange). The holder's adjusted tax basis in its Preferred Stock surrendered in the exchange will be transferred to any remaining Preferred Stock held by such holder or, if such holder does not retain any Preferred Stock, to any Common Stock held by such holder. If the holder does not retain any stock ownership in the Company, it is unclear whether the holder will be permitted to add such basis to any Debentures received in the exchange or will lose such basis entirely. The amount treated as a dividend will qualify for the 70% dividends received deduction for corporate shareholders, subject to the minimum holding period requirement under section 246(c) of the Code and other applicable requirements. Section 1059 of the Code, however, would require a corporate shareholder to reduce its tax basis (and possibly to recognize gain) in any stock of the Company held by it by the nontaxed portion of any such dividend. The holding period for the Debentures will begin on the day after the day on which the Debentures are acquired by the exchanging holder.

INTEREST AND ORIGINAL ISSUE DISCOUNT ON DEBENTURES

In accordance with sections 1271 through 1275 of the Code and the final Treasury Regulations promulgated thereunder (the "OID Regulations"), a debt instrument bears original issue discount ("OID") if its "stated redemption price at maturity" exceeds its "issue price" by more than a de minimis amount. The issue price of the Debentures will be their fair market value at the time of the exchange. The stated redemption price at maturity of a debt instrument generally includes all amounts payable other than "qualified stated interest" (i.e., payments that are unconditionally required to be paid at least annually at a single fixed rate over the term of the instrument). Because the Company has the right to elect to extend the interest payment period to a period of up to 20 consecutive quarterly periods, none of the payments of stated interest on the Debentures will be qualified stated interest. Thus, the Debentures will have OID in an amount equal to the excess of all payments required to be made under the Debentures over their issue price. A holder will be required to include OID in income, based on a constant yield method, before the receipt of cash attributable to such income, regardless of such holder's regular method of accounting. As a result, during any period in which the Company has elected to extend the interest payment period a holder generally would be required to include OID in income but would not receive cash from the Company sufficient to pay tax thereon. A holder will not recognize any income upon the receipt of a payment of stated interest on a Debenture; instead, a holder's basis in the Debentures will be increased by the amount of OID includible in income and reduced by all payments made on the Debentures.

The amount of OID includible in income is the sum of the daily portions of OID with respect to such Debenture for each day during the taxable year on which such holder held such Debenture. The daily portion of OID on a Debenture is determined by allocating to each day in any "accrual period" a ratable portion of the OID allocable to such accrual period. The term "accrual period" means a period of any length selected by the holder, provided that each accrual period must be no longer than one year and each scheduled payment date of principal or interest on a Debenture must occur either on the final day of an accrual period or the first day of an accrual period. The amount of OID allocable to an accrual period is the product of the "adjusted issue price" at the beginning of the accrual period and the "yield to maturity" of the Debenture. For the first accrual period, the adjusted issue price of the Debentures will be their issue price. Thereafter, the adjusted issue price of a Debenture generally will be its issue price increased by any OID previously includible in the gross income of the holder and decreased by any payment previously made on the Debenture.

Under the OID Regulations, in computing the yield to maturity of an instrument the issuer is deemed to elect to exercise any option available to it under the instrument if doing so will minimize the yield on the instrument. If the issuer does not exercise such option, then, solely for purposes of the accrual of OID, the yield and maturity of the instrument are redetermined by treating the instrument as reissued for an amount equal to its adjusted issue price. Thus, for example, in the case of the first accrual period with respect to the Debentures, the OID Regulations require that the yield to maturity of the Debentures be computed assuming that the Company would elect to extend the interest payment period to the maximum 20 consecutive quarters (because doing so would minimize the yield on the Debentures). Assuming quarterly accrual periods, the aggregate amount of OID for the first quarterly accrual period would equal the product of the issue price and the yield to maturity (as so determined). If, contrary to this assumption under the OID Regulations, the Company does not elect to extend the interest payment period and pays the stated interest at the end of the first quarterly interest payment period, the instrument will be treated, solely for OID purposes, as having been reissued on such payment date. The yield to maturity would then be recomputed, again assuming that the Company would elect to extend the interest payment period to the maximum 20 consecutive quarters (again, because doing so would minimize the yield on the Debentures). The amount of OID for this second accrual period would equal the product of such recomputed yield to maturity and the adjusted issue price on the date of such deemed reissuance (i.e., the issue price plus the amount of previously accrued OID minus the interest previously paid on the Debentures). In the case of the final accrual period, the allocable OID is the difference between the amount payable at maturity and the adjusted issue price at the beginning of the accrual period.

If an exchange of Preferred Stock for Debentures is treated as a dividend to the exchanging holder (see "-- Exchange of Preferred Stock for Debentures", above), and the exchanging holder's basis in the Preferred Stock surrendered in the exchange is transferred to the Debentures, such holder may have acquisition premium with respect to the Debentures, which would reduce the amount includible in such holder's income as OID in each taxable year.

SALE OR REDEMPTION OF DEBENTURES

Generally, a sale or redemption of Debentures will result in taxable gain or loss equal to the difference between the amount realized and the holder's tax basis in the Debentures. Such gain or loss would be long-term capital gain or loss if the Debentures were held for more than one year.

CONVERSION OF DEBENTURES

In general, no gain or loss will be recognized on conversion of Debentures solely into Common Stock. The tax basis for the Common Stock received upon such conversion will be equal to the tax basis of the Debentures converted (reduced by the portion of such basis allocable to any fractional Common Stock interest paid in cash). The holding period for the Common Stock generally will include the holding period of the Debentures converted. However, the holding period for the Common Stock allocable to original issue discount accrued during the holder's holding period for the Debentures converted may be treated as commencing on the day after the date of the conversion. A holder generally will recognize gain (or loss) upon a conversion to the extent that any cash paid in lieu of a fractional share of Common Stock exceeds (or is less than) its tax basis in such fractional share.

Conversion of the Debentures into cash, property or securities other than stock of the Company (or stock of a successor to the Company) as a result of a Fundamental Change or other transaction with similar effect will be treated as a redemption of the Debentures.

SALE OR DISPOSITION OF COMMON STOCK

A holder will recognize gain or loss on the sale or exchange of Common Stock received upon conversion of a Debenture equal to the difference between the amount realized on such sale or exchange and the holder's adjusted tax basis in the Common Stock sold or exchanged. Such gain or loss would be long-term capital gain or loss if the holder's holding period for the Common Stock were more than one year. See "-- Conversion of Debentures".

ADJUSTMENT OF CONVERSION PRICE

Pursuant to Treasury Regulations promulgated under section 305 of the Code, a holder of a Debenture will be treated as having received a constructive distribution from the Company upon an adjustment in the conversion price of the Debentures if (i) as a result of such adjustment, the proportionate interest of such holder in the assets or earnings and profits of the Company were increased and (ii) the adjustment was not made pursuant to a bona fide, reasonable anti-dilution formula. An adjustment in the conversion price would not be considered made pursuant to such a formula if the adjustment was made to compensate for certain taxable distributions with respect to the stock into which the Debentures are convertible. Thus, under certain circumstances, a decrease in the conversion price for the Debentures may be taxable to a holder as a dividend to the extent of the current or accumulated earnings and profits of the Company. In addition, the failure to adjust fully the conversion price of the Debentures to reflect distributions of stock dividends with respect to the Common Stock (or rights to acquire Common Stock) may result in a taxable dividend to the holders of the Common Stock and holders of rights to acquire Common Stock.

BACKUP WITHHOLDING

A holder of Preferred Stock, a Debenture or Common Stock issued upon conversion of a Debenture may be subject to backup withholding at a rate of 31% with respect to dividends or interest (including OID) on, or the proceeds of a sale, exchange, or redemption of, such Preferred Stock, Debenture or Common Stock, as the case may be, unless (i) such holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable backup withholding rules.

CERTAIN FEDERAL TAX CONSIDERATIONS
FOR NON-UNITED STATES PERSONS

The following is a general summary of the material United States federal income and estate tax considerations relevant to the exchange of Preferred Stock for Debentures by non-United States persons and the ownership, disposition and conversion of Debentures by non-United States persons acquiring Debentures pursuant to the Exchange Offer. To the extent it relates to matters of law or legal conclusion, this summary constitutes the opinion of Debevoise & Plimpton, special counsel to the Company. This summary is based on the Code, Treasury Regulations (including Proposed Regulations and Temporary Regulations) promulgated thereunder, IRS rulings, official pronouncements and judicial decisions, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or different interpretations. This summary does not discuss all the tax consequences that may be relevant to a particular holder that is a non-United States person in light of the holder's particular circumstances and it is not intended to be applicable in all respects to all categories of non-United States persons, some of whom -- such as foreign governments and certain international organizations -- may be subject to special rules not discussed below. In addition, this summary does not address any state, local or foreign tax considerations that may be relevant to a holder's decision to exchange Preferred Stock for Debentures pursuant to the Exchange Offer. For a discussion of certain United States federal income tax considerations, some of which may also be relevant to non-United States persons, see "Certain Federal Income Tax Considerations".

As used herein, "non-United States person" means any person who, for United States federal income tax purposes, is neither (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any State or of any of its territories or possessions or (iii) a domestic trust or estate.

ALL PREFERRED STOCK HOLDERS THAT ARE NON-UNITED STATES PERSONS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE EXCHANGE OF PREFERRED STOCK FOR DEBENTURES AND THE OWNERSHIP, CONVERSION AND DISPOSITION OF DEBENTURES RECEIVED IN THE EXCHANGE IN LIGHT OF THEIR OWN PARTICULAR CIRCUMSTANCES.

EXCHANGE OF PREFERRED STOCK FOR DEBENTURES

Subject to the discussion of backup withholding below, if a holder that is a non-United States person proves, in a manner and under arrangements satisfactory to the Company or other withholding agent that the exchange of Preferred Stock for Debentures by such holder qualifies as a transaction in which gain or loss is recognized, rather than as a dividend (see "Certain Federal Income Tax Considerations -- Exchange of Preferred Stock for Debentures", above), the Company or such withholding agent will not withhold federal income tax on the issuance of Debentures to such holder and such holder generally will not be subject to United States federal income tax in respect of gain recognized on such exchange unless (i) such gain is effectively connected with a trade or business conducted by such non-United States person within the United States (in which case the branch profits tax may also apply if the holder is a foreign corporation), (ii) in the case of a non-United States person that is an individual, such holder is present in the United States for a period or periods aggregating 183 days or more in the taxable year of the exchange and certain other conditions are satisfied or (iii) the Company is or has been a "United States real property holding corporation" for federal income tax purposes within the five-year period ending on the date of the exchange (which the Company does not believe it has been or is currently) and certain other conditions are satisfied, and no treaty exception is applicable.

If a holder that is a non-United States person who exchanges Preferred Stock for Debentures does not prove, in a manner satisfactory to the Company or other withholding agent, that such exchange qualifies as a transaction in which gain or loss is recognized, United States federal withholding tax will be withheld from the gross proceeds to such holder in an amount equal to 30% of such proceeds (including Debentures that such holder would otherwise have received) unless such holder is eligible for a reduced tax treaty rate with respect to dividend income, in which case the tax will be withheld at the reduced rate, or establishes that it is exempt from such tax (e.g., by providing the appropriate form certifying its status as a foreign government). Except as may be otherwise provided in an applicable income tax treaty, a holder that is a non-United States person will be taxed at ordinary federal income tax rates on a net income basis if such dividend is effectively connected with the conduct of a trade or business of such holder within the United States (in which case the branch profits tax may also apply if the holder is a foreign corporation) and will not be subject to the withholding tax described in the preceding sentence. A holder that is a non-United States person may be eligible to obtain from the IRS a refund of tax withheld if such holder meets one of the three tests of Section 302 described above under "Certain Federal Income Tax Considerations -- Exchange of Preferred Stock for Debentures" or is otherwise able to establish that no tax (or a reduced amount of tax) was due.

PAYMENTS ON DEBENTURES

Subject to the discussion of backup withholding below, payments of principal, premium (if any) and interest (including original issue discount) on a Debenture by the Company or its agent (in its capacity as such) to a beneficial owner that is a non-United States person will not be subject to United States federal withholding tax; provided that (a) such person does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (b) such person is not a controlled foreign corporation that is related to the Company actually or constructively through stock ownership, (c) such person is not a bank that acquired its Debenture in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business and (d) either (i) the beneficial owner certifies to the Company or its agent, under penalties of perjury, in a suitable form that it is a not a United States person and provides its name and address or (ii) a qualifying securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and that holds the Debenture certifies to the Company or its agent under penalties of perjury that such statement has been received from the beneficial owner in a suitable form by it or by a qualifying intermediary and furnishes the payor with a copy thereof.

If a beneficial owner of a Debenture who is a non-United States person is engaged in a trade or business within the United States and interest (including original issue discount) and premium, if any, on the Debenture is effectively connected with the conduct of such trade or business, such beneficial owner may be subject to United States federal income tax on such interest (including original issue discount) and premium

at ordinary federal income tax rates on a net basis (in which case the branch profits tax may also apply if the holder is a foreign corporation).

CONVERSION OF DEBENTURE

An exchanging holder that is non-United States person generally will not be subject to United States federal income tax on the conversion of Debentures solely into Common Stock. To the extent such a holder receives cash in lieu of fractional shares of Common Stock, such payment will be subject to the rules described below under "-- Sale or Exchange of Debentures or Common Stock".

SALE OR EXCHANGE OF DEBENTURES OR COMMON STOCK

Subject to the discussion of backup withholding below, any capital gain realized upon a sale or exchange of a Debenture (including upon retirement of a Debenture) or Common Stock issued upon conversion of a Debenture by a beneficial owner who is a non-United States person ordinarily will not be subject to United States federal income tax unless (i) such gain is effectively connected with a trade or business conducted by such non-United States person within the United States (in which case the branch profits tax may also apply if the holder is a foreign corporation), (ii) in the case of a non-United States person that is an individual, such holder is present in the United States for a period or periods aggregating 183 days or more in the taxable year of the sale or exchange and certain other conditions are met or (iii) the Company is or has been a "United States real property holding corporation" for federal income tax purposes (which the Company does not believe it has been or is currently) and such non-United States person has held, directly or constructively, more than 5% of the outstanding Common Stock within the five-year period ending on the date of the sale or exchange, and no treaty exception is applicable.

DIVIDENDS ON COMMON STOCK

Generally, any dividends paid on Common Stock received upon the conversion of a Debenture will be subject to United States federal withholding tax at a rate of 30% of the amount of the dividend, or at a lower applicable treaty rate. However, if the dividend is effectively connected with a United States trade or business of a holder that is a non-United States person, it will be subject to United States federal income tax at ordinary federal income tax rates on a net basis (in which case the branch profits tax may also apply if such holder is a foreign corporation), rather than the 30% withholding tax.

Under current Treasury Regulations, a holder's status as a non-United States person and eligibility for a tax treaty reduced rate of withholding will be determined by reference to the holder's address and to any outstanding certificates or statements concerning eligibility for a reduced rate of withholding, unless facts and circumstances indicate that reliance is not warranted. However, the IRS has issued Proposed Regulations that, if adopted in final form, would require a non-United States person to provide certifications under penalties of perjury in order to obtain treaty benefits.

FEDERAL ESTATE TAXES

Debentures beneficially owned by an individual who at the time of death is neither a citizen nor a resident of the United States will not be subject to United States federal estate tax as a result of such individual's death, provided that at the time of death the income from the Debentures was not or would not have been effectively connected with the conduct by such individual of a trade or business within the United States and that such individual qualified for the exemption from United States federal withholding tax (without regard to the certification requirements) on premium and interest that is described above under "-- Payments on Debentures".

Common Stock that is beneficially owned by an individual who is neither a citizen nor a resident of the United States at the time of death will be included in such holder's gross estate for United States federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Information reporting on IRS Form 1099 and backup withholding at a rate of 31% will not apply to payments of principal, premium (if any) and interest (including original issue discount) made by the Company or a paying agent to a non-United States holder on a Debenture if the certification described in clause (d) under "-- Payments on Debentures" above is received, provided that the payor does not have actual knowledge that the holder is a United States person. However, interest (including original issue discount) on a Debenture owned by a holder that is a non-United States person may be required to be reported annually on IRS Form 1042S.

Generally, dividends on Common Stock paid to holders that are non-United States persons that are subject to the 30% or a reduced treaty rate of United States federal withholding tax will be exempt from backup withholding tax. Otherwise, backup withholding of United States federal income tax at a rate of 31% may apply to dividends paid with respect to Common Stock to holders that are not "exempt recipients" and that fail to provide certain information (including the holder's taxpayer identification number) in the manner required by United States law and applicable regulations.

Payments of the proceeds from the sale by a holder that is a non-United States person of a Debenture or Common Stock issued upon conversion of a Debenture made to or through a foreign office of a broker will not be subject to information reporting or backup withholding, except that if the broker is a United States person, a controlled foreign corporation for United States tax purposes or a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, information reporting may apply to such payments. Payments of the proceeds from the sale of a Debenture or Common Stock to or through the United States office of a broker is subject to information reporting and backup withholding unless the holder certifies as to its non-United States status or otherwise establishes an exemption from information reporting and backup withholding.

LEGAL OPINIONS

The validity of the Debentures will be passed upon for the Company by Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022, and for the Dealer Managers by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022. Shearman & Sterling from time to time represents the Company with respect to certain legal matters.

EXPERTS

The consolidated financial statements and schedules of the Company appearing in the Company's Annual Report (Form 10-K) for the year ended December 31, 1993 have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements and schedules are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

LETTER OF TRANSMITTAL

FOR
 SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
 (INCLUDING SERIES A CUMULATIVE
 CONVERTIBLE PREFERRED STOCK REPRESENTED BY
 \$3.00 DEPOSITARY SHARES)
 OF

AMR CORPORATION
 THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK CITY TIME,
 ON NOVEMBER 15, 1994 (THE "EXPIRATION DATE") UNLESS EXTENDED

BY AMR CORPORATION

Exchange Agent:

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By Hand or Overnight Courier:
 Tenders & Exchanges
 Suite 4680 -- AMR
 14 Wall Street, 8th Floor
 New York, NY 10005

By Mail:
 Tenders & Exchanges
 P.O. Box 2565, Mail Suite 4660
 Jersey City, NJ 07303-2565

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

The undersigned acknowledges receipt of the Prospectus dated October 14, 1994 (the "Prospectus") of AMR Corporation (the "Company") which, together with this Letter of Transmittal (the "Letter of Transmittal"), describes the Company's offer (the "Exchange Offer") to exchange up to \$1,100,000,000 of its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures") for shares of its Series A Cumulative Convertible Preferred Stock (the "Preferred Stock") with a like aggregate liquidation preference. Exchanges will be made on a basis of \$1,000 principal amount of Debentures (the minimum permitted denomination) for every two (2) shares of Preferred Stock (liquidation preference \$500 per share) validly tendered and accepted for exchange in the Exchange Offer. The Company will pay amounts of less than \$1,000 due to any exchanging shareholder in cash, in lieu of issuing Debentures with a principal amount of less than \$1,000. Tenders may also be made of Preferred Stock represented by \$3.00 Depositary Shares (the "Depositary Shares") issued pursuant to a Deposit Agreement, dated February 4, 1993 (the "Deposit Agreement"), between the Company, First Chicago Trust Company of New York (in such capacity, the "Depositary") and holders from time to time of depositary receipts (the "Depositary Receipts") representing Depositary Shares issued thereunder. Each Depositary Share represents 1/10 of a share of Preferred Stock and entitles the owner, proportionately, to all the rights and preferences of the Preferred Stock represented thereby.

The undersigned has checked the appropriate boxes below and signed this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Exchange Offer.

Holders whose Preferred Stock or Depositary Shares are not immediately available or who cannot deliver their Preferred Stock or Depositary Shares and all other documents required hereby to the Exchange Agent prior to the Expiration Date may tender their Preferred Stock or Depositary Shares according to the guaranteed delivery procedure set forth in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery."

/ / CHECK HERE IF TENDERED PREFERRED STOCK OR DEPOSITARY SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE EXCHANGE AGENT WITH THE DEPOSITORY TRUST COMPANY AND COMPLETE THE FOLLOWING:
 Name of Tendering Institution: _____

The Depository Trust Company
 Account Number: _____ Transaction Code Number: _____

/ / CHECK HERE IF TENDERED PREFERRED STOCK OR DEPOSITARY SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY AND COMPLETE THE FOLLOWING:
 Name(s) of Registered Holder(s): _____
 Name of Eligible Institution
 that Guaranteed Delivery: _____

IF DELIVERED BY BOOK-ENTRY TRANSFER:
 Account Number: _____

PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Exchange Offer, the undersigned hereby tenders to the Company the above-described Preferred Stock or Depositary Shares. Subject to, and effective upon, the acceptance for exchange of the Preferred Stock or Depositary Shares tendered herewith, the undersigned hereby exchanges, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such Preferred Stock or Depositary Shares. The undersigned hereby irrevocably constitutes and appoints the Exchange Agent as the true and lawful agent and attorney-in-fact of the undersigned (with full knowledge that said Exchange Agent acts as the agent of the undersigned in connection with the Exchange Offer) to cause the Preferred Stock or Depositary Shares to be assigned, transferred and exchanged. In particular, the undersigned specifically authorizes the Exchange Agent to withdraw under the Deposit Agreement the Preferred Stock underlying any Depositary Shares tendered herewith, and to tender such underlying Preferred Stock in the Exchange Offer. However, the Exchange Agent shall not withdraw Preferred Stock underlying Depositary Shares tendered herewith unless such Preferred Stock is to be accepted for exchange by the Company. The undersigned represents and warrants that it has full power and authority to tender, exchange, assign and transfer the Preferred Stock or Depositary Shares and to acquire Debentures issuable upon the exchange of such tendered Preferred Stock or Depositary Shares, and that, when the same are accepted for exchange, the Company will acquire good and unencumbered title to the tendered Preferred Stock or Depositary Shares, free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned also warrants that it will, upon request, execute and deliver any additional documents deemed by the Exchange Agent or the Company to be necessary or desirable to complete the exchange, assignment and transfer of tendered Preferred Stock or Depositary Shares or transfer ownership of such Preferred Stock or Depositary Shares on the account books maintained by DTC. All authority herein conferred or agreed to be conferred shall survive the death, bankruptcy or incapacity of the undersigned and every obligation of the undersigned hereunder shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

The Company has expressly reserved the right to amend or modify the terms of the Exchange Offer in any manner, or to withdraw or terminate the Exchange Offer, at any time for any reason. The undersigned recognizes that as a result of the foregoing, the Company may not be required to exchange any of the Preferred Stock or Depositary Shares tendered hereby and, in such event, the Preferred Stock or Depositary Shares not exchanged will be returned to the undersigned at the address shown below the signature of the undersigned. Tendered Preferred Stock or Depositary Shares may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after 40 business days after the date of the Prospectus.

Certificates for all Debentures delivered in exchange for tendered Preferred Stock or Depositary Shares and any Preferred Stock or Depositary Shares delivered herewith but not exchanged, in each case registered in the name of the undersigned, shall be delivered to the undersigned at the address shown below the signature of the undersigned.

TENDERING HOLDER(S) SIGN HERE
(Complete Accompanying Substitute Form W-9)

Signature of Holder(s)

Dated: _____, 1994

(Must be signed by registered holder(s) exactly as name(s) appear(s) on certificate(s) for Preferred Stock or Depositary Receipts representing Depositary Shares or by any person(s) authorized to become registered holder(s) by endorsements and documents transmitted herewith or, if the Preferred Stock or Depositary Shares are held of record by DTC, the person in whose name such Preferred Stock or Depositary Shares are registered on the books of DTC. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, please set forth the full title of such person.) See Instruction 3.

Name(s): _____

(Please Print)

Capacity (full title): _____

Address: _____

(Including Zip Code)

Area Code and Telephone No. _____

Taxpayer Identification No. _____

GUARANTEE OF SIGNATURE(S)
(If Required -- See Instruction 3)

Authorized Signature: _____

Name: _____

Title: _____

Address: _____

Name of Firm: _____

Area Code and Telephone No. _____

Dated: _____, 1994

SPECIAL ISSUANCE INSTRUCTIONS
(See Instructions 1, 3, 4 and 11)

To be completed ONLY if the Debentures for the certificates of Preferred Shares or Depository Receipts representing Depository Shares are to be issued in the name of someone other than the tendering holder.

Issue the Debentures to:

Name(s): _____
(Please Print)

Address: _____

(Including Zip Code)

Taxpayer Identification No.: _____

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE EXCHANGE OFFER

1. DELIVERY OF THIS LETTER OF TRANSMITTAL AND CERTIFICATES. Certificates or Depositary Receipts for all physically delivered Preferred Stock or Depositary Shares, respectively, as well as a properly completed and duly executed copy of this Letter of Transmittal or facsimile thereof, and any other documents required by this Letter of Transmittal, or confirmation of any book-entry transfer to the Exchange Agent's account at DTC of Preferred Stock or Depositary Shares tendered by book-entry transfer, must be received by the Exchange Agent at either of its addresses set forth herein prior to the Expiration Date (as defined in the Prospectus).

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE PREFERRED STOCK OR DEPOSITARY SHARES AND ANY OTHER REQUIRED DOCUMENTS IS AT THE ELECTION AND RISK OF THE HOLDER AND, EXCEPT AS OTHERWISE PROVIDED BELOW, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE EXCHANGE AGENT. IF SUCH DELIVERY IS BY MAIL, IT IS SUGGESTED THAT REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, BE USED.

Holders whose Preferred Stock or Depositary Shares are not immediately available or who cannot deliver their Preferred Stock or Depositary Shares and all other required documents to the Exchange Agent prior to the Expiration Date or comply with book-entry transfer procedures on a timely basis may tender their Preferred Stock or Depositary Shares pursuant to the guaranteed delivery procedure set forth in the Prospectus under "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery." Pursuant to such procedure: (i) such tender must be made by or through an Eligible Institution (as defined in Instruction 3); (ii) on or prior to the Expiration Date the Exchange Agent must have received from such Eligible Institution a letter, telegram or facsimile transmission setting forth the name and address of the tendering holder, the names in which such Preferred Stock or Depositary Shares are registered, and, if possible, the certificate or Depositary Receipt numbers of the Preferred Stock or Depositary Shares, respectively, to be tendered; and (iii) all tendered Preferred Stock or Depositary Shares as well as this Letter of Transmittal and all other documents required by this Letter of Transmittal, or a confirmation of any book-entry transfer of such Preferred Stock or Depositary Shares into the Exchange Agent's account at DTC, must be received by the Exchange Agent within five New York Stock Exchange trading days after the date of execution of such letter, telegram or facsimile transmission, all as provided in the Prospectus under the caption "The Exchange Offer -- Procedures for Tendering -- Guaranteed Delivery."

No alternative, conditional, irregular or contingent tenders will be accepted. All tendering holders, by execution of this Letter of Transmittal (or facsimile thereof), shall waive any right to receive notice of the acceptance of the Preferred Stock or Depositary Shares for exchange.

2. PARTIAL TENDERS; WITHDRAWALS. If less than the entire number of shares of Preferred Stock or Depositary Shares evidenced by a submitted certificate or Depositary Receipt, respectively, is tendered, the tendering holder must fill in the number of shares of Preferred Stock or Depositary Shares tendered in the box entitled "Number of Shares (Depositary Shares) Tendered." A newly issued certificate for Preferred Stock or Depositary Receipt for Depositary Shares submitted but not tendered will be sent to such holder as soon as practicable after the Expiration Date. All Preferred Stock or Depositary Shares delivered to the Exchange Agent will be deemed to have been tendered unless otherwise indicated.

Tenders of Preferred Stock or Depositary Shares pursuant to the Exchange Offer may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by the Company, may be withdrawn at any time after 40 business days after the date of the Prospectus. To be effective, a written notice of withdrawal delivered by hand, mail delivery or facsimile transmission must be timely received by the Exchange Agent. Any such notice of withdrawal must specify the person named in the Letter of Transmittal as having tendered Preferred Stock or Depositary Shares to be withdrawn, the certificate or Depositary Receipt numbers of the Preferred Stock or Depositary Shares, respectively, to be withdrawn, the number of shares of Preferred Stock or Depositary Shares delivered for exchange, a statement that such a holder is withdrawing its election to have such Preferred Stock or Depositary Shares exchanged, and the name of the registered holder of such Preferred Stock or Depositary Shares, and must be signed by the holder in the same manner as the original signature on this Letter of Transmittal (including any required signature guarantees) or be accompanied by evidence satisfactory to the Company that the person withdrawing the tender has succeeded to the beneficial ownership of the Preferred Stock or Depositary Shares being withdrawn. The Exchange Agent will return properly withdrawn Preferred Stock or Depositary Shares promptly following receipt of notice of withdrawal. All questions as to the validity of notice of withdrawal, including time of receipt, will be determined by the Company, and such determination will be final and binding on all parties. Withdrawals of tenders of Preferred Stock or Depositary Shares may not be rescinded and any Preferred Stock or Depositary Shares withdrawn will thereafter be deemed not validly tendered for purposes of the Exchange Offer. Properly withdrawn Preferred Stock or Depositary Shares, however, may be retendered by following the procedures therefor at any time prior to the Expiration Date.

3. SIGNATURE ON THIS LETTER OF TRANSMITTAL; WRITTEN INSTRUMENTS AND ENDORSEMENTS; GUARANTEE OF SIGNATURES. If this Letter of Transmittal is signed by the registered holder(s) of the Preferred Stock or Depositary Shares tendered hereby, the signature must correspond with the name(s) as written on the face of the certificates for Preferred Stock or

Depository Receipts representing Depository Shares, respectively, without alteration, enlargement or any change whatsoever.

If any of the Preferred Stock or Depository Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If a number of shares of Preferred Stock or Depository Shares registered in different names are tendered, it will be necessary to complete, sign and submit as many separate copies of this Letter of Transmittal as there are different registrations of Preferred Stock or Depository Shares.

When this Letter of Transmittal is signed by the registered holder or holders of Preferred Stock or Depository Shares listed and tendered hereby, no endorsements of certificates or Depository Receipts or separate written instruments of transfer or exchange are required.

If this Letter of Transmittal is signed by a person other than the registered holder or holders of the Preferred Stock or Depository Shares listed, such Preferred Stock or Depository Shares must be endorsed or accompanied by separate written instruments of transfer or exchange in form satisfactory to the Company and duly executed by the registered holder, in either case signed exactly as the name or names of the registered holder or holders appear(s) on the Preferred Stock or Depository Shares.

If this Letter of Transmittal, any certificates or Depository Receipts or separate written instruments of transfer or exchange are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and, unless waived by the Company, proper evidence satisfactory to the Company of their authority so to act must be submitted.

Endorsements on certificates or Depository Receipts or signatures on separate written instruments of transfer or exchange required by this Instruction 3 must be guaranteed by a financial institution (including most banks, savings and loans associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program or The New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (any of the foregoing hereinafter referred to as an "Eligible Institution").

Signatures on this Letter of Transmittal need not be guaranteed by an Eligible Institution, provided the Preferred Stock or Depository Shares are tendered: (i) by a registered holder of such Preferred Stock or Depository Shares; or (ii) for the account of an Eligible Institution.

4. TRANSFER TAXES. The Company shall pay all transfer taxes, if any, applicable to the transfer and exchange of Preferred Stock or Depository Shares to it or its order pursuant to the Exchange Offer. If, however, Debentures are to be delivered to, or are to be registered or issued in the name of, any person other than the registered holder of the Preferred Stock or Depository Shares tendered hereby, or if a transfer tax is imposed for any reason other than the transfer of Preferred Stock or Depository Shares to the Company or its order pursuant to the Exchange Offer, the amount of any such transfer taxes (whether imposed on the registered holder or any other person) will be payable by the tendering holder. If satisfactory evidence of payment of such taxes or exception therefrom is not submitted herewith, the amount of such transfer taxes will be billed directly to such tendering holder.

Except as provided in this Instruction 4, it will not be necessary for transfer tax stamps to be affixed to the certificates for Preferred Stock or Depository Receipts representing Depository Shares, respectively, listed in this Letter of Transmittal.

5. EXTENSIONS, AMENDMENTS AND TERMINATION. The Company expressly reserves the right to extend, amend or modify the terms of the Exchange Offer in any manner and withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company).

6. MUTILATED, LOST, STOLEN OR DESTROYED NOTES. Any holder whose Preferred Stock or Depository Shares have been mutilated, lost, stolen or destroyed should contact the Exchange Agent at the address indicated below for further instructions.

7. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions relating to the procedure for tendering, as well as requests for additional copies of the Prospectus and this Letter of Transmittal, may be directed to the Exchange Agent at the addresses and telephone number set forth above. In addition, all questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus and this Letter of Transmittal, may be directed to D.F. King & Co., Inc., the Information Agent for the Exchange Offer, at 77 Water Street, New York, New York 10005, telephone (800) 347-7869.

8. IRREGULARITIES. All questions as to the validity, form, eligibility (including time of receipt), and acceptance of Letters of Transmittal or Preferred Stock or Depository Shares will be resolved by the Company, and such determination will be final and binding on all parties. The Company reserves the absolute right to reject any or all Letters of Transmittal or tenders that are not in proper form or the acceptance of which would, in the opinion of the Company's counsel, be unlawful. The Company also reserves the right to waive any irregularities or conditions of tender as to the particular Preferred Stock or

Depository Shares covered by any Letter of Transmittal or tendered pursuant to such letter. None of the Company, the Exchange Agent or any other person will be under any duty to give notification of any defects or

irregularities in tenders or incur any liability for failure to give any such notification. The Company's interpretation of the terms and conditions of the Exchange Offer shall be final and binding on all parties.

9. **SUBSTITUTE FORM W-9.** Except as described below under "Important Tax Information", Federal income tax laws require each tendering holder to provide the Company with a correct taxpayer identification number ("TIN") on the Substitute Form W-9 which is provided below, and to indicate whether or not the holder is not subject to backup withholding by crossing out Part 2 on the Substitute Form W-9 if the holder is currently subject to backup withholding. Failure to provide the information on the Form or to cross out Part 2 of the Form (if applicable) may subject the tendering holder to 31% federal income tax withholding on payments made to the holder. The box in Part 3 of the Form may be checked if the tendering holder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If the box in Part 3 is checked and the holder is not provided with a TIN within sixty (60) days, the Company will withhold 31% on all such payments thereafter until a TIN is provided to the Company.

10. **WITHHOLDING ON FOREIGN HOLDERS IN CONNECTION WITH THE EXCHANGE OFFER.** United States Federal income tax generally will be withheld from the gross proceeds payable to a holder that is a non-United States person (a "foreign holder") (including Debentures that such foreign holder would otherwise be entitled to receive) unless such foreign holder provides the Exchange Agent with a Foreign Holder Certification, in form and substance satisfactory to the Company, in which such holder certifies that such holder's exchange of Preferred Stock for Debentures pursuant to the Exchange Offer qualifies as a sale or exchange, rather than as a dividend, for Federal income tax purposes (as described in "Certain Federal Tax Considerations for Foreign Holders -- Exchange of Preferred Stock for Debentures" in the Prospectus) and such holder agrees that it will provide additional information to the Company if necessary to demonstrate such qualification and that it will reimburse the Company if it is determined that Federal withholding tax was due. The withholding rate is ordinarily 30% unless the foreign holder is eligible for a reduced tax treaty rate with respect to dividend income, in which case withholding will be made at the reduced treaty rate, or the foreign holder otherwise establishes to the satisfaction of the withholding agent that such holder is exempt from tax on such exchange (e.g., by certifying to the withholding agent on IRS Form 8709 as to such holder's status as a foreign government). For this purpose, a non-United States person is any person that is not (i) an individual citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof or (iii) any estate or trust the income of which is subject to United States Federal income taxation regardless of the source of such income. Copies of the Foreign Holder Certification are available from the Exchange Agent. A shareholder's status as a foreign holder and eligibility for a tax treaty reduced rate of withholding will be determined by reference to the shareholder's address and to any outstanding certificates (i.e., Form W-8 or substitute) or statements concerning eligibility for a reduced rate of withholding, unless facts and circumstances indicate that reliance is not warranted. EACH FOREIGN HOLDER SHOULD CONSULT WITH ITS TAX ADVISOR REGARDING THE FOREGOING.

A holder that exchanges Preferred Stock for Debentures on behalf of a beneficial owner that is a non-United States person will be responsible for determining whether and what rate of withholding is required on such exchange and for obtaining any required forms or certifications from such beneficial owner.

A foreign holder may be eligible to obtain from the U.S. Internal Revenue Service a refund of any tax withheld if such shareholder meets one of the three tests for sale or exchange treatment described in "Certain Federal Tax Considerations for Foreign Holders -- Exchange of Preferred Stock for Debentures" in the Prospectus or otherwise is able to establish that no tax (or a reduced amount of tax) was due.

11. **SPECIAL ISSUANCE INSTRUCTIONS.** If the Debentures for the certificates of Preferred Shares or Depositary Receipts representing Depositary Shares are to be issued in the name of someone other than the tendering holder, the tendering holder must fill in the information in the box entitled "Special Issuance Instructions."

12. **DEFINITIONS.** Capitalized terms used in this Letter of Transmittal and not otherwise defined have the meanings given in the Prospectus.

IMPORTANT: THIS LETTER OF TRANSMITTAL OR A FACSIMILE THEREOF (TOGETHER WITH CERTIFICATES FOR PREFERRED STOCK OR DEPOSITARY RECEIPTS REPRESENTING DEPOSITARY SHARES AND ALL OTHER REQUIRED DOCUMENTS) OR CONFIRMATION OF BOOK-ENTRY TRANSFER OR A NOTICE OF GUARANTEED DELIVERY MUST BE RECEIVED BY THE EXCHANGE AGENT PRIOR TO THE EXPIRATION DATE.

IMPORTANT TAX INFORMATION

Under federal income tax law, a holder whose tendered Preferred Stock or Depositary Shares are accepted for exchange is required to provide the Company with such holder's correct taxpayer identification number ("TIN") on Substitute Form W-9. If a holder is an individual, the TIN is the holder's social security number. If the Company is not provided with the correct TIN, the holder may be subject to a penalty imposed by the Internal Revenue Service. In addition, payments that are made to such holder with respect to Debentures acquired pursuant to the Exchange Offer may be subject to backup withholding.

If backup withholding applies, the Company is required to withhold 31% of all payments made to the holder. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding on payments that are made to a holder with respect to Debentures, the holder is required to notify the Company of his or its correct TIN by completing the Form below, certifying that the TIN provided on Substitute Form W-9 is correct (or that such holder is awaiting a TIN) and whether or not (i) the holder has not been notified by the Internal Revenue Service that the holder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified the holder that the holder is no longer subject to backup withholding.

Certain holders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding requirements. A corporation must, however, complete the Substitute Form W-9, including providing its TIN (unless it is a foreign corporation that does not have a TIN) and indicating that it is exempt from backup withholding, in order to establish its exemption from backup withholding. A foreign corporation or individual, or other foreign person, must submit a statement (i.e., Form W-8 or substitute), signed under penalties of perjury, attesting to such person's status as a non-United States person. Such statements can be obtained from the Exchange Agent.

See the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional instructions.

PAYER'S NAME: FIRST CHICAGO TRUST COMPANY OF NEW YORK

SUBSTITUTE PART 1 -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW SOCIAL SECURITY NUMBER OR EMPLOYER IDENTIFICATION NUMBER

FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE PART 2 -- I am not subject to backup withholding because (i) I am exempt from backup withholding, or (ii) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (iii) the IRS has notified me that I am no longer subject to backup withholding. (YOU MUST CROSS OUT THIS PART 2 IF YOU ARE CURRENTLY SUBJECT TO BACKUP WITHHOLDING BECAUSE OF UNDERREPORTING OF INTEREST OR DIVIDENDS ON YOUR TAX RETURN.) FOR PAYEES EXEMPT FROM BACKUP WITHHOLDING Write "EXEMPT" if you are exempt from backup withholding.

PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN) CERTIFICATION -- UNDER PENALTIES OF PERJURY, I CERTIFY THAT THE INFORMATION PROVIDED ON THIS FORM IS TRUE, CORRECT AND COMPLETE. PART 3 -- SIGNATURE DATE Awaiting TIN / /

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE EXCHANGE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

CERTIFICATE OF TAXPAYER AWAITING TIN

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to appropriate Internal Revenue Service Center or Social Security Administration Office, or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a taxpayer identification number within 60 days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number.

Signature

Date

NOTICE OF GUARANTEED DELIVERY

FOR
 TENDER OF ALL OUTSTANDING
 SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
 (INCLUDING SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
 REPRESENTED BY \$3.00 DEPOSITARY SHARES)
 IN EXCHANGE FOR

6 1/8% CONVERTIBLE SUBORDINATED QUARTERLY INCOME CAPITAL SECURITIES DUE 2024

OF

AMR CORPORATION

Registered holders of outstanding Series A Cumulative Convertible Preferred Stock, of AMR Corporation (the "Preferred Stock"), including registered holders of \$3.00 Depositary Shares (the "Depositary Shares") (each of which represents 1/10 of a share of Preferred Stock), who wish to tender Preferred Stock or Depositary Shares in exchange for AMR Corporation's 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures") on a basis of \$1,000 principal amount of Debentures for every two (2) shares of Preferred Stock (liquidation preference \$500 per share) accepted for exchange, on the terms and subject to the conditions set forth in AMR Corporation's Prospectus, dated October 14, 1994 and the related Letter of Transmittal and, in each case, whose Preferred Stock or Depositary Shares are not immediately available or who cannot deliver their Preferred Stock or Depositary Shares and Letter of Transmittal (and any other documents required by the Letter of Transmittal) to First Chicago Trust Company of New York (the "Exchange Agent") prior to the Expiration Date, may use this Notice of Guaranteed Delivery or one substantially equivalent hereto. This Notice of Guaranteed Delivery may be delivered by hand or sent by facsimile transmission (receipt confirmed by telephone and an original delivered by guaranteed overnight delivery) or mail to the Exchange Agent. See "The Exchange Offer -- Procedures for Tendering" in the Prospectus.

The Exchange Agent for the Exchange Offer is:

By Mail:

First Chicago Trust Company of New York
 Tenders & Exchanges
 P. O. Box 2565, Mail Suite 4660
 Jersey City, NJ 07303-2565

By Hand or Overnight Courier:

Tenders & Exchanges
 Suite 4680 -- AMR
 14 Wall Street, 8th Floor
 New York, NY 10005

By Facsimile:

(For Eligible Institutions Only)
 (201) 222-4720 or (201) 222-4721

Confirm Receipt of Notice of
 Guaranteed Delivery by Telephone:

(201) 222-4707

Delivery of this Notice of Guaranteed Delivery to an address other than as set forth above or transmission of instructions via a facsimile transmission to a number other than as set forth above will not constitute a valid delivery.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN ELIGIBLE INSTITUTION, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED ON THE LETTER OF TRANSMITTAL FOR GUARANTEE OF SIGNATURES.

Ladies and Gentlemen:

The Undersigned hereby tenders the number of shares of Preferred Stock or Depositary Shares indicated below, upon the terms and subject to the conditions contained in the Prospectus dated October 14, 1994, of AMR Corporation (the "Prospectus"), receipt of which is hereby acknowledged.

DESCRIPTION OF SECURITIES TENDERED

DEPOSITARY SHARES

NAME AND ADDRESS OF REGISTERED HOLDER AS IT APPEARS ON THE DEPOSITARY RECEIPT(S) FOR DEPOSITARY SHARES (PLEASE PRINT)	DEPOSITARY RECEIPT NUMBER(S) OF DEPOSITARY SHARES TENDERED	NUMBER OF DEPOSITARY SHARES TENDERED
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PREFERRED STOCK

NAME AND ADDRESS OF REGISTERED HOLDER AS IT APPEARS ON THE CERTIFICATE(S) FOR PREFERRED STOCK (PLEASE PRINT)	CERTIFICATE NUMBER(S) OF PREFERRED STOCK TENDERED	NUMBER OF SHARES OF PREFERRED STOCK TENDERED
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THE FOLLOWING GUARANTEE MUST BE COMPLETED

GUARANTEE OF DELIVERY
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm that is a member of a registered national securities exchange or a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office, branch, agency or correspondent in the United States, hereby guarantees to deliver to the Exchange Agent at one of its addresses set forth above, the certificates representing the Preferred Stock or Depositary Receipts representing the Depositary Shares, together with a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, and any other documents required by the Letter of Transmittal within five New York Stock Exchange, Inc. trading days after the date of execution of this Notice of Guaranteed Delivery.

Name of Firm

Authorized Signature

Address

Title

Zip Code

Name: _____
(Please Type or Print)

Area Code and Telephone Number: _____

Dated: _____

NOTE: DO NOT SEND CERTIFICATES FOR PREFERRED STOCK OR DEPOSITARY RECEIPTS REPRESENTING DEPOSITARY SHARES WITH THIS NOTICE OF GUARANTEED DELIVERY. CERTIFICATES FOR PREFERRED STOCK OR DEPOSITARY RECEIPTS REPRESENTING DEPOSITARY SHARES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

TENDER FOR ALL OUTSTANDING
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

(INCLUDING SERIES A CUMULATIVE CONVERTIBLE PREFERRED
STOCK REPRESENTED BY \$3.00 DEPOSITARY SHARES)

IN EXCHANGE FOR

6 1/8% CONVERTIBLE SUBORDINATED QUARTERLY INCOME CAPITAL SECURITIES DUE 2024

OF

AMR CORPORATION

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

We are enclosing herewith the material listed below relating to the offer by AMR Corporation (the "Company") to exchange \$1,000 principal amount of its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 for every two (2) shares of its Series A Cumulative Convertible Preferred Stock (liquidation preference \$500 per share) (the "Preferred Stock") (including Preferred Stock represented by certain \$3.00 Depositary Shares, each of which represents 1/10 of a share of Preferred Stock), upon the terms and subject to the conditions set forth in the Company's Prospectus, dated October 14, 1994, and the related Letter of Transmittal (which together constitute the "Exchange Offer").

Enclosed herewith are copies of the following documents:

1. Prospectus dated October 14, 1994;
2. Letter of Transmittal (together with accompanying Substitute Form W-9 Guidelines);
3. Notice of Guaranteed Delivery; and
4. Letter which may be sent to your clients for whose account you hold Preferred Stock or Depositary Shares in your name or in the name of your nominee, with space provided for obtaining such client's instruction with regard to the Exchange Offer.

WE URGE YOU TO CONTACT YOUR CLIENTS PROMPTLY. Please note that the Exchange Offer will expire at 5:00 p.m., New York City time, on November 15, 1994, unless extended.

The Company expressly reserves the right to (i) extend, amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company).

D.F. King & Co., Inc. has been appointed as Information Agent for the Exchange Offer. All questions relating to the Exchange Offer, as well as requests for assistance or additional copies of the Prospectus or the Letter of Transmittal, may be directed to D.F. King & Co., Inc., 77 Water Street, New York, New York 10005, telephone (800) 347-7869.

The Company will not pay any fee or commission to any broker or dealer or to any other persons (other than the Dealer Managers, the Information Agent and the Exchange Agent) in connection with the solicitation of tenders of Preferred Stock or Depositary Shares pursuant to the Exchange Offer. The Company will pay or cause to be paid any transfer taxes payable on the transfer of Preferred Stock or Depositary Shares to it, except as otherwise provided in Instruction 4 of the enclosed Letter of Transmittal.

Very truly yours,

AMR CORPORATION

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU AS THE AGENT OF AMR CORPORATION OR FIRST CHICAGO TRUST COMPANY OF NEW YORK OR AUTHORIZE YOU TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON THEIR BEHALF IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED HERewith AND THE STATEMENTS CONTAINED THEREIN.

TENDER FOR ALL OUTSTANDING
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
(INCLUDING SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
REPRESENTED BY \$3.00 DEPOSITARY SHARES)

IN EXCHANGE FOR
6 1/8% CONVERTIBLE SUBORDINATED QUARTERLY INCOME
CAPITAL SECURITIES DUE 2024
OF
AMR CORPORATION

To Our Clients:

We are enclosing herewith a Prospectus, dated October 14, 1994, of AMR Corporation (the "Company"), and a related Letter of Transmittal (which together constitute the "Exchange Offer") relating to the offer by the Company to exchange \$1,000 principal amount of its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 for every two (2) shares of its Series A Cumulative Convertible Preferred Stock (liquidation preference \$500 per share) (the "Preferred Stock") (including Preferred Stock represented by certain \$3.00 Depositary Shares, each of which represents 1/10 of a share of Preferred Stock), upon the terms and subject to the conditions set forth in the Exchange Offer.

Please note that the Offer will expire at 5:00 pm., New York City time, on November 15, 1994, unless extended.

The Company expressly reserves the right to (i) extend, amend or modify the terms of the Exchange Offer in any manner and (ii) withdraw or terminate the Exchange Offer and not accept for exchange any Preferred Stock, at any time for any reason, including (without limitation) if fewer than 400,000 shares of Preferred Stock are tendered (which condition may be waived by the Company).

We are the holder of record of Preferred Stock or Depositary Shares held by us for your account. A tender of such Preferred Stock or Depositary Shares can be made only by us as the record holder and pursuant to your instructions. The Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender Preferred Stock or Depositary Shares held by us for your account.

We request instructions on the attached schedule as to whether you wish to tender any or all of the Preferred Stock or Depositary Shares held by us for your account pursuant to the terms and conditions of the Exchange Offer.

Very truly yours,

INSTRUCTIONS WITH RESPECT TO THE
TENDER FOR ALL OUTSTANDING
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

(INCLUDING SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK
REPRESENTED BY \$3.00 DEPOSITARY SHARES)

IN EXCHANGE FOR

6 1/8% CONVERTIBLE SUBORDINATED QUARTERLY INCOME CAPITAL SECURITIES DUE 2024

OF

AMR CORPORATION

The undersigned acknowledges receipt of your letter enclosing the Prospectus, dated October 14, 1994, of the Company and a related Letter of Transmittal relating to the Exchange Offer. This will instruct you to tender the number of shares of Preferred Stock or Depositary Shares indicated below held by you for the account of the undersigned, pursuant to the terms and subject to the conditions of the Exchange Offer and confirm that you may make the representations contained in the Letter of Transmittal on behalf of the undersigned.

Preferred Stock to be Tendered

----- AGGREGATE NUMBER OF SHARES OF PREFERRED STOCK HELD BY YOU FOR THE ACCOUNT OF THE UNDERSIGNED	NUMBER OF SHARES OF PREFERRED STOCK TENDERED* -----
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Depositary Shares to be Tendered

----- AGGREGATE NUMBER OF DEPOSITARY SHARES HELD BY YOU FOR THE ACCOUNT OF THE UNDERSIGNED	NUMBER OF DEPOSITARY SHARES TENDERED* -----
--	---

Signature(s)

Please print name

Date

* Unless otherwise indicated, it will be assumed that all the undersigned's Preferred Stock or Depositary Shares are to be tendered.

This is neither an offer to exchange or to sell nor a solicitation of an offer to exchange or buy any of these securities. The Exchange Offer is made only by the Prospectus and the related Letter of Transmittal, and the Exchange Offer is not being made to, nor will tenders be accepted from, holders of these securities in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or blue sky laws of such jurisdiction.

NOTICE OF EXCHANGE OFFER TO HOLDERS OF

AMR CORPORATION

SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

AMR Corporation ("AMR") is offering, upon the terms and subject to the conditions contained in its Prospectus dated October 14, 1994 and the related Letter of Transmittal (collectively, the "Exchange Offer"), to exchange up to \$1,100,000,000 aggregate principal amount of debentures designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures") for up to all of AMR's outstanding Series A Cumulative Convertible Preferred Stock (the "Preferred Stock"). The Exchange Offer will be effected on a basis of \$1,000 principal amount of the Debentures for every two (2) shares of Preferred Stock validly tendered and accepted for exchange. Ownership of the Preferred Stock may be evidenced by certain \$3.00 Depositary Shares (the "Depositary Shares"). Each Depositary Share represents 1/10th of a share of Preferred Stock, and entitles the owner, proportionately, to all of the rights and preferences of the Preferred Stock represented thereby. Either Depositary Shares or Preferred Stock may be tendered in the Exchange Offer.

THE EXCHANGE OFFER WILL EXPIRE AT 5:00 P.M. NEW YORK CITY TIME, ON NOVEMBER 15, 1994, UNLESS EXTENDED.

Upon the terms and subject to the conditions of the Exchange Offer, AMR will accept for exchange Preferred Stock validly tendered and not withdrawn prior to 5:00 p.m., New York City time on November 15, 1994, or if extended by AMR, in its sole discretion, the latest date and time to which extended (the "Expiration Date"). Tenders of Preferred Stock may be withdrawn at any time prior to the Expiration Date and, unless accepted for exchange by AMR, may be withdrawn at any time after forty business days after October 14, 1994.

In any jurisdiction where the securities or blue sky laws require the Exchange Offer to be made by a licensed broker or dealer, the Exchange Offer is being made on behalf of AMR by one or more brokers or dealers which are licensed under the laws of such jurisdiction.

The Prospectus and Letter of Transmittal contain important information which should be read before any action is taken by holders of Preferred Stock. Tenders may be made only by a properly completed and executed Letter of Transmittal and in conformance with the terms thereof.

Questions or requests for assistance or for additional copies of the Prospectus or of the Letter of Transmittal and requests for additional copies of the Notice of Guaranteed Delivery may be directed to D.F. King & Co., Inc., the Information Agent, at (800) 347-7869.

Lehman Brothers
Equity Syndicate Desk
(800) 524-4462

Goldman, Sachs & Co.
(800) 323-5678

The Dealer Managers for the Exchange Offer are:

LEHMAN BROTHERS

GOLDMAN, SACHS & CO.

October , 1994

Contact: Al Marucci
Corporate Communications
Mail Drop 5575
P.O. Box 619616
DFW Airport, TX 75261-9616
(817) 931-0177

For release: Friday, October 14, 1994

AMR CORPORATION COMMENCES EXCHANGE OFFER

AMR Corporation announced today that it is commencing its offer to exchange \$1,000 aggregate principal amount of its new 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 for every two shares of its outstanding Series A Cumulative Convertible Preferred Stock.

Copies of the prospectus and related letter of transmittal are being mailed to all holders of record as of October 12, 1994. The exchange offer will expire at 5:00 p.m. New York City time on November 15, 1994, unless extended by AMR. Lehman Brothers and Goldman, Sachs & Co. are the dealer managers for the offer.

The offer will be made only by means of the prospectus. This press release shall not constitute an offer to sell or the solicitation of an offer to sell or exchange, nor shall there be any exchange of the securities in any state in which such offer, solicitation or exchange would be unlawful prior to registration or qualification under the securities law of any such state.

=====

AMR CORPORATION

and

THE FIRST NATIONAL BANK OF CHICAGO

INDENTURE

Dated as of November 1, 1994

6 1/8% Convertible Subordinated
Quarterly Income Capital Securities due 2024

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Trust Indenture Act of 1939 Section -----	Indenture Section -----
310(a)(1)	6.11
(a)(2)	6.11
(a)(3)	TIA
(a)(4)	Not applicable
(a)(5)	TIA
(b)	6.9; TIA
311(a)	TIA
(b)	TIA
312(a)	6.7
(b)	TIA
(c)	TIA
313(a)	6.6; TIA
(b)	TIA
(c)	6.6; TIA
(d)	TIA
314(a)	9.5; 9.6; TIA
(b)	Not Applicable
(c)(1)	1.2
(c)(2)	1.2
(c)(3)	Not Applicable
(d)	Not Applicable
(e)	1.2
(f)	TIA
315(a)	TIA
(b)	6.5
(c)	TIA
(d)(1)	TIA
(d)(2)	TIA
(d)(3)	TIA
(e)	TIA
316(a)(last sentence)	1.1
(a)(1)(A)	5.2; 5.8
(a)(1)(B)	5.7
(b)	5.9; 5.10

(c)	TIA
317(a)(1)	5.3
(a)(2)	5.4
(b)	9.3
318(a)	1.11
(b)	TIA
(c)	1.11; TIA

This reconciliation and tie section does not constitute part of the Indenture.

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INDENTURE, dated as of November 1, 1994, between AMR CORPORATION, a Delaware corporation (the "Company"), and THE FIRST NATIONAL BANK OF CHICAGO, Trustee, a national banking association (the "Trustee").

Recitals

For its lawful corporate purposes, the Company has duly authorized the issue of Debentures of the Company designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures"), in the aggregate principal amount specified in Section 3.1(a) and, in order to provide the terms and conditions on which the Debentures are to be authenticated, issued and delivered, the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Debentures, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

For and in consideration of the premises and the purchase of the Debentures by the Holders thereof, it is mutually covenanted and agreed as follows for the equal and ratable benefit of the Holders of the Debentures:

ARTICLE I

Definitions and Other Provisions of General Application

Section 1.1. Definitions. (a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;
- (2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"Affiliate" of any specified Person means any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent" means any Paying Agent or Registrar.

"Authenticating Agent" means any authenticating agent appointed by the Trustee pursuant to Section 6.13.

"Board" or "Board of Directors" means the Board of Directors of the Company, the Executive Committee or any other duly authorized committee thereof.

"Board Resolution" means a copy of a resolution of the Board of Directors, certified by the Corporate Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of the certificate, and delivered to the Trustee.

"Business Day" means each day which is not a Saturday, Sunday or other day on which banking institutions in The City of New York or Fort Worth, Texas are authorized or obligated by law or required by executive order to remain closed.

"Closing Price" with respect to any securities on any day shall mean the closing sale price regular way on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in each case on the New York Stock Exchange, or, if such security is not listed or admitted to trading on

such Exchange, on the principal national security exchange or quotation system on which such security is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board for that purpose, or a price determined in good faith by the Board, whose determination shall be conclusive.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Stock" means the shares of common stock, par value \$1.00 per share, of the Company as in existence on the date of this Indenture.

"Company" means the party named as the Company in the first paragraph of this Indenture until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter means such successors.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President signing together with the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary of the Company.

"Corporate Trust Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at One First National Plaza, Suite 0126, Chicago, Illinois 60670-0126, Attention: Corporate Trust Services Division, except that, for purposes of Section 9.2, such term means the office or agency of the Trustee in the Borough of Manhattan, The City

of New York, which office at the date hereof is located at 14 Wall Street, Eighth Floor, New York, New York 10005.

"Current Market Price" shall mean the average of the daily Closing Prices per share of Common Stock for the ten consecutive Trading Days immediately prior to the date in question; provided, however, that (1) if the "ex" date (as hereinafter defined) for any event (other than the issuance, distribution or Fundamental Change requiring such computation) that requires an adjustment to the Conversion Price pursuant to subparagraph (i), (ii), (iii), (iv), (v) or (vi) of Section 12.5 occurs during such ten consecutive Trading Days, the Closing Price for each Trading Day prior to the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event, (2) if the "ex" date for any event (other than the issuance, distribution or Fundamental Change requiring such computation) that requires an adjustment to the Conversion Price pursuant to subparagraph (i), (ii), (iii), (iv), (v) or (vi) of Section 12.5 occurs on or after the "ex" date for the issuance or distribution requiring such computation and prior to the date in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event, and (3) if the "ex" date for the issuance, distribution or Fundamental Change requiring such computation is prior to the day in question, after taking into account any adjustment required pursuant to clause (1) or (2) of this proviso, the Closing Price for each Trading Day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board in a manner consistent with any determination of such value for purposes of subparagraph (iv) or (vi) of Section 12.5, whose determination shall be conclusive and described in a Board Resolution) of the evidences of indebtedness, share of capital stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date. For purposes of any computation under subparagraph (vi) of Section 12.5, the Current Market Price of the Common Stock on any date shall be deemed to be the average of the daily Closing Prices per share of Common Stock for such day and the next two succeeding Trading Days; provided, however, that if the "ex" date for any event (other than the tender or exchange offer requiring such computa-

tion) that requires an adjustment to the Conversion Price pursuant to subparagraph (i), (ii), (iii), (iv), (v) and (vi) of Section 12.5 occurs on or after the Expiration Time for the tender or exchange offer requiring such computation and prior to the day in question, the Closing Price for each Trading Day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the Closing Price was obtained without the right to receive such issuance or distribution, (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (3) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer.

"Debenture" or "Debentures" has the meaning stated in the first recital of this Indenture and more particularly means any Debenture or Debentures of the Company issued, authenticated and delivered under this Indenture.

"Default" means any event which is, or after notice or passage of time, or both, would be, an Event of Default.

"Depositary", when used with respect to any Debentures issuable or issued in global form, means the Person designated as Depositary by the Company pursuant to Section 3.1 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter shall mean or include each Person which is then a Depositary hereunder, and if at any time there is more than one such Person, shall be a collective reference to such Persons.

"Extension Period" means the period from and including the Interest Payment Date next following the date of any notice of extension of the interest payment period on the Debentures given pursuant to clause (1) of the last sentence of Section 3.1(d) to but excluding the Interest

Payment Date to which payment of interest on the Debentures is so extended, after giving effect to any further extensions of the interest payment period on the Debentures pursuant to the third sentence of Section 3.1(d); provided that (1) no Extension Period shall exceed 20 consecutive quarters from the last date to which interest on the Debentures was paid in full, (2) any Extension Period shall end on an Interest Payment Date and (3) if the Company shall elect to pay all of the interest accrued on an Interest Payment Date during any Extension Period, such Extension Period shall automatically terminate on such Interest Payment Date. Notwithstanding the foregoing, in no event shall any Extension Period exceed the final Stated Maturity of the principal of the Debentures.

"fair market value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction.

"Government Obligations" means securities which are (i) direct obligations of the United States or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depositary receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Government Obligation evidenced by such depositary receipt.

"Holder" means, with respect to a Debenture, the Person, including a Depositary, in whose name such Debenture is registered on the Register.

"Indenture" means this Indenture as originally executed or as amended or supplemented from time to time and shall include the forms and terms of the Debentures established as contemplated hereunder.

"Interest Payment Date", when used with respect to any Debenture, means the Stated Maturity of an installment of interest on such Debenture.

"Maturity" when used with respect to any Debenture, means the date on which the principal of such Debenture or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officer" means the Chairman of the Board of Directors, the President, any Executive Vice President, any Senior Vice President, any Vice President, the Treasurer or the Corporate Secretary of the Company.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President, any Executive Vice President or any Senior Vice President, signing alone, or by any Vice President signing together with the Corporate Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer of the Company.

"Opinion of Counsel" means a written opinion of legal counsel, who may be (a) the senior attorney employed by the Company, (b) Debevoise & Plimpton or (c) other counsel designated by the Company and who shall be reasonably acceptable to the Trustee.

"Outstanding", when used with respect to Debentures, means, as of the date of determination, all Debentures theretofore authenticated and delivered under this Indenture, except:

(i) Debentures theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Debentures, or portions thereof, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Debentures, provided that, if such Debentures are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provisions therefor satisfactory to the Trustee have been made; and

(iii) Debentures which have been paid pursuant to Section 3.6 or in exchange for or in lieu of which other Debentures have been authenticated and delivered pursuant to this Indenture, other than any such Debentures in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debentures are held by a bona fide purchaser in whose hands such Debentures are valid obligations of the Company;

provided, however, that Holders of Debentures which cease to be Outstanding by reason of a call for redemption prior to their Stated Maturity shall nevertheless be entitled to convert the same or any portion thereof in accordance with Article XII; and provided, further, that in determining whether the Holders of the requisite principal amount of the Outstanding Debentures have given any request, demand, authorization, direction, notice, consent or waiver hereunder, or whether sufficient funds are available for redemption or for any other purpose, and for the purpose of making the calculations required by section 313 of the Trust Indenture Act, Debentures owned by the Company or any other obligor upon the Debentures or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Debentures which the Trustee knows to be so owned shall be so disregarded. Debentures so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debentures and that the pledgee is not the Company or any other obligor upon the Debentures or any Affiliate of the Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of, premium, if any, or interest on any Debentures on behalf of the Company.

"Payment Obligation", when used with respect to Senior Indebtedness, means an obligation stated in an agreement, instrument or lease to pay money (whether for principal, premium, interest, sinking fund, periodic rent, stipulated value, termination value, liquidated damages or otherwise), but excluding an obligation to pay money in respect of fees (including, without limitation, availability, commitment and similar fees) of, or as payment or reim-

bursement for expenses (including, without limitation, legal, accounting and ordinary out-of-pocket expenses) incurred by or on behalf of, or as indemnity for losses, damages, taxes or other indemnity claims of any kind owed to, any holder of Senior Indebtedness or other party to such agreement, instrument or lease.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Debenture" of any particular Debenture means every previous Debenture evidencing all or a portion of the same debt as that evidenced by such particular Debenture; and, for the purposes of this definition, any Debenture authenticated and delivered under Section 3.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Debenture shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Debenture.

"Redemption Date", when used with respect to any Debenture to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Debenture to be redeemed, in whole or in part, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date means the close of business on January 15, April 15, July 15 or October 15, as the case may be (whether or not a Business Day), next preceding such Interest Payment Date; provided that it is understood that there shall be no Regular Record Date for any February 1, May 1, August 1 or November 1, as the case may be, occurring during an Extension Period on which the Company has not elected to make a full or partial payment of interest accrued on the Debentures.

"Responsible Officer", when used with respect to the Trustee, shall mean the chairman or any vice chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any senior vice president, any vice president, any assistant vice president, the secretary, any assistant secretary, any associ-

ate, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer, the controller, any assistant controller, or any officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"Senior Indebtedness" means each of the following, whether outstanding on the date hereof or hereafter created, incurred or assumed:

(a) any Payment Obligation of the Company in respect of any indebtedness, directly or indirectly, created, incurred or assumed (i) for borrowed money or (ii) in connection with the acquisition of any business, property or asset (including securities), other than any account payable or other indebtedness created, incurred or assumed in the ordinary course of business in connection with the obtaining of materials or services;

(b) any Payment Obligation of the Company in respect of any lease that would, in accordance with generally accepted accounting principles, be required to be classified and accounted for as a capital lease;

(c) any Payment Obligation of the Company in respect of any interest rate exchange agreement, currency exchange agreement or similar agreement that provides for payment (whether or not contingent) over a period or term (including any renewals or extensions) longer than one year from the execution thereof;

(d) any Payment Obligation of the Company in respect of any agreement relating to the lease (including a sale and leaseback) of real or personal property that provides for payment (whether or not contingent) over a period or term (including any renewals or extensions) longer than one year from the execution thereof;

(e) any Payment Obligation of any Subsidiary or of others of the kind described in the preceding clauses (a) through (d) assumed or guaranteed by the Company or for which the Company is otherwise responsible or liable; and

(f) any amendment, renewal, extension or refunding of any Payment Obligation described in the preceding subparagraphs (a) through (e);

unless in the agreement, instrument or lease in which any such Payment Obligation is stated it is expressly provided that such Payment Obligation is not senior in right of payment to the Debentures; provided, however, that Senior Indebtedness shall not include the 5 1/4% Subordinated Debentures due 1998 issued by American Airlines, Inc. and for which the Company is jointly and severally liable.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.7(b).

"Stated Maturity", when used with respect to any Debenture or any installment of principal thereof or interest thereon, means the date specified in such Debenture as the fixed date on which the principal of such Debenture or such installment of principal or interest is due and payable; provided that, with respect to any payment of interest on a Debenture, no date during an Extension Period on which the Company has not elected to make a full or partial payment of interest shall be a date of Stated Maturity.

"Subsidiary" means any corporation of which the Company at the time owns or controls, directly or indirectly, more than 50% of the shares of outstanding stock having general voting power under ordinary circumstances to elect a majority of the Board of Directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency).

"Trading Day" means (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national security exchange, a day on which the New York Stock Exchange or another national security exchange is open for business or (y) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made on such National Market System or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in effect on the date of this Indenture, except as provided in Section 8.3.

"Trustee" means the party named as such in the first paragraph of this Indenture until a successor Trustee replaces it pursuant to the applicable provisions of this Indenture, and thereafter means such successor Trustee.

(b) The following terms shall have the meanings specified in the Sections referred to opposite such term below:

Term -----	Section -----
"Act"	1.4(a)
"Applicable Price"	12.11
"Bankruptcy Law"	5.1
"Common Stock Fundamental Change"	12.11
"Conversion Price"	12.5
"Custodian"	5.1
"Date of Conversion"	12.2
"Defaulted Interest"	3.7(b)
"Event of Default"	5.1
"Expiration Time"	12.5(v)
"Fundamental Change"	12.11
"Non-Stock Fundamental Change"	12.11
"Purchased Shares"	12.5(vi)
"Purchaser Stock Price"	12.11
"Reference Market Price"	12.11
"Register"	3.5
"Registrar"	3.5
"Rights"	12.5(iv)
"Rights Agreement"	12.5(iv)
"Securities"	12.5(iv)

Section 1.2. Compliance Certificates and Opinions. Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically

required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than pursuant to Section 9.6) shall include:

- (1) a statement that each individual signing such certificate or opinion has read such condition or covenant and the definitions herein relating thereto;
- (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;
- (3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such condition or covenant has been complied with; and
- (4) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 1.3. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may

be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations as to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Debentures shall be conclusively proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Debenture shall bind every future Holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Debenture.

(e) If the Company shall solicit from the Holders any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Outstanding Debentures have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Debentures shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

Section 1.5. Notices, etc., to Trustee and Company. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at AMR Corporation, P.O. Box 619616, Dallas/Fort Worth Airport, Texas 75261-9616 or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6. Notice to Holders; Waiver. Where this Indenture provides for notice to Holders of any event, such notice to the Holders thereof shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each such Holder affected by such event, at its address as it appears in the Register, within the time prescribed for the giving of such notice; provided that public notice shall also be given in accordance with the rules of the New York Stock Exchange if required by such rules.

In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice mailed to a Holder in the manner herein prescribed shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

If by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice as provided above, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.7. Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.8. Successor and Assigns. All covenants and agreements in this Indenture by the Company shall bind its successor and assigns, whether so expressed or not.

Any act or proceeding that is required or permitted by any provision of this Indenture and that is authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the successor or assign of the Company.

Section 1.9. Separability. In case any provision of this Indenture or the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.10. Benefits of Indenture. Nothing in this Indenture or in the Debentures, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.11. Governing Law. THIS INDENTURE AND THE DEBENTURES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. This Indenture is subject to the Trust Indenture Act and if any provision hereof limits, qualifies or conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

Section 1.12. Legal Holidays. In any case where any Interest Payment Date, Redemption Date, Stated Maturity or Maturity of any Debenture, or the last date on which a Holder has the right to convert his Debentures (or the right to convert his Debentures at a particular conversion price or rate) shall not be a Business Day, then, notwithstanding any other provision of this Indenture or any Debenture, payment of principal, premium, if any or interest need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on such date; provided that no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date, Stated Maturity or Maturity or on such last date for conversion, as the case may be.

Section 1.13. No Recourse Against Others. No recourse for the payment of the principal of or interest on the Debentures, or for any claim based on the Debentures or this Indenture, and no recourse under or upon any obligation, covenant or agreement of the Company in this Indenture or any indenture supplemental thereto or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty otherwise, all such liability being, by the acceptance of a Debenture by each Holder and as part of the consideration for the issue of such Debenture, expressly waived and released.

ARTICLE II

Debenture Form

Section 2.1. Forms Generally. The Debentures and the certificates of authentication thereon shall be in substantially the form set forth in Exhibit A attached hereto, which is hereby incorporated in and expressly made part of this Indenture, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may be required to comply with any law or with any rules promulgated pursuant thereto or with the rules of any securities exchange or governmental

agency, or as may, consistently herewith, be determined by the officers executing such Debentures, as evidenced by their execution of the Debentures. Any portion of the text of any Debenture may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Debenture.

Section 2.2. Debentures in Global Form. Any Debenture may provide that it shall represent the aggregate or specified amount of Outstanding Debentures from time to time endorsed thereon and may also provide that the aggregate amount of Outstanding Debentures represented thereby may from time to time be reduced to reflect exchanges. Any endorsement of a Debenture in global form to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Debentures represented thereby, shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 3.3 or 3.4. Subject to the provisions of Section 3.3 and, if applicable, Section 3.4, the Trustee shall deliver and redeliver any security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. Any instructions by the Company with respect to endorsement or delivery or redelivery of a Debenture in global form shall be in writing but need not comply with Section 1.2 hereof and need not be accompanied by an Opinion of Counsel.

The provisions of the last paragraph of Section 3.3 shall apply to any Debenture in global form if such Debenture was never issued and sold by the Company and the Company delivers to the Trustee the Debenture in global form together with written instructions (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Debentures represented thereby, together with the written statement contemplated by the last paragraph of Section 3.3.

Notwithstanding the provisions of Sections 2.1 and 3.7, payment of principal of, premium, if any, and interest on any Debenture in permanent global form shall be made to the Person or Persons specified therein.

Section 2.3. Form of Legend for Debentures in Global Form.

Any Debenture in global form authenticated and delivered hereunder shall bear a legend in substantially the following form, or such other form as deemed necessary or desirable by the Company and specified in a Company Order delivered to the Trustee:

This Debenture is in global form within the meaning of the Indenture hereinafter referred to and is registered in the name of a Depository or a nominee of a Depository. Unless and until it is exchanged in whole or in part for Debentures in certificated form, this Debenture may not be transferred except as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

ARTICLE III

The Debentures

Section 3.1. Title and Terms. (a) The aggregate principal

amount of Debentures which may be authenticated and delivered under this Indenture is limited to the lesser of (i) the aggregate principal amount of Debentures issued by the Company pursuant to the exchange offer described in the Company's Prospectus, dated October 14, 1994, as amended or supplemented, relating to the Debentures and (ii) \$1,100,000,000, except in each case for Debentures authenticated and delivered upon registration and transfer of, or in exchange for, or in lieu of, other Debentures pursuant to Section 3.4, 3.5, 3.6, 8.6, 10.8 or 12.2.

(b) The Debentures shall be known and designated as the

"6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024" of the Company. Their Stated Maturity shall be November 1, 2024, and they shall bear interest as set forth below at the rate per annum of 6.0% from and including November 1, 1994 to but excluding _____* and at the rate per annum of 6 1/8% from _____* or from the most recent Interest Payment Date to

* Insert first day after Expiration Date of Exchange Offer.

which interest has been paid or duly provided for, until the principal thereof becomes due and payable, and at such rate on any overdue principal and premium and (to the extent that the payment of such interest shall be legally enforceable) on any overdue installment of interest.

(c) Every Debenture shall be dated the date of its authentication and, except as otherwise provided in this Section, shall bear interest, payable (subject to paragraph (d) below) quarterly in arrears on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 1995, from the February 1, May 1, August 1 or November 1, as the case may be, next preceding the date of such Debenture to which interest on the Debentures has been paid or duly provided for, unless the date of such Debenture is a February 1, May 1, August 1 or November 1 to which interest has been paid or duly provided for, in which case from such date, or unless no interest has been paid or duly provided for on the Debentures, in which case from November 1, 1994. Notwithstanding the foregoing, when there is no existing default in the payment of interest on the Debentures, each Debenture authenticated after the Regular Record Date for any Interest Payment Date, but prior to such Interest Payment Date shall be dated the date of its authentication but shall bear interest from such Interest Payment Date; provided, however, that if and to the extent that the Company shall default in the payment of the interest due on such Interest Payment Date, then all such Debentures shall bear interest from the February 1, May 1, August 1 or November 1, as the case may be, to which interest has been paid or duly provided for next preceding such Interest Payment Date, unless no interest has been paid or duly provided for on the Debentures, in which case from November 1, 1994.

(d) Notwithstanding anything contained in this Indenture to the contrary, the Company shall have the right at any time during the term of the Debentures, so long as the Company is not in default in the payment of interest on the Debentures, to extend the interest payment period for an Extension Period. Except as provided in the next succeeding sentence, no interest shall be due and payable during an Extension Period, but at the end of each Extension Period the Company shall pay all interest then accrued and unpaid on the Debentures, together with interest thereon, compounded quarterly, at the rate specified for the Debentures to the extent permitted by applicable law. Prior to the termination of any Extension Period, the Company may (i) on any Interest Payment Date pay all or any portion of the

interest accrued on the Debentures as provided in Section 3.1(c) to holders of record on the Record Date for such Interest Payment Date or (ii) from time to time further extend the interest payment period as provided in the last sentence of this paragraph, provided that any such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive calendar quarters from the last date to which interest on the Debentures was paid in full; and provided, further, that in no event shall any Extension Period exceed the final Stated Maturity of the Debentures. If the Company shall elect to pay all of the interest accrued on the Debentures on an Interest Payment Date during any Extension Period, such Extension Period shall automatically terminate on such Interest Payment Date. Upon the termination of any Extension Period and the payment of all amounts of interest then due, the Company may select a new Extension Period, subject to the above requirements. The Company shall cause the Trustee to give notice to the Holders, by public announcement, which notice shall be given in accordance with New York Stock Exchange rules, not less than five Business Days prior to the January 15, April 15, July 15 or October 15 next preceding the applicable Interest Payment Date of

(1) the Company's election to initiate an Extension Period, and the duration thereof,

(2) the Company's election to extend any Extension Period beyond the Interest Payment Date on which such Extension Period is then scheduled to terminate, and the duration of such extension, and

(3) the Company's election to make a full or partial payment of interest accrued on the Debentures on any Interest Payment Date during any Extension Period and the amount of such payment.

(e) The principal and the Redemption Price of, and interest on, the Debentures shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York; provided, however, that at the option of the Company, interest on any Debentures may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register or (ii) by wire transfer to an account maintained by the Person entitled thereto as specified on the Register.

(f) The Debentures shall be redeemable as provided in

Article X.

(g) The Debentures shall be subordinated in right of

payment to certain other indebtedness of the Company as provided in Article XI.

(h) The Debentures shall be convertible into Common Stock

as provided in Article XII.

(i) One or more Debentures representing all or any

portion of the authorized principal amount of the Debentures may be issued in global form. The Company hereby designates The Depository Trust Company as the initial Depository for any such Debentures issued in global form.

(j) Each Debenture issued hereunder shall provide that

the Company and, by its acceptance of a Debenture or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Debenture agree that for United States federal, state and local tax purposes it is intended that such Debenture constitute indebtedness.

Section 3.2. Denominations. The Debentures shall be issuable in denominations of \$1,000 and any integral multiple thereof.

Section 3.3. Execution, Authentication and Delivery.

Debentures shall be executed on behalf of the Company by the Chairman of the Board, the President, any Executive Vice President, any Senior Vice President or any Vice President. The Company's seal shall be reproduced on the Debentures and shall be attested by the Corporate Secretary or any Assistant Secretary. The signatures of any of these officers on the Debentures may be manual or facsimile.

Debentures bearing the manual or facsimile signatures of

individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Debentures or did not hold such offices at the date of such Debentures.

The definitive Debentures shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities ex-

change, all as determined by the officers executing such Debentures, as evidenced by their execution of such Debentures.

At any time and from time to time, the Company may deliver Debentures executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Debentures and the Trustee in accordance with the Company Order shall authenticate and deliver such Debentures.

The Company may execute and the Trustee shall, in accordance with this Section and the Company Order with respect to the Debentures, authenticate and deliver one or more Debentures in global form that (i) shall represent and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Debentures to be represented by such Debenture or Debentures in global form, (ii) shall be registered in the name of the Depository for such Debenture or Debentures in global form or the nominee of such Depository, (iii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instruction and (iv) shall bear the legend set forth in Section 2.3.

Each Depository for a Debenture in global form must, at the time of its designation and at all times while it serves as Depository, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation. The Trustee shall have no responsibility to determine if the Depository is so registered. Each Depository shall enter into an agreement with the Trustee governing the respective duties and rights of such Depository and the Trustee with regard to Debentures issued in global form.

No Debenture shall be entitled to any benefits under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of one of the authorized officers of the Trustee or an Authenticating Agent. Such signature upon any Debenture shall be conclusive evidence, and the only evidence, that such Debenture has been duly authenticated and delivered under this Indenture and is entitled to the benefits of this Indenture.

Notwithstanding the foregoing, if any Debenture shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall

deliver such Debenture to the Trustee for cancellation as provided in Section 3.9 together with a written statement (which need not comply with Section 1.2 and need not be accompanied by an Opinion of Counsel) stating that such Debenture has never been issued and sold by the Company, for all purposes of this Indenture such Debenture shall be deemed never to have been authenticated and delivered hereunder and shall not be entitled to the benefits of this Indenture.

Section 3.4. Temporary Debentures. Pending the preparation of definitive Debentures, the Company may execute and, upon Company Order, the Trustee shall authenticate and deliver temporary Debentures which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor and form of the definitive Debentures in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Debentures may determine, as conclusively evidenced by their execution of such Debentures.

If temporary Debentures are issued, the Company will cause definitive Debentures to be prepared without unreasonable delay. After preparation of definitive Debentures, the temporary Debentures shall be exchangeable for definitive Debentures upon surrender of the temporary Debentures at the office or agency of the Company in the borough of Manhattan, The City of New York, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Debentures, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Debentures of authorized denominations. Until so exchanged, the temporary Debentures shall in all respects be entitled to the same benefits under this Indenture as definitive Debentures.

Section 3.5. Registration, Transfer and Exchange. The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the "Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Debentures and the registration of transfers of Debentures and which shall be made available to the Company by the Trustee upon written request of the Company delivered to the Trustee. The Register shall be in written form or any other form capable of being converted into written form within a reasonable time. The Trustee is hereby appointed "Registrar"

for the purpose of registering Debentures and transfers of Debentures as herein provided.

Upon surrender for registration of transfer of any Debenture at the office or agency maintained pursuant to Section 9.2, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Debentures, of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Debentures may be exchanged for other Debentures, of any authorized denominations and of a like aggregate principal amount containing identical terms and provisions, upon surrender of the Debentures to be exchanged at such office or agency. Whenever any Debentures are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Debentures which the Holder making the exchange is entitled to receive.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Debentures in certificated form, a Debenture in global form representing all or a portion of the Debentures may not be transferred except as a whole by the Depository to a nominee of such Depository or by a nominee of such Depository to such Depository or another nominee of such Depository or by such Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

If at any time the Depository notifies the Company that it is unwilling or unable to continue as Depository for the Debentures or if at any time the Depository shall no longer be eligible under Section 3.3, the Company shall appoint a successor Depository. If a successor Depository is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, Section 3.1(i) shall no longer be effective and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Debentures, shall authenticate and deliver, Debentures in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Debenture or Debentures in global form in exchange for such Debenture or Debentures in global form.

The Company may at any time in its sole discretion determine that Debentures issued in global form shall no longer be represented by such a Debenture or Debentures in global form. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of certificated Debentures, shall authenticate and deliver, Debentures in certificated form, in authorized denominations and in an aggregate principal amount equal to the principal amount of the Debenture or Debentures in global form in exchange for such Debenture or Debentures in global form.

The Depositary may surrender a Debenture in global form in exchange in whole or in part for Debentures in certificated form on such terms as are acceptable to the Company and such Depositary. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge,

(i) to each Person specified by such Depositary a new certificated Debenture or Debentures, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Debenture in global form; and

(ii) to such Depositary a new Debenture in global form in a denomination equal to the difference, if any, between the principal amount of the surrendered Debenture in global form and the aggregate principal amount of certificated Debentures delivered to Holders thereof.

Upon the exchange of a Debenture in global form for Debentures in certificated form, such Debenture in global form shall be cancelled by the Trustee. Debentures in certificated form issued in exchange for a Debenture in global form pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Debentures to the Persons in whose names such Debentures are so registered.

Whenever any Debentures are surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Debentures which the Holder making the exchange is entitled to receive.

All Debentures issued upon any registration of transfer or upon any exchange of Debentures shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Debentures surrendered upon such registration of transfer or exchange.

Every Debenture presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company, the Registrar and the Trustee duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or for any exchange of Debentures, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration or transfer or exchange of Debentures, other than exchanges pursuant to Section 3.4 or 10.7 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of, or exchange any Debentures for a period beginning at the opening of business 15 days before any selection for redemption of Debentures and ending at the close of business on the date of mailing of a notice of redemption of Debentures; or (ii) to register the transfer of or exchange any Debenture so selected for redemption, in whole or in part, except the unredeemed portion of any Debenture being redeemed in part; provided, that nothing herein contained shall be deemed to restrict the right to convert any Debentures or portion thereof at any time in accordance with Article XII.

Section 3.6. Replacement Debentures. If there shall be delivered to the Company and the Trustee (i) any mutilated Debenture or evidence to their satisfaction of the destruction, loss or theft of any Debenture and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Debenture has been acquired by a bona fide purchaser, the Company shall execute and the Trustee shall authenticate and deliver in lieu of any such destroyed, lost or stolen Debenture, a replacement Debenture of like terms and principal amount, bearing a number not contemporaneously outstanding-

ing; provided, however, that if any such mutilated, destroyed, lost or stolen Debenture shall have matured or shall be about to mature, or shall have been selected or called for redemption, or if the applicant shall desire to convert such Debenture pursuant to the provisions of Article XII hereof, instead of issuing a substitute Debenture, the Company may, with the consent of the Holder, pay or convert the same, as the case may be, without surrender thereof, except that such mutilated Debenture shall be surrendered.

Upon the issuance of any new Debenture under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Debenture issued pursuant to this Section in lieu of any destroyed, lost or stolen Debenture shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Debenture shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debentures duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures.

Section 3.7. Payment of Interest; Interest Rights Preserved.

(a) Interest on any Debenture which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 9.2; provided, however, that at the option of the Company, interest on any Debentures may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register or (ii) by wire transfer to an account maintained by the Person entitled thereto as specified in the Register.

(b) Any interest on any Debenture which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date other than an Interest Payment Date during an Extension Period on which the Company has not elected to make a full or partial payment of interest accrued on the Debentures (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names such Debentures (or their respective Predecessor Debentures) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause (1) provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Debentures (or their respective Predecessor Debentures) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest to the Persons in whose names such Debentures (or their respective Predecessor Debentures) are registered at the close of business on a specified date in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Debentures may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (2), such manner of payment shall be deemed practicable by the Trustee.

(c) Subject to the foregoing provisions of this Section and Section 3.1, each Debenture delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Debenture.

(d) In the case of any Debenture which is converted after any Regular Record Date and on or prior to the next succeeding Interest Payment Date, interest whose Stated Maturity is such Interest Payment Date shall be payable on such Interest Payment Date notwithstanding such conversion, and such interest (whether or not punctually paid or duly provided for) shall be paid to the Person in whose name that Debenture (or one or more Predecessor Debentures) is registered at the close of business on such Regular Record Date.

Section 3.8. Persons Deemed Owners. Prior to due presentment of any Debenture for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Debenture is registered as the owner of such Debenture for the purpose of receiving payment of principal of, premium, if any, and (subject to Section 3.7) interest on such Debenture and for all other purposes whatsoever, whether or not such Debenture be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee or any agent of the Company or the Trustee shall have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Debenture in global form, or for maintaining, supervising or reviewing any records relating to such beneficial ownership

interests. Notwithstanding the foregoing, with respect to any Debenture in global form, nothing herein shall prevent the Company or the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depositary (or its nominee), as a Holder, with respect to such Debenture in global form or impair, as between such Depositary and owners of beneficial interests in such Debenture in global form, the operation of customary practices governing the exercise of the rights of such Depositary (or its nominee) as Holder of such Debenture in global form.

Section 3.9. Cancellation. The Company at any time may deliver Debentures to the Trustee for cancellation. The Registrar and any Paying Agent shall forward to the Trustee any Debentures surrendered to them for replacement, for registration of transfer, or for exchange, conversion or payment. The Trustee shall cancel all Debentures surrendered for replacement, for registration of transfer, or for exchange, payment, redemption, conversion or cancellation and may destroy cancelled Debentures and, if so destroyed, shall issue a certificate of destruction to the Company. The Company may not issue new Debentures to replace Debentures that it has paid or delivered to the Trustee for cancellation.

Section 3.10. Computation of Interest. Interest on the Debentures shall be computed on the basis of a 360-day year of twelve 30-day months and in the case of any installment of interest based on a period of less than one full calendar month, on the basis of the actual number of days elapsed in such period.

ARTICLE IV

Satisfaction and Discharge

Section 4.1. Termination of Company's Obligations Under the Indenture. This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange or conversion of Debentures and replacement of Debentures which may have been lost, stolen or mutilated as herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture when

(1) either

(A) all Debentures previously authenticated and delivered (other than (i) Debentures which have been destroyed, lost or stolen and which have been replaced, paid or converted as provided in Section 3.6 and (ii) Debentures for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 9.3) have been delivered to the Trustee for cancellation; or

(B) all Debentures not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on Debentures not theretofore delivered to the Trustee for cancellation, for principal, premium, if any, and interest, with respect thereto, to the date of such deposit (in the case of Debentures which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligation of the Company to the Trustee and

any predecessor Trustee under Section 6.8, the obligations of the Company to any Authenticating Agent under Section 6.13, the obligations of the Company to the Holders under Article XII and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 9.3 shall survive.

Section 4.2. Application of Trust Funds. Subject to the provisions of the last paragraph of Section 9.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Debentures and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any and any interest for whose payment such money has been deposited with or received by the Trustee, but such money need not be segregated from other funds except to the extent required by law.

ARTICLE V

Defaults and Remedies

Section 5.1. Events of Default. An "Event of Default" occurs if (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) the Company defaults in the payment of interest on any Debenture when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of the principal of or any premium on any Debenture when the same becomes due and payable at its Maturity or on redemption or otherwise and in each case such default continues for a period of ten days;

(3) the Company defaults in the performance of, or breaches, any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and such default or breach continues for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Debentures, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(4) the Company defaults under the terms of any agreement or instrument evidencing or under which the Company has at the date of this Indenture or hereafter outstanding any indebtedness for borrowed money and such indebtedness shall be accelerated so that the same shall be or become due and payable prior to the date on which the same would otherwise become due and payable and the aggregate principal amount thereof so accelerated exceeds \$150,000,000 and such acceleration is not rescinded or annulled within ten days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Debentures a written notice specifying such default and stating that such notice is a "Notice of Default" hereunder (it being understood, however, that, subject to the provisions of Section 6.1, the Trustee shall not be deemed to have knowledge of such default under such agreement or instrument unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) a Responsible Officer of the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such agreement or other instrument); provided, however, that if such default under such agreement or instrument is remedied or cured by the Company or waived by the holders of such indebtedness, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured or waived without further action upon the part of either the Trustee or any of such Holders;

(5) the Company pursuant to or within the meaning of any Bankruptcy Law (A) commences a voluntary case, (B) consents to the entry of an order for relief against it in an involuntary case, (C) consents to the appointment of a Custodian of it or for all or substantially all of its property, or (D) makes a general assignment for the benefit of its creditors; or

(6) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (A) is for relief against the Company in an involuntary case, (B) appoints a Custodian of the Company or for all or substantially all of its property, or (C) orders the liquidation of the Company; and the order or decree remains unstayed and in effect for 90 days.

The term "Bankruptcy Law" means Title 11, U.S. Code, or any similar federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

Section 5.2. Acceleration; Rescission and Annulment. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of all of the Outstanding Debentures, by written notice to the Company (and, if given by the Holders, to the Trustee), may declare the principal of all the Debentures to be due and payable and upon any such declaration such principal shall be immediately due and payable.

At any time after such a declaration of acceleration has been made and before a judgement or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Outstanding Debentures, by written notice to the Trustee, may rescind and annul such declaration and its consequences if all existing Defaults and Events of Default, other than the non-payment of the principal of Debentures which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.7. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3. Collection of Indebtedness and Suits for Enforcement by Trustee. The Company covenants that if

(1) default is made in the payment of any interest on any Debenture when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Debenture at the Maturity thereof and such default continues for a period of 10 days,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Debentures, the whole amount then due and payable on such Debentures for principal, premium, if any, and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest, at the rate or rates prescribed therefor in such Debentures and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel. If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Debentures and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Debentures, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.4. Trustee May File Proofs of Claim. The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders of Debentures

allowed in any judicial proceedings relating to the Company, its creditors or its property.

Section 5.5. Trustee May Enforce Claims Without Possession of Debentures. All rights of action and claims under this Indenture or the Debentures may be prosecuted and enforced by the Trustee without the possession of any of the Debentures or the production thereof in any proceeding relating thereto.

Section 5.6. Delay or Omission Not Waiver. No delay or omission by the Trustee or any Holder of any Debentures to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of or acquiescence in any such Event of Default.

Section 5.7. Waiver of Past Defaults. The Holders of a majority in aggregate principal amount of Outstanding Debentures by notice to the Trustee may waive on behalf of the Holders of all Debentures a past Default or Event of Default and its consequences except (i) a Default or Event of Default in the payment of the principal of, premium, if any, or interest on any Debenture or (ii) in respect of a covenant or provision hereof which pursuant to Section 8.2 cannot be amended or modified without the consent of the Holder of each Outstanding Debenture adversely affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture.

Section 5.8. Control by Majority. The Holders of a majority in aggregate principal amount of the Outstanding Debentures shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it; provided, however, that (i) the Trustee may refuse to follow any direction that conflicts with law or this Indenture, (ii) the Trustee may refuse to follow any direction that is unduly prejudicial to the rights of the Holders of Debentures not consenting, or that would in the good faith judgment of the Trustee have a substantial likelihood of involving the Trustee in personal liability and (iii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

Section 5.9. Limitation on Suits by Holders. No Holder of any Debenture shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) the Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of the Outstanding Debentures have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense to be, or which may be, incurred by the Trustee in pursuing the remedy;

(4) the Trustee for 60 days after its receipt of such notice, request and the offer of indemnity has failed to institute any such proceedings; and

(5) during such 60 day period, the Holders of a majority in aggregate principal amount of the Outstanding Debentures have not given to the Trustee a direction inconsistent with such written request.

No one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Debentures, or to obtain or to seek to obtain priority or preference over any other Holders of Debentures or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Holders of Debentures.

Section 5.10. Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, but subject to Section 9.2, the right of any Holder of a Debenture to receive payment of principal of, premium, if any, and, subject to Sections 3.5 and 3.7, interest on the Debenture, on or after the respective due dates expressed in the Debenture (or, in case of redemption, on the redemption dates) or, subject to Section 5.9, to bring suit for the enforcement of any such payment on or after such respective

dates, shall not be impaired or affected without the consent of such Holder.

Section 5.11. Application of Money Collected. If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest, upon presentation of the Debentures and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: to the Trustee for amounts due under Section 6.8;

Second: to Holders of Debentures in respect of which or for the benefit of which such money has been collected for amounts due and unpaid on such Debentures for principal of, premium, if any, and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on such Debentures for principal, premium, if any, and interest, respectively; and

Third: to the Company.

Section 5.12. Restoration of Rights and Remedies. If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

Section 5.13. Rights and Remedies Cumulative. Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debentures in the last paragraph of Section 3.6, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or

employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

ARTICLE VI

The Trustee

Section 6.1. Rights of Trustee. Subject to the provisions of the Trust Indenture Act:

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee need not investigate any fact or matter stated in the document.

(b) Any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order (other than delivery of any Debenture to the Trustee for authentication and delivery pursuant to Section 3.3, which shall be sufficiently evidenced as provided therein) and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution.

(c) Before the Trustee acts or refrains from acting, it may consult with counsel or require an Officers' Certificate. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on a Board Resolution, the written advice of counsel acceptable to the Company and the Trustee, a certificate of an Officer or Officers delivered pursuant to Section 1.2, an Officers' Certificate or an Opinion of Counsel.

(d) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(e) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(f) The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 6.2. Trustee May Hold Debentures. The Trustee, any Paying Agent, any Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Debentures and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company, an Affiliate or Subsidiary with the same rights it would have if it were not Trustee, Paying Agent, Registrar or such other agent.

Section 6.3. Money Held in Trust. Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 6.4. Trustee's Disclaimer. The recitals contained herein and in the Debentures, except the Trustee's certificate of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Debentures. The Trustee shall not be accountable for the Company's use of the proceeds from the Debentures or for monies paid over to the Company pursuant to the Indenture.

Section 6.5. Notice of Defaults. If a Default occurs and is continuing and if it is known to the Trustee, the Trustee shall, within 90 days after it occurs, transmit, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of all uncured Defaults known to it; provided, however, that, except in the case of a Default in payment on the Debentures, the Trustee may withhold the notice if and so long as a Responsible Officer in good faith determines that withholding such notice is in the interests of Holders of Debentures; provided, further, that in the case of any default or breach of the character specified in Section 5.1(3), no such notice to Holders shall be given until at least 60 days after the occurrence thereof.

Section 6.6. Reports by Trustee to Holders. Within 60 days after each May 15 of each year commencing with the first May 15 after the first issuance of Debentures pursuant to this Indenture, the Trustee shall transmit by mail to all Holders of Debentures as provided in Section 313(c) of the Trust Indenture Act a brief report dated as of such May 15 if required by and in compliance with Section 313(a) of the Trust Indenture Act.

Section 6.7. Debentureholder Lists. The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders of Debentures. If the Trustee is not the Registrar, the Company shall furnish to the Trustee semiannually on or before the last day of June and December in each year, and at such other times as the Trustee may request in writing, a list, in such form and as of such date as the Trustee may reasonably require, containing all the information in the possession or control of the Registrar, the Company or any of its Paying Agents other than the Trustee as to the names and addresses of Holders of Debentures.

Section 6.8. Compensation and Indemnity. (a) The Company shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee upon request for all reasonable out-of-pocket expenses incurred by it in connection with the performance of its duties under this Indenture, except any such expense as may be attributable to its negligence or bad faith. Such expenses shall include the reasonable compensation and expenses of the Trustee's agents and counsel.

(b) The Company shall indemnify the Trustee for, and hold it harmless against, any loss or liability incurred by it arising out of or in connection with its acceptance or administration (including the exercise or performance of any of its powers or duties) of the trust or trusts hereunder. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

(c) The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence, bad faith or breach or noncompliance with any of its duties hereunder.

(d) To secure the payment obligations of the Company pursuant to this Section, the Trustee shall have a lien prior to the Debentures on all money or property held or collected by the Trustee, except that held in trust to pay principal, premium, if any, and interest on particular Debentures.

Section 6.9. Replacement of Trustee. (a) The resignation or removal of the Trustee and the appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in Section 6.10.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 6.10 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Holders of a majority in aggregate principal amount of the Outstanding Debentures may remove the Trustee by so notifying the Trustee and the Company and may appoint a successor Trustee with the Company's consent.

(d) If at any time:

(1) the Trustee fails to comply with Section 310(b) of the Trust Indenture Act after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Debenture for at least six months, or

(2) the Trustee shall cease to be eligible under Section 310(a) of the Trust Indenture Act and shall fail to resign after written request therefor by the Company or by any Holder of a Debenture who has been a bona fide Holder of a Debenture for at least six months; or

(3) the Trustee becomes incapable of acting, is adjudged a bankrupt or an insolvent or a receiver or

public officer takes charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company may remove the Trustee, or (ii) subject to Section 315(e) of the Trust Indenture Act, any Holder who has been a bona fide Holder of a Debenture for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee and shall comply with the applicable requirements of Section 6.10. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Debentures delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 6.10, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 6.10, any Holder who has been a bona fide Holder of a Debenture for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 6.10. Acceptance of Appointment by Successor. (a)

In case of the appointment hereunder of a successor Trustee, every such successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment. Thereupon, the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and

deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) of this Section.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under the Trust Indenture Act.

(d) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee in the manner provided for notices to the Holders of Debentures in Section 1.6. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust office.

Section 6.11. Eligibility; Disqualification. There shall at all times be a Trustee hereunder which shall be eligible to act as Trustee under Section 310(a)(1) of the Trust Indenture Act and shall have a combined capital and surplus of at least \$75,000,000, which Trustee may be organized under the law of any government or government subdivision. If such corporation publishes reports of condition at least annually, pursuant to law or the requirements of Federal, State, Territorial, District of Columbia, foreign or other governmental supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 6.12. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corpo-

ration shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Debentures shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Debentures so authenticated with the same effect as if such successor Trustee had itself authenticated such Debentures.

Section 6.13. Appointment of Authenticating Agent. The Trustee may appoint an Authenticating Agent or Agents which shall be authorized to act on behalf of the Trustee to authenticate Debentures issued upon original issue exchange, registration of transfer or partial redemption thereof, and Debentures so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by a Responsible Officer of the Trustee, a copy of which instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Debentures by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a bank or trust company or corporation organized and doing business and in good standing under the laws of the United States of America or of any State or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than \$1,500,000 and subject to supervision or examination by Federal or State authorities. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice of termination to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give notice of such appointment to all Holders of Debentures in the manner set forth in Section 1.6. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent herein. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation including reimbursement of its reasonable expenses for its services under this Section.

If an appointment is made pursuant to this Section, the Debentures may have endorsed thereon, in addition to or in lieu of the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Debentures issued under the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF CHICAGO,
as Trustee

By _____
as Authenticating Agent

By _____
Authorized Officer

ARTICLE VII

Consolidation, Merger or Sale by the Company

Section 7.1. Consolidation, Merger or Sale of Assets Permitted. The Company may merge or consolidate with or into any other corporation or sell, convey, transfer or otherwise dispose of all or substantially all of its assets to any person, firm or corporation, if (i) (A) in the case of a merger or consolidation, the Company is the surviving corporation or (B) in the case of a merger or consolidation where the Company is not the surviving corporation and in the case of any sale, conveyance or other disposition, the successor corporation is a corporation organized and existing under the laws of the United States or a State thereof and such corporation expressly assumes by supplemental indenture all the obligations of the Company under the Debentures and under this Indenture, (ii) immediately after giving effect to such merger or consolidation, or such sale, conveyance, transfer or other disposition, no Default or Event of Default shall have occurred and be continuing and (iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such merger, consolidation, sale, conveyance, transfer or other disposition comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. In the event of the assumption by a successor corporation of the obligations of the Company as provided in clause (i)(B) of the immediately preceding sentence, such successor corporation shall succeed to and be substituted for the Company hereunder and under the Debent-

ures and all such obligations of the Company shall terminate.

ARTICLE VIII

Supplemental Indentures

Section 8.1. Supplemental Indentures Without Consent of Holders. Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants and obligations of the Company herein and in the Debentures; or

(2) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to secure the Debentures; or

(5) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee pursuant to the requirements of Section 6.10; or

(6) to provide for uncertificated Debentures in addition to or in place of certificated Debentures so long as such uncertificated Debentures are in registered form for United States federal income tax purposes; or

(7) to correct or supplement any provision herein which may be inconsistent with any other provision herein or to make any other provisions with respect to matters or questions arising under this Indenture, provided such action shall not adversely affect the interests of the Holders of Debentures; or

(8) to cure any ambiguity or correct any mistake; or

(9) to comply with any requirement of the Commission in connection with the qualification of this Indenture under the Trust Indenture Act.

Section 8.2. With Consent of Holders. With the written consent of the Holders of a majority of the aggregate principal amount of the Outstanding Debentures, the Company and the Trustee may enter into an indenture or indentures supplemental hereto to add any provisions to or to change or eliminate any provisions of this Indenture or of any other indenture supplemental hereto or to modify the rights of the Holders of Debentures; provided, however, that without the consent of the Holder of each Outstanding Debenture affected thereby, an amendment under this Section may not:

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Debenture, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Debentures or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date); or

(2) reduce the percentage in principal amount of the Outstanding Debentures, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture; or

(3) modify any of the provisions of this Indenture relating to the subordination of the Debentures in a manner adverse to the Holders thereof; or

(4) change any obligation of the Company to maintain an office or agency in the places and for the purposes specified in Section 9.2; or

(5) make any change in Section 5.7 or this 8.2 except to increase any percentage or to provide that certain other provisions of this Indenture cannot be modified or waived except with the consent of the

Holders of each Outstanding Debenture affected thereby; or

(6) adversely affect the right to convert Debentures as provided in Article XII hereof.

It is not necessary under this Section 8.2 for the Holders to consent to the particular form of any proposed supplemental indenture, but it is sufficient if they consent to the substance thereof.

Section 8.3. Compliance with Trust Indenture Act. Every amendment to this Indenture or the Debentures shall be set forth in a supplemental indenture that complies with the Trust Indenture Act as then in effect.

Section 8.4. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modification thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 8.5. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debentures theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 8.6. Reference in Debentures to Supplemental Indentures. Debentures authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Debentures.

ARTICLE IX

Covenants

Section 9.1. Payment of Principal, Premium, if any, and Interest. The Company will duly and punctually pay the principal of, premium, if any, and interest on the Debentures in accordance with the terms of the Debentures and this Indenture. An installment of principal, premium, if any, or interest shall be considered paid on the date it is due if the Trustee or Paying Agent holds on that date money designated for and sufficient to pay the installment.

Section 9.2. Maintenance of Office or Agency. The Company will maintain one or more offices or agencies in the Borough of Manhattan, The City of New York, New York, where Debentures may be presented or surrendered for payment, and one or more offices or agencies in the Borough of Manhattan, The City of New York, New York, where Debentures may be surrendered for registration of transfer or exchange or for conversion and where notices and demands to or upon the Company in respect of the Debentures and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

The Trustee shall initially serve as Paying Agent.

Section 9.3. Money for Debentures to Be Held in Trust; Unclaimed Money. If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Debentures, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal, premium, if any, or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure so to act.

The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

- (1) hold all sums held by it for the payment of the principal of, premium, if any, or interest on Debentures in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;
- (2) give the Trustee notice of any default by the Company (or any other obligor upon the Debentures) in the making of any payment of principal, premium, if any, or interest on the Debentures; and
- (3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of any principal, premium or interest on any Debenture and remaining unclaimed for two years after such principal, premium, if any, or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Debenture shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a

newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York or cause to be mailed to such Holder, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 9.4. Corporate Existence. Subject to Article VII, the Company will at all times do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; provided that nothing in this Section 9.4 shall prevent the abandonment or termination of any right or franchise of the Company if, in the opinion of the Company, such abandonment or termination is in the best interests of the Company.

Section 9.5. Reports by the Company. The Company covenants:

(a) to file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file information, documents or reports pursuant to either of such sections, then to file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(b) to file with the Trustee and the Commission, in accordance with the rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants provided for in this Indenture, as may be required from time to time by such rules and regulations; and

(c) to transmit to all Holders of Debentures, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to subsections (a) and (b) of this Section 9.5, as may be required by rules and regulations prescribed from time to time by the Commission.

Section 9.6. Annual Review Certificate. The Company covenants and agrees to deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a brief certificate from the principal executive officer, principal financial officer, or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 9.6, such compliance shall be determined without regard to any period of grace or requirement of notice provided under this Indenture.

Section 9.7. Limitation on Dividends and Capital Stock Acquisitions. The Company covenants and agrees that, if at any time it has failed to make any payment of interest, principal or premium on the Debentures when due (after giving effect to any grace period for payment thereof as provided in Section 5.1) or the Company has exercised its right to extend the interest payment period for an Extension Period as provided in Section 3.1(d), the Company will not, until all defaulted interest on the Debentures and all interest accrued on the Debentures during an Extension Period and all principal and premium, if any, then due and payable on the Debentures shall have been paid in full, (i) declare, set aside or pay any dividend or distribution on any capital stock of the Company, except for dividends or distributions in shares of its capital stock or in rights to acquire shares of its capital stock, or (ii) repurchase, redeem or otherwise acquire, or make any sinking fund pay-

ment for the purchase or redemption of, any shares of its capital stock (except by conversion into or exchange for shares of its capital stock and except for a redemption, purchase or other acquisition of shares of its capital stock made for the purpose of an employee incentive plan or benefit plan of the Company or any of its subsidiaries); provided, however, that any moneys theretofore deposited in any sinking fund with respect to any preferred stock of the Company in compliance with the provisions of such sinking fund and not in violation of this Section 9.7 may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund without regard to the restrictions contained in this Section 9.7. The term "capital stock" as used in this Section 9.7 shall include the Company's Common Stock, its Series A Cumulative Convertible Preferred Stock and any other issue of preferred stock from time to time outstanding but shall not include any indebtedness of any kind, whether or not convertible or exchangeable for shares of Common Stock or preferred stock.

ARTICLE X

Redemption

Section 10.1. Right of Redemption. The Company may, at its option, redeem all, or from time to time any part of the Debentures on any date on or after February 1, 1996 and prior to Maturity by payment of the Redemption Price specified in the form of Debenture attached hereto as Exhibit A, together with accrued interest to the Redemption Date.

Section 10.2. Applicability of Article. Redemption of Debentures at the election of the Company, or permitted by any provision of this Indenture, shall be made in accordance with this Article.

Section 10.3. Election to Redeem; Notice to Trustee. The election of the Company to redeem any Debentures shall be evidenced by or pursuant to a Board Resolution. In the case of any redemption at the election of the Company of less than all the Debentures, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, of the principal amount of Debentures to be redeemed.

Section 10.4. Selection of Debentures to Be Redeemed. If less than all the Debentures are to be redeemed, the Company, not more than 45 days prior to the redemption date, shall select the Debentures to be redeemed by lot or pro rata or in such other manner permitted by the rules of the New York Stock Exchange as the Board of Directors may determine. The Company shall make the selection from Debentures that are Outstanding and that have not previously been called for redemption and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Debentures or any integral multiple thereof) of the principal amount of Debentures of a denomination larger than the minimum authorized denomination for Debentures.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Debentures shall relate, in the case of any Debentures redeemed or to be redeemed only in part, to the portion of the principal amount of such Debentures which has been or is to be redeemed.

Section 10.5. Notice of Redemption. Notice of redemption shall be given in the manner provided in Section 1.6 not less than 30 days nor more than 60 days prior to the Redemption Date to the Holders of the Debentures to be redeemed.

All notices of redemption shall state:

- (1) the Redemption Date;
- (2) the Redemption Price;
- (3) if less than all the Outstanding Debentures are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Debenture or Debentures to be redeemed;
- (4) in case any Debenture is to be redeemed in part only, the notice which relates to such Debenture shall state that on and after the Redemption Date, upon surrender of such Debenture, the holder will receive, without a charge, a new Debenture or Debentures of authorized denominations for the principal amount thereof remaining unredeemed;

(5) the place where such Debentures are to be surrendered for payment for the Redemption Price, which shall be the office or agency of the Company to be maintained as provided in Section 9.2;

(6) that Debentures must be surrendered to the Paying Agent to collect the Redemption Price;

(7) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Debenture, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date; and

(8) the current conversion price of the Debentures, the place or places where such Debentures may be surrendered for conversion, and the time at which the right to convert the Debentures or portions thereof to be redeemed will terminate in accordance with this Indenture.

Notice of redemption of Debentures to be redeemed shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

Section 10.6. Deposit of Redemption Price. On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 9.3) an amount of money sufficient to pay on the Redemption Date the Redemption Price of, and (unless the Redemption Date shall be an Interest Payment Date) interest accrued to the Redemption Date on, all Debentures or portions thereof which are to be redeemed on that date.

Section 10.7. Debentures Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Debentures so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Debentures shall cease to bear interest. Except as provided in the next succeeding paragraph, upon surrender of any such Debenture for redemption in accordance with said notice, such Debenture shall be paid by the Company at the Redemption Price, together with accrued

interest to the Redemption Date; provided, however, that installments of interest on Debentures whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Debentures, or one or more Predecessor Debentures, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 3.7.

If any Debenture called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Debenture.

Section 10.8. Debentures Redeemed in Part. Upon surrender of a Debenture that is redeemed in part (with, if the Company or the Trustee so require, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute and the Trustee shall authenticate and deliver to the Holder of that Debenture, without service charge a new Debenture or Debentures in any authorized denomination equal in aggregate principal amount to the unredeemed portion of the principal amount of the Debenture surrendered.

ARTICLE XI

Subordination of Debentures

Section 11.1. Agreement to Subordinate. The Company covenants and agrees and each holder of Debentures issued hereunder by acceptance thereof likewise covenants and agrees, that all Debentures shall be issued subject to the provisions of this Article; and each Person holding any Debenture, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

All Debentures shall, for all purposes and in all respects without limitation, including those hereinafter in this Article set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness; provided, however, that principal and interest may be paid from time to time upon the Debentures subject to the specific limitations in this Article set forth. The

indebtedness evidenced by the Debentures is equal in rank to the Company's obligations in respect of the 5 1/4% Subordinated Debentures Due 1998 issued by American Airlines, Inc.

Section 11.2. No Payment on Debentures if Senior Indebtedness in Default. No payments or distributions, whether in cash, securities or other property (other than securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinated, at least to the extent provided in this Article XI with respect to the Debentures, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), on account of principal of, premium, if any, or interest on, the Debentures shall be made by the Company unless full payment of all amounts then due on all Senior Indebtedness has been made or duly provided for in money or money's worth.

Section 11.3. Priority of Senior Indebtedness Upon Distribution of Assets. Upon any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities of the Company or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinated, at least to the extent provided in this Article XI with respect to the Debentures, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under such plan of reorganization or readjustment) to creditors upon any dissolution or winding-up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due upon all Senior Indebtedness shall first be paid in full, or payment thereof provided for in money or money's worth, before the Holders of the indebtedness evidenced by the Debentures or the Trustee shall be entitled to retain any assets so paid or distributed (other than securities described in the first parenthetical of this sentence) in respect of the Debentures (for principal or interest) or of this Indenture; and upon any such dissolution or winding-up or liquidation or reorganization any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities (other than securities described in the first parenthetical of this sentence), to which the Holders of the Debentures or the Trustee would be entitled, except for the provisions of this Article XI, shall be paid by the Company or by any receiver,

trustee in bankruptcy, liquidating trustee, agent or other Person making such payment or distribution, or by the Holders of the Debentures or by the Trustee if received by them or it, directly to the holders of Senior Indebtedness (pro rata to such holders on the basis of the respective amounts of Senior Indebtedness held by such holders) or their representatives, to the extent necessary to pay all Senior Indebtedness in full, in money or money's worth, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness, before any such payment or distribution is made to the Holders of the indebtedness evidenced by the Debentures or to the Trustee.

Nothing in this Section 11.3 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 6.8.

Section 11.4. Trustee May Rely on Certificate of Liquidating Agent. The Company shall give prompt written notice to the Trustee of any dissolution, winding-up, liquidation or reorganization of the Company within the meaning of this Article XI. The Trustee shall be entitled to assume that no such event has occurred unless the Company or any one or more holders of Senior Indebtedness or any trustee therefor has given such notice. Upon any payment or distribution of assets of the Company referred to in this Article XI, the Trustee shall be entitled to rely upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, delivered to the Trustee or to the holders of Debentures, for the purpose of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XI.

Section 11.5. Subrogation of Debentures. Upon the payment in full of all Senior Indebtedness, the Holders of the Debentures shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company made on the Senior Indebtedness until the principal of and interest on the Debentures shall be paid in full; and, for the purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the Holders of the Debentures or the

Trustee would be entitled except for the provisions of this Article XI shall, as between the Company, its creditors other than the holders of Senior Indebtedness, on the one hand, and the Holders of Debentures, on the other, be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Article XI are and are intended solely for the purpose of defining the relative rights of the Holders of the Debentures, on the one hand, and the holders of Senior Indebtedness, on the other.

Section 11.6. Company Obligation to Pay Unconditional.

Nothing contained in this Article XI or elsewhere in this Indenture, or in the Debentures, is intended to or shall impair as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders of the Debentures, the obligation of the Company, which is absolute and unconditional, to pay to the Holders of the Debentures the principal of and interest on the Debentures, as and when the same shall become due and payable in accordance with their terms, or to affect the relative rights of the Holders of the Debentures and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Debenture from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article XI of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon exercise of any such remedy.

Section 11.7. Authorization of Debentureholders to Trustee to Effect Subordination. Each Holder of Debentures by his acceptance thereof authorizes the Trustee in his behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article XI and appoints the Trustee his attorney-in-fact for any and all such purposes.

Section 11.8. Notice to Trustee of Effectuation of Subordination. Notwithstanding any of the provisions of this Article XI or any other provision of this Indenture, neither the Trustee nor any Paying Agent shall at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment of money to or by the Trustee or such Paying Agent, unless and until the Trustee at its Corporate Trust Office or such Paying Agent, as the case may be, shall have received written notice

thereof from the Company or from one or more holders of Senior Indebtedness or from any trustee therefor; and, prior to the receipt of any such written notice, the Trustee and such Paying Agent shall be entitled in all respects to assume that no such facts exist; provided that, if three Business Days prior to the date upon which under the provisions hereof such moneys become payable for any purpose (including, without limitation, payment of the principal or interest on any Debenture called for redemption) the Trustee shall not have received with respect to such moneys the notice provided for in this Section 11.8, then, anything herein contained to the contrary notwithstanding, the Trustee and such Paying Agent shall have full power and authority to receive such moneys and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by them or either of them during or after such three-Business-Day period.

Section 11.9. Relationship of Other Indenture Provisions to Article XI. Notwithstanding anything herein contained to the contrary, all the provisions of this Indenture shall be subject to the provisions of this Article XI, so far as the same may be applicable thereto; provided that a deposit of funds with the Trustee pursuant to Article IV shall be deemed for the purposes of this Article XI to be a payment or distribution on the Debentures at the time such deposit is made, irrespective of when such funds are applied by the Trustee to the payment of principal of or interest on the Debentures.

Section 11.10. Trustee's Relationship to Holders of Senior Indebtedness. The Trustee in its individual or any other capacity may hold Senior Indebtedness with the same rights it would have if it were not Trustee subject to Sections 310(b) and 311 of the Trustee Indenture Act. Any Agent may do the same with like rights.

ARTICLE XII

Conversion of Debentures

Section 12.1. Conversion Privilege. Subject to and upon compliance with the provisions of this Article XII, at the option of the Holder, any Debenture may, at any time up to and including November 1, 2024, or in case such Debenture or some portion thereof shall be called for redemption

prior to such date, then, with respect to such Debenture or portion thereof as is so called, until and including, but (if no default is made in making due provision for the payment or payments of the Redemption Price thereof, together with accrued interest) not after, the close of business on the Business Day preceding the Redemption Date, be converted in whole, or in part in integral multiples of \$1,000 principal amount, at 100% of the principal amount of such Debenture into shares of Common Stock at the actual conversion price in effect at the Date of Conversion (as hereinafter defined).

Section 12.2. Exercise of Conversion Privilege. In order to exercise the conversion privilege, the Holder of any Debenture to be converted shall surrender such Debenture to the Company at any time during usual business hours at its office or agency in the Borough of Manhattan, The City of New York, and shall give written notice to the Company (which notice shall be irrevocable) at such office or agency that the Holder elects to convert such Debenture or a stated portion thereof constituting an integral multiple of \$1,000 principal amount. Such notice shall also state the name or names (with addresses and taxpayer identification number) in which the certificate or certificates for Common Stock shall be issued. All Debentures shall be accompanied, if required by the Company or the Trustee, by proper assignments thereof in blank. Holders that convert their Debentures will not be entitled to payment of any accrued interest on such Debentures, including interest that accrues during an Extension Period. Any Debentures so surrendered during any period beginning on a Regular Record Date and ending at the opening of business on the Interest Payment Date next following such Regular Record Date shall also be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of such Debentures then being converted. As promptly as practicable after the receipt of such notice and the surrender of such Debenture as aforesaid, the Company shall, subject to the provisions of Section 12.7, issue and deliver at such office or agency to such Holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions of this Article XII and cash, as provided in Section 12.3, in respect of any fraction of a share otherwise issuable upon such conversion. Such conversion shall be deemed to have been effected immediately prior to the close of business on the date (herein called the

"Date of Conversion") on which such notice shall have been received by the Company and such Debentures shall have been surrendered as aforesaid, and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on the Date of Conversion the holder or holders of record of the shares of Common Stock represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Company shall be closed shall constitute the Person or Persons, in whose name or names the certificate or certificates for such shares of Common Stock are to be issued, as the record holder or holders thereof for all purposes at the opening of business on the next succeeding day on which such stock transfer books are open and the Debentures surrendered shall not be deemed to have been converted, in whole or in part, as the case may be, until such date for the purpose of determining whether any interest is payable thereon, and such conversion shall be at the actual conversion price in effect at such date. In the case of conversion of a portion, but less than all, of a Debenture, the Company shall execute, and the Trustee shall authenticate and deliver to such Holder, a Debenture or Debentures in the aggregate principal amount of the unconverted portion of the Debentures surrendered. Except as provided above, no adjustment shall be made for interest accrued on any Debenture that shall be converted or for dividends on any shares of Common Stock that shall be issued upon the conversion of any Debenture.

Section 12.3. No Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon conversions of Debentures. If more than one Debenture shall be surrendered for conversion at one time by the same Holder, including any Depositary, the number of full shares of Common Stock which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of the Debentures so surrendered. Instead of any fractional share of Common Stock that would otherwise be issuable upon the conversion of any Debenture or Debentures, the Company shall pay a cash adjustment in respect of such fractional interest in an amount equal to the same fraction of the market price per share of Common Stock (as determined or prescribed by the Board, whose determination shall be conclusive, but which, so long as the Common Stock is listed on the New York Stock Exchange, shall be the Closing Price on the New York Stock Exchange) at the close of business on the Trading Day imme-

diately preceding the Date of Conversion. Any such cash adjustment may be in the form of a check drawn on an account of the Trustee.

Section 12.4. Conversion Price. The initial conversion price at which shares of Common Stock shall be issuable upon conversion of Debentures shall be \$79.00 principal amount of Debentures for each share of Common Stock.

Section 12.5. Adjustment of Conversion Price. The conversion price (hereinafter called the "Conversion Price") shall be subject to adjustment from time to time as follows:

(i) In case the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. The Company will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(ii) In case the Company shall hereafter issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period expiring within 45 days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price on the date fixed for determination of stockholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction of which the numerator shall be the number

of shares of Common Stock outstanding at the close of business on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the total number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall become effective immediately after the opening of business on the day following the date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. In the event that such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed.

(iii) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(iv) In case the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock (other than a dividend or distribution to which subparagraph (i) of

this Section 12.5 applies) or evidences of its indebtedness or assets (including securities, but excluding any rights or warrants referred to in subparagraph (ii) of this Section 12.5, and excluding any dividend or distribution (x) in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary or (y) paid exclusively in cash (any of the foregoing being hereinafter in this subparagraph (iv) called the "Securities"), then, in each such case, unless the Company elects to reserve such Securities for distribution to the Holders of the Debentures upon the conversion of the Debentures so that any such Holder converting Debentures will receive upon such conversion, in addition to the shares of the Common Stock to which such Holder is entitled, the amount and kind of such Securities which such Holder would have received if such Holder had, immediately prior to the record date for such distribution of the Securities, converted his Debentures into Common Stock, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction of which the numerator shall be the Current Market Price of the Common Stock on such record date less the fair market value (as determined by the Board, whose determination shall be conclusive, and described in a Board Resolution), on such record date, of the portion of the Securities so distributed applicable to one share of Common Stock and the denominator shall be such Current Market Price per share of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following such record date; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each Holder of a Debenture shall have the right to receive upon conversion the amount and kind of Securities such Holder would have received had such Holder converted each such Debenture on such record date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared. If the Board determines the fair market

value of any distribution for purposes of this subparagraph (iv) by reference to the actual or when issued trading market for any securities comprising such distribution, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price of the Common Stock.

For purposes of this subparagraph (iv) and subparagraphs (i) and (ii) of this Section 12.5, any dividend or distribution that includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of common Stock, shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Price reduction required by this subparagraph (iv) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Price reduction required by subparagraph (i) or (ii) of this Section 12.5 with respect to such dividend or distribution shall then be made, except (A) the record date of such dividend or distribution as defined in this subparagraph (iv) shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution" and "the date fixed for such determination" within the meaning of subparagraphs (i) and (ii) of this Section 12.5 and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of subparagraph (i) of this Section 12.5).

In lieu of making any adjustment to the Conversion Price under this Section 12.5 in the event that the rights (the "Rights") issued pursuant to the Rights Agreement, dated as of February 13, 1986, as amended, between the Company and First Chicago Trust Company of New York (as successor Rights Agent to J. Henry Schroder Bank and Trust Company) as may be amended from time to time (the "Rights Agreement"), are separately distributed to the holders of Common Stock upon the occurrence of certain events specified in the Rights Agreement, the Company has the option of amending such Rights Agreement to provide that Rights shall be issuable upon conversion of the Debentures without regard

to whether the shares of Common Stock issuable upon conversion of the Debentures were issued before or after the Distribution Date (as defined in the Rights Agreement).

(v) In case the Company shall, by dividend or otherwise, at any time distribute to all holders of its Common Stock cash (excluding (x) any quarterly cash dividend on the Common Stock to the extent the aggregate cash dividend per share of Common Stock in any fiscal quarter does not exceed the greater of (A) the amount per share of Common Stock of the next preceding quarterly cash dividend on the Common Stock to the extent that such preceding quarterly dividend did not require an adjustment of the Conversion Price pursuant to this subparagraph (v) (as adjusted to reflect subdivisions or combinations of the Common Stock), and (B) 3.75% of the Current Market Price of the Common Stock on the Trading Day next preceding the date of declaration of such dividend and (y) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary), then, in such case, unless the Company elects to reserve such cash for distribution to the Holders of the Debentures upon the conversion of the Debentures so that any such Holder converting Debentures will receive upon such conversion, in addition to the shares of the Common Stock to which such Holder is entitled, the amount of cash which such Holder would have received if such Holder had, immediately prior to the record date for such distribution of cash, converted its Debentures into Common Stock, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Record Date by a fraction of which the numerator shall be the Current Market Price of the Common Stock on such record date less the amount of cash so distributed (and not excluded as provided above) applicable to one share of Common Stock and the denominator shall be such Current Market Price of the Common Stock, such reduction to become effective immediately prior to the opening of business on the day following such record date; provided, however, that in the event the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on such record date, in lieu of the foregoing adjustment, adequate provision shall be made so that

each Holder of Debentures shall thereafter have the right to receive upon conversion the amount of cash such Holder would have received had he converted each Debenture on such record date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(vi) In case a tender or exchange offer made by the Company or any Subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer shall involve the payment by the Company or such Subsidiary of consideration per share of Common Stock having a fair market value (as determined by the Board, whose determination shall be conclusive, and described in a Board Resolution) at the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it shall have been amended) that exceeds the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) on the Expiration Time multiplied by the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the day following the Expiration Time. In the event that the Company is obligated to purchase shares pursuant to any such tender or exchange offer, but the Corporation is permanently prevented by applicable law from effecting

any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender or exchange offer had not been made.

(vii) The Company may make such reductions in the Conversion Price, in addition to those required by subparagraphs (i), (ii), (iii), (iv), (v) and (vi) of this Section 12.5, as the Board considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes. To the extent permitted by applicable law, the Company from time to time may reduce the Conversion Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period and the Board shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to Holders of the Debentures a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period it will be in effect.

(viii) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price; provided, however, that any adjustments which by reason of this subparagraph (viii) are not required to be made shall be carried forward and taken into account in determining whether any subsequent adjustment shall be required.

(ix) Notwithstanding any other provision of this Article XII, no adjustment to the Conversion Price shall reduce the Conversion Price below the then par value per share of the Common Stock, and any such purported adjustment shall instead reduce the Conversion Price to such par value. The Company hereby covenants not to take any action (1) to increase the par value per share of the Common Stock or (2) that would or does result in any adjustment in the Conversion Price that, if made without giving effect to the previous sentence, would cause the Conversion Price to be less than the

then par value per share of the Common Stock, provided, however, that the covenant in this sentence shall be suspended if within 10 days of determining in good faith that such action would result in such adjustment (but not later than the business day next following the effectiveness of such adjustment), the Company gives notice of redemption of all Outstanding Debentures, and effects the redemption referred to in such notice on the Redemption Date referred to therein in compliance with Article X hereof, but the covenant in this sentence shall be retroactively reinstated if such notice is not given or such redemption does not occur.

(x) Whenever the Conversion Price is adjusted as herein provided:

(1) the Company shall compute the adjusted Conversion Price and shall prepare a certificate signed by an Officer of the Company setting forth the adjusted Conversion Price and showing in reasonable detail the facts upon which such adjustment is based, and such certificate shall forthwith be filed with the Trustee; and

(2) a notice stating that the Conversion Price has been adjusted and setting forth the adjusted Conversion Price shall as soon as practicable be mailed by the Company to all Holders of Debentures at their last addresses as they shall appear on the Register.

(xi) In any case in which this Section 12.5 provides that an adjustment shall become effective immediately after a record date for an event, the Company may defer until the occurrence of such event (y) issuing to the Holder of any Debenture converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (z) paying to such Holder any amount in cash in lieu of any fractional share of Common Stock pursuant to Section 12.4.

Section 12.6. Reclassification, Consolidation, Merger or Sale of Assets. In the event that the Company shall be a party to any transaction (including without limi-

tation (i) any recapitalization or reclassification of the Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination of the Common Stock), (ii) any consolidation or merger of the Company with or into any other person or any merger of another Person into the Company (other than a merger which does not result in a reclassification, conversion, exchange or cancellation of outstanding shares of Common Stock), (iii) any sale or transfer of all or substantially all of the assets of the Company, or (iv) any compulsory share exchange) pursuant to which either shares of Common Stock shall be converted into the right to receive other securities, cash or other property, or, in the case of a sale or transfer of all or substantially all of the assets of the Company, the holders of Common Stock shall be entitled to receive other securities, cash or other property, then appropriate provision shall be made as part of the terms of such transaction whereby (1) in the case of any such transaction not constituting a Common Stock Fundamental Change (as defined in Section 12.11) and subject to funds being legally available for such purpose under applicable law at the time of such conversion, the Holder of each Debenture then Outstanding shall have the right thereafter to convert such Debenture only into the kind and amount of securities, cash and other property that would have been receivable upon such transaction by a holder of the number of shares of Common Stock into which such Debenture might have been converted immediately prior to such transaction, after giving effect, in the case of any Non-Stock Fundamental Change (as defined in Section 12.11), to any adjustment in the Conversion Price required by the provisions of clause (i) of Section 12.10, and (2) in the case of any such transaction constituting a Common Stock Fundamental Change, the Holder of each Debenture then Outstanding shall have the right thereafter to convert such Debenture only into common stock of the kind received by holders of Common Stock as a result of such Common Stock Fundamental Change in an amount determined pursuant to the provisions of clause (ii) of Section 12.10. The company or the Person formed by such consolidation or resulting from such merger or which acquired such assets or which acquired the Company's shares, as the case may be, execute with the Trustee a supplemental indenture to establish such right. Such supplemental indenture shall provide for adjustments which, for events subsequent to the effective date of such supplemental indenture, shall be as nearly equivalent as may be practicable to the relevant adjustments provided for in this Article XII. The above provisions shall similarly

apply to successive transactions of the type described in this Section 12.6.

Section 12.7. Taxes on Conversions. The issue of certificates for shares of Common Stock on conversions of Debentures shall be made without charge to the converting Debentureholder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of Common Stock in any name other than that of the Holder of any Debenture converted, and the Company shall not be required to issue or deliver any certificate unless and until the Person or Persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

Section 12.8. Reservation of Shares. The Company shall at all times reserve and keep available, out of its authorized and unissued stock, solely for the purpose of effecting the conversion of the Debentures, such number of shares of its Common Stock free of preemptive rights as shall from time to time be sufficient to effect the conversion of all Debentures from time to time outstanding. The Company shall from time to time, in accordance with the laws of the State of Delaware, use all reasonable efforts to increase the authorized number of shares of Common Stock if at any time the number of shares of authorized and unissued Common Stock shall not be sufficient to permit the conversion of all the then Outstanding Debentures.

If any shares of Common Stock required to be reserved for purposes of conversion of the Debentures hereunder require registration with or approval of any governmental authority under any Federal or State laws before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered or approved, as the case may be. If the Common Stock is listed on the New York Stock Exchange or any other national securities exchange, the Company will, in good faith and as expeditiously as possible, endeavor, if permitted by the rules of such exchange, to list and keep listed on such exchange, upon official notice of issuance, all shares of common Stock issuable upon conversion of the Debentures.

Section 12.9. Prior Notice of Certain Events. In case:

(i) the Company shall (1) declare any dividend (or any other distributions) on its Common Stock, other than (A) a dividend payable in shares of Common Stock or (B) a dividend payable in cash (other than any special or nonrecurring or other extraordinary dividend) or (2) declare or authorize a redemption or repurchase of in excess of 10% of the then outstanding shares of Common Stock; or

(ii) the Company shall authorize the granting to all holders of Common Stock of rights or warrants to subscribe for or purchase any shares of stock of any class or of any other rights or warrants (other than Rights or rights granted pursuant to a rights agreement described in the second sentence of Section 12.12); or

(iii) of any reclassification of Common Stock (other than a subdivision or combination of the outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is a party and for which the Company is a party and for which approval of any stockholders of the Company shall be required, or of the sale or transfer of all or substantially all of the assets of the Company or of any compulsory share exchange whereby the Common Stock is converted into other securities, cash or other property; or

(iv) of the voluntary or involuntary dissolution, liquidation or winding up of the Company;

then the Company shall cause to be filed with the Trustee, and shall cause to be mailed to the Holders of the Debentures, at their last addresses as they shall appear on the Register, at least 15 days prior to the applicable record date hereinafter specified, a notice stating (x) the date on which a record (if any) is to be taken for the purpose of such dividend, distribution, redemption, repurchase or granting of rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liqui-

ation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, share exchange, dissolution, liquidation or winding up. No failure to mail such notice or any defect therein or in the mailing thereof shall affect the validity of the corporate action required to be specified in such notice.

Section 12.10. Adjustments in Case of Fundamental Changes. Notwithstanding any other provision in this Article XII to the contrary, if any Fundamental Change (as defined in Section 12.11) occurs, then the Conversion Price in effect will be adjusted immediately after such Fundamental Change as described below. In addition, in the event of a Common Stock Fundamental Change, Debentures shall thereafter be convertible solely into common stock of the kind received by holders of Common Stock as the result of such Common Stock Fundamental Change.

For purposes of calculating any adjustment to be made pursuant to this Section 12.10 in the event of a Fundamental Change, immediately after such Fundamental Change:

(i) in the case of a Non-Stock Fundamental Change, the Conversion Price immediately following such Non-Stock Fundamental Change shall be the lower of (A) the Conversion Price in effect immediately prior to such Non-Stock Fundamental Change, but after giving effect to any other prior adjustments pursuant to this Article XII, and (B) the product of (1) the greater of the Applicable Price (as defined in Section 12.11) and the then applicable Reference Market Price (as defined in Section 12.11) and (2) a fraction, the numerator of which is \$1,000 and the denominator of which is the sum of (x) the amount of the Redemption Price for \$1,000 principal amount of Debentures if the Redemption Date were the date of such Non-Stock Fundamental Change (or, for the period commencing on _____, * and ending on January 31, 1995 and the twelve-month period commencing on February 1, 1995, the product of 105.4% and 104.8%, respectively, times \$1,000) plus (y) an amount equal to

* Insert first day after Expiration Date of Exchange Offer.

interest thereon accrued and unpaid through but excluding the date of such Non-Stock Fundamental Change; and

(ii) in the case of a Common Stock Fundamental Change, the Conversion Price immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change, but after giving effect to any other prior adjustments effected pursuant to this Article XII, multiplied by a fraction, the numerator of which is the Purchaser Stock Price (as defined in Section 12.11) and the denominator of which is the Applicable Price; provided, however, that in the event of a Common Stock Fundamental Change in which (A) 100% of the value of the consideration received by a holder of Common Stock is common stock of the successor, acquiror or other third party (and cash, if any, paid with respect to fractional interests in such common stock resulting from such Common Stock Fundamental Change) and (B) all of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for common stock of the successor, acquiror or other third party (and any cash paid with respect to fractional interests), the Conversion Price immediately following such Common Stock Fundamental Change shall be the Conversion Price in effect immediately prior to such Common Stock Fundamental Change multiplied by a fraction, the numerator of which is one and the denominator of which is the number of shares of common stock of the successor, acquiror or other third party received by a holder of one share of Common Stock as a result of such Common Stock Fundamental Change.

Section 12.11. Definitions. The following definitions shall apply to terms used in this Article XII:

(1) "Applicable Price" shall mean (i) in the event of a Non-Stock Fundamental Change in which the holders of the Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Non-Stock Fundamental Change or any Common Stock Fundamental Change, the Current Market Price immediately prior to the record date fixed for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Non-Stock Fundamental Change or Common Stock Fundamental Change, or, if there is no such record date,

prior to the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

(2) "Common Stock Fundamental Change" shall mean any Fundamental Change in which more than 50% by value (as determined in good faith by the Board, which determination shall be conclusive) of the consideration received by the holders of Common Stock pursuant to such transaction consists of common stock that, for the consecutive 10 Trading Days immediately prior to such Fundamental Change, has been admitted for listing or admitted for listing subject to notice of issuance on a national securities exchange or quoted on the Nasdaq National Market; provided, however, that a Fundamental Change shall not be a Common Stock Fundamental Change unless either (i) the Company continues to exist after the occurrence of such Fundamental Change and the Outstanding Debentures continue to exist as Outstanding Debentures, or (ii) not later than the occurrence of such Fundamental Change, a corporation succeeding directly or indirectly to the business of the Company, complies with the provisions of Article VII hereof.

(3) "Fundamental Change" shall mean the occurrence of any transaction or event or series of transactions or events pursuant to which all or substantially all of the Common Stock shall be exchanged for, converted into, acquired for or shall constitute solely the right to receive cash, securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise); provided, however, in the case of any series of transactions or events, for purposes of adjustment of the Conversion Price, such Fundamental Change shall be deemed to have occurred when substantially all of the Common Stock of the Company shall be exchanged for, converted into, or acquired for or shall constitute solely the right to receive such cash, securities, property or other assets, but the adjustment shall be based upon the consideration which the holders of Common Stock received in such transactions or event as a result of which more than 50% of the Common Stock of the Company shall have been exchanged for, converted into, or acquired for or constitute solely the right to receive cash, securities, property or other assets; and provided, further, that such term does not include

(i) any such transactions or event in which the Company and/or any of its Subsidiaries are the issuers of all the cash, securities, property or other assets exchanged, acquired or otherwise issued in such transaction or event or (ii) any such transaction or event in which the holders of Common Stock receive securities of an issuer other than the Company or any of its Subsidiaries if, immediately following such transaction or event, such holders hold a majority of the securities having the power to vote normally in the election of directors of such other issuer outstanding immediately following such transaction or other event.

(4) "Non-Stock Fundamental Change" shall mean any Fundamental Change other than a Common Stock Fundamental Change.

(5) "Purchaser Stock Price" shall mean, with respect to any Common Stock Fundamental Change, the average of the Closing Prices for one share of the common stock received by holders of Common Stock in such Common Stock Fundamental Change during the 10 consecutive Trading Days immediately prior to the date fixed for the determination of the holders of Common Stock entitled to receive such common stock, or if there is no such date, prior to the date upon which the holders of the Common Stock shall have the right to receive such common stock.

(6) "Reference Market Price" shall initially mean \$42.3333, and in the event of any adjustment to the Conversion Price other than as a result of a Fundamental Change, the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of the initial Reference Market Price to the initial Conversion Price set forth in Section 12.4 above.

Section 12.12. Dividend or Interest Reinvestment Plans; Other. Notwithstanding the foregoing provisions, the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in shares of Common Stock under any such plan, and the issuance of any shares of Common Stock or options or rights to purchase such shares pursuant

to any employee benefit plan or program of the Company, or pursuant to any option, warrant, right or exercisable, exchangeable or convertible debenture outstanding as of the date hereof (except as expressly provided in Section 12.5(iv) with respect to certain events under the Rights Agreement), shall not be deemed to constitute an issuance of Common Stock or exercisable, exchangeable or convertible securities by the Company to which any of the adjustment provisions described above apply. In addition, there shall be no adjustment of the Conversion Price in the event that, upon termination of the Rights Agreement, the Company enters into a new agreement which is comparable in purpose and in effect to the Rights Agreement (as determined by the Board, whose determination shall be conclusive). There shall be no adjustment of the Conversion Price in case of the issuance of any stock (or securities convertible into or exchangeable for stock) of the Company except as described in this Section 12.12. Except as expressly set forth above, if any action would require adjustment of the Conversion Price pursuant to more than one of the provisions described above, only one adjustment shall be made and such adjustment shall be the amount of adjustment which has the highest absolute value.

Section 12.13. Treasury Stock Not Included. For purposes of this Article XII, the number of shares of Common Stock at any time outstanding shall not include any shares of Common Stock then owned or held by or for the account of the Company.

Section 12.14. Return of Money Deposited for Converted Debentures. Notwithstanding anything elsewhere contained in this Indenture, any funds which at any time shall have been deposited by the Company or on its behalf with the Trustee or any other depository for the purpose of paying (other than in any transaction pursuant to Section 12.3), redeeming or defeasing any Debentures which shall have been converted into shares of Common Stock, pursuant to the provisions of this Article XII, shall, as soon as practicable after such conversion, be repaid to the Company by the Trustee or such other depository.

Section 12.15. Responsibility of Trustee. Neither the Trustee nor any conversion agent shall at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or extent of any such adjustment when

made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. Neither the Trustee nor any conversion agent shall be accountable with respect to the registration, listing, validity or value (or the kind or amount) of any shares of Common Stock or of any securities or property which may at any time be issued or delivered upon the conversion of any Debenture; and neither the Trustee nor any conversion agent makes any representation with respect thereto. Neither the Trustee nor any conversion agent shall be responsible for any failure of the Company to make any cash payment or to issue, transfer or deliver any shares of Common Stock or certificates or other securities or property upon the surrender of any Debenture for the purpose of conversion or, subject to Section 6.1, to comply with any of the covenants of the Company contained in this Article XII.

This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

AMR CORPORATION

By _____
Title:

(Seal)

Attest:

Secretary

THE FIRST NATIONAL BANK OF
CHICAGO

By _____
Title:

(Seal)

Attest:

Title:

(FORM OF FACE OF DEBENTURE)

\$ _____

No. _____

AMR CORPORATION

6 1/8% CONVERTIBLE SUBORDINATED
QUARTERLY INCOME CAPITAL SECURITY DUE 2024

AMR Corporation, a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), which term includes any successor under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars, on November 1, 2024 upon presentation and surrender of this Debenture, and, subject to the right of the Company to extend the interest payment period on the Debentures as provided on the reverse hereof, to pay interest on said principal sum, quarterly on February 1, May 1, August 1 and November 1 of each year, commencing February 1, 1995, at the rate of 6.0% per annum from and including November 1, 1994 to but excluding _____* and from and after _____* at the rate of 6 1/8% per annum, from the February 1, May 1, August 1 or November 1, as the case may be, next preceding the date of this Debenture to which interest on the Debentures has been paid or duly provided for, unless the date hereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of this Debenture, or unless no interest has been paid or duly provided for on the Debentures, in which case from November 1, 1994, until payment of said principal sum has been made or duly provided for. Notwithstanding the foregoing, when there is no existing default in the payment of interest on the Debentures, each Debenture authenticated after the Regular Record Date for any Interest Payment Date, but prior to such Interest Payment Date shall be dated the date of its authentication but shall bear interest from such Interest Payment Date; provided, however, that if and to the extent that the Company shall default in the payment of the interest due on such Interest Payment Date, then all such Debentures shall bear interest from the February 1, May 1, August 1 or November 1, as the case may

* Insert first day after Expiration Date of Exchange Offer.

be, to which interest has been paid or duly provided for next preceding such Interest Payment Date, unless no interest has been paid or duly provided for on the Debentures, in which case from November 1, 1994. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in said Indenture, be paid to the Person in whose name this Debenture (or one or more Predecessor Debentures) is registered on the Regular Record Date for such Interest Payment Date.

The principal of (and premium, if any) and interest on this Debenture are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts at the office or agency of the Company in the Borough of Manhattan, The City of New York; provided, that, at the option of the Company, interest may be paid (i) by check mailed to the address of the Person entitled thereto as it shall appear on the Register or (ii) by wire transfer to an account maintained by the Person entitled thereto as specified in the Register. Any interest not punctually paid or duly provided for shall be payable as provided in the Indenture.

Reference is made to the further provisions of this Debenture set forth on the reverse hereof, which shall have the same effect as though fully set forth at this place.

Unless the certificate of authentication hereon has been executed by or on behalf of the Trustee by manual

signature, this Debenture shall not be entitled to any benefit under the Indenture, or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this Debenture to be duly executed in its corporate name by the facsimile signature of its Chairman of the Board, its President, one of its Executive Vice Presidents, one of its Senior Vice Presidents or one of its Vice Presidents and impressed or imprinted with its corporate seal or facsimile thereof, attested by the manual or facsimile signature of its Secretary or an Assistant Secretary.

Dated:

AMR CORPORATION

(Seal)

By _____
(Title)

Attest:

Secretary

(FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION)

This is one of the Debentures referred to in the within-mentioned Indenture.

THE FIRST NATIONAL BANK OF
CHICAGO, as Trustee

By _____
Authorized Signature

(FORM OF REVERSE OF DEBENTURE)

6 1/8% CONVERTIBLE SUBORDINATED
QUARTERLY INCOME CAPITAL SECURITY DUE 2024

This Debenture is one of a duly authorized issue of Debentures of the Company designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (herein called the "Debentures") issued and to be issued under an Indenture dated as of November 1, 1994 (herein called the "Indenture"), between the Company and The First National Bank of Chicago, Trustee (herein called the "Trustee", which term includes any successor Trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights thereunder of the Company, the Trustee and the Holders of the Debentures, and the terms upon which the Debentures are, and are to be, authenticated and delivered. The Debentures are limited in aggregate principal amount as provided in the Indenture.

Notwithstanding anything contained in the Indenture to the contrary, the Company shall have the right at any time during the term of the Debentures, so long as the Company is not in default in the payment of interest on the Debentures, to extend the interest payment period for an Extension Period (as defined below). Except as provided in the next succeeding sentence, no interest shall be due and payable during an Extension Period, but at the end of each Extension Period the Company shall pay all interest then

accrued and unpaid on the Debentures, together with interest thereon, compounded quarterly, at the rate of 6 1/8% per annum, to the extent permitted by applicable law. Prior to the termination of any Extension Period, the Company may (a) on any Interest Payment Date pay all or any portion of the interest accrued on the Debentures as provided on the face hereof to holders of record on the Record Date for such Interest Payment Date or (b) from time to time further extend the interest payment period as provided in the last sentence of this paragraph, provided that any such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 calendar quarters from the last date to which interest on the Debentures was paid in full; and provided, further, that in no event shall any Extension Period exceed the final Stated Maturity of the Debentures. If the Company shall elect to pay all of the interest accrued on the Debentures on an Interest Payment Date during any Extension Period, such Extension Period shall automatically terminate on such Interest Payment Date. Upon the termination of any Extension Period and the payment of all amounts of interest then due, the Company may select a new Extension Period, subject to the above requirements. The Company shall cause the Trustee to give notice to the holder of this Debenture by public announcement, which notice shall be given in accordance with New York Stock Exchange rules, not less than five Business Days prior to the January 15, April 15, July 15 or October 15 next preceding the applicable Interest Payment Date, of

(x) the Company's election to initiate an Extension Period, and the duration thereof,

(y) the Company's election to extend any Extension Period beyond the Interest Payment Date on which such Extension Period is then scheduled to terminate, and the duration of such extension, and

(z) the Company's election to make a full or partial payment of interest accrued on the Debentures on any Interest Payment Date during any Extension Period and the amount of such payment.

The term "Extension Period" means the period from and including the Interest Payment Date next following the date of any notice of extension of the interest payment period on the Debentures given pursuant to clause (x) of the last sentence of the preceding paragraph to but excluding the Interest Payment Date to which payment of interest on

the Debentures is so extended, after giving effect to any further extensions of the interest payment period on the Debentures pursuant to the third sentence of the preceding paragraph; provided that no Extension Period shall exceed 20 consecutive quarters from the last date to which interest on the Debentures was paid in full; and provided, further, that any Extension Period shall end on an Interest Payment Date. Notwithstanding the foregoing, in no event shall any Extension Period exceed the final Stated Maturity of the Debentures.

The Debentures may be redeemed, at the option of the Company, as a whole or from time to time in part, on any date on or after February 1, 1996 and prior to Maturity, upon not less than 30 nor more than 60 days' prior notice given as provided in the Indenture, at the following Redemption Prices (expressed as percentages of the principal amount thereof redeemed), plus accrued and unpaid interest, if any, up to but excluding the Redemption Date, if redeemed during the twelve-month period commencing February 1 of the years indicated:

Year	Redemption Price	Year	Redemption Price
-----	-----	-----	-----
1996	104.2%	2000	101.8%
1997	103.6%	2001	101.2%
1998	103.0%	2002	100.6%
1999	102.4%	2003 and thereafter	100.0%

(except that interest installments whose Stated Maturity is the Redemption Date will be payable to the Holders of such Debentures, or one or more Predecessor Debentures, of record on the relevant Regular Record Date referred to on the face hereof).

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Debenture may be registered on the Register of the Company, upon surrender of this Debenture for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the

Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Debentures, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

The Debentures are issuable only as registered Debentures without coupons in the denominations of \$1,000 and any integral multiple thereof. As provided in the Indenture, and subject to certain limitations therein set forth, Debentures are exchangeable for a like aggregate principal amount of Debentures of different authorized denominations as requested by the Holder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Debenture, the Company, the Trustee and any agency of the Company or the Trustee may treat the Person in whose name this Debenture is registered as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture be overdue, and neither the Company, the Indenture Trustee nor any such agent shall be affected by notice to the contrary.

If an Event of Default as defined in the Indenture shall occur, the principal of all Debentures may be declared due and payable in the manner and with the effect provided in the Indenture.

The indebtedness evidenced by the Debentures is, to the extent and in the manner provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of Senior Indebtedness as defined in the Indenture and this Debenture is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Debenture, by accepting the same, agrees to and shall be bound by such provisions and authorizes the Trustee in his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided and appoints the Trustee his attorney-in-fact for such purpose.

Subject to the provisions of the Indenture, the Holder of this Debenture is entitled, at his option, at any time up to and including November 1, 2024 (or, if this

Debenture or some portion hereof shall be called for redemption on a Redemption Date which is prior to such date and the Company shall not thereafter default in making payment of the Redemption Price hereof, together with accrued interest hereon, then, with respect to this Debenture or such portion hereof, until and including, but not after, the close of business on the Business Day preceding the Redemption Date), to convert this Debenture, or a portion hereof in integral multiples of \$1,000 principal amount, at 100% of the principal amount hereof being converted into fully paid and nonassessable shares of Common Stock of the Company, as said shares shall be constituted at the date of conversion, at a conversion price equal to \$79.00 aggregate principal amount of Debentures for each share (or at the current adjusted conversion price if an adjustment has been made as provided in the Indenture), by surrender of this Debenture to the Company at its office or agency in said Borough of Manhattan, accompanied, if required by the Company or Indenture, by a proper assignment hereof in blank together with written notice of his election to convert (which election shall be irrevocable). This Debenture shall, if so surrendered during any period beginning on a Regular Record Date and ending at the opening of business on the Interest Payment Date next following such Regular Record Date, also be accompanied by payment in New York Clearing House funds or other funds acceptable to the Company of an amount equal to the interest payable on such Interest Payment Date on the principal amount of this Debenture then being converted. As provided in the Indenture, the conversion price is subject to adjustment in certain events. Except as aforesaid, no adjustment is to be made on conversion for interest accrued hereon or for dividends on shares of Common Stock issued on conversion. No fractional shares of Common Stock or scrip representing fractional shares will be issued on conversion, but an adjustment in cash will be made for any fractional interest as provided in the Indenture.

The Company and, by its acceptance of this Debenture or a beneficial interest herein, the Holder of, and any Person that acquires a beneficial interest in, this Debenture agree that for United States federal, state and local tax purposes it is intended that this Debenture constitute indebtedness.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modifications of the rights and obligations of the Company and the rights of the Holders of the Debentures under the Indenture

at any time by the Trust with the consent of the Holders of a majority of the aggregate principal amount of the Debentures at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Debentures at the time Outstanding, on behalf of the Holders of all the Debentures, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Debenture shall be conclusive and binding upon such Holder and upon all future Holders of this Debenture and of any Debenture issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof whether or not notation of such consent or waiver is made upon this Debenture.

No reference herein to the Indenture and no provision of this Debenture or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest on this Debenture at the times, place and rate, and in the coin or currency, herein prescribed.

No recourse for the payment of the principal of or interest on this Debenture, or for any claim based hereon or otherwise in respect hereof, and no recourse under or upon any obligation, covenant or agreement of the Company in the Indenture or any indenture supplemental thereto or in any Debenture, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

All terms used in this Debenture which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

AMR CORPORATION
P.O. Box 619616 Dallas/Fort Worth Airport
Dallas, Texas 75261-9616

October 14, 1994

First Chicago Trust Company of New York
Tenders & Exchanges Department
3rd Floor
P.O. Box 2507 - Suite 4660
Jersey City, New Jersey 07303-2507

Re: AMR Corporation (the "Issuer")

Ladies and Gentlemen:

Pursuant to The Exchange Offer section of the Prospectus dated October 14, 1994 (the "Prospectus"), we appoint you as Exchange Agent subject to the terms hereof. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Prospectus.

The Issuer has delivered to you or will deliver to you (i) a copy of the Letter of Transmittal, in the form attached hereto as Exhibit A, (ii) copies of all other documents or materials to be forwarded to the Holders, and (iii) a copy of the resolutions adopted by the Issuer's Board of Directors authorizing the Exchange Offer and your appointment as Exchange Agent. The Issuer has delivered or will deliver to you (i) a list showing the names and addresses of the Holders as of the close of business on October 12, 1994, and the number of Depositary Shares or shares of Preferred Stock held by Holder as of such date and (ii) a list of Depositary Receipts and certificates (giving the receipt or certificate numbers, as the case may be) stating which Depositary Shares or shares of Preferred Stock have been or are, as of such date, lost, stolen, destroyed or replaced or restricted as to transfer (noting the text of the restrictive legends applicable thereto) or with respect to which a stop transfer order has been noted.

1. Appointment of the Exchange Agent.

This will confirm the Issuer's appointment of First Chicago Trust Company of New York as the Exchange Agent provided for in the Prospectus and, in that capacity, authorization to act solely as agent for the Issuer hereunder for the purpose of receiving from the Holders the Depositary Receipts and Preferred Shares tendered in exchange for the Debentures and cash upon satisfaction of the conditions set forth herein. You will not owe fiduciary duties to any other person by reason of this appointment.

2. Duties and Obligations of the Exchange Agent.

As Exchange Agent, you are hereby instructed to perform the specific exchange agency duties set forth in The Exchange Offer section of the Prospectus and the related Letter of Transmittal and to perform such duties as are specifically set forth herein, and no implied covenants or obligations should be read into your appointment as Exchange Agent against you. Without limiting and in furtherance of the foregoing, you shall not be liable or responsible for any of the provisions of the Prospectus except for those expressly referred to herein above. Further, as Exchange agent you:

(i) will furnish reports showing the number of Depositary Shares and shares of Preferred Stock surrendered and amount of Debentures issued therefor (previous, herewith and total), fractional shares adjusted (previous, herewith and total), and cash- in-lieu of fractional shares paid (previous, herewith and total);

(ii) will be regarded as making no representations or warranties and having no responsibilities regarding the validity or adequacy of the Issuer's power to make this appointment or the Exchange Offer;

(iii) will not be responsible in any manner whatsoever for the correctness of the statements made in the Prospectus or the Letters of Transmittal or in any document furnished to you by the Issuer;

(iv) shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by you in the performance of your duties hereunder, in the absence of willful misconduct or gross negligence on your part, nor shall you be liable for any error of judgment made in good faith unless you shall have been grossly negligent in ascertaining the pertinent facts;

(vi) may rely and shall be protected in acting or refraining from acting upon any communication authorized hereby and upon any oral or written instruction, notice, request, direction, consent, report, certificate, form of bond certificate or other instrument, paper or document in good faith believed by you to be genuine;

(vii) may consult with counsel of your choice, and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by you hereunder in good faith and in reliance thereon; and

(viii) may perform your duties and exercise your rights hereunder directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by you with due care hereunder.

3. Maintenance of Records.

You will keep and maintain complete and accurate records and ledgers showing all Depositary Shares and Preferred Stock exchanged by you and payments made by you. Letters of Transmittal and telegrams, telexes, facsimile transmissions and other materials submitted to shall be preserved by you until delivered to, or otherwise disposed of in accordance with the instructions of, the Issuer.

4. Indemnification, Compensation and Expenses.

(a) In consideration of your acceptance of the foregoing appointment by the Issuer, the Issuer hereby agrees:

(i) to indemnify you for, and to hold you harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on your part, arising out of or in connection with the acceptance or administration of the agency created under the foregoing appointment, including the costs and expenses (including the reasonable fees and expenses of your counsel) of defending yourself against any claim or liability in connection with the exercise or performance of any of your duties thereunder and of enforcing this indemnification provision; and

(ii) to pay to you according to Schedule A attached hereto for all services rendered by you under the foregoing appointment; and

(iii) to reimburse you upon your request for all reasonable expenses, disbursements and advances incurred or

made by you in accordance with any of your agency duties (including the reasonable compensation and the expenses and disbursements of your agents and counsel), except any such expenses, disbursement or advance as may be attributable to your gross negligence or willful misconduct.

(b) You shall not be required to advance, expend or risk your own funds or otherwise incur or become exposed to financial liability in the performance of your duties hereunder.

5. IRS Filings

You shall arrange to comply with all requirements under the tax laws of the United States, including those relating to missing Taxpayer Identification Numbers, and shall file any appropriate reports with the IRS (e.g., 1099, 1099B, etc.). You may be required to deduct 31% back up withholding tax from cash-in-lieu of fractional shares and dividend payments to any holder that has not supplied its correct Taxpayer Identification Number or required certification. Such funds will be turned over to the IRS by you in accordance with applicable law and regulations.

As described in the Prospectus under "Certain "Federal Income Tax Considerations for Non-United States Persons-- Exchange of Preferred Stock for Debentures" and in the Letter of Transmittal under "Withholding on Foreign Holders in Connection with the Exchange Offer", under certain circumstances the issuance of Debentures and the payment of cash-in-lieu of fractional shares to a non-United States person surrendering Preferred Stock or Depositary Shares may be subject to the withholding of United States Federal tax. In order to enable the Issuer to determine whether such withholding is required, you will (a) promptly notify the Issuer if any shares of Preferred Stock or Depositary Shares are surrendered by a Holder with an address outside the United States or that is known to you to be, or to be acting for, a non-United States person and (b) promptly furnishing to the Issuer a copy of any Foreign Holder Certification (as described in the Letter of Transmittal) and any other forms or certificates (including without limitation IRS Form W-8 or 8079) provided to you by such Holder.

6. Governing Law.

This agreement shall be construed and enforced in accordance with the laws of the state of New York.

Please confirm your acceptance of the arrangements herein provided by signing and returning to us the enclosed duplicates of this letter.

AMR CORPORATION

By: /s/ MICHAEL DURHAM
Senior Vice President
and Treasurer

FIRST CHICAGO TRUST COMPANY OF NEW YORK

By: /s/ V. GOROSHOLA
Name:
Title:

D. F. King & Co., Inc.
77 Water Street
New York, N.Y. 10005-4495

October 4, 1994

AMR Corporation
4333 Amon Carter Blvd. - MD 5662
Fort Worth, TX 76155

Ladies and Gentlemen:

This Letter Agreement sets forth the terms and conditions pursuant to which AMR Corporation (the "Company") has retained D. F. King & Co., Inc. ("King") in connection with a proposed exchange offer.

The Company proposes to offer to exchange its debentures designated as 6 1/8% Convertible Subordinated Quarterly Income Capital Securities for its outstanding Series A Cumulative Convertible Preferred Stock (the "Stock") subject to the terms and conditions set forth in the Prospectus referred to below. Such an offer to exchange is herein referred to as the "Exchange Offer".

1. The Company hereby retains King as Information Agent for advisory and consulting services in connection with the Exchange Offer and requests and authorizes King to contact, and to provide information with respect to the Exchange Offer to, holders of the Stock. For this purpose, King is authorized to use, and will be supplied by the Company with as many copies as King may reasonably request of, the following materials filed with the Securities and Exchange Commission (the "Commission") or publicly released (or to be filed or publicly released) by the Company in connection with the Exchange Offer (collectively, the "Exchange Offer Materials"): (i) a Prospectus; (ii) a Letter of Transmittal; (iii) press releases and newspaper advertisements; (iv) letter to securities dealers, banks and trust companies, and letter from securities dealers, banks and trust companies to their customers; and (v) any and all amendments or supplements to any of the foregoing.

2. The Company agrees to pay King as compensation for its services a fee of \$15,000, which is due upon the completion, expiration or termination, as the case may be, of the Exchange Offer. The Company further agrees to reimburse King for all out-of-pocket expenses incurred by King in retention hereunder. The Company further agrees and acknowledges that its obligation under this paragraph 2 is not in any way conditional upon the successful consummation of the Exchange Offer or dependent upon the amount of Stock acquired by the Company pursuant to the Exchange Offer.

3. The Company agrees that King shall have the right to pass upon and approve any all references to King in the Exchange Offer Materials. The Company shall not file with the Commission, any other governmental or regulatory authority or body or any court, or otherwise make public, any document containing any reference to King unless and until King shall have approved such reference. King hereby confirms its approval of the references to King in the Exchange Offer Materials included in the Company's Registration Statement on Form S-4 filed with the Securities and Exchange Commission on August 23, 1994 and the exhibits thereto and any to any further references in the Exchange Offer Materials consistent with such references.

4. The Company represents and warrants to King that:

(i) this letter agreement is a valid and binding agreement on the Company's part;

(ii) all necessary corporate action will be duly taken by the Company prior to the commencement of the Exchange Offer to authorize the Exchange Offer;

(iii) all Exchange Offer Materials will comply, in all material respects, with the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder, and none of the Exchange Offer Materials, taken as a whole, will contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(iv) any action by the Company in connection with the Exchange Offer will comply, in all material respects, with all applicable requirements of law including the applicable rules or regulations of any

governmental or regulatory authority or body, and no material consent or approval of, or filing with, any governmental or regulatory authority or body is required in connection with any such action (or, if any such material consent, approval or filing is required it will be duly obtained or made); and

(v) the Exchange Offer and the execution, delivery and performance of this letter agreement, will not conflict with or result in a breach of or constitute a default under the Company's certificate of incorporation or by-laws, or any material agreement, indenture, mortgage, note or other instrument by which the Company is bound.

5. King represents and warrants that this letter agreement is a valid and binding agreement on King's part and agrees that all actions taken by King in connection with the Exchange Offer will comply, in all material respects, with all applicable requirements of law including the applicable rules or regulations of any governmental or regulatory authority or body. King agrees that it will not provide to any person any information in connection with the Exchange Offer in addition to or inconsistent with the information contained in the Exchange Offer Materials. In no event will King make any recommendation to anyone regarding whether to exchange or refrain from exchanging Stock. If such advice is requested, King will respond that it is not authorized to give such advice and shall recommend to the person requesting such advice that such person consult with his or her financial advisor or broker.

6. The Company will advise King promptly of the occurrence of any event which causes it not to proceed with, or to withdraw or abandon, the Exchange Offer. The Company will also advise King promptly of any amendment or supplement to any of the Exchange Offer Materials.

7. The Company hereby agrees to indemnify and hold harmless King, King's controlling persons, officers, directors, employees, agents and representatives (collectively, the "Indemnified Persons") from and against any and all losses, claims, damages, liabilities and expenses whatsoever (including but not limited to, all reasonable counsel fees, disbursements and other out-of-pocket expenses) incurred by such Indemnified Persons in investigating, preparing to defend or defending (or appearing or preparing for appearance as a witness in connection with) any claim, litigation, proceeding, investigation, or governmental or stock exchange inquiry, commenced or threatened arising out

of or based upon any facts or circumstances constituting violation of, or in conflict with, any of the representations and warranties set forth in paragraph 4 above, except to the extent such loss, claim, damage, liability or expense results from any Indemnified Person's willful misconduct or gross negligence or a violation of any representation, warranty, or covenant set forth in paragraph 5 above. The Company shall reimburse such Indemnified Persons for such counsel fees and disbursements and other out-of-pocket expenses at such time as they are paid or incurred by such Indemnified Persons. The foregoing indemnity shall be in addition to any liability which the Company might otherwise have to the Indemnified Persons.

8. King agrees to notify the Company promptly of the assertion of any claim against any of the Indemnified Persons in connection with the Exchange Offer and in respect of which a claim for indemnity is to be made hereunder. At the Company's election, unless there is a conflict of interest, the defense of the Indemnified Persons shall be conducted by the Company's counsel. Notwithstanding the Company's election to assume the defense of such action or proceeding, an Indemnified Person may employ separate counsel to represent it or defend it in such action or proceeding and the Company will pay the reasonable fees and expenses of such counsel as set forth above if such Indemnified Person reasonably determines that there are defenses available to such Indemnified Person which are different from, or in addition to, those available to the Company, or if a conflict of interest exists which makes representation by counsel chosen by the Company not advisable; provided however, unless there are actual or potential conflicts of interest among the Indemnified Persons, the Company will not be required to pay the fees and expenses of more than one separate counsel for all Indemnified Persons in any jurisdiction in any single action or proceeding. In any action or proceeding the defense of which the Company assumes, the Indemnified Person shall nevertheless be entitled to participate in such action or proceeding and retain its own counsel at such Indemnified Person's own expense. The Company shall not settle or compromise any such action or proceeding without the Indemnified Person's prior written consent, unless the terms of the settlement or compromise include an unconditional release of any such Indemnified Person from all liability or loss arising out of such action or proceeding.

9. The representations and warranties contained in paragraphs 4 and 5 above and the indemnity agreement contained in paragraphs 7 and 8 above shall remain operative and in full force and effect regardless of: (i) the termination or consummation of the Exchange Offer; and (ii) any investigation made by or on behalf of any party.

10. This agreement shall be construed and enforced in accordance with the laws of the State of New York. It is agreed that any action, suit or proceeding arising out of or based upon this agreement may be brought in the United States District Court for the Southern District of New York or any court of the State of New York of competent jurisdiction located in such District, and the parties hereto hereby consent to the in personam jurisdiction and venue of any such court and to service of process by certified mail, return receipt requested.

If any provision of this agreement shall be held illegal or invalid by any court, this agreement shall be construed and enforced as if such provision had not been contained herein and shall be deemed an agreement between the parties hereto to the fullest extent permitted by law.

If the foregoing correctly sets forth the understanding between the Company and King, please indicate acceptance thereof in the space provided below for the purpose, whereupon this letter and the Company's acceptance shall constitute a binding agreement between the parties hereto.

D. F. KING & CO., INC.

By: /s/ John L. Bibas
John L. Bibas
Vice President

Accepted as of the date first above written:

AMR Corporation

By: /s/ Charles D. MarLett
Title: Corporate Secretary

October 14, 1994

AMR Corporation
P.O. Box 619616
Dallas/Fort Worth Airport, Texas 753261-9616

Registration Statement
on Form S-4 (Registration No. 33-55191)

Dear Sirs:

We have acted as counsel for AMR Corporation, a Delaware corporation (the "Company"), in connection with the preparation and filing under the Securities Act of 1933, as amended (the "Act"), of a Registration Statement (No. 33-55191) on Form S-4, as amended by Amendments No. 1, No. 2 and No. 3 thereto (the "Registration Statement"), relating to the proposed offer of an aggregate maximum of \$1,100,000,000 principal amount of the Company's debentures designated as its 6 1/8% Convertible Subordinated Quarterly Income Capital Securities due 2024 (the "Debentures"), to be issued under an Indenture (the "Indenture"), dated as of November 1, 1994, between the Company and The First National Bank of Chicago, as trustee, in exchange for the Company's Series A Cumulative Convertible Preferred Stock (the "Preferred Stock").

In connection with the foregoing, you have requested that we render the opinion set forth below. In rendering such opinion, we have examined and relied upon the representations and warranties as to factual matters made in or pursuant to the documents referred to above and upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents, certificates or other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below. We have not, however, undertaken any independent investigation of any factual matter set forth in any of the foregoing.

Subject to the foregoing and the qualifications and limitations set forth herein and in the Prospectus, the statements set forth in the Prospectus under the captions "Certain Federal Income Tax Considerations" and "Certain Federal Tax Considerations for Non-United States Persons", to the extent that such statements relate to matters of law or legal conclusion, constitute the opinion of Debevoise & Plimpton.

This opinion is based on the relevant law in effect (or, in the case of Proposed Treasury Regulations, proposed) and the relevant facts that exist as of the date hereof. No assurance can be given that the law or facts will not change, and we have not undertaken to advise you or any other person with respect to any event subsequent to the date hereof.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the captions "Certain Federal Income Tax Considerations" and "Certain Federal Tax Considerations for Non-United States Persons" in the Prospectus. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the 1933 Act or the Rules and Regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

/s/ DEBEVOISE & PLIMPTON