LinnCo LLC
Form S-1/A
October 01, 2012

Table of Contents

Index to Financial Statements

As filed with the Securities and Exchange Commission on October 1, 2012

Registration No. 333-182305

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Amendment No. 3

to

Form S-1

LINNCO, LLC

LINN ENERGY, LLC

(Exact Name of Registrant as Specified in its charter)

Delaware	**1311**	**45-5166623**
Delaware		**65-1177591**
(State or other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification Number)**

600 Travis, Suite 5100

Houston, Texas 77002

(281) 840-4000

(Address, including Zip Code, and Telephone Number including Area Code, of Registrant s Principal Executive Offices)

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600 Travis, Suite 5100	**600 Travis, Suite 5100**
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

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

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

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

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

LinnCo, LLC Non-accelerated filer

Linn Energy, LLC Large accelerated filer

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

Table of Contents

Index to Financial Statements

EXPLANATORY NOTE

This registration statement contains a prospectus to be used in connection with the offer and sale of common shares of LinnCo, LLC and the deemed offer and sale of Linn Energy, LLC units to be acquired by LinnCo, LLC with the proceeds from this offering pursuant to Rule 140 under the Securities Act of 1933.

Table of Contents

Index to Financial Statements

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where such offer or sale is not permitted.

Subject to Completion, dated October 1, 2012

PROSPECTUS

LinnCo, LLC

30,250,000 Common Shares

Representing Limited Liability Company Interests

This is the initial public offering of common shares (shares) representing limited liability company interests in LinnCo, LLC (LinnCo), a class of equity with indirect voting rights in LINN Energy, LLC (LINN). We are offering 30,250,000 shares in this offering. We are a recently formed limited liability company that has elected to be treated as a corporation for U.S. federal income tax purposes. We will use the net proceeds from this offering to acquire a number of units representing limited liability company interests (units) in LINN equal to the number of shares sold in this offering.

No public market currently exists for our shares. Our shares have been approved for listing on the NASDAQ Global Select Market under the symbol LNCO.

LinnCo s only assets, both immediately after this offering and in the future, will be LINN units, which we will own on a one-for-one basis for each of our shares outstanding, and cash reserves for future tax obligations. Given the nature of our business and assets, we expect that the initial offering price of our shares will be highly correlated to the trading price of LINN s units, and will be derived from the trading price of the LINN units on the effective date of our registration statement. Our shares may initially price at a premium or a discount to LINN units, however, as there is no way to ascertain the exact degree of correlation between our shares and LINN s units or, secondarily, the effect of demand for our shares on our initial offering price. LINN units are listed on the NASDAQ Global Select Market under the symbol LINE. The last reported sale price of LINN units on NASDAQ on September 28, 2012 was $41.24 per unit.

Investing in our shares involves risks. Please read *Risk Factors* *beginning on page 30 of this prospectus.*

These risks include the following:

- Because our only assets will be LINN units, our cash flow and our ability to pay dividends on our shares are completely dependent upon the ability of LINN to make distributions to its unitholders.

We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.

An active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of the LINN units.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors.

Your shares are subject to certain call rights that could require you to involuntarily sell your shares at a time or price that may be undesirable.

Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN s limited liability company agreement limits the fiduciary duties owed by LINN s directors to its unitholders, including us.

	Per Share	Total
Price to the public	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us	$	$

(1) Excludes a structuring fee equal to 0.375% of the gross proceeds of this offering, up to a cap of $5,000,000, payable to Barclays Capital Inc.

We have granted the underwriters an option for a period of 30 days to purchase up to an additional 4,537,500 shares on the same terms and conditions set forth above.

Affiliates of certain of the underwriters in this offering are lenders under LINN s revolving credit facility and, accordingly, if LINN elects to use the proceeds it receives from LinnCo to repay debt outstanding under that facility, those lenders would indirectly receive a portion of the net proceeds from this offering. Please read Underwriting (Conflicts of Interest).

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

Barclays, on behalf of the underwriters, expects to deliver the shares on or about , 2012.

Barclays **Citigroup** **RBC Capital Markets** **Wells Fargo Securities**

BofA Merrill Lynch **Credit Suisse** **Raymond James** **UBS Investment Bank**

Goldman, Sachs & Co. **J.P. Morgan**

Baird **BMO Capital Markets** **Credit Agricole CIB**

CIBC **Scotiabank / Howard Weil** **Mitsubishi UFJ Securities**

Prospectus dated , 2012

Table of Contents

Index to Financial Statements

Table of Contents

Index to Financial Statements

TABLE OF CONTENTS

Table of Contents

Index to Financial Statements

You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data is also based on our good faith estimates.

Table of Contents

Index to Financial Statements

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It does not contain all of the information you should consider before buying shares in this offering. Therefore, you should read this entire prospectus carefully, including the risks discussed in the section titled Risk Factors beginning on page 30 and the historical financial statements of Linn Energy, LLC (LINN) and the notes to those financial statements included elsewhere in this prospectus. This prospectus also contains important information about LINN, including information about its businesses and financial and operating data, all of which you should read carefully before buying shares in this offering. Unless indicated otherwise, the information presented in this prospectus assumes (1) an initial public offering price of $41.24 per share (the last reported sales price of LINN units, as set forth on the cover page of this prospectus) and (2) that the underwriters do not exercise their option to purchase additional shares. We include a glossary of some of the terms used in this prospectus as Appendix A.

DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of LINN s proved oil and natural gas reserves as of December 31, 2009, 2010 and 2011 as well as estimates of proved reserves associated with the Green River Acquisition, East Texas Acquisition, Anadarko Joint Venture and the Hugoton Acquisition (each as defined below). All other reserve information included herein is based on internal estimates. As used herein, Pro Forma Proved Reserves represent the sum of (i) LINN s estimated proved reserves as of December 31, 2011 and (ii) the estimated proved reserves acquired in the 2012 Acquisitions (as defined below). For information regarding the dates and commodity prices at which reserve information for the 2012 Acquisitions was calculated, see the table on page 4. As used in this prospectus, the term LinnCo and the terms we, our, us and similar terms refer to LinnCo, LLC, unless the context otherwise requires. In addition, the term LINN refers to Linn Energy, LLC. As used in this prospectus, the term shares refers to common shares representing limited liability company interests in LinnCo and units refers to units representing limited liability company interests in LINN.

Overview

LinnCo

We are a recently formed Delaware limited liability company that has elected to be treated as a corporation for United States (U.S.) federal income tax purposes. Our sole purpose is to own LINN units and we expect to have no assets or operations other than those related to our interest in LINN. As a result, our financial condition and results of operations will depend entirely upon the performance of LINN. We will use the net proceeds from this offering to acquire a number of LINN units equal to the number of LinnCo shares sold in this offering.

At the closing of this offering, we will own one LINN unit for each of our outstanding shares, and our limited liability company agreement requires that we maintain a one-to-one ratio between the number of our shares outstanding and the number of LINN units we own. When LINN makes distributions on the units, we will pay a dividend on our shares of the cash we receive in respect of our LINN units, net of reserves for income taxes payable by us. For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that our income tax liability will be between 2% and 5% of the cash distributed to us. On July 24, 2012, LINN declared a regular quarterly cash distribution of $0.725 per unit, or $2.90 per unit on an annualized basis. Accordingly, if LINN were to maintain its current annualized distribution of $2.90 per unit through 2015, the amount reserved to pay income taxes of LinnCo is estimated to be between $0.06 and $0.15 per share for each of the periods ending December 31, 2012, 2013, 2014 and 2015. For example, we currently estimate that, for the period ending December 31, 2013, our dividend will be $2.84 per share on an annualized basis.

Like shareholders of a corporation, our shareholders will receive a Form 1099-DIV and will be subject to U.S. federal income tax, as well as any applicable state or local income tax, on taxable dividends received by them. We estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, you will

Table of Contents

Index to Financial Statements

recognize an amount of taxable dividend income that will be between 0% and 60% of the cash dividends paid to you during each such period. The excess of the cash dividends that you receive over your taxable dividend income during each such period will reduce your tax basis in your shares, or will be taxable as capital gain to the extent they exceed your tax basis in your shares. Our shareholders will not report our items of income, gain, loss and deduction, nor will they receive a Schedule K-1. Our shareholders also will not be subject to state income tax filings in the various states in which LINN conducts operations as a result of owning our shares. Please read Material U.S. Federal Income Tax Consequences for additional details.

We will submit to a vote of our shareholders any matter submitted by LINN to a vote of its unitholders, including any election of LINN s directors. We will vote LINN units that we hold in the same manner as the owners of our shares vote (or refrain from voting) their shares on those matters. In addition, our shareholders will be entitled to vote on certain fundamental matters affecting LinnCo. Our shareholders will not be entitled to vote to elect our board of directors. The sole voting share that is entitled to vote to elect our board of directors is owned by LINN. Our initial board of directors will be identical to LINN s board of directors, and our initial officers will be the individuals who serve as officers of LINN. Please see Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement for a detailed description of these matters.

Table of Contents

Index to Financial Statements

LINN

LINN is one of the largest publicly traded, U.S.-focused, independent oil and natural gas companies and is the largest publicly traded upstream oil and natural gas company that is treated as a partnership for U.S. federal income tax purposes. LINN is focused on the development and acquisition of long-life oil and natural gas properties, which complement its asset profile in various producing basins within the U.S. LINN s properties are currently located in eight operating regions in the U.S.:

- Mid-Continent, which includes properties in Oklahoma, Louisiana and the eastern portion of the Texas Panhandle (including the Granite Wash and Cleveland horizontal plays);
- Hugoton Basin, which includes properties located primarily in Kansas and the Shallow Texas Panhandle;
- Green River Basin, which includes properties located in southwest Wyoming;
- Permian Basin, which includes areas in west Texas and southeast New Mexico;
- Michigan/Illinois, which includes the Antrim Shale formation in the northern part of Michigan and oil properties in southern Illinois;
- California, which includes the Brea Olinda Field of the Los Angeles Basin;
- Williston/Powder River Basin, which includes the Bakken formation in North Dakota and the Powder River Basin in Wyoming; and
- East Texas, which includes properties located in east Texas.

LINN s total proved reserves at December 31, 2011 were 3.4 Tcfe, of which approximately 34% were oil, 50% were natural gas and 16% were NGL. Approximately 60% of LINN s total proved reserves were classified as proved developed, with a total standardized measure of discounted future net cash flows of $6.6 billion. At December 31, 2011, LINN operated 7,759, or 69%, of its 11,230 gross productive wells and had an average proved reserve-life index of approximately 22 years, based on LINN s total proved reserves at December 31, 2011 and annualized production for the three months ended December 31, 2011.

On July 31, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Green River Basin area of southwest Wyoming (the Green River Acquisition) for total consideration of approximately $990 million. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

On May 1, 2012, LINN completed the acquisition of certain oil and natural gas properties located in east Texas (the East Texas Acquisition) for total consideration of approximately $168 million. On March 30, 2012, LINN completed the acquisition of certain oil and natural gas properties located in the Hugoton Basin area of southwestern Kansas (the Hugoton Acquisition) for total consideration of approximately $1.17 billion. On April 3, 2012, LINN entered into a joint venture agreement (the Anadarko Joint Venture) with an affiliate of Anadarko Petroleum Corporation (Anadarko) whereby LINN will participate as a partner in the CO_2 enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. As part of this joint venture, Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of $400 million of Anadarko s development costs. See Recent Developments. Giving effect to the East Texas Acquisition, the Hugoton Acquisition, the Anadarko Joint Venture and the Green River Acquisition, LINN s pro forma proved reserves are approximately 5.1 Tcfe, of which approximately 25% are oil, 55% are natural gas and 20% are NGL, with approximately 66% proved developed.

LINN generated adjusted EBITDA of approximately $998 million for the year ended December 31, 2011 and $621 million for the six months ended June 30, 2012. See Non-GAAP Financial Measures for a

Table of Contents

Index to Financial Statements

reconciliation of adjusted EBITDA to net income (loss). For 2012, LINN estimates its total capital expenditures, excluding acquisitions, will be approximately $1.1 billion, including approximately $1.05 billion related to its oil and natural gas capital program. This estimate is under continuous review and is subject to ongoing adjustments. LINN expects to fund these capital expenditures primarily with cash flow from operations and borrowings under LINN s revolving credit facility.

The following table sets forth certain information with respect to LINN s proved reserves at December 31, 2011 and Pro Forma Proved Reserves and average daily production for the six months ended June 30, 2012:

Region	Proved Reserves At December 31, 2011 (Bcfe)(1)	Proved Reserves 2012 Acquisitions (Bcfe)(1)	Pro Forma Proved Reserves (Bcfe)(1)	Pro Forma % Oil and NGL	Pro Forma % Proved Developed	Average Daily Production For The Six Months Ended June 30, 2012 (MMcfe/d)
Mid-Continent	1,860	24	1,884	41%	53%	290
Hugoton Basin(2)	380	701	1,081	47%	87%	95
Green River Basin(3)		806	806	27%	53%	
Permian Basin	527		527	79%	56%	84
Michigan/Illinois	317		317	4%	91%	35
California	193		193	93%	93%	13
Williston/Powder River Basin(2)	93	96	189	92%	63%	25
East Texas(4)		110	110	3%	100%	8
Total	3,370	1,737	5,107	45%	66%	550

(1) Except as otherwise noted, proved reserves for oil and natural gas assets were calculated on December 31, 2011, the reserve report date, and use a price of $4.12/MMBtu for natural gas and $95.84/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months immediately preceding December 31, 2011.

(2) Pro forma proved reserves for the Hugoton Acquisition (in the Hugoton Basin region) and the Anadarko Joint Venture (in the Williston/Powder River Basin region) were calculated using a price of $3.73/MMBtu for natural gas and $98.02/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending March 1, 2012, the most recent twelve-month period prior to the closing of each of those transactions.

(3) Pro forma proved reserves for the Green River Acquisition (in the Green River Basin region) were calculated using a price of $3.02/MMBtu for natural gas and $94.81/Bbl for oil, which represents the unweighted average of the first-day-of-the-month prices for each of the twelve months ending July 1, 2012, the most recent twelve-month period prior to the closing of the Green River Acquisition.

(4) Pro forma proved reserves for the East Texas Acquisition were calculated using a price of $3.54/MMBtu for natural gas and $97.65/Bbl for oil, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending April 1, 2012, the most recent twelve-month period prior to the closing of the East Texas Acquisition.

LINN was formed as a Delaware limited liability company in March 2003 by Michael C. Linn, Quantum Energy Partners and non-affiliated equity investors with an aggregate equity investment of $16 million. In January 2006, LINN completed its $261 million initial public offering. Since its initial public offering, LINN has successfully executed on its strategy, and substantially grown its asset base and distributions on its units. LINN has increased its quarterly cash distribution by approximately 81% from $0.40 per unit, or $1.60 per unit on an annualized basis, at the time of its initial public offering, to $0.725 per unit, or $2.90 per unit on an annualized basis, as of July 24, 2012, the most recent declaration date. At the time of its initial public offering, LINN s assets consisted primarily of oil and natural gas properties in the Appalachian Basin, mainly in Pennsylvania, West Virginia, New York and Virginia (subsequently sold in 2008) with proved reserves of approximately 190 Bcfe as of

Table of Contents

Index to Financial Statements

September 30, 2005 and average daily production of approximately 13 MMcfe/d for the three months ended September 30, 2005. Since then, LINN has successfully grown and diversified its asset base to include properties across eight operating regions with total Pro Forma Proved Reserves of approximately 5.1 Tcfe and average daily production for the six months ended June 30, 2012 of approximately 550 MMcfe/d.

Business Strategy

LINN s primary goal is to provide stability and growth of distributions for the long-term benefit of its unitholders. The following is a summary of the key elements of LINN s business strategy:

- Grow through acquisition of long-life, high quality properties;
- Efficiently operate and develop acquired properties; and
- Reduce cash flow volatility through hedging.

LINN s business strategy is discussed in more detail below.

Grow Through Acquisition of Long-Life, High Quality Properties. LINN s acquisition program targets oil and natural gas properties that it believes will be financially accretive and offer stable, long-life, and high quality production with relatively predictable decline curves, as well as lower-risk development opportunities. LINN evaluates acquisitions based on decline profile, reserve life, operational efficiency, field cash flow, development costs and rate of return. As part of this strategy, LINN continually seeks to optimize its asset portfolio, which may include the divestiture of non-core assets. This allows LINN to redeploy capital into projects to develop lower-risk, long-life and low-decline properties that are better suited to its business strategy.

Since January 1, 2007, LINN has completed 39 acquisitions of oil and natural gas properties and related gathering and pipeline assets, acquiring proved reserves totaling approximately 4.5 Tcfe at the date of acquisition, at an average aggregate cost of approximately $2.02 per Mcfe.

LINN continually evaluates potential acquisition opportunities that would further its strategic objectives and engages from time to time in discussions with potential sellers. Assets acquired in one or more of such transactions may have a material effect on LINN s business, financial condition and results of operations.

Efficiently Operate and Develop Acquired Properties. LINN has centralized the operation of its acquired properties into defined operating regions to minimize operating costs and maximize production and capital efficiency. LINN maintains a large inventory of drilling and optimization projects within each operating region to achieve organic growth from its capital development program. LINN generally seeks to be the operator of its properties so that it can develop drilling programs and optimization projects that not only replace production, but add value through reserve and production growth and future operational synergies. LINN s development program is focused on lower-risk, repeatable drilling opportunities to maintain and/or grow cash flow. Many of the wells are completed in multiple producing zones with commingled production and long economic lives. In addition, LINN s experienced workforce and scalable infrastructure facilitate the efficient development of its properties.

Reduce Cash Flow Volatility Through Hedging. LINN seeks to hedge a significant portion of its forecasted production to reduce exposure to fluctuations in the prices of oil and natural gas and provide long-term cash flow predictability to pay distributions, service debt and manage its business. By removing a significant portion of the price volatility associated with future production, LINN expects to mitigate, but not eliminate, the potential effects of variability in cash flow from operations due to fluctuations in commodity prices.

Table of Contents

Index to Financial Statements

These commodity hedging transactions are primarily in the form of swap contracts and put options that are designed to provide a fixed price (swap contracts) or fixed price floor with the opportunity for upside (put options) that LINN will receive as compared to floating market prices. As of June 30, 2012, LINN had derivative contracts in place for 2012 through 2017 at average prices ranging from a low of $89.10 per Bbl to a high of $97.26 per Bbl for oil and from a low of $4.48 per MMBtu to a high of $5.29 per MMBtu for natural gas. Additionally, LINN has derivative contracts in place covering a substantial portion of its natural gas basis exposure to Panhandle, MichCon and Permian differentials through 2015 and Houston Ship Channel and NWPL Rockies differentials through 2016 and its timing risk exposure on Mid-Continent, Hugoton Basin and Permian Basin oil sales through 2017.

In addition, LINN may from time to time enter into derivative contracts in the form of interest rate swaps to minimize the effects of fluctuations in interest rates. Currently, LINN has no outstanding interest rate swaps.

Competitive Strengths

LINN believes the following strengths provide significant competitive advantages:

Large and High Quality Asset Base with a Long Reserve Life. LINN s reserve base is characterized by lower geologic risk and well-established production histories and exhibits low production decline rates. Based on LINN s total proved reserves at December 31, 2011, and annualized production for the three months ended December 31, 2011, LINN had an average reserve-life index of approximately 22 years. LINN s Pro Forma Proved Reserves are also diversified by product with approximately 25% oil, 55% natural gas and 20% natural gas liquids (NGL), with approximately 66% classified as proved developed.

Significant Inventory of Lower-Risk Development Opportunities. LINN has a significant inventory of projects in its core areas that it believes will support its development activity. At December 31, 2011, LINN had approximately 6,450 identified drilling locations, of which approximately 2,300 were proved undeveloped drilling locations and the remainder were unproved drilling locations. During the year ended December 31, 2011, LINN drilled a total of 294 gross wells with an approximate 99% success rate.

Significant Scale of Operations. As of June 1, 2012, LINN had interests in approximately 15,000 gross productive wells (approximately 71% operated) and approximately 1.8 million net acres across seven regions in the U.S. The Mid-Continent, Hugoton Basin and Permian Basin regions account for approximately 68% of LINN s Pro Forma Proved Reserves. The scale of operations allows LINN to benefit from economies of scale in both drilling and production operations and capitalize on acquired technical knowledge to lower production costs and maintain a high success rate on its drilling program. Furthermore, LINN owns integrated gathering and transportation infrastructure in the Mid-Continent and Hugoton Basin regions, which improves LINN s cost structure.

Multi-Year Organic Growth Opportunities. In addition to growth through acquisitions, LINN s asset base provides significant opportunities to grow production organically. Key drivers of LINN s organic growth potential include its properties in the Granite Wash play in the Mid-Continent region and the Wolfberry trend in the Permian Basin region. LINN has approximately 95,000 net acres in the Granite Wash play, which covers a trend extending from the Texas Panhandle eastward into southwestern Oklahoma. The Granite Wash play is characterized by liquids-rich multi-layer reservoirs which provide for attractive horizontal development opportunities. Since the inception of LINN s horizontal drilling program in the Granite Wash in 2009, LINN has increased production to approximately 137 MMcfe/d (43% liquids). As of March 31, 2012, LINN had identified more than 600 horizontal drilling locations in the Granite Wash and multiple vertical infill drilling locations, representing a 10-plus year drilling inventory. LINN is also evaluating several oil-bearing intervals in the Texas Panhandle including the Hogshooter, Lansing, Cleveland and Tonkawa formations. As a result of technical mapping, LINN has already identified approximately 50 additional well locations in the Hogshooter interval. In

Table of Contents

Index to Financial Statements

the Permian Basin region, LINN owns 31,000 net acres in the Wolfberry trend (targeting the liquids-rich Spraberry and Wolfcamp zones). The Wolfberry trend offers significant growth potential driven primarily by infill drilling and downspacing. Since entering the Permian Basin in the fall of 2009, LINN has increased production to approximately 14,800 Boepd as of the first quarter of 2012 through a combination of organic development and acquisitions. LINN estimates that it has a four-year drilling inventory with approximately 400 future drilling locations in the Wolfberry trend.

High Percentage of Production Hedged. Currently, LINN hedges its production with swap contracts and put options to minimize its cash flow volatility while maintaining optionality for future upward movement in commodity prices. Swap contracts provide a fixed price and put options provide a fixed price floor with opportunity for upside that LINN will receive as compared to floating market prices. Based on current production estimates, LINN is approximately 100% hedged on expected natural gas production through 2017 and 100% hedged on expected oil production through 2016.

High Percentage of Operated Properties. For the year ended December 31, 2011, approximately 82% of LINN s production came from wells over which it had operating control. Maintaining control of its properties allows LINN to use its technical and operational expertise to manage overhead, production, drilling costs and capital expenditures and to control the timing of development activities.

Competitive Cost of Capital and Financial Flexibility. Unlike many master limited partnerships, LINN does not have any incentive distribution rights, or IDRs, that entitle the IDR holders to increasing percentages of cash distributions as unit distributions grow. LINN believes that its lack of IDRs provides it with a lower cost of equity, thereby enhancing its ability to compete for future acquisitions.

Additionally, LINN has regularly and successfully raised significant capital throughout different financial cycles. Since LINN s initial public offering in January 2006, it has raised approximately $5.0 billion in follow-on equity offerings and approximately $5.4 billion in debt offerings. Furthermore, as of July 25, 2012, LINN s revolving credit facility had a $3.5 billion borrowing base, subject to a maximum commitment of $3 billion. LINN believes this financial flexibility and access to the capital markets provides LINN with a substantial competitive advantage in consummating acquisitions.

Recent Developments

Acquisitions

Green River Acquisition. On July 31, 2012, LINN completed the Green River Acquisition for total consideration of approximately $990 million. The Green River Acquisition included approximately 806 Bcfe of proved reserves as of the acquisition date.

East Texas Acquisition. On May 1, 2012, LINN completed the East Texas Acquisition for total consideration of approximately $168 million. The properties acquired in east Texas include (1) proved reserves of approximately 110 Bcfe, all of which are proved developed producing; (2) approximately 430 producing wells on approximately 19,800 contiguous acres; and (3) average daily production of approximately 24 MMcfe/d (97% natural gas).

Hugoton Acquisition. On March 30, 2012, LINN completed the Hugoton Acquisition for total consideration of approximately $1.17 billion. The properties acquired in the Hugoton Acquisition included: (1) proved reserves of approximately 701 Bcfe, of which 100% is proved developed; (2) approximately 2,400 producing wells with average daily production of approximately 110 MMcfe/d, of which approximately 63% is natural gas and 37% is NGL; (3) approximately 800 future drilling locations; and (4) the JayHawk Natural Gas Processing Plant, which processes substantially all of the production from the acquired properties, with 450 MMcf/d of processing capacity.

Table of Contents

Index to Financial Statements

Joint Venture

Anadarko Joint Venture. On April 3, 2012, LINN entered into the Anadarko Joint Venture, whereby LINN will participate as a partner in the CO_2-enhanced oil recovery development of the Salt Creek field, located in the Powder River Basin of Wyoming. Anadarko assigned LINN 23% of its interest in the field in exchange for future funding by LINN of $400 million of Anadarko s development costs. LINN expects to invest a total of $600 million in the joint venture over the next three to six years, which includes the $400 million of Anadarko s costs and $200 million net to LINN s assigned interest. Anadarko has been utilizing CO_2 to develop this field since 2004. The acquisition included approximately 16 MMBoe (96 Bcfe) of proved reserves as of the agreement date.

The acquisitions and joint venture described above are referred to in this prospectus as the 2012 Acquisitions.

Questions and Answers About LinnCo

Why is LinnCo being created?

LinnCo is being created to enhance LINN s ability to raise additional equity capital to execute on its acquisition and growth strategy. As LINN continues to grow, the size of individual acquisitions it pursues and its related financing needs are expected to increase. LINN believes that the LinnCo structure will allow LINN to expand its investor base through offerings of LinnCo shares, the proceeds of which will go to LINN for use in executing its strategy, in return for a number of LINN units equal to the number of LinnCo shares sold.

Why does LINN believe that LinnCo will enhance LINN s ability to raise equity?

LinnCo will be taxed as a corporation, which will enable holders of LinnCo shares to invest indirectly in LINN without the associated tax-related obligations of owning a LINN unit. For example, holders of LinnCo shares will receive a Form 1099-DIV rather than a Schedule K-1, will generally not have unrelated business taxable income, or UBTI, and will not be required to file state income tax returns as a result of owning LinnCo shares. LINN believes that this structure will appeal to investors that would like to invest in a dividend-paying oil and natural gas exploration and production company, but currently do not invest in LINN units because of UBTI consequences and more onerous tax reporting requirements.

Why doesn t LINN just increase the size of its LINN unit offerings?

While LINN has been one of the most active energy-focused master limited partnership equity issuers in recent years, we believe that expanding the investor base to include institutions, individual retirement accounts and tax-exempt investors will provide LINN with equity-raising opportunities significantly beyond its current capacity.

How will LinnCo quarterly dividends be determined?

LinnCo will own a number of LINN units equal to the number of LinnCo shares outstanding and will receive the same distribution per LINN unit as all other LINN unitholders. When LinnCo receives a quarterly distribution from LINN, it will reserve an amount equal to LinnCo s estimated income tax liability, and will distribute the balance as a dividend to LinnCo shareholders. We currently estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, LinnCo s income tax liability will be between 2% and 5% of the cash LINN distributes to us. Accordingly, if LINN were to maintain its current annualized distribution of $2.90 per unit through 2015, the annual LinnCo dividend would be between $2.75 and $2.84 per share. For example, we currently estimate that, for the period ending December 31, 2013, our dividend will be $2.84 per share on an annualized basis.

Table of Contents

Index to Financial Statements

What rights will LinnCo shareholders have with respect to the governance of LINN and LinnCo?

LinnCo will submit to a vote of its shareholders any matter submitted by LINN to a vote of its unitholders, which will include the annual election of the LINN board of directors. LinnCo will vote the LINN units it holds in the same manner as our shareholders vote on those matters. Our shareholders will also be entitled to vote on certain fundamental matters affecting LinnCo, but will not have the right to elect the LinnCo board of directors. LINN holds the sole voting share in LinnCo, and therefore will elect the LinnCo board. LinnCo s initial board of directors will be composed of the same members as LINN s board of directors.

Will there be future offerings of LinnCo shares?

As LINN continues to execute on its acquisition and growth strategy, it expects to continue to require additional equity capital. LinnCo may make future sales of LinnCo shares to facilitate this strategy, and such future sales may be made separately or in tandem with future sales of LINN units depending on, among other factors, the amount of equity capital to be raised and the relative trading prices of the LinnCo shares and the LINN units. Any proceeds from the sale of both LinnCo shares and LINN units will ultimately be used by LINN to execute its strategy.

Table of Contents

Index to Financial Statements

Risk Factors

An investment in our shares involves risks. You should carefully consider the risks described in Risk Factors beginning on page 30 of this prospectus and the other information in this prospectus before deciding whether to invest in our shares.

Risks Related to LINN s Business

LINN actively seeks to acquire oil and natural gas properties. Acquisitions involve potential risks that could adversely impact its future growth and its ability to increase or pay distributions at the current level, or at all.

LINN has significant indebtedness. LINN s revolving credit facility and the indentures governing LINN s outstanding senior notes have substantial restrictions, and LINN may have difficulty obtaining additional credit, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders, including us.

Commodity prices are volatile, and a significant decline in commodity prices for a prolonged period would reduce LINN s revenues, cash flow from operations and profitability and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.

LINN s estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of LINN s reserves.

LINN s development operations require substantial capital expenditures, which will reduce its cash available for distribution. LINN may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its reserves.

Drilling for and producing oil, natural gas and NGL are high risk activities with many uncertainties that could adversely affect LINN s financial position or results of operations and, as a result, its ability to pay distributions to its unitholders.

Risks Inherent in an Investment in LinnCo

Because our only assets will be LINN units, our cash flow and our ability to pay dividends on our shares are completely dependent upon the ability of LINN to make distributions to its unitholders.

We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.

An active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of LINN units.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors.

LINN may issue additional units or other classes of units, and we may issue additional shares without your approval, which would dilute our direct and your indirect ownership interest in LINN and your ownership interest in us.

Table of Contents

Index to Financial Statements

Your shares are subject to limited call rights that could result in your having to involuntarily sell your shares at a time or price that may be undesirable.

Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN s limited liability company agreement limits the fiduciary duties owed by LINN s officers and directors to its unitholders, including us.

The terms of our shares may be changed in ways you may not like, because our board of directors will have the power to change the terms of our shares in ways our board determines are not materially adverse to you.

Our shares may trade at a substantial discount to the trading price of LINN units.

Tax Risks to Shareholders

If LINN were subject to a material amount of entity-level income taxes or similar taxes, whether as a result of being treated as a corporation for U.S. federal income tax purposes or otherwise, the value of LINN units would be substantially reduced and, as a result, the value of our shares could be substantially reduced.

Management of LinnCo

LINN owns our sole voting share (the voting share, and collectively with any additional shares of the same class issued in the future, the voting shares) and will be entitled to elect our entire board of directors.

Our initial board of directors will be identical to LINN s board of directors, and all of our officers are also officers of LINN. Our shareholders will be able to indirectly vote on matters on which LINN unitholders are entitled to vote. Our shareholders are not entitled to vote to elect our directors. Under NASDAQ s listing rules, we are considered a controlled company such that our board of directors will be exempt from the requirement that it have a majority of independent directors meeting the NASDAQ s independence standards. We will, however, be required to have an audit committee of the board of directors composed entirely of independent directors. At the completion of this offering, our board of directors will be comprised of seven directors, including five independent directors constituting our audit committee. For information about our executive officers and directors, please read Management beginning on page 108.

Comparison of LINN Units with LinnCo Shares

You should be aware of the following ways in which an investment in LINN units is different from an investment in our shares. The table below should be read together with Description of Our Shares, Description of the LINN Units, Description of the Limited Liability Company Agreements, and Material U.S. Federal Income Tax Consequences.

	LINN Units	LinnCo Shares
Business and Assets	LINN is in the business of acquiring and developing oil and natural gas assets.	Our sole purpose is to own LINN units. We will not have any other assets at closing and do not intend to own assets other than LINN units and reserves for income taxes payable by us. As a result, our financial condition and results of operations will depend entirely on the performance of LINN.

Table of Contents

Index to Financial Statements

	LINN Units	LinnCo Shares
Voting	Unitholders have the right to vote with respect to the election of LINN s board of directors, certain amendments to its limited liability company agreement, the merger of LINN or the sale of all or substantially all of its assets and the dissolution and winding up of LINN.	We will submit to a vote of our shareholders any matter submitted by LINN to a vote of its unitholders. We will vote the LINN units that we hold in the same manner as the owners of our shares vote (or refrain from voting) their shares on those matters. In addition, our shareholders will be entitled to vote on certain fundamental matters affecting us, such as certain amendments to our limited liability company agreement or the Omnibus Agreement (as defined below), certain mergers, the sale of all or substantially all of our assets and in certain cases, our dissolution and winding up.
		LINN, as the holder of our sole voting share, will have the right to elect the members of our board of directors, and our shareholders will have no right to vote in that election.
Board of Directors and Officers	LINN s business and affairs are managed under the direction of LINN s board of directors, which has the power to appoint our officers.	Our initial board of directors will be composed of the same members as LINN s board of directors, and our initial officers will be the same individuals who serve as officers of LINN.
	The authority and function of LINN s board of directors and officers is, with certain exceptions, identical to the authority and functions of a board of directors and officers of a corporation organized under the General Corporation Law of the State of Delaware, or DGCL.	Our business and affairs will be managed under the direction of our board of directors, which has the power to appoint our officers.
		The authority and function of our board of directors and officers will be identical to the authority and functions of a board of directors and officers of a corporation organized under the DGCL, except for certain limitations on their fiduciary duties. Please read Description of Limited Liability Company Agreements Our Limited Liability Company Agreement Fiduciary Duties on page 148.

Table of Contents

Index to Financial Statements

	LINN Units	LinnCo Shares
Distributions and Dividends	On a quarterly basis, LINN is required to distribute to the owners of its units an amount equal to its available cash.	On a quarterly basis, LinnCo is required to pay a dividend equal to the amount of cash received from LINN in respect of the LINN units owned by LinnCo, less reserves for income taxes payable by LinnCo.
		We will incur corporate income tax liability on income allocated to us by LINN with respect to LINN units we own. Accordingly, the quarterly cash dividend you receive will be less than the quarterly per unit distribution of cash that we receive from LINN. For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that LinnCo s income tax liability will be between 2% and 5% of the cash distributed to LinnCo.
Income Tax	LINN is taxed as a partnership for U.S. federal income tax purposes.	Our federal taxable income will be subject to a corporate level tax at a maximum rate of 35%, under current law (and a 20% alternative minimum tax on our alternative minimum taxable income in certain cases), and we may be liable for state income taxes at varying rates in states in which LINN operates.
	Although LINN is not subject to entity level federal income tax, each unitholder is required to report as income his allocable share of LINN s income, gains, losses and deductions for LINN s taxable year or years ending with or within his taxable year.	Our shareholders will be subject to U.S. federal income tax, as well as any applicable state or local income tax, on taxable dividends received by them, or on any gain when they sell our shares. Our shareholders will not report our items of income, gain, loss and deduction on their U.S. federal income tax returns. We estimate that for each of the periods ending December 31, 2012, 2013, 2014 and 2015, you will recognize an amount of taxable dividend income that will be between 0% and 60% of the cash dividends paid to you during each such period. The excess of the cash dividends that you receive over your taxable dividend income during each such period will reduce your tax basis in your shares, or will be taxable as capital gain to the extent they exceed your tax basis in your shares.

Table of Contents

Index to Financial Statements

	LINN Units	LinnCo Shares
Taxation Schedules	Unitholders receive a Schedule K-1 from LINN reflecting the unitholders share of LINN s items of income, gain, loss, and deduction.	Like shareholders of a corporation, LinnCo shareholders will receive a Form 1099-DIV reflecting dividends of cash or other property we paid to them. Our shareholders will not receive a Schedule K-1 from us because they will not be allocated our items of income, gain, loss, and deduction.
	Any net income or gain of LINN allocated to a tax-exempt organization, including an employee benefit plan, will constitute unrelated business taxable income of that organization.	A tax-exempt organization, including an employee benefit plan, generally will not have unrelated business taxable income upon the receipt of dividends from us.
	Net income and gain from LINN units generally will be qualifying income to a regulated investment company or mutual fund, subject to certain limitations that do not apply to income or gain with respect to stock of a corporation.	Dividend income and gain from our shares generally will be qualifying income to a regulated investment company or mutual fund.

Table of Contents

Index to Financial Statements

Ownership of LINN

The following diagram depicts LINN s simplified organizational and ownership structure after giving effect to this offering and to the subsequent purchase of LINN units by us.

Public Units (199,607,250)(1)	86.8%
Units held by LinnCo (30,250,000)	13.2%
Total	100%

(1) As of September 25, 2012.

Principal Executive Offices and Internet Address

Our principal executive offices are located at 600 Travis, Suite 5100, Houston, Texas 77002, and our telephone number is (281) 840-4000. Our website is located at *www.linnco.com* and will be activated immediately following this offering. We expect to make available our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, which we refer to as the SEC, free of charge through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference herein and does not constitute a part of this prospectus.

Table of Contents

Index to Financial Statements

The Offering

LinnCo	We are a Delaware limited liability company recently formed to hold units of LINN.
Shares offered to the public	30,250,000 shares, or 34,787,500 shares if the underwriters exercise their option to purchase additional shares in full.
Shares outstanding after this offering	30,250,000 shares (or 34,787,500 shares if the underwriters exercise their option to purchase additional shares in full) representing a 100% economic interest in us.
	One voting share of LinnCo owned by LINN. Our voting share is a non-economic interest.
LINN units held by LinnCo after this offering	30,250,000 units (or 34,787,500 units if the underwriters exercise their option to purchase additional shares in full) representing a 13.2% limited liability company interest in LINN.
Use of proceeds	We will use all of the net proceeds from this offering of approximately \$1.191 billion (\$1.370 billion if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and the structuring fee, to purchase from LINN a number of LINN units equal to the number of shares sold in this offering. LINN will pay the expenses of this offering.
	LINN will use the proceeds it receives from the sale of LINN units to repay debt outstanding under its revolving credit facility and pay the estimated expenses of this offering.
	Affiliates of certain of the underwriters in this offering are lenders under LINN s revolving credit facility and, accordingly, will indirectly receive a portion of the net proceeds from this offering. Please read Underwriting (Conflicts of Interest) Affiliations and Conflicts of Interest.
Proposed NASDAQ symbol	Our shares have been approved for listing on the NASDAQ Global Select Market under the symbol LNCO.
Our dividend policy	Our limited liability company agreement requires us to pay dividends on our shares of the cash we receive as distributions in respect of our LINN units, net of reserves for income taxes payable by us, within five business days after we receive such distributions.

LINN distribution policy	LINN s limited liability company agreement requires it to make quarterly distributions to unitholders of all of its available cash, which is defined to mean, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by the LINN board of directors to: provide for the proper conduct of business (including reserves for future capital expenditures, future debt service requirements, and for anticipated credit needs); and comply with applicable laws, debt instruments or other agreements; plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made.
U.S. federal income tax matters associated with our shares	Because we will be treated as a corporation for U.S. federal income tax purposes, our shareholders will receive a Form 1099-DIV and will be subject to federal income tax, as well as any applicable state or local income tax, on taxable dividends paid to them. An owner of our shares will not report on its U.S. federal income tax return any of our items of income, gain, loss and deduction. An owner of our shares will not receive a Schedule K-1 and will not be subject to state tax filings in the various states in which LINN conducts business as a result of owning our shares. A tax-exempt investor s ownership or sale of our shares generally will not generate income derived from an unrelated trade or business regularly carried on by the tax-exempt investor, which generally is referred to as unrelated business taxable income, or UBTI. The ownership or sale of our shares by a regulated investment company, or mutual fund, will generate qualifying income to it. Furthermore, the ownership of our shares by a mutual fund will be treated as a qualifying asset. There generally will be no taxes imposed on gain from the sale of our shares by a non-U.S. person provided it has owned no more than 5% of our shares and our shares are regularly traded on a nationally recognized securities exchange. Dividends to non-U.S. persons will be subject to withholding tax of 30% (or a lower treaty rate, if applicable). See Material U.S. Federal Income Tax Consequences.
Our covenants	Our limited liability company agreement provides that our activities will generally be limited to owning LINN units. It requires that our issuance of shares of classes other than (i) the class of shares being sold in this offering, (ii) the class of voting shares currently owned by LINN and (iii) derivative securities issued under employee benefit plans, be approved by the owners of our outstanding voting and common shares, voting as separate classes, and further includes covenants that prohibit us from (otherwise than in connection with a Terminal Transaction): borrowing money or issuing debt;

Table of Contents

Index to Financial Statements

- selling, pledging or otherwise transferring any LINN units;
- issuing options, warrants or other securities entitling the holder to purchase our shares (other than in connection with employee benefit plans);
- liquidating, merging (other than to effect a mere change in legal form) or recapitalizing;
- revoking or changing our election to be treated as a corporation for U.S. federal income tax purposes; or
- using the proceeds from sales of our shares other than to purchase LINN units; or
- agreeing to any amendment to the Omnibus Agreement that has a material adverse effect on the preferences or rights of any shareholder, other than any amendment that (A) effects the intent of the provisions of the Omnibus Agreement, (B) facilitates the ability of the shareholders to obtain the benefits of, or otherwise facilitates the consummation of, a Terminal Transaction, (C) reflects any change in circumstances as a result of certain non-cash mergers involving LINN, or (D) the board of directors determines will not have a material adverse effect on the preferences or rights of the shares.

See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement. In addition, these provisions can be amended or waived by the owners of our shares as described under Voting rights below.

Relationship with LINN

Under our limited liability company agreement, LINN has agreed that neither it nor any of its subsidiaries will take any action that would result in LINN and its subsidiaries ceasing to control LinnCo, except in connection with a Terminal Transaction.

Under an Omnibus Agreement between LINN and us (the Omnibus Agreement), LINN will pay on our behalf (directly or indirectly) any legal, accounting, tax advisory, financial advisory and engineering fees, printing costs or other administrative and out-of-pocket expenses we incur, along with any other expenses incurred in connection with this offering or incurred as a result of being a publicly traded entity, including costs associated with annual, quarterly and other reports to holders of our shares, tax return and Form 1099 preparation and distribution, NASDAQ listing fees, printing costs, independent auditor fees and expenses, legal counsel fees and expenses, limited liability company governance and compliance expenses and registrar and transfer agent fees. LINN will also agree to indemnify us and our officers and directors for damages suffered or costs incurred (other than income taxes payable by us) in connection with carrying out our activities. Finally, LINN has granted us a license to utilize its trademarks.

Table of Contents

Index to Financial Statements

These covenants can be amended or waived by the owners of our shares as described under Voting rights below.

Terminal Transactions involving LINN

Mergers. If the LINN unitholders are asked to approve a merger of LINN with another entity, we will submit the merger to a vote of our shareholders and will vote our LINN units in the same manner that our shareholders vote (or refrain from voting) their shares.

Cash Consideration. In a merger involving LINN in which unitholders receive cash, you will be entitled to receive any cash we receive for our LINN units, net of reserves for income taxes payable by us.

Non-Cash Consideration. In a merger involving LINN in which securities of another entity are exchanged for all of the outstanding LINN units, you will be entitled to receive the securities received in connection with such merger (other than securities sold by LINN to establish reserves for income taxes payable by us) and we will dissolve and wind up our affairs, unless:

- LINN s successor would be treated as a partnership for U.S. federal income tax purposes; and

- the surviving entity agrees to assume the obligations of LINN under our limited liability company agreement and the Omnibus Agreement.

Tender Offers. If a third party makes a tender offer for LINN units, LINN may, but will not be obligated to, cooperate with such third party to make a tender offer to our shareholders or otherwise facilitate participation of our shareholders in the tender offer for LINN units.

Going Private Transaction. If at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding LINN units at a price equal to the higher of the current market price (as defined in LINN s limited liability company agreement) and the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election. In this case, we will be required to tender all of our outstanding LINN units and distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs.

Sale of All or Substantially All of LINN s Assets. If LINN sells all or substantially all of its assets in one or more transactions for cash and makes a distribution of such cash to its unitholders, we will distribute the cash we receive, net of income taxes payable by us, to our shareholders.

Table of Contents

Index to Financial Statements

Change in Tax Treatment of LINN. If LINN or its successor ceases to be treated as a partnership for U.S. federal income tax purposes, LINN or such successor will have the right to cause us to merge with and into LINN, in which case each of our shareholders will receive distributions in kind of LINN units and other property we own, if any, after payments to creditors and satisfaction of other obligations.

The transactions described above are referred to as Terminal Transactions.

Limited call rights

If LINN or any of its affiliates owns 80% or more of our outstanding shares, LINN has the right, which it may assign to any of its affiliates, to purchase all of our outstanding shares, at a purchase price not less than the greater of the then-current market price of our shares and the highest price paid for our shares by LINN or one of its affiliates in the prior 90 days.

If any person acquires more than 90% of the outstanding LINN units, such person may require us to tender all of our outstanding LINN units, in which case we will distribute the cash we receive to our shareholders. Following such distribution, we will cancel all of our outstanding shares and dissolve and wind up our affairs. See Terminal Transactions involving LINN above.

Voting rights

We will submit to a vote of the owners of our shares any matter submitted to us by LINN for a vote of the LINN units held by us. We will vote the LINN units that we own in the same manner that the owners of our shares vote (or refrain from voting) their shares. The LINN units we hold will have the same voting rights as all other LINN units.

Owners of the shares being sold in this offering will have no right to elect our directors. LINN owns the sole voting share entitled to elect our directors, which we refer to as the voting share, and which has no economic interest in us. Owners of the shares of the class being sold in this offering are entitled to vote on the following matters related to us:

- amendments to our limited liability company agreement and the Omnibus Agreement with LINN, but only if the amendment would have a material adverse effect on the preferences or rights of our shareholders (as determined by our board of directors), would reduce the time for any notice to which the owners of our shares are entitled, enlarges the obligations of our shareholders, alters the circumstances under which LinnCo could be dissolved or wound up or changes the term of existence of LinnCo;

- an amendment or waiver of LINN s covenant regarding its continued ownership of more than 50% of the total voting power of LinnCo;

- an amendment or waiver of the covenants described above under Our covenants ;

Table of Contents

Index to Financial Statements

- our issuance of classes of shares other than shares of the class being sold in this offering, the class of the voting share currently owned by LINN and derivative securities issued under employee benefit plans;
- a merger of LinnCo or the sale of all or substantially all of our assets (other than in connection with a Terminal Transaction or to effect a mere change in legal form);
- our dissolution (other than in connection with a Terminal Transaction); and
- changes to our limited liability company agreement that would alter, amend, repeal or be inconsistent with certain fundamental rights of our shareholders, including their voting rights with respect to us and their pass-through voting rights with respect to LINN.

The matters described above also require approval by the holders of a majority of our voting shares.

Ratio of LinnCo shares to LINN units	Our limited liability company agreement requires that the number of our outstanding shares and the number of LINN units we own always be equal.
Conflicts of Interest	As described under Use of Proceeds, a substantial portion of the net proceeds from this offering will be used in the form of LINN s repayment of borrowings under its credit facility. Affiliates of most of the underwriters are lenders under LINN s credit facility and, accordingly, each will ultimately receive their pro rata share of such repayment. Because an affiliate of Wells Fargo Securities, LLC will receive more than 5% of the net proceeds of this offering due to such repayment, Wells Fargo Securities, LLC is deemed to have a conflict of interest under Rule 5121 (Rule 5121) of the Financial Industry Regulatory Authority, Inc. (FINRA). Accordingly, this offering will be conducted in accordance with Rule 5121, which requires, among other things, that a qualified independent underwriter has participated in the preparation of, and has exercised the usual standards of due diligence with respect to, the registration statement and this prospectus. Barclays Capital Inc. has agreed to act as qualified independent underwriter for the offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act of 1933, as amended, specifically including those inherent in Section 11 of the Securities Act. See Use of Proceeds and Underwriting (Conflicts of Interest) Affiliations and Conflicts of Interest.

Table of Contents

Index to Financial Statements

Summary Historical and Pro Forma Financial and Operating Data of LINN

The following table shows summary historical and pro forma financial and operating data of LINN as of the dates and for the periods indicated. The selected historical financial data presented as of December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 are derived from the historical audited financial statements that are included elsewhere in this prospectus. The selected historical financial data of LINN presented as of June 30, 2012 and for the six months ended June 30, 2011 and 2012 are derived from the unaudited interim financial statements that are included elsewhere in this prospectus. The summary pro forma financial data presented for the year ended December 31, 2011 and the six months ended June 30, 2012 are derived from the unaudited pro forma condensed combined financial statements that are included elsewhere in this prospectus. The pro forma financial data presented as of June 30, 2012 gives effect to the Green River Acquisition as if it had been completed as of June 30, 2012, and the pro forma financial data presented for the year ended December 31, 2011 and the six months ended June 30, 2012 give effect to the Green River Acquisition and the Hugoton Acquisition as if they had been completed as of January 1, 2011 and certain other 2011 acquisitions as if they had been completed as of January 1, 2010. The following table should be read together with, and is qualified in its entirety by reference to, the historical and unaudited financial statements and the accompanying notes included elsewhere in this prospectus. The table should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

The unaudited pro forma financial statements do not purport to represent what LINN s results of operations would have actually been had such acquisitions occurred on the dates noted above, or to project LINN s results of operations as of any future date or for any future periods. The pro forma adjustments are based on available information and certain assumptions that LINN believes are reasonable. The adjustments are directly attributable to the acquisition of oil and natural gas properties from the Green River Acquisition, Hugoton Acquisition and certain other 2011 acquisitions and are expected to have a continuing impact on LINN s results of operations. In our opinion, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial statements have been made.

Table of Contents

Index to Financial Statements

Because of rapid growth through acquisitions and development of properties, LINN s historical results of operations and period-to-period comparisons of these results and certain other financial data may not be meaningful or indicative of future results. The results of LINN s Appalachian Basin and Mid Atlantic Well Service, Inc. operations, which were disposed of in 2008, are classified as discontinued operations, due to post-closing adjustments, for the year ended December 31, 2009. Unless otherwise indicated, results of operations information presented herein relates only to continuing operations.

	Historical			Pro Forma	Historical		Pro Forma
	At or for the Year Ended December 31,			For the Year Ended December 31,	At or for the Six Months Ended June 30,		For the Six Months Ended June 30,
	2009	2010	2011	2011	2011	2012	2012
				(Unaudited)	(Unaudited)		(Unaudited)
	(in thousands, except per unit amounts)						
Statement of operations data:							
Oil, natural gas and natural gas liquids sales	$ 408,219	$ 690,054	$ 1,162,037	$ 1,961,964	$ 543,097	$ 696,122	$ 839,659
Gains (losses) on oil and natural gas derivatives	(141,374)	75,211	449,940	449,940	(163,961)	441,678	441,678
Depreciation, depletion and amortization	201,782	238,532	334,084	511,880	145,711	260,782	315,027
Interest expense, net of amounts capitalized	92,701	193,510	259,725	381,564	125,825	171,909	202,305
Income (loss) from continuing operations	(295,841)	(114,288)	438,439	639,664	(209,573)	230,884	219,840
Income (loss) from discontinued operations, net of taxes(1)	(2,351)						
Net income (loss)	(298,192)	(114,288)	438,439	639,664	(209,573)	230,884	219,840
Income (loss) per unit continuing operations:							
Basic	(2.48)	(0.80)	2.52	3.65	(1.25)	1.17	1.11
Diluted	(2.48)	(0.80)	2.51	3.64	(1.25)	1.16	1.11
Income (loss) per unit discontinued operations:							
Basic	(0.02)						
Diluted	(0.02)						
Net income (loss) per unit:							
Basic	(2.50)	(0.80)	2.52	3.65	(1.25)	1.17	1.11
Diluted	(2.50)	(0.80)	2.51	3.64	(1.25)	1.16	1.11
Distributions declared per unit	2.52	2.55	2.70		1.32	1.415	
Weighted average units outstanding:							
Basic	119,307	142,535	172,004	173,728	169,104	195,382	195,382
Diluted	119,307	142,535	172,729	174,453	169,104	196,039	196,039

Table of Contents

Index to Financial Statements

	Historical At or for the Year Ended December 31,			Historical At or for the Six Months Ended June 30,		Pro Forma
	2009	2010	2011	2011	2012	At June 30, 2012
				(Unaudited)		(Unaudited)
		(in thousands)		(in thousands)		(in thousands)
Cash flow data:						
Net cash provided by (used in):						
Operating activities(2)	$ 426,804	$ 270,918	$ 518,706	$ 303,762	$ (122,429)	
Investing activities	(282,273)	(1,581,408)	(2,130,360)	(1,081,736)	(2,265,931)	
Financing activities	(150,968)	1,524,260	1,376,767	611,741	2,389,129	
Balance sheet data:						
Total assets	$ 4,340,256	$ 5,933,148	$ 8,000,137		$ 11,180,102	$ 11,907,340
Long-term debt	1,588,831	2,742,902	3,993,657		6,005,547	6,687,838
Unitholders capital	2,452,004	2,788,216	3,428,910		4,131,663	4,131,663

(1) Includes gains (losses) on sale of assets, net of taxes.

(2) Includes premiums paid for derivatives of approximately $94 million, $120 million and $134 million for the years ended December 31, 2009, December 31, 2010 and December 31, 2011, respectively, and approximately $583 million for the six months ended June 30, 2012.

[Table of Contents](#)

[Index to Financial Statements](#)

Summary Reserve and Operating Data

The following table presents summary unaudited operating data with respect to LINN s production and sales of oil and natural gas for the periods presented and summary information with respect to LINN s estimated proved oil and natural gas reserves at year end. DeGolyer and MacNaughton, independent petroleum engineers, provided the estimates of LINN s proved oil and natural gas reserves as of December 31, 2009, 2010 and 2011 set forth below.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	**2010**	**2011**	**2011**	**2012**
Average daily production continuing operations:					
Natural gas (MMcf/d)	125	137	175	163	273
Oil (MBbls/d)	9.0	13.1	21.5	19.3	27.2
NGL (MBbls/d)	6.5	8.3	10.8	9.3	19.1
Total (MMcfe/d)	218	265	369	335	550
Weighted average prices (hedged):(1)					
Natural gas ($/Mcf)	$ 8.27	$ 8.52	$ 8.20	$ 8.68	$ 5.93
Oil ($/Bbl)	110.94	94.71	89.21	88.35	92.86
NGL ($/Bbl)	28.04	39.14	42.88	44.70	33.21
Expenses ($/Mcfe):					
Lease operating expenses	$ 1.67	$ 1.64	$ 1.73	$ 1.69	$ 1.42
Transportation expenses	0.23	0.20	0.21	0.20	0.32
General and administrative expenses(2)	1.08	1.02	0.99	1.02	0.84
Depreciation, depletion and amortization	2.53	2.46	2.48	2.40	2.60
Taxes, other than income taxes	0.35	0.47	0.58	0.59	0.56

	2009	**2010**	**2011**
Estimated proved reserves continuing operations:(3)			
Natural gas (Bcf)	774	1,233	1,675
Oil (MMBbls)	102	156	189
NGL (MMBbls)	54	71	94
Total (Bcfe)	1,712	2,597	3,370
Percent proved developed reserves (%)	71%	64%	60%
Estimated reserve life (in years)(4)	22	23	22
Standardized measure of discounted future net cash flows ($ in millions)(5)	$ 1,723	$ 4,224	$ 6,615

(1) Includes the effect of realized gains on derivatives of approximately $401 million (excluding $49 million realized net gains on canceled contracts), $308 million, $230 million (excluding $27 million realized gains on canceled contracts), $98 million and $173 million (excluding approximately $18 million realized gain on recovery of bankruptcy claim) for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively.

(2) General and administrative expenses for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012 include approximately $15 million, $13 million, $21 million, $11 million and $14 million of noncash unit-based compensation expenses, respectively. General and administrative expenses excluding these amounts were $0.90 per Mcfe, $0.88 per Mcfe, $0.83 per Mcfe, $0.85 per Mcfe and $0.70 per Mcfe for the years ended December 31, 2009, 2010 and 2011 and the six months ended June 30, 2011 and 2012, respectively. This is a non-GAAP measure used by LINN s management to analyze its performance.

Table of Contents

Index to Financial Statements

(3) In accordance with SEC regulations, reserves at December 31, 2009, 2010 and 2011 were estimated using the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The price used to estimate reserves is held constant over the life of the reserves.

(4) Based on annualized average daily production from continuing operations for the fourth quarter of each respective year.

(5) Standardized measure of discounted future net cash flows is the present value of estimated future net revenues to be generated from the production of proved reserves, discounted using an annual discount rate of 10% and determined in accordance with the rules and regulations of the SEC without giving effect to non-property related expenses such as general and administrative expenses, debt service, future income tax expenses or depreciation, depletion and amortization. Standardized measure of discounted future net cash flows does not give effect to derivative transactions. However, LINN estimates the discounted present value, or PV-10, of its approximately 3.4 Tcfe of proved reserves at December 31, 2011, to be approximately $7.1 billion, based on oil and natural gas hedge values for 2012-2016 and strip prices as of December 31, 2011. This calculation of PV-10 differs from the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC in that it is presented including the impacts of commodity derivatives and current strip prices, rather than market prices and without giving effect to derivatives. LINN calculates PV-10 in this manner because a large percentage of its forecasted oil and natural gas production is hedged for multiple-year periods, and management therefore believes that LINN s PV-10 calculation more accurately reflects the discounted present value of its estimated future net revenues. The information used to calculate PV-10 is not derived directly from data determined in accordance with authoritative accounting guidance regarding disclosure about oil and natural gas producing activities. LINN s calculation of PV-10 should not be considered as an alternative to the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC. For a reconciliation of PV-10 to the standardized measure of discounted future net cash flows see PV-10.

Table of Contents

Index to Financial Statements

Non-GAAP Financial Measures

LINN defines adjusted EBITDA as net income (loss) plus the following adjustments:

- Net operating cash flow from acquisitions and divestitures, effective date through closing date;
- Interest expense;
- Depreciation, depletion and amortization;
- Impairment of long-lived assets;
- Write-off of deferred financing fees;
- (Gains) losses on sale of assets and other, net;
- Provision for legal matters;
- Loss on extinguishment of debt;
- Unrealized (gains) losses on commodity derivatives;
- Unrealized (gains) losses on interest rate derivatives;
- Realized (gains) losses on interest rate derivatives;
- Realized (gains) losses on canceled derivatives;
- Realized gain on recovery of bankruptcy claim;
- Unit-based compensation expenses;
- Exploration costs;

Income tax (benefit) expense; and

Discontinued operations.

Adjusted EBITDA is a measure used by LINN s management to indicate (prior to the establishment of any reserves by the board of directors) the cash distributions LINN expects to make to its unitholders. Adjusted EBITDA is also a quantitative measure used throughout the investment community with respect to publicly traded partnerships and limited liability companies.

[Table of Contents](#)

[Index to Financial Statements](#)

The following table presents a reconciliation of net income (loss) to adjusted EBITDA (unaudited):

	Year Ended December 31, 2009	2010	2011	Six Months Ended June 30, 2011	2012
			(in thousands)		
Net income (loss)	$ (298,192)	$ (114,288)	$ 438,439	$ (209,573)	$ 230,884
Plus:					
Net operating cash flow from acquisitions and divestitures, effective date through closing date	3,708	42,846	57,966	36,359	45,127
Interest expense, cash	74,185	129,691	249,085	125,181	129,652
Interest expense, noncash	18,516	63,819	10,640	644	42,257
Depreciation, depletion and amortization	201,782	238,532	334,084	145,711	260,782
Impairment of long-lived assets		38,600			146,499
Write-off of deferred financing fees	204	2,076	1,189	1,189	7,889
(Gains) losses on sale of assets and other, net	(23,051)	3,008	124	(916)	991
Provision for legal matters		4,362	1,086	740	795
Loss on extinguishment of debt			94,612	94,372	
Unrealized (gains) losses on commodity derivatives	591,379	232,376	(192,951)	261,851	(250,406)
Unrealized (gains) losses on interest rate derivatives	(16,588)	(63,978)			
Realized losses on interest rate derivatives	42,881	8,021			
Realized (gains) losses on canceled derivatives	(48,977)	123,865	(26,752)		
Realized gain on recovery of bankruptcy claim					(18,277)
Unit-based compensation expenses	15,089	13,792	22,243	11,181	14,834
Exploration costs	7,169	5,168	2,390	995	817
Income tax (benefit) expense	(4,221)	4,241	5,466	5,868	9,430
Discontinued operations	2,351				
Adjusted EBITDA	$ 566,235	$ 732,131	$ 997,621	$ 473,602	$ 621,274

Table of Contents

Index to Financial Statements

PV-10

PV-10 represents the present value, discounted at 10% per year, of estimated future net revenues. LINN s calculation of PV-10 differs from the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC in that it is presented including the impacts of its oil and natural gas hedge values for 2012-2016 and strip prices as of December 31, 2011, rather than the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, and without giving effect to derivatives. LINN calculates PV-10 value in this manner because such a large percentage of its forecasted oil and natural gas production is hedged for multiple-year periods, and management therefore believes that its PV-10 calculation more accurately reflects the value of its estimated future net revenues. The information used to calculate PV-10 is not derived directly from data determined in accordance with the provisions of applicable accounting standards. LINN s calculation of PV-10 should not be considered as an alternative to the standardized measure of discounted future net cash flows determined in accordance with the rules and regulations of the SEC. The following presents a reconciliation of standardized measure of discounted future net cash flows to LINN s calculation of PV-10 at December 31, 2011 (in millions):

Standardized measure of discounted future net cash flows	$ 6,615
Plus: Difference due to oil and natural gas hedge prices and strip prices for unhedged volumes	450
PV-10	$ 7,065

Table of Contents

Index to Financial Statements

RISK FACTORS

An investment in our shares involves risks. You should carefully consider the following risk factors together with all of the other information included in this prospectus in evaluating an investment in our shares. If certain of the following risks were to occur, LINN s business, financial condition or results of operations, and ours, as a result, could be materially adversely affected. In that case, LINN might not be able to pay any distribution on its units, the trading price of our shares could decline and you could lose all or part of your investment in us. In addition, if certain of the following risks were to occur, our financial condition or the price of our shares could be materially adversely affected.

Risks Related to LINN s Business

LINN actively seeks to acquire oil and natural gas properties. Acquisitions involve potential risks that could adversely impact its future growth and its ability to increase or pay distributions at the current level, or at all.

Any acquisition involves potential risks, including, among other things:

- the risk that reserves expected to support the acquired assets may not be of the anticipated magnitude or may not be developed as anticipated;
- the risk of title defects discovered after closing;
- inaccurate assumptions about revenues and costs, including synergies;
- significant increases in LINN s indebtedness and working capital requirements;
- an inability to transition and integrate successfully or timely the businesses LINN acquires;
- the cost of transition and integration of data systems and processes;
- the potential environmental problems and costs;
- the assumption of unknown liabilities;
- limitations on rights to indemnity from the seller;
- the diversion of management s attention from other business concerns;
- increased demands on existing personnel and on the corporate structure;

- disputes arising out of acquisitions;
- customer or key employee losses of the acquired businesses; and
- the failure to realize expected growth or profitability.

The scope and cost of these risks may ultimately be materially greater than estimated at the time of the acquisition. Further, LINN s future acquisition costs may be higher than those it has achieved historically. Any of these factors could adversely impact its future growth and its ability to increase or pay distributions.

If LINN does not make future acquisitions on economically acceptable terms, then its growth and ability to increase distributions will be limited.

LINN s ability to grow and to increase distributions to its unitholders is partially dependent on its ability to make acquisitions that result in an increase in available cash flow per unit. It may be unable to make such acquisitions because it is:

- unable to identify attractive acquisition candidates or negotiate acceptable purchase contracts with them;
- unable to obtain financing for these acquisitions on economically acceptable terms; or
- outbid by competitors.

Table of Contents

Index to Financial Statements

In any such case, LINN s future growth and ability to increase distributions will be limited. Furthermore, even if LINN does make acquisitions that it believes will increase available cash flow per unit, these acquisitions may nevertheless result in a decrease in available cash flow per unit.

LINN has significant indebtedness under its Senior Notes and from time to time, its Credit Facility. The Credit Facility and the indentures governing the Senior Notes have substantial restrictions and LINN may have difficulty obtaining additional credit, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders, including us.

On a pro forma basis giving effect to this offering and the increase in LINN s borrowing base in July 2012, as of June 30, 2012, LINN had an aggregate of approximately $6.7 billion in outstanding senior notes (Senior Notes) and borrowings under its Fifth Amended and Restated Credit Agreement (Credit Facility) with approximately $963 million of additional borrowing capacity under its Credit Facility, which includes a $4 million reduction in availability for outstanding letters of credit and a $200 million reduction in availability related to a restriction on swap agreements outstanding associated with the Green River Acquisition, which no longer applies since the acquisition has closed. As a result of its indebtedness, LINN will use a portion of its cash flow to pay interest and principal when due, which will reduce the cash available to finance its operations and other business activities and could limit its flexibility in planning for or reacting to changes in its business and the industry in which it operates.

The Credit Facility restricts LINN s ability to incur additional indebtedness, create liens on its properties, make distributions, make investments, sell assets, enter into commodity and interest rate derivative contracts and engage in business combinations. LINN is also required to demonstrate compliance quarterly with certain financial covenants and ratios, including a ratio of EBITDA to Interest Expense of 2.5 to 1.0 and a Current Ratio of 1.0 to 1.0 (as such terms are defined in the Credit Facility which is filed as an exhibit to our registration statement filed with the SEC in connection with this offering). Its ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from its operations and events or circumstances beyond its control. LINN s failure to comply with any of the above restrictions and covenants could result in an event of default, which, if it continues beyond any applicable cure periods, could cause all of its existing indebtedness to be immediately due and payable.

LINN depends, in part, on its Credit Facility for future capital needs. LINN has drawn on its Credit Facility to fund or partially fund quarterly cash distribution payments, since it uses operating cash flow primarily for drilling and development of oil and natural gas properties and acquisitions and borrows as cash is needed. Absent such borrowing, it would have at times experienced a shortfall in cash available to pay its declared quarterly cash distribution amount. If there is a default by LINN under its Credit Facility that continues beyond any applicable cure period, it would be unable to make borrowings to fund distributions. In addition, LINN may finance acquisitions through borrowings under its Credit Facility or the incurrence of additional debt. To the extent that LINN is unable to incur additional debt under its Credit Facility or otherwise because it is not in compliance with the financial covenants in the Credit Facility, it may not be able to complete acquisitions, which could adversely affect its ability to maintain or increase distributions. Furthermore, to the extent LINN is unable to refinance its Credit Facility on terms that are as favorable as those in its existing Credit Facility, or at all, its ability to fund its operations and its ability to pay distributions could be affected.

The borrowing base under LINN s Credit Facility is determined semi-annually at the discretion of the lenders and is based in part on oil, natural gas and NGL prices. Significant declines in oil, natural gas or NGL prices may result in a decrease in its borrowing base. The lenders can unilaterally adjust the borrowing base and therefore the borrowings permitted to be outstanding under the Credit Facility. Any increase in the borrowing base requires the consent of all the lenders. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or LINN must pledge other properties as additional collateral. LINN does not currently have substantial unpledged properties, and it may not have the financial resources in the future to make any mandatory principal prepayments required under the Credit Facility. Significant declines in LINN s production or significant declines in realized oil, natural gas or NGL prices for prolonged periods and resulting decreases in its borrowing base may force it to reduce or suspend distributions to its unitholders.

Table of Contents

Index to Financial Statements

LINN s ability to access the capital and credit markets to raise capital and borrow on favorable terms will be affected by disruptions in the capital and credit markets, which could adversely affect its operations, its ability to make acquisitions and its ability to pay distributions to its unitholders.

Disruptions in the capital and credit markets could limit LINN s ability to access these markets or significantly increase its cost to borrow. Some lenders may increase interest rates, enact tighter lending standards, refuse to refinance existing debt at maturity on favorable terms or at all and may reduce or cease to provide funding to borrowers. If LINN is unable to access the capital and credit markets on favorable terms, its ability to make acquisitions and pay distributions could be affected.

LINN s variable rate indebtedness subjects it to interest rate risk, which could cause its debt service obligations to increase significantly.

Borrowings under LINN s Credit Facility bear interest at variable rates and expose LINN to interest rate risk. If interest rates increase and LINN is unable to effectively hedge its interest rate risk, its debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and its net income and cash available for servicing its indebtedness would decrease.

Increases in interest rates could adversely affect the demand for LINN s units.

An increase in interest rates may cause a corresponding decline in demand for equity investments, in particular for yield-based equity investments such as LINN units. Any such reduction in demand for LINN units resulting from other more attractive investment opportunities may cause the trading price of LINN units to decline.

LINN s commodity derivative activities could result in financial losses or could reduce its income, which may adversely affect its ability to pay distributions to its unitholders.

To achieve more predictable cash flow and to reduce its exposure to adverse fluctuations in the prices of oil and natural gas, LINN enters into commodity derivative contracts for a significant portion of its production. Commodity derivative arrangements expose it to the risk of financial loss in some circumstances, including situations when production is less than expected. If LINN experiences a sustained material interruption in its production or if it is unable to perform its drilling activity as planned, it might be forced to satisfy all or a portion of its derivative obligations without the benefit of the cash flow from its sale of the underlying physical commodity, resulting in a substantial reduction of its liquidity, which may adversely affect its ability to pay distributions to its unitholders.

Counterparty failure may adversely affect LINN s derivative positions.

LINN cannot be assured that its counterparties will be able to perform under its derivative contracts. If a counterparty fails to perform and the derivative arrangement is terminated, LINN s cash flow and ability to pay distributions could be impacted.

Commodity prices are volatile, and a significant decline in commodity prices for a prolonged period would reduce LINN s revenues, cash flow from operations and profitability and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.

LINN s revenue, profitability and cash flow depend upon the prices of and demand for oil, natural gas and NGL. The oil, natural gas and NGL market is very volatile and a drop in prices can significantly affect LINN s financial results and impede its growth. Changes in oil, natural gas and NGL prices have a significant impact on the value of LINN s reserves and on its cash flow. Prices for these commodities may fluctuate widely in response to relatively minor changes in the supply of and demand for them, market uncertainty and a variety of additional factors that are beyond LINN s control, such as:

- the domestic and foreign supply of and demand for oil, natural gas and NGL;

Table of Contents

Index to Financial Statements

- the price and level of foreign imports;
- the level of consumer product demand;
- weather conditions;
- overall domestic and global economic conditions;
- political and economic conditions in oil and natural gas producing countries, including those in the Middle East and South America;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain price and production controls;
- the impact of the U.S. dollar exchange rates on oil, natural gas and NGL prices;
- technological advances affecting energy consumption;
- domestic and foreign governmental regulations and taxation;
- the impact of energy conservation efforts;
- the proximity and capacity of pipelines and other transportation facilities; and
- the price and availability of alternative fuels.

In the past, the prices of oil, natural gas and NGL have been extremely volatile, and LINN expects this volatility to continue. If commodity prices decline significantly for a prolonged period, LINN s cash flow from operations will decline, and it may have to lower its distribution or may not be able to pay distributions at all, which would in turn reduce or eliminate our ability to pay dividends to you.

Future price declines or downward reserve revisions may result in a write down of LINN s asset carrying values, which could adversely affect its results of operations and limit its ability to borrow funds.

Declines in oil, natural gas and NGL prices may result in LINN having to make substantial downward adjustments to its estimated proved reserves. If this occurs, or if LINN s estimates of development costs increase, production data factors change or drilling results deteriorate, accounting rules may require it to write down, as a noncash charge to earnings, the carrying value of its properties for impairments. LINN capitalizes costs to acquire, find and develop its oil and natural gas properties under the successful efforts accounting method. LINN is required to perform impairment tests on its assets periodically and whenever events or changes in circumstances warrant a review of its assets. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of LINN s assets, the carrying value may not be recoverable and therefore would require a write down. LINN may incur impairment charges in the future, which could have a material adverse effect on its results of operations in the period incurred and on its ability to borrow funds under its Credit Facility, which in turn may adversely affect its ability to make cash distributions to its unitholders.

Unless LINN replaces its reserves, its reserves and production will decline, which would adversely affect its cash flow from operations and its ability to make distributions to its unitholders.

Producing oil, natural gas and NGL reservoirs are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The overall rate of decline for LINN s production will change if production from its existing wells declines in a different manner than its has estimated and can change when it drills additional wells, makes acquisitions and under other circumstances. Thus, LINN s future oil, natural gas and NGL reserves and production and, therefore, its cash flow and income, are highly dependent on its success in efficiently developing its current reserves and economically finding or acquiring additional recoverable reserves. LINN may not be able to develop, find or acquire additional reserves to replace its current and future production at acceptable costs, which would adversely affect its cash flow from operations and its ability to make distributions to its unitholders.

Table of Contents

Index to Financial Statements

LINN s estimated reserves are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of LINN s reserves.

No one can measure underground accumulations of oil, natural gas and NGL in an exact manner. Reserve engineering requires subjective estimates of underground accumulations of oil, natural gas and NGL and assumptions concerning future oil, natural gas and NGL prices, production levels and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Independent petroleum engineering firms prepare estimates of our proved reserves. Some of LINN s reserve estimates are made without the benefit of a lengthy production history, which are less reliable than estimates based on a lengthy production history. Also, LINN makes certain assumptions regarding future oil, natural gas and NGL prices, production levels and operating and development costs that may prove incorrect. Any significant variance from these assumptions by actual amounts could greatly affect LINN s estimates of reserves, the economically recoverable quantities of oil, natural gas and NGL attributable to any particular group of properties, the classifications of reserves based on risk of recovery and estimates of the future net cash flows. Numerous changes over time to the assumptions on which LINN s reserve estimates are based, as described above, often result in the actual quantities of oil, natural gas and NGL LINN ultimately recovers being different from its reserve estimates.

The present value of future net cash flows from LINN s proved reserves is not necessarily the same as the current market value of its estimated oil, natural gas and NGL reserves. LINN bases the estimated discounted future net cash flows from its proved reserves on an unweighted average of the first-day-of-the-month price for each month during the 12-month calendar year and year-end costs. However, actual future net cash flows from its oil and natural gas properties also will be affected by factors such as:

- actual prices we receive for oil, natural gas and NGL;
- the amount and timing of actual production;
- the timing and success of development activities;
- supply of and demand for oil, natural gas and NGL; and
- changes in governmental regulations or taxation.

In addition, the 10% discount factor required to be used under the provisions of applicable accounting standards when calculating discounted future net cash flows, may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with LINN or the oil and natural gas industry in general.

LINN s development operations require substantial capital expenditures, which will reduce its cash available for distribution. LINN may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in its reserves.

The oil and natural gas industry is capital intensive. LINN makes and expects to continue to make substantial capital expenditures in its business for the development and production of oil, natural gas and NGL reserves. These expenditures will reduce LINN s cash available for distribution. LINN intends to finance its future capital expenditures with cash flow from operations and, to the extent necessary, with equity and debt offerings or bank borrowings. LINN s cash flow from operations and access to capital are subject to a number of variables, including:

- its proved reserves;

the level of oil, natural gas and NGL it is able to produce from existing wells;

the prices at which it is able to sell its oil, natural gas and NGL; and

its ability to acquire, locate and produce new reserves.

Table of Contents

Index to Financial Statements

If LINN s revenues or the borrowing base under its Credit Facility decrease as a result of lower oil, natural gas and NGL prices, operating difficulties, declines in reserves or for any other reason, it may have limited ability to obtain the capital necessary to sustain its operations at current levels. LINN s Credit Facility restricts its ability to obtain new financing. If additional capital is needed, it may not be able to obtain debt or equity financing on terms favorable to it, or at all. If cash flow from operations or cash available under the Credit Facility is not sufficient to meet LINN s capital requirements, the failure to obtain additional financing could result in a curtailment of its development operations, which in turn could lead to a possible decline in its reserves.

LINN may decide not to drill some of the prospects it has identified, and locations that it decides to drill may not yield oil, natural gas and NGL in commercially viable quantities.

LINN s prospective drilling locations are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require additional geological and engineering analysis. Based on a variety of factors, including future oil, natural gas and NGL prices, the generation of additional seismic or geological information, the availability of drilling rigs and other factors, LINN may decide not to drill one or more of these prospects. As a result, LINN may not be able to increase or maintain its reserves or production, which in turn could have an adverse effect on its business, financial position, results of operations and its ability to pay distributions. In addition, the SEC s reserve reporting rules include a general requirement that, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. At December 31, 2011, LINN had 2,302 proved undeveloped drilling locations. To the extent that LINN does not drill these locations within five years of initial booking, they may not continue to qualify for classification as proved reserves, and LINN may be required to reclassify such reserves as unproved reserves. The reclassification of such reserves could also have a negative effect on the borrowing base under the Credit Facility.

The cost of drilling, completing and operating a well is often uncertain, and cost factors can adversely affect the economics of a well. LINN s efforts will be uneconomic if it drills dry holes or wells that are productive but do not produce enough oil, natural gas and NGL to be commercially viable after drilling, operating and other costs. If LINN drills future wells that it identifies as dry holes, its drilling success rate would decline, which could have an adverse effect on its business, financial position or results of operations.

LINN s business depends on gathering and transportation facilities. Any limitation in the availability of those facilities would interfere with its ability to market the oil, natural gas and NGL it produces, and could reduce its cash available for distribution and adversely impact expected increases in oil, natural gas and NGL production from our drilling program.

The marketability of LINN s oil, natural gas and NGL production depends in part on the availability, proximity and capacity of gathering and pipeline systems. The amount of oil, natural gas and NGL that can be produced and sold is subject to limitation in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the gathering or transportation system, or lack of contracted capacity on such systems. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, LINN is provided only with limited, if any, notice as to when these circumstances will arise and their duration. In addition, some of its wells are drilled in locations that are not serviced by gathering and transportation pipelines, or the gathering and transportation pipelines in the area may not have sufficient capacity to transport additional production. As a result, LINN may not be able to sell the oil, natural gas and NGL production from these wells until the necessary gathering and transportation systems are constructed. Any significant curtailment in gathering system or pipeline capacity, or significant delay in the construction of necessary gathering and transportation facilities, would interfere with LINN s ability to market the oil, natural gas and NGL it produces, and could reduce its cash available for distribution and adversely impact expected increases in oil, natural gas and NGL production from its drilling program.

Table of Contents

Index to Financial Statements

LINN depends on certain key customers for sales of our oil, natural gas and NGL. To the extent these and other customers reduce the volumes they purchase from LINN or delay payment, LINN s revenues and cash available for distribution could decline. Further, a general increase in nonpayment could have an adverse impact on its financial position and results of operations.

For the year ended December 31, 2011, Enbridge Energy Partners, L.P. and DCP Midstream Partners, LP accounted for approximately 21% and 19%, respectively, of LINN s total production volumes, or 40% in the aggregate. For the year ended December 31, 2010, DCP Midstream Partners, LP, Enbridge Energy Partners, L.P. and ConocoPhillips accounted for approximately 19%, 17% and 12%, respectively, of LINN s total volumes, or 48% in the aggregate. To the extent these and other customers reduce the volumes of oil, natural gas or NGL that they purchase from LINN, its revenues and cash available for distribution could decline.

Many of LINN s leases are in areas that have been partially depleted or drained by offset wells.

LINN s key project areas are located in some of the most active drilling areas of the producing basins in the U.S. As a result, many of its leases are in areas that have already been partially depleted or drained by earlier offset drilling. This may inhibit its ability to find economically recoverable quantities of reserves in these areas.

LINN s identified drilling location inventories are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling, resulting in temporarily lower cash from operations, which may impact LINN s ability to pay distributions.

LINN s management has specifically identified and scheduled drilling locations as an estimation of LINN s future multi-year drilling activities on its existing acreage. As of December 31, 2011, LINN had identified 6,456 drilling locations, of which 2,302 were proved undeveloped locations and 4,154 were other locations. These identified drilling locations represent a significant part of LINN s growth strategy. Its ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, regulatory approvals, oil, natural gas and NGL prices, costs and drilling results. In addition, DeGolyer and MacNaughton has not estimated proved reserves for the 4,154 other drilling locations LINN has identified and scheduled for drilling, and therefore there may be greater uncertainty with respect to the success of drilling wells at these drilling locations. LINN s final determination on whether to drill any of these drilling locations will be dependent upon the factors described above as well as, to some degree, the results of its drilling activities with respect to its proved drilling locations. Because of these uncertainties, LINN does not know if the numerous drilling locations it has identified will be drilled within its expected timeframe or will ever be drilled or if it will be able to produce oil, natural gas and NGL from these or any other potential drilling locations. As such, LINN s actual drilling activities may materially differ from those presently identified, which could adversely affect its business.

Drilling for and producing oil, natural gas and NGL are high risk activities with many uncertainties that could adversely affect LINN s financial position or results of operations and, as a result, its ability to pay distributions to its unitholders.

LINN s drilling activities are subject to many risks, including the risk that it will not discover commercially productive reservoirs. Drilling for oil, natural gas and NGL can be uneconomic, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable. In addition, LINN s drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

- the high cost, shortages or delivery delays of equipment and services;
- unexpected operational events;
- adverse weather conditions;
- facility or equipment malfunctions;

36

Table of Contents

Index to Financial Statements

- title problems;
- pipeline ruptures or spills;
- compliance with environmental and other governmental requirements;
- unusual or unexpected geological formations;
- loss of drilling fluid circulation;
- formations with abnormal pressures;
- fires;
- blowouts, craterings and explosions; and
- uncontrollable flows of oil, natural gas and NGL or well fluids.

Any of these events can cause increased costs or restrict LINN s ability to drill the wells and conduct the operations which it currently has planned. Any delay in the drilling program or significant increase in costs could impact LINN s ability to generate sufficient cash flow to pay quarterly distributions to its unitholders at the current distribution level or at all. Increased costs could include losses from personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination, loss of wells and regulatory penalties. LINN ordinarily maintains insurance against certain losses and liabilities arising from its operations. However, it is impossible to insure against all operational risks in the course of LINN s business. Additionally, LINN may elect not to obtain insurance if it believes that the cost of available insurance is excessive relative to the perceived risks presented. Losses could therefore occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could have a material adverse impact on LINN s business activities, financial position and results of operations.

Because LINN handles oil, natural gas and NGL and other hydrocarbons, it may incur significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment.

The operations of LINN s wells, gathering systems, turbines, pipelines and other facilities are subject to stringent and complex federal, state and local environmental laws and regulations. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements, and the issuance of orders enjoining future operations. There is an inherent risk that LINN may incur environmental costs and liabilities due to the nature of its business and the substances it handles. Certain environmental statutes, including the RCRA, CERCLA and analogous state laws and regulations, impose strict, joint and several liability for costs required to clean up and restore sites where hazardous substances have been disposed of or otherwise released. In addition, an accidental release from one of LINN s wells or gathering pipelines could subject it to substantial liabilities arising from environmental cleanup and restoration costs, claims made by neighboring landowners and other third parties for personal injury and property damage and fines or penalties for related violations of environmental laws or regulations.

Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase LINN s compliance costs and the cost of any remediation that may become necessary, and these costs may not be recoverable from insurance. For a more detailed discussion of environmental and regulatory matters impacting LINN s business, please read Business LINN Environmental Matters and Regulation.

LINN is subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.

LINN s operations are regulated extensively at the federal, state and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate and abandon oil

Table of Contents

Index to Financial Statements

and natural gas wells. Under these laws and regulations, LINN could also be liable for personal injuries, property damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of LINN s operations and subject it to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects.

Part of the regulatory environment in which LINN operates includes, in some cases, legal requirements for obtaining environmental assessments, environmental impact studies and/or plans of development before commencing drilling and production activities. In addition, LINN s activities are subject to the regulations regarding conservation practices and protection of correlative rights. These regulations affect LINN s operations and limit the quantity of oil, natural gas and NGL it may produce and sell. A major risk inherent in LINN s drilling plans is the need to obtain drilling permits from state and local authorities. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit for a well or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on LINN s ability to develop its properties. Additionally, the regulatory environment could change in ways that might substantially increase the financial and managerial costs of compliance with these laws and regulations and, consequently, adversely affect LINN s ability to pay distributions to its unitholders. For a description of the laws and regulations that affect us, please read Business LINN Environmental Matters and Regulation.

Federal and state legislation and regulatory initiatives related to hydraulic fracturing could result in increased costs and operating restrictions or delays.

Hydraulic fracturing is an important and common practice that is used to stimulate production of hydrocarbons from tight formations. Due to concerns raised relating to potential impacts of hydraulic fracturing on groundwater quality, legislative and regulatory efforts at the federal level and in some states have been initiated to render permitting and compliance requirements more stringent for hydraulic fracturing or prohibit the activity altogether. For example, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel additives under the Safe Drinking Water Act s Underground Injection Control Program and has begun the process of drafting guidance documents related to this newly asserted regulatory authority. In addition, both Texas and Louisiana have adopted disclosure regulations requiring varying degrees of disclosure of the constituents in hydraulic fracturing fluids. Such efforts could have an adverse effect on LINN s oil and natural gas production activities. For a more detailed discussion of hydraulic fracturing matters impacting LINN s business, please read Business LINN Environmental Matters and Regulation.

Risks Inherent in an Investment in LinnCo

Our cash flow consists exclusively of distributions from LINN.

Our only assets will be units representing limited liability company interests in LINN that we own. Our cash flow will be therefore completely dependent upon the ability of LINN to make distributions to its unitholders. The amount of cash that LINN can distribute to its unitholders, including us, each quarter principally depends upon the amount of cash it generates from its operations, which will fluctuate from quarter to quarter based on, among other things:

- produced volumes of oil, natural gas and NGL;
- prices at which oil, natural gas and NGL production is sold;
- level of its operating costs;
- payment of interest, which depends on the amount of its indebtedness and the interest payable thereon; and
- level of its capital expenditures.

Table of Contents

Index to Financial Statements

In addition, the actual amount of cash that LINN will have available for distribution will depend on other factors, some of which are beyond its control, including:

- availability of borrowings on acceptable terms under its credit facility to pay distributions;
- the costs of acquisitions, if any;
- fluctuations in its working capital needs;
- timing and collectibility of receivables;
- restrictions on distributions contained in its credit facility and the indentures governing its senior notes;
- prevailing economic conditions;
- access to credit or capital markets; and
- the amount of cash reserves established by its board of directors for the proper conduct of its business.

Because of these factors, LINN may not have sufficient available cash each quarter to pay the current distribution of $0.725 per quarter, as of July 24, 2012, the most recent declaration date, or any other amount. Furthermore, the amount of cash that LINN has available for distribution depends primarily upon its cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, LINN may be able to make cash distributions during periods when it records net losses and may not be able to make cash distributions during periods when it records net income. Please read Risks Related to LINN s Business for a discussion of risks affecting LINN s ability to generate distributable cash flow.

We will incur corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, which may be substantial.

We are classified as a corporation for U.S. federal income tax purposes and, in most states in which LINN does business, for state income tax purposes. Under current law, we will be subject to U.S. federal income tax at rates of up to 35% (and a 20% alternative minimum tax in certain cases), and to state income tax at rates that vary from state to state, on the net income allocated to us by LINN with respect to the LINN units we own. The amount of cash available for distribution to you will be reduced by the amount of any such income taxes payable by us for which we establish reserves.

For each of the periods ending December 31, 2012, 2013, 2014 and 2015, we estimate that our income tax liability will be between 2% and 5% of the cash distributed to us (please read Our Dividend Policy). That estimate is based upon a number of assumptions regarding LINN s earnings from its operations, the amount of those earnings allocated to us, our income tax liabilities and the amount of the distributions paid to us by LINN that may prove incorrect, including:

- LINN will not significantly decrease its drilling activity;

- there will not be an issuance of significant additional units by LINN without a corresponding increase in the aggregate tax deductions generated by LINN;

- proposed legislation that would eliminate the current deduction of intangible drilling costs and other tax incentives to the oil and natural gas industry will not be enacted; and

- there will not be a significant increase in oil and natural gas prices.

Events inconsistent with our assumptions could cause our income tax liabilities to be substantially higher than estimated (and could therefore cause our quarterly dividends to be substantially lower than the quarterly distributions on LINN units). Please read Material U.S. Federal Income Tax Consequences Consequences to U.S. Holders Distributions on the Shares.

Moreover, after December 31, 2015, our income tax liabilities may increase substantially. For example, distributions that we receive with respect to our LINN units that exceed the net income allocated to us by LINN

Table of Contents

Index to Financial Statements

with respect to those units decrease our tax basis in those units. When our tax basis in our LINN units is reduced to zero and any loss or other carryovers are fully utilized, the distributions we receive from LINN in excess of net income allocated to us by LINN will effectively be fully taxable to us, without any deductions.

Changes to current U.S. federal tax laws may affect our ability to take certain tax deductions.

Substantive changes to the existing U.S. federal income tax laws have been proposed that, if adopted, would affect, among other things, our ability to take certain deductions related to LINN s operations, including deductions for intangible drilling costs and percentage depletion and deductions for costs associated with U.S. production activities. We are unable to predict whether any changes, or other proposals to such laws, ultimately will be enacted. Any such changes could negatively impact the value of an investment in our shares.

There is no existing market for our shares. Following this offering, an active trading market for our shares may not develop, and even if such a market does develop, the market price of our shares may be less than the price you paid for your shares and less than the market price of LINN units. The market price of our shares may fluctuate significantly, and you could lose all or part of your investment.

Prior to this offering, there has been no public market for our shares. After this offering, there will be only publicly traded shares, assuming no exercise of the underwriters option to purchase additional shares. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. You may not be able to resell your shares at or above the initial public offering price.

The initial public offering price for the shares will be determined by negotiations between us and the representatives of the underwriters and may not be indicative of the market price of the shares that will prevail in the trading market. The market price of our shares may decline below the initial public offering price. The market price of our shares may also be influenced by many factors, some of which are beyond our control, including:

- the trading price of LINN units;
- the level of LINN s quarterly distributions and our quarterly dividends;
- LINN s quarterly or annual earnings or those of other companies in its industry;
- the loss of a large customer by LINN;
- announcements by LINN or its competitors of significant contracts or acquisitions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- general economic conditions;
- future sales of our shares; and

other factors described in these Risk Factors.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors.

Our shareholders will only be able to indirectly vote on matters on which LINN unitholders are entitled to vote, and our shareholders are not entitled to vote to elect our directors. Therefore, you will only be able to indirectly influence the management and board of directors of LINN, and you will not be able to directly influence or change our management or board of directors. If our shareholders are dissatisfied with the performance of our directors, they will have no ability to remove the directors and will have no right on an annual or ongoing basis to elect our board of directors. Rather, our board of directors will be appointed by the holder of our voting share, which will be LINN. As a result of these limitations, the price at which the shares will trade could be lower because of the absence or reduction of a takeover premium in the trading price. Our limited liability company agreement also contains provisions limiting the ability of holders of our shares to call meetings or to obtain information about our operations, as well as other provisions limiting the ability of holders of our shares to influence the manner or direction of management.

Table of Contents

Index to Financial Statements

LINN may issue additional units without your approval or other classes of units, and we may issue additional shares, which would dilute our direct and your indirect ownership interest in LINN and your ownership interest in us.

LINN s limited liability company agreement does not limit the number of additional limited liability company interests, including interests that rank senior to the LINN units, that it may issue at any time without the approval of its unitholders. The issuance by LINN of additional units or other equity securities of equal or senior rank will have the following effects:

- our proportionate ownership interest in LINN will decrease;
- the amount of cash available for distribution on each LINN unit may decrease, resulting in a decrease in the amount of cash available to pay dividends to you;
- the relative voting strength of each previously outstanding unit, including the LINN units we hold and vote in accordance with the vote of our unitholders, will be diminished; and
- the market price of the LINN units may decline, resulting in a decline in the market price of our shares.

In addition, our limited liability company agreement does not limit the number of additional shares that we may issue at any time without your approval. The issuance by us of additional shares will have the following effects:

- your proportionate ownership interest in us will decrease;
- the relative voting strength of each previously outstanding share you own will be diminished; and
- the market price of our shares may decline.

Your shares are subject to limited call rights that could result in your having to involuntarily sell your shares at a time or price that may be undesirable. Shareholders who are not Eligible Holders will not be entitled to receive distributions on or allocations of income or loss on their shares and their shares will be subject to redemption.

If LINN or any of its affiliates owns 80% or more of our outstanding shares, LINN has the right, which it may assign to any of its affiliates, to purchase all of our remaining outstanding shares, at a purchase price not less than the greater of the then-current market price of our shares and the highest price paid for our shares by LINN or one of its affiliates during the prior 90 days. If LINN exercises any of its rights to purchase our shares, you may be required to sell your shares at a time or price that may be undesirable, and you could receive less than you paid for your shares. Any sale of our shares, to LINN or otherwise, for cash will be a taxable transaction to the owner of the shares sold. Accordingly, a gain or loss will be recognized on the sale equal to the difference between the cash received and the owner s tax basis in the shares sold.

In addition, if at any time a person owns more than 90% of the outstanding LINN units, such person may elect to purchase all, but not less than all, of the remaining outstanding LINN units at a price equal to the higher of the current market price (as defined in LINN s limited liability company agreement) and the highest price paid by such person or any of its affiliates for any LINN units purchased during the 90-day period preceding the date notice was mailed to the LINN unitholders informing them of such election. In this case, we will be required to tender all of our outstanding LINN units and distribute the cash we receive, net of income taxes payable by us, to our shareholders. Following such distribution, we will dissolve and wind up our affairs. Thus, upon the election of a holder of 90% of the outstanding LINN units, you may receive a distribution that is effectively less than the price at which you would prefer to sell your shares.

In order to comply with U.S. laws with respect to the ownership of interests in oil and gas leases on federal lands, we have adopted certain requirements regarding those investors who may own our shares. As used herein, an Eligible Holder means a person or entity qualified to hold an interest in oil and gas leases on federal lands. As of the date hereof, Eligible Holder means: (1) a citizen of the United States; (2) a corporation organized under the

Table of Contents

Index to Financial Statements

laws of the United States or of any state thereof; or (3) an association of United States citizens, such as a partnership or limited liability company, organized under the laws of the United States or of any state thereof, but only if such association does not have any direct or indirect foreign ownership, other than foreign ownership of stock in a parent corporation organized under the laws of the United States or of any state thereof. For the avoidance of doubt, onshore mineral leases or any direct or indirect interest therein may be acquired and held by aliens only through stock ownership, holding or control in a corporation organized under the laws of the United States or of any state thereof and only for so long as the alien is not from a country that the United States federal government regards as denying similar privileges to citizens or corporations of the United States. Shareholders who are not persons or entities who meet the requirements to be an Eligible Holder will not be entitled to receive distributions in kind on their shares in a liquidation and they run the risk of having their shares redeemed by us at the then-current market price.

The terms of our shares may be changed in ways you may not like, because our board of directors will have the power to change the terms of our shares in ways our board determines are not materially adverse to you.

As an owner of our shares, you may not like the changes made to the terms of our shares, if any, and you may disagree with our board of directors decision that the changes are not materially adverse to you as a shareholder. Your recourse if you disagree will be limited because our limited liability company agreement gives broad latitude and discretion to our board of directors and limits the fiduciary duties that our officers and directors otherwise would owe to you.

Our limited liability company agreement limits the fiduciary duties owed by our officers and directors to our shareholders, and LINN s limited liability company agreement limits the fiduciary duties owed by LINN s officers and directors to its unitholders, including us.

Our limited liability company agreement has modified, waived and limited the fiduciary duties of our directors and officers that would otherwise apply at law or in equity and replaced such duties with a contractual duty requiring our directors and officers to act in good faith. For purposes of our limited liability company agreement, a person shall be deemed to have acted in good faith if the person subjectively believes that the action or omission of action is in, or not opposed to, the best interests of LinnCo. In addition, any action or omission shall be deemed to be in, or not opposed to, the best interests of LinnCo and our shareholders if the person making the determination subjectively believes that such action or omission of action is in, or not opposed to, the best interest of LINN and all its unitholders, taken together, and such person may take into account the totality of the relationship between LINN and us. In addition, when acting in any capacity other than as one of our directors or officers, including when acting in their individual capacities or as officers or directors of LINN or any affiliate of LINN, our directors and officers will not be required to act in good faith and will have no obligation to take into account our interests or the interests of our shareholders.

The above modifications of fiduciary duties are expressly permitted by Delaware law. Thus, we and our shareholders will only have recourse and be able to seek remedies against our board of directors if they breach their obligations pursuant to our limited liability company agreement. Furthermore, even if there has been a breach of the obligations set forth in our limited liability company agreement, that agreement provides that our directors and officers will not be liable to us or our shareholders, except for acts or omissions not in good faith.

These provisions restrict the remedies available to our shareholders for actions that without those limitations might constitute breaches of duty, including fiduciary duties. In addition, LINN s limited liability company agreement also limits the fiduciary duties owed by LINN s officers and directors to its unitholders, including us.

Table of Contents

Index to Financial Statements

Our limited liability company agreement prohibits a shareholder who acquires 15% or more of our shares or voting power with respect to 15% or more of the outstanding LINN units without the approval of our or LINN s board of directors from engaging in a business combination with us or with LINN for three years. This provision could discourage a change of control of us or of LINN that our shareholders may favor, which could negatively affect the price of our shares.

Our limited liability company agreement effectively adopts Section 203 of the Delaware General Corporation Laws, or the DGCL. Section 203 of the DGCL as it applies to us prevents an interested shareholder, defined as a person who owns 15% or more of our outstanding shares or voting power with respect to 15% or more of the outstanding LINN units, from engaging in business combinations with us or with LINN for three years following the time such person becomes an interested shareholder. Section 203 broadly defines business combination to encompass a wide variety of transactions with or caused by an interested shareholder, including mergers, asset sales and other transactions in which the interested shareholder receives a benefit on other than a pro rata basis with other shareholders. This provision of our limited liability company agreement could have an anti-takeover effect with respect to transactions not approved in advance by our board of directors, including discouraging takeover attempts that might result in a premium over the market price for our shares or LINN s units.

Our shares may trade at a substantial discount to the trading price of LINN units.

We cannot predict whether our shares will trade at a discount or premium to the trading price of LINN units. If we incur substantial corporate income tax liabilities on income allocated to us by LINN with respect to LINN units we own, the quarterly dividend of cash you receive per share will be substantially less than the quarterly per unit distribution of cash that we receive from LINN. In addition, upon a Terminal Transaction, the net proceeds you receive from us per share may, as a result of our corporate income tax liabilities on the transaction and other factors, be substantially lower than the net proceeds per unit received by a direct LINN unitholder. As a result of these considerations, our shares may trade at a substantial discount to the trading price of LINN units. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN.

We will be a controlled company within the meaning of the NASDAQ rules and intend to rely on exemptions from various corporate governance requirements immediately following the closing of this offering.

Our shares have been approved for listing on the NASDAQ Global Select Market. A company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company is a controlled company within the meaning of the NASDAQ rules. A controlled company may elect not to comply with various corporate governance requirements of NASDAQ, including the requirement that a majority of its board of directors consist of independent directors, the requirement that its nominating and governance committee consist of all independent directors and the requirement that its compensation committee consist of all independent directors.

Following this offering, we believe that we will be a controlled company since LINN will hold our sole voting share and will have the sole power to elect our board of directors. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Voting Rights. Because we intend to rely on certain of the controlled company exemptions and will not have a compensation committee or a nominating and corporate governance committee, you may not have the same corporate governance advantages afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ.

Table of Contents

Index to Financial Statements

Tax Risks to Shareholders

Upon a Terminal Transaction, we may be entitled to a smaller distribution per LINN unit we own than other LINN unitholders, and we may incur substantial corporate income tax liabilities in the transaction or upon the distribution of the proceeds from the transaction to you, in which case the net proceeds you receive from us per share may be substantially lower than the net proceeds per unit received by a direct LINN unitholder.

Upon a liquidation of LINN, LINN unitholders will receive distributions in accordance with the positive balances in their respective capital accounts in their units. Please read Description of the Limited Liability Company Agreements LINN s Limited Liability Company Agreement Liquidation and Distribution of Proceeds. As a result of the underwriting discount and offering expenses incurred in connection with this offering, we will acquire LINN units at a price lower than the current market price of LINN units. Therefore, our capital account in the LINN units that we will own initially will be lower than the capital accounts of other LINN unitholders in their LINN units. Therefore, we would be entitled upon a dissolution of LINN to a smaller distribution per LINN unit we own than other LINN unitholders, unless adjustments were made to our capital accounts in the LINN units that we will own.

Each time LINN issues or redeems units, it is required to adjust the capital accounts in all outstanding LINN units upward to the extent of the unrealized gains in LINN s assets or downward to the extent of the unrealized losses in LINN s assets immediately prior to such issuance or redemption. In general, the difference between the fair market value of each such asset and its adjusted tax basis equals the unrealized gain (if the fair market value exceeds the adjusted tax basis) or the unrealized loss (if the adjusted tax basis exceeds the fair market value). Unrealized gains and unrealized losses generally are allocated among the LINN unitholders in the same manner as other items of LINN income, gain, deduction or loss.

The board of directors of LINN, however, is authorized to make disproportionate allocations of income and deductions, including allocations of unrealized gains and unrealized losses, to the extent necessary to cause the capital accounts of all LINN units to be the same. We anticipate that there will be sufficient unrealized gains or unrealized losses in connection with future issuances or redemptions of LINN units in order for LINN to allocate to us sufficient unrealized gains, or to allocate sufficient unrealized losses to other holders of LINN units, to cause the capital accounts in the LINN units that we will own to be the same as the capital accounts of all other LINN units and result in our being entitled upon the dissolution of LINN to the same distribution per LINN unit we will own as other LINN unitholders. However, there can be no assurance that such adjustments will occur or that any adjustments that do occur will be sufficient to eliminate the difference between our capital account in the LINN units that we will own and the capital accounts of other LINN unitholders in their LINN units.

We are classified as a corporation for U.S. federal income tax purposes and, in most states in which LINN does business, for state income tax purposes. Upon a Terminal Transaction, we will be required to liquidate and distribute the net after-tax proceeds of the transaction to you. Please read Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN. We may incur substantial corporate income tax liabilities upon such a transaction or upon our distribution to you of the proceeds of the transaction. The tax liability we incur will depend in part upon the amount by which the value of the LINN units we own exceeds our tax basis in the units. We expect our tax basis in our LINN units to decrease over time as we receive distributions that exceed the net income allocated to us by LINN with respect to those units. As a result, we may incur substantial income tax liabilities upon such a transaction even if LINN units decrease in value after we purchase them. The amount of cash or other property available for distribution to you upon our liquidation will be reduced by the amount of any such income taxes paid by us. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN.

As a result of these factors, upon a Terminal Transaction, the net proceeds you receive from us per share may be substantially lower than the net proceeds per unit received by a direct LINN unitholder.

Table of Contents

Index to Financial Statements

Your tax gain on the disposition of our shares could be more than expected, or your tax loss on the disposition of our shares could be less than expected.

If you sell your shares, or you receive a liquidating distribution from us, you will recognize a gain or loss for U.S. federal income tax purposes equal to the difference between the amount realized and your tax basis in those shares. Because distributions in excess of your allocable share of our earnings and profits decrease your tax basis in your shares, the amount, if any, of such prior excess distributions with respect to the shares you sell or dispose of will, in effect, become taxable gain to you if you sell such shares at a price greater than your tax basis in those shares, even if the price you receive is less than your original cost. Please read Material U.S. Federal Income Tax Consequences.

If you are a U.S. holder of our shares, the IRS Forms 1099-DIV that you receive from your broker may over-report your dividend income with respect to our shares for U.S. federal income tax purposes, and failure to over-report your dividend income in a manner consistent with the IRS Forms 1099-DIV that you receive from your broker may cause the IRS to assert audit adjustments to your U.S. federal income tax return. If you are a non-U.S. holder of our shares, your broker or other withholding agent may overwithhold taxes from dividends paid to you, in which case you would have to file a U.S. tax return if you wanted to claim a refund of the overwithheld tax.

Dividends we pay with respect to our shares will constitute dividends for U.S. federal income tax purposes only to the extent of our current and accumulated earnings and profits. Dividends we pay in excess of our earnings and profits will not be treated as dividends for U.S. federal income tax purposes; instead, they will be treated first as a tax-free return of capital to the extent of your tax basis in your shares and then as capital gain realized on the sale or exchange of such shares. Please read Material U.S. Federal Income Tax Consequences. We may be unable to timely determine the portion of our distributions that is a dividend for U.S. federal income tax purposes.

If you are a U.S. holder of our shares, we may be unable to persuade brokers to prepare the IRS Forms 1099-DIV that they send to you in a manner that is consistent with our determination of the amount that constitutes a dividend to you for U.S. federal income tax purposes or you may receive a corrected IRS Form 1099-DIV (and you may therefore need to file an amended federal, state or local income tax return). We will attempt to timely notify you of available information to assist you with your income tax reporting (such as posting the correct information on our web site). However, the information that we provide to you may be inconsistent with the amounts reported to you by your broker on IRS Form 1099-DIV, and the IRS may disagree with any such information and may make audit adjustments to your tax return.

If you are a non-U.S. holder of our shares, dividends for U.S. federal income tax purposes will be subject to withholding of U.S. federal income tax at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with your conduct of U.S. trade or business. Please read Material U.S. Federal Income Tax Consequences Consequences to Non-U.S. Holders. Because we may be unable to timely determine the portion of our distributions that is a dividend for U.S. federal income tax purposes or we may be unable to persuade your broker or withholding agent to withhold taxes from distributions in a manner consistent with our determination of the amount that constitutes a dividend for such purposes, your broker or other withholding agent may overwithhold taxes from distributions paid to you. In such a case, you would have to file a U.S. tax return to claim a refund of the overwithheld tax.

If LINN were subject to a material amount of entity-level income taxes or similar taxes, whether as a result of being treated as a corporation for U.S. federal income tax purposes or otherwise, the value of LINN units would be substantially reduced and, as a result, the value of our shares would be substantially reduced.

The anticipated benefit of an investment in LINN units depends largely on the assumption that LINN will not be subject to a material amount of entity-level income taxes or similar taxes, and the anticipated benefit of an investment in our shares depends largely upon the value of LINN units.

Table of Contents

Index to Financial Statements

LINN may be subject to material entity-level U.S. federal income tax and state income taxes if it is treated as a corporation, rather than as a partnership, for U.S. federal income tax purposes. Because LINN s units are publicly traded, Section 7704 of the Internal Revenue Code requires that LINN derive at least 90% of its gross income each year from the marketing of oil and natural gas, or from certain other specified activities, in order to be treated as a partnership for U.S. federal income tax purposes. We believe that LINN has satisfied this requirement and will continue to do so in the future, so we believe LINN is and will be treated as a partnership for U.S. federal income tax purposes. However, we have not obtained a ruling from the U.S. Internal Revenue Service regarding LINN s treatment as a partnership for U.S. federal income tax purposes. Moreover, current law or the business of LINN may change so as to cause LINN to be treated as a corporation for U.S. federal income tax purposes or otherwise subject LINN to material entity-level U.S. federal income taxes, state income taxes or similar taxes. For example, one recent legislative proposal would eliminate the qualifying income exception upon which LINN relies for its treatment as a partnership for U.S. federal income tax purposes. Any modification to current law or interpretations thereof may or may not be applied retroactively and could make it more difficult or impossible to meet the requirements for partnership status, affect or cause LINN to change its business activities, change the character or treatment of portions of LINN s income and adversely affect our investment in LINN units.

If LINN were treated as a corporation for U.S. federal income tax purposes, it would be subject to U.S. federal income tax at rates of up to 35% (and a 20% alternative minimum tax in certain cases), and to state income tax at rates that vary from state to state, on its taxable income. Distributions from LINN would generally be taxed again as corporate distributions, and no income, gain, loss, deduction or credit would flow through to LINN unitholders. Any income taxes or similar taxes imposed on LINN as an entity, whether as a result of LINN s treatment as a corporation for U.S. federal income tax purposes or otherwise, would reduce LINN s cash available for distribution to its unitholders. Any material reduction in the anticipated cash flow and after-tax return to LINN unitholders would reduce the value of the LINN units we own and the value of our shares. In addition, if LINN were treated as a corporation for U.S. federal income tax purposes, that would constitute a Terminal Transaction. See Description of the Limited Liability Company Agreements Our Limited Liability Company Agreement Terminal Transactions Involving LINN.

Also, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships and limited liability companies to entity level taxation through the imposition of state income, franchise or other forms of taxation. For example, LINN is required to pay Texas franchise tax at a maximum effective rate of 0.7% of its total revenue apportioned to Texas in the prior year. Imposition of a tax on LINN by any other state would reduce the amount of cash available for distribution to us.

Table of Contents

Index to Financial Statements

USE OF PROCEEDS

We will use the estimated net proceeds of approximately $1.191 billion from this offering ($1.370 billion if the underwriters exercise their option to purchase additional shares in full), after deducting underwriting discounts and the structuring fee, to purchase from LINN a number of LINN units equal to the number of shares sold in this offering. The per unit price we will pay for such LINN units will be equal to the net proceeds we receive on a per share basis. LINN will pay our expenses incurred in connection with this offering.

LINN intends to use the proceeds it receives from the sale of LINN units to repay debt outstanding under its revolving credit facility and pay estimated expenses of this offering.

Intended Use	Intended Amount Dedicated to Such Use (in millions)
Repay borrowings outstanding under LINN s revolving credit facility	$ 1,188.937
Pay estimated offering expenses	$ 2.435

In July 2012, LINN entered into an amendment to its revolving credit facility to increase the maximum commitment amount from $2.0 billion to $3.0 billion. As of August 31, 2012, LINN had approximately $2.0 billion of indebtedness outstanding under its revolving credit facility, with a weighted average interest rate of 2.24%. The revolving credit facility matures in April 2017, and, at LINN s election, borrowings bear interest at either the London Interbank Offered Rate, plus an applicable margin between 1.5% and 2.5% per annum (depending on the then-current level of borrowings under the revolving credit facility), or at a base rate, plus an applicable margin between 0.5% and 1.5% per annum (depending on the then-current level of borrowings under the revolving credit facility). Borrowings made under LINN s revolving credit facility within the past twelve months were used primarily to finance LINN s acquisition strategy.

Affiliates of certain of the underwriters in this offering are lenders under LINN s Credit Facility and, accordingly will indirectly receive a portion of the net proceeds from this offering. Please read Underwriting (Conflicts of Interest) Affiliations and Conflicts of Interest.

Table of Contents

Index to Financial Statements

CAPITALIZATION OF LINNCO

The following table sets forth our capitalization as of June 30, 2012:

on an historical basis; and

on an adjusted basis to give effect to the sale of 30,250,000 shares offered by us at an assumed initial public offering price of $41.24 per share (the last reported sales price of LINN units, as set forth on the cover page of this prospectus), after deducting underwriting discounts and the structuring fee, and the application of the net proceeds as described in Use of Proceeds.

You should read this table together with Use of Proceeds and Management s Discussion and Analysis of Financial Condition and Results of Operations.

	At June 30, 2012	
	Historical	**As Adjusted**
Equity		
Voting share	$ 1,000	$ 1,000
Common shares		1,191,372,050
Additional paid-in capital	903,218	155,118
Accumulated deficit	(155,118)	(155,118)
Total capitalization	$ 749,100	$ 1,191,373,050

Table of Contents

Index to Financial Statements

CAPITALIZATION OF LINN

The following table sets forth the cash and cash equivalents and consolidated capitalization of Linn Energy, LLC at June 30, 2012:

- on an historical basis;
- on a pro forma basis to give effect to borrowings of approximately $682 million for the Green River Acquisition that closed July 31, 2012, which excludes the deposit of approximately $308 million borrowed in June 2012 and reported in credit facility on the LINN s historical balance sheet at June 30, 2012; and
- on an adjusted basis to give effect to the offering and sale of 30,250,000 LINN units to LinnCo at an assumed price of $41.24 per LINN unit (the last reported sales price of LINN units, as set forth on the cover page of this prospectus), after deducting estimated offering expenses, and the application of the net proceeds as described in Use of Proceeds.

The following table is unaudited and should be read together with Use of Proceeds, Management s Discussion and Analysis of Financial Condition and Results of Operations and LINN s historical financial statements and the related notes thereto included elsewhere in this prospectus.

	At June 30, 2012		
	Historical	**Pro Forma**	**As Adjusted**
	(in thousands)		
Cash and cash equivalents(1)	$ 1,883	$ 1,883	$ 1,883
Long-term debt:			
Credit Facility(2)	$ 1,150,000	$ 1,832,291	$ 643,354
Senior notes, net	4,855,547	4,855,547	4,855,547
Total long-term debt, net	6,005,547	6,687,838	5,498,901
Total unitholders capital	4,131,663	4,131,663	5,320,600
Total capitalization	$ 10,137,210	$ 10,819,501	$ 10,819,501

(1) As of August 31, 2012, LINN had cash and cash equivalents of approximately $1 million.

(2) In July 2012, LINN entered into an amendment to its Credit Facility to increase the maximum commitment amount from $2.0 billion to $3.0 billion. As of August 31, 2012, LINN had total borrowings of approximately $2.0 billion outstanding under its Credit Facility.

Table of Contents

Index to Financial Statements

OUR DIVIDEND POLICY

In addition to the following discussion of our dividend policy, please read Forward-Looking Statements and Risk Factors for information regarding statements that do not relate strictly to historical or current facts and certain risks inherent in LINN s business and our shares. For additional information regarding the historical operating results of LINN, you should refer to the historical financial statements of LINN included elsewhere in this prospectus.

Our Dividend Policy

Within five business days after we receive a distribution on our LINN units, we will pay dividends on our shares of the cash we receive as distributions in respect of our LINN units, net of reserves for income taxes payable by us. Pursuant to the Omnibus Agreement, LINN has agreed to pay on our behalf or reimburse us for the costs and expenses of carrying out our activities. Please read Certain Relationships and Related Transactions Our Relationship with Linn Energy, LLC Omnibus Agreement. If distributions are made on the LINN units other than in cash, we will pay a dividend on our shares in substantially the same form, provided that if LINN makes a distribution on the LINN units in the form of additional LINN units, we would distribute an equal number of additional shares to our shareholders, such that, immediately following such distributions, the number of our shares outstanding is equal to the number of LINN units we hold.

Because we have elected to be treated as a corporation for U.S. federal income tax purposes, we are obligated to pay U.S. federal income tax on the net income allocated to us by LINN with respect to the LINN units we own, and we may be subject to a 20% alternative minimum tax on our alternative minimum taxable income to the extent that the alternative minimum tax exceeds our regular income tax. Please read Material U.S. Federal Income Tax Consequences LinnCo U.S. Federal Income Taxation. We are also classified as a corporation in most states in which LINN does business for state income tax purposes and will be subject to state income tax at rates that vary from state to state on the net income allocated to us by LINN with respect to the LINN units we own.

The reserves for income taxes payable by us will account for the U.S. federal income taxes, any alternative minimum taxes, and the state income taxes described in the preceding paragraph. We have estimated that for each of the periods ending December 31, 2012, 2013, 2014 and 2015 the amount of such taxes (and, therefore, the amount of such reserves) will be between 2% and 5% of the cash we receive as distributions in respect of our LINN units.

This estimate is based on a number of assumptions regarding LINN s earnings from its operations, the amount of those earnings allocated to us, our income tax liabilities and the amount of the distributions paid to us by LINN that may prove incorrect, including:

- LINN will not significantly decrease its drilling activity;
- there will not be an issuance of significant additional units by LINN without a corresponding increase in the aggregate tax deductions generated by LINN;
- proposed legislation that would eliminate the current deduction of intangible drilling costs and other tax incentives to the oil and natural gas industry will not be enacted; and
- there will not be a significant increase in oil and natural gas prices.

Events inconsistent with our assumptions could cause our tax liabilities to be substantially higher than estimated (and, therefore, cause our reserves for taxes to be higher than estimated and dividends on our shares to be lower than estimated). Please read Material U.S. Federal Income Tax Consequences Consequences to U.S. Holders Distributions on the Shares.

LINN s Distribution Policy

LINN will make quarterly distributions to its unitholders of all available cash.

Table of Contents

Index to Financial Statements

Available cash means, for each fiscal quarter, all cash on hand at the end of the quarter less the amount of cash reserves established by the LINN board of directors to:

provide for the proper conduct of business (including reserves for future capital expenditures, future debt service requirements and anticipated credit needs); and

comply with applicable laws, debt instruments or other agreements;

plus all cash on hand on the date of determination of available cash for the quarter resulting from working capital borrowings made after the end of the quarter for which the determination is being made. Working capital borrowings are borrowings that will be made under LINN s credit facility and in all cases are used solely for working capital purposes or to pay distributions to unitholders.

LINN s Historical Distributions

The following sets forth LINN s historical distributions for the years ended December 31, 2011 and 2010 and for the six months ended June 30, 2012. Distributions declared during each quarter are presented.

Quarter	Cash Distributions Declared Per Unit
2012:(1)	
April 1 June 30	$ 0.725
January 1 March 31	$ 0.725
2011:	
October 1 December 31	$ 0.69
July 1 September 30	$ 0.69
April 1 June 30	$ 0.66
January 1 March 31	$ 0.66
2010:	
October 1 December 31	$ 0.66
July 1 September 30	$ 0.63
April 1 June 30	$ 0.63
January 1 March 31	$ 0.63

(1) On July 24, 2012, LINN declared a cash distribution of $0.725 per unit, which was paid on August 14, 2012, to unitholders of record at the close of business on August 7, 2012.

Table of Contents

Index to Financial Statements

SELECTED HISTORICAL FINANCIAL AND OPERATING DATA OF LINN

The following table shows summary historical financial and operating data of LINN as of the dates and for the periods indicated. The selected historical financial data presented for the years ended December 31, 2007 and 2008 are derived from LINN s historical audited financial statements. The selected historical financial data presented as of December 31, 2009, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011 are derived from the historical audited financial statements that are included elsewhere in this prospectus. The selected historical financial data of LINN presented as of June 30, 2012 and for the six months ended June 30, 2011 and 2012 are derived from the unaudited historical financial statements that are included elsewhere in this prospectus. The following table should be read together with, and is qualified in its entirety by reference to, the historical and unaudited financial statements and the accompanying notes included elsewhere in this prospectus. The table should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

Because of rapid growth through acquisitions and development of properties, LINN s historical results of operations and period-to-period comparisons of these results and certain other financial data may not be meaningful or indicative of future results. The results of LINN s Appalachian Basin and Mid Atlantic Well Service, Inc. operations, which were disposed of in 2008, are classified as discontinued operations, due to post-closing adjustments, for the years ended December 31, 2007 through December 31, 2009. Unless otherwise indicated, results of operations information presented herein relates only to continuing operations.

	At or for the Year Ended December 31,					At or for the Six Months Ended June 30, (Unaudited)	
	2007	2008	2009	2010	2011	2011	2012
	(in thousands, except per unit amounts)						
Statement of operations data:							
Oil, natural gas and natural gas liquids sales	$ 255,927	$ 755,644	$ 408,219	$ 690,054	$ 1,162,037	$ 543,097	$ 696,122
Gains (losses) on oil and natural gas derivatives	(345,537)	662,782	(141,374)	75,211	449,940	(163,961)	441,678
Depreciation, depletion and amortization	69,081	194,093	201,782	238,532	334,084	145,711	260,782
Interest expense, net of amounts capitalized	38,974	94,517	92,701	193,510	259,725	125,825	171,909
Income (loss) from continuing operations	(356,194)	825,657	(295,841)	(114,288)	438,439	(209,573)	230,884
Income (loss) from discontinued operations, net of taxes(1)	(8,155)	173,959	(2,351)				
Net income (loss)	(364,349)	999,616	(298,192)	(114,288)	438,439	(209,573)	230,884
Income (loss) per unit continuing operations:							
Basic	(5.17)	7.18	(2.48)	(0.80)	2.52	(1.25)	1.17
Diluted	(5.17)	7.18	(2.48)	(0.80)	2.51	(1.25)	1.16
Income (loss) per unit discontinued operations:							
Basic	(0.12)	1.52	(0.02)				
Diluted	(0.12)	1.52	(0.02)				

Net income (loss) per unit:							
Basic	(5.29)	8.70	(2.50)	(0.80)	2.52	(1.25)	1.17
Diluted	(5.29)	8.70	(2.50)	(0.80Food service	508	1	0.2

Other operating expenses	2,687	(122)	(4.3)	(b)
Total operating expenses	$ 21,503	$ 702	3.4%	

(a) Aircraft fuel expense increased primarily due to a 16.5 percent increase in American's price per gallon of fuel (considering the benefit of a $55 million fuel excise tax refund received in March 2005 and the impact of fuel hedging) offset by a 2.3 percent decrease in American's fuel consumption.

(b) Other operating expenses decreased due to charges taken in 2005. Included in 2005 expenses was a $155 million charge for the retirement of 27 MD-80 aircraft, facilities charges of $56 million as part of the Company's restructuring initiatives and an $80 million charge for the termination of an airport construction contract. These charges were somewhat offset by a $37 million gain related to the resolution of a debt restructuring and a $22 million credit for the reversal of an insurance reserve. The 2006 expenses were impacted by a $38 million increase in costs associated with third-party maintenance contracts obtained by the Company's maintenance and engineering group

Other Income (Expense)
Other income (expense) consists of interest income and expense, interest capitalized and miscellaneous - net.

2007 Compared to 2006 Increases in both short-term investment balances and interest rates caused an increase in Interest income of $58 million, or 20.8 percent, to $337 million. Interest expense decreased $116 million, or 11.2 percent, to $914 million primarily as a result of prepayment and repayment of existing debt. Miscellaneous – net includes a gain of $138 million for the sale of ARINC.

2006 Compared to 2005 Increases in both short-term investment balances and interest rates caused an increase in Interest income of $130 million, or 87.2 percent, to $279 million. Interest expense increased $73 million, or 7.6 percent, to $1.0 billion primarily as a result of increases in interest rates. Miscellaneous – net includes a charge of $102 million for changes in market value of hedges that did not qualify for hedge accounting during certain periods in 2006. Gains deferred in Accumulated other comprehensive income (loss) prior to these hedges being deemed ineffective partially offset this charge as the hedges settled in 2006 and settle in 2007.

Income Tax Benefit
The Company did not record a net tax provision or benefit associated with its 2007 or 2006 earnings and 2005 losses due to the Company providing a valuation allowance, as discussed in Note 8 to the consolidated financial statements.

Operating Statistics

The following table provides statistical information for American and Regional Affiliates for the years ended December 31, 2007, 2006 and 2005.

	Year Ended December 31,		
	2007	2006	2005
American Airlines, Inc. Mainline Jet Operations			
Revenue passenger miles (millions)	138,453	139,454	138,374
Available seat miles (millions)	169,906	174,021	176,112
Cargo ton miles (millions)	2,122	2,224	2,209
Passenger load factor	81.5%	80.1%	78.6%
Passenger revenue yield per passenger mile (cents)	13.17	12.81	12.01
Passenger revenue per available seat mile (cents)	10.73	10.26	9.43
Cargo revenue yield per ton mile (cents)	38.86	37.18	35.49
Operating expenses per available seat mile, excluding Regional Affiliates (cents) (*)	11.38	10.90	10.50
Fuel consumption (gallons, in millions)	2,834	2,881	2,948
Fuel price per gallon (cents)	212.1	200.8	172.3
Operating aircraft at year-end	655	697	699
Regional Affiliates			
Revenue passenger miles (millions)	9,848	9,972	8,946
Available seat miles (millions)	13,414	13,554	12,714
Passenger load factor	73.4%	73.6%	70.4%

(*) Excludes $2.8 billion, $2.7 billion and $2.5 billion of expense incurred related to Regional Affiliates in 2007, 2006 and 2005, respectively.

Outlook

Capacity for American's mainline jet operations is expected to decrease by 0.6 percent in the first quarter of 2008 versus first quarter 2007. American's mainline capacity for the full year 2008 is expected to increase approximately 0.2 percent from 2007 with a 1.1 percent reduction in domestic capacity and a 2.5 percent increase in international capacity. On a consolidated basis capacity is expected to be flat compared to 2007. This capacity forecast differs from that provided on January 16, 2008, when the Company announced its fourth quarter 2007 results. The Company is analyzing the impact of this planned capacity reduction on the unit cost forecast provided on January 16. The Company expects to provide revised unit cost guidance in March 2008 in its first quarter 2008 Eagle Eye investor update.

Other Information

Critical Accounting Policies and Estimates The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the following critical accounting policies and estimates used by management in the preparation of the Company's financial statements: accounting for long-lived assets, routes, passenger revenue, frequent flyer program, stock compensation, pensions and other postretirement benefits, income taxes and derivatives accounting.

Long-lived assets – The Company has approximately $19 billion of long-lived assets as of December 31, 2007, including approximately $17 billion related to flight equipment and other fixed assets. In addition to the original cost of these assets, their recorded value is impacted by a number of estimates made by the Company, including estimated useful lives, salvage values and the Company's determination as to whether aircraft are temporarily or permanently grounded. In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets and the net book value of the assets exceeds their estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair value of the assets; and (ii) estimated future cash flows expected to be generated by the assets, generally evaluated at a fleet level, which are based on additional assumptions such as asset utilization, length of service and estimated salvage values. A change in the Company's fleet plan has been the primary indicator that has resulted in an impairment charge in the past.

In the fourth quarter of 2007, the Company permanently grounded and held for disposal 24 McDonnell Douglas MD-80 airframes and certain other equipment, all 24 of which had previously been in temporary storage. See further discussion in Note 2 to the consolidated financial statements.

All of American's fleet types are depreciated over 30 years except for the Airbus A300 and the Boeing 767-200. It is possible that the ultimate lives of the Company's aircraft will be significantly different than the current estimate due to unforeseen events in the future that impact the Company's fleet plan, including positive or negative developments in the areas described above. For example, operating the aircraft for a longer period will result in higher maintenance, fuel and other operating costs than if the Company replaced the aircraft. At some point in the future, higher operating costs and/or improvement in the Company's economic condition could change the Company's analysis of the impact of retaining aircraft versus replacing them with new aircraft.

Routes - AMR performs annual impairment tests on its routes, which are indefinite life intangible assets under Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangibles" and as a result they are not amortized. The Company also performs impairment tests when events and circumstances indicate that the assets might be impaired. These tests are primarily based on estimates of discounted future cash flows, using assumptions based on historical results adjusted to reflect the Company's best estimate of future market and operating conditions. The net carrying value of assets not recoverable is reduced to fair value. The Company's estimates of fair value represent its best estimate based on industry trends and reference to market rates and transactions.

The Company had recorded route acquisition costs (including international routes and slots) of $846 million as of December 31, 2007, including a significant amount related to operations at London Heathrow. The Company has completed an impairment analysis on the London Heathrow routes (including slots) and has concluded that no impairment exists. The Company believes its estimates and assumptions are reasonable; however, given the significant uncertainty regarding how the recent open skies agreement will ultimately affect the Company's operations at Heathrow, the actual results could differ from those estimates. See Note 4 to the consolidated financial statements for additional information.

Passenger revenue – Passenger ticket sales are initially recorded as a component of Air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the industry's pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized, including breakage. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience, and are recognized at the scheduled time of departure. The Company's estimation techniques have been applied consistently from year to year. However, due to changes in the Company's ticket refund policy and changes in the travel profile of customers, historical trends may not be representative of future results.

Various taxes and fees assessed on the sale of tickets to end customers are collected by the Company as an agent and remitted to taxing authorities. These taxes and fees have been presented on a net basis in the accompanying consolidated statement of operations and recorded as a liability until remitted to the appropriate taxing authority.

Frequent flyer program – American uses the incremental cost method to account for the portion of its frequent flyer liability incurred when AAdvantage members earn mileage credits by flying on American or its regional affiliates. In 2007, the Company changed its policy regarding the life of AAdvantage mileage credits. Effective December 15, 2007, AAdvantage members now must have mileage earning or redemption activity at least once every eighteen (18) months in order to remain active and retain their miles. Prior to this change, mileage credits automatically expired after thirty-six (36) months of inactivity in the AAdvantage member's account. The Company recorded a one-time benefit of $39 million as a component of passenger revenue in 2007 to reflect the impact of the additional miles expiring upon the change of expiration period for AAdvantage mileage.

The Company considers breakage in its incremental cost calculation and recognizes breakage on AAdvantage miles sold over the estimated period of usage for sold miles that are ultimately redeemed. The Company calculates its breakage estimate using separate breakage rates for miles earned by flying on American and miles earned through other companies who have purchased AAdvantage miles for distribution to their customers, due to differing behavior patterns.

Management considers historical patterns of account breakage to be a useful indicator when estimating future breakage. Future program redemption opportunities can significantly alter customer behavior from historical patterns with respect to inactive accounts. Such changes may result in material changes to the deferred revenue balance, as well as recognized revenues from the program.

American includes fuel, food, passenger insurance and reservations/ticketing costs in the calculation of incremental cost. These estimates are generally updated based upon the Company's 12-month historical average of such costs. American also accrues a frequent flyer liability for the mileage credits expected to be used for travel on participating airlines based on historical usage patterns and contractual rates.

Revenue earned from selling AAdvantage miles to other companies is recognized in two components. The first component represents the revenue for air transportation sold and is valued at fair value. This revenue is deferred and recognized over the period the mileage is expected to be used, which is currently estimated to be 28 months. The second revenue component, representing the marketing services sold, is recognized as related services are provided.

The Company's total liability for future AAdvantage award redemptions for free, discounted or upgraded travel on American, American Eagle or participating airlines as well as unrecognized revenue from selling AAdvantage miles to other companies was approximately $1.6 billion at both December 21, 2007 and 2006 (and is recorded as a component of Air traffic liability in the consolidated balance sheets), representing 19.2 percent and 18.3 percent of AMR's total current liabilities, at December 31, 2007 and 2006, respectively.

The number of free travel awards used for travel on American and American Eagle was 2.6 million in 2007 and 2.6 million in 2006 representing approximately 7.5 percent of passengers boarded in each year. The Company believes displacement of revenue passengers is minimal given the Company's load factors, its ability to manage frequent flyer seat inventory, and the relatively low ratio of free award usage to total passengers boarded.

Changes to the percentage of the amount of revenue deferred, deferred recognition period, percentage of awards expected to be redeemed for travel on participating airlines, breakage or cost per mile estimates could have a significant impact on the Company's revenues or incremental cost accrual in the year of the change as well as in future years.

Stock Compensation – Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R) "Share-Based Payment". The Company grants awards under its various share based payment plans and utilizes option pricing models or fair value models to estimate the fair value of its awards. Certain awards contain a market performance condition, which is taken into account in estimating the fair value on the date of grant. The fair value of those awards is estimated using a Monte Carlo valuation model that estimates the probability of the potential payouts of these awards, using the historical volatility of the Company's stock and the stock of other carriers in the competitor group. The Company accounts for these awards over the three year term of the award based on the grant date fair value, provided adequate shares are available to settle the awards. For awards where adequate shares are not anticipated to be available or that only permit settlement in cash, the fair value is re-measured each reporting period.

Pensions and other postretirement benefits – On December 31, 2006, the Company adopted Statement of Accounting Standard 158 “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans” (SFAS 158). SFAS 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension and postretirement plans in the consolidated balance sheet as of December 31, 2006 with a corresponding adjustment to Accumulated other comprehensive income (loss).

The Company’s pension and other postretirement benefit costs and liabilities are calculated using various actuarial assumptions and methodologies. The Company uses certain assumptions including, but not limited to, the selection of the: (i) discount rate; (ii) expected return on plan assets; and (iii) expected health care cost trend rate and starting in 2007, the (iv) estimated age of pilot retirement (as discussed below).

These assumptions as of December 31 were:

	2007	2006
Discount rate	6.50%	6.00%
Expected return on plan assets	8.75%	8.75%
Expected health care cost trend rate:		
Pre-65 individuals		
Initial	7.0%	9.0%
Ultimate	4.5%	4.5%
Post-65 individuals		
Initial	7.0%	9.0%
Ultimate (2010)	4.5%	4.5%
Pilot Retirement Age	63	60

The Company’s discount rate is determined based upon the review of year-end high quality corporate bond rates. Lowering the discount rate by 50 basis points as of December 31, 2007 would increase the Company’s pension and postretirement benefits obligations by approximately $710 million and $145 million, respectively, and increase estimated 2008 pension and postretirement benefits expense by $27 million and $6 million, respectively.

The expected return on plan assets is based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions and the Company’s target asset allocation of 40 percent longer duration corporate bonds, 25 percent U.S. value stocks, 20 percent developed international stocks, five percent emerging markets stocks and bonds and ten percent alternative (private) investments. The expected return on plan assets component of the Company’s net periodic benefit cost is calculated based on the fair value of plan assets and the Company’s target asset allocation. The Company monitors its actual asset allocation and believes that its long-term asset allocation will continue to approximate its target allocation. The Company’s historical annualized ten-year rate of return on plan assets, calculated using a geometric compounding of monthly returns, is approximately 10.39 percent as of December 31, 2007. Lowering the expected long-term rate of return on plan assets by 50 basis points as of December 31, 2007 would increase estimated 2008 pension expense by approximately $45 million.

The health care cost trend rate is based upon an evaluation of the Company's historical trends and experience taking into account current and expected market conditions. Increasing the assumed health care cost trend rate by 100 basis points would increase estimated 2008 postretirement benefits expense by $25 million.

On December 13, 2007, President Bush signed the Fair Treatment for Experienced Pilots Act (H.R. 4343) into law, raising the mandatory retirement age for commercial pilots from 60 to 65. Previously, The Federal Aviation Administration required commercial pilots to retire once they reached age 60. The Company’s pilot pension and other postretirement plans continue to permit a pilot to retire as before at age 60, but the Company believes that many pilots will choose to fly past age 60. As a result of the new legislation, the Company has estimated the average retirement age for the pilot workgroup to be 63, based on the approximate retirement age of the Company’s other work groups, which did not have the same mandatory retirement age. This change in the estimate caused a decrease to the pension and other postretirement liability of approximately $540 million. See Note 10 to the consolidated financial statements for additional information.

The U.S. Congress is also considering legislation that would amend the Pension Protection Act of 2006. The Company has not completed its evaluation of the impact of the proposed legislation; however, if enacted the proposed legislation could materially increase the Company’s minimum required contributions to its defined benefit pension plans.

Income taxes – The Company generally believes that the positions taken on previously filed income tax returns are more likely than not to be sustained by the taxing authorities. The Company has recorded income tax and related interest liabilities where the Company believes its position may not be sustained or where the full income tax benefit will not be recognized. In accordance with the standards of Financial Accounting Standards Board Interpretation No. 48 “Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109 (FIN 48), the effects of potential income tax benefits resulting from the Company’s unrecognized tax positions are not reflected in the tax balances of the financial statements. Recognized and unrecognized tax positions are reviewed and adjusted as events occur that affect the Company’s judgment about the recognizability of income tax benefits, such as lapsing of applicable statutes of limitations, conclusion of tax audits, release of administrative guidance, or rendering of a court decision affecting a particular tax position. Under FAS 109, the Company records a deferred tax asset valuation allowance when it is more likely than not that some portion or all of its deferred tax assets will not be realized. The Company considers its historical earnings, trends, and outlook for future years in making this determination. The Company had a deferred tax valuation allowance of $625 million, and $1.3 billion, respectively, at December 31, 2007 and 2006. See Note 8 to the consolidated financial statements for additional information.

Derivatives – In accordance with Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activity” (SFAS 133), the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In doing so, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (e.g. NYMEX Heating oil) to the change in the price of jet fuel purchases. The Company also monitors the actual dollar offset of the hedges’ market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be “highly effective” if the R-squared is greater than 80 percent and the hedge is expected to continue to remain effective at offsetting jet fuel price changes. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge. As of December 31 2007, the Company had derivative contracts with a value of $416 million including a receivable related to contracts that settled in December. A deferred gain of $240 million was recorded in Other comprehensive income at December 31, 2007 and will be recognized in future periods as contracts settle.

New Accounting Pronouncements In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 "Fair Value Measurements" (SFAS 157). SFAS 157 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. On February 6, 2008 the FASB issued a final FASB Staff Position (FSP) No. FAS 157-b, "Effective Date of FASB Statement No. 157". This FSP delays the effective date of FASB Statement No. 157, Fair Value Measurements, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In addition, the FSP removes certain leasing transactions from the scope of SFAS 157. The effective date of SFAS 157 for nonfinancial assets and liabilities has been delayed by one year to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007, and the Company will adopt the standard for those assets and liabilities as of January 1, 2008. The principal impact to the Company will be to require the Company to expand its disclosure regarding its derivative instruments and to include credit risk as a part of the calculation of the fair value of derivatives. Although the Company continues to evaluate the impact of the adoption of this standard on its consolidated financial statements, the Company believes the impact of adoption will be immaterial.

ITEM 7(A).QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk Sensitive Instruments and Positions

The risk inherent in the Company's market risk sensitive instruments and positions is the potential loss arising from adverse changes in the price of fuel, foreign currency exchange rates and interest rates as discussed below. The sensitivity analyses presented do not consider the effects that such adverse changes may have on overall economic activity, nor do they consider additional actions management may take to mitigate the Company's exposure to such changes. Therefore, actual results may differ. The Company does not hold or issue derivative financial instruments for trading purposes. See Note 7 to the consolidated financial statements for accounting policies and additional information.

Aircraft Fuel The Company's earnings are affected by changes in the price and availability of aircraft fuel. In order to provide a measure of control over price and supply, the Company trades and ships fuel and maintains fuel storage facilities to support its flight operations. The Company also manages the price risk of fuel costs primarily by using jet fuel and heating oil hedging contracts. Market risk is estimated as a hypothetical 10 percent increase in the December 31, 2007 and 2006 cost per gallon of fuel. Based on projected 2008 fuel usage, such an increase would result in an increase to aircraft fuel expense of approximately $649 million in 2008, inclusive of the impact of effective fuel hedge instruments outstanding at December 31, 2007, and assumes the Company's fuel hedging program remains effective under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities". Comparatively, based on projected 2007 fuel usage, such an increase would have resulted in an increase to aircraft fuel expense of approximately $531 million in 2007, inclusive of the impact of fuel hedge instruments outstanding at December 31, 2006. As of January 2008, the Company had hedged, with collars and options, approximately 24 percent of its estimated 2008 fuel requirements. The consumption hedged for 2008 is capped at an average price of approximately $2.31 per gallon of jet fuel excluding taxes and transportation costs. Comparatively, as of December 31, 2006 the Company had hedged, with collars and options, approximately 14 percent of its estimated 2007 fuel requirements. A deterioration of the Company's financial position could negatively affect the Company's ability to hedge fuel in the future.

Foreign Currency The Company is exposed to the effect of foreign exchange rate fluctuations on the U.S. dollar value of foreign currency-denominated operating revenues and expenses. The Company's largest exposure comes from the British pound, Euro, Canadian dollar, Japanese yen and various Latin American currencies. The Company does not currently have a foreign currency hedge program related to its foreign currency-denominated ticket sales. A uniform 10 percent strengthening in the value of the U.S. dollar from December 31, 2007 and 2006 levels relative to each of the currencies in which the Company has foreign currency exposure would result in a decrease in operating income of approximately $132 million and $117 million for the years ending December 31, 2007 and 2006 respectively, due to the Company's foreign-denominated revenues exceeding its foreign-denominated expenses. This sensitivity analysis was prepared based upon projected 2008 and 2007 foreign currency-denominated revenues and expenses as of December 31, 2007 and 2006, respectively.

Interest The Company's earnings are also affected by changes in interest rates due to the impact those changes have on its interest income from cash and short-term investments, and its interest expense from variable-rate debt instruments. The Company's largest exposure with respect to variable-rate debt comes from changes in the London Interbank Offered Rate (LIBOR). The Company had variable-rate debt instruments representing approximately 22 percent and 33 percent of its total long-term debt at December 31, 2007 and 2006, respectively. If the Company's interest rates average 10 percent more in 2008 than they did at December 31, 2007, the Company's interest expense would increase by approximately $14 million and interest income from cash and short-term investments would increase by approximately $25 million. In comparison, at December 31, 2006, the Company estimated that if interest rates averaged 10 percent more in 2007 than they did at December 31, 2006, the Company's interest expense would have increased by approximately $29 million and interest income from cash and short-term investments would have increased by approximately $28 million. These amounts are determined by considering the impact of the hypothetical interest rates on the Company’s variable-rate long-term debt and cash and short-term investment balances at December 31, 2007 and 2006.

Market risk for fixed-rate long-term debt is estimated as the potential increase in fair value resulting from a hypothetical 10 percent decrease in interest rates, and amounts to approximately $326 million and $315 million as of December 31, 2007 and 2006, respectively. The fair values of the Company's long-term debt were estimated using quoted market prices or discounted future cash flows based on the Company's incremental borrowing rates for similar types of borrowing arrangements.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
AMR Corporation

We have audited the accompanying consolidated balance sheets of AMR Corporation as of December 31, 2007 and 2006 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AMR Corporation at December 31, 2007 and 2006 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Notes 9 and 10 to the consolidated financial statements, in 2006 the Company changed its method of accounting for share-based compensation as required by Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" and changed its method of accounting for retirement benefits as required by Statement of Financial Accounting Standards No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans."

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AMR Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
February 20, 2008

AMR CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year Ended December 31, 2007	2006	2005
Revenues			
Passenger - American Airlines	$ 18,235	$ 17,862	$ 16,614
- Regional Affiliates	2,470	2,502	2,148
Cargo	825	827	784
Other revenues	1,405	1,372	1,166
Total operating revenues	22,935	22,563	20,712
Expenses			
Wages, salaries and benefits	6,770	6,813	6,755
Aircraft fuel	6,670	6,402	5,615
Other rentals and landing fees	1,278	1,283	1,262
Depreciation and amortization	1,202	1,157	1,164
Commissions, booking fees and credit card expense	1,028	1,076	1,113
Maintenance, materials and repairs	1,057	971	985
Aircraft rentals	591	606	591
Food service	534	508	507
Other operating expenses	2,840	2,687	2,809
Total operating expenses	21,970	21,503	20,801
Operating Income (Loss)	965	1,060	(89)
Other Income (Expense)			
Interest income	337	279	149
Interest expense	(914)	(1,030)	(957)
Interest capitalized	20	29	65
Miscellaneous – net	96	(107)	(25)
	(461)	(829)	(768)
Income (Loss) Before Income Taxes	504	231	(857)
Income tax	-	-	-
Net Earnings (Loss)	$ 504	$ 231	$ (857)
Earnings (Loss) Per Share			
Basic	$ 2.06	$ 1.13	$ (5.18)
Diluted	$ 1.78	$ 0.98	$ (5.18)

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except shares and par value)

	December 31, 2007	December 31, 2006
Assets		
Current Assets		
Cash	$ 148	$ 121
Short-term investments	4,387	4,594
Restricted cash and short-term investments	428	468
Receivables, less allowance for uncollectible accounts (2007 - $41; 2006- $45)	1,027	988
Inventories, less allowance for obsolescence (2007 - $424; 2006 - $411)	601	506
Fuel derivative contracts	416	28
Other current assets	222	197
Total current assets	7,229	6,902
Equipment and Property		
Flight equipment, at cost	23,006	22,913
Less accumulated depreciation	9,029	8,406
	13,977	14,507
Purchase deposits for flight equipment	241	178
Other equipment and property, at cost	5,238	5,097
Less accumulated depreciation	2,825	2,706
	2,413	2,391
	16,631	17,076
Equipment and Property Under Capital Leases		
Flight equipment	1,698	1,744
Other equipment and property	217	217
	1,915	1,961
Less accumulated amortization	1,152	1,096
	763	865
Other Assets		
Route acquisition costs, slots and airport operating and gate lease rights, less accumulated amortization (2007 - $389; 2006 - $361)	1,156	1,167
Other assets	2,792	3,135
	3,948	4,302
Total Assets	$ 28,571	$ 29,145

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except shares and par value)

	December 31, 2007	December 31, 2006
Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	$ 1,182	$ 1,073
Accrued salaries and wages	559	551
Accrued liabilities	1,708	1,750
Air traffic liability	3,985	3,782
Current maturities of long-term debt	902	1,246
Current obligations under capital leases	147	103
Total current liabilities	8,483	8,505
Long-Term Debt, Less Current Maturities	9,413	11,217
Obligations Under Capital Leases, Less Current Obligations	680	824
Other Liabilities and Credits		
Deferred gains	320	372
Pension and postretirement benefits	3,620	5,341
Other liabilities and deferred credits	3,398	3,492
	7,338	9,205
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock - 20,000,000 shares authorized; None issued	-	-
Common stock - $1 par value; 750,000,000 shares authorized; shares issued: 2007 – 255,338,431; 2006 - 228,164,821	255	228
Additional paid-in capital	3,489	2,718
Treasury shares at cost: 2007 and 2006 - 5,940,399	(367)	(367)
Accumulated other comprehensive income (loss)	670	(1,291)
Accumulated deficit	(1,390)	(1,894)
	2,657	(606)
Total Liabilities and Stockholders' Equity	$ 28,571	$ 29,145

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31, 2007	2006	2005
Cash Flow from Operating Activities:			
Net income (loss)	$ 504	$ 231	$ (857)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,036	1,022	1,033
Amortization	166	135	131
Equity based stock compensation	133	142	-
Provisions for asset impairments and restructuring charges	63	-	134
Gain on sale of investments	(138)	(13)	-
Redemption payments under operating leases for special facility revenue bonds	(100)	(28)	(104)
Change in assets and liabilities:			
Decrease (increase) in receivables	(41)	3	(156)
Decrease (increase) in inventories	(128)	(7)	(59)
Increase (decrease) in accounts payable and accrued liabilities	412	(130)	246
Increase in air traffic liability	203	168	432
Increase (decrease) in other liabilities and deferred credits	(135)	382	197
Other, net	(40)	34	27
Net cash provided by operating activities	1,935	1,939	1,024
Cash Flow from Investing Activities:			
Capital expenditures, including purchase deposits on flight equipment	(714)	(530)	(681)
Net decrease (increase) in short-term investments	207	(918)	(867)
Net decrease (increase) in restricted cash and short-term investments	40	42	(32)
Proceeds from sale of equipment and property and investments	228	49	40
Other	5	(8)	1
Net cash used for investing activities	(234)	(1,365)	(1,539)
Cash Flow from Financing Activities:			
Payments on long-term debt and capital lease obligations	(2,321)	(1,366)	(1,131)
Proceeds from:			
Issuance of common stock, net of issuance costs	497	400	223
Reimbursement from construction reserve account	59	145	-
Exercise of stock options	90	230	56
Securitization transactions	-	-	133
Issuance of long-term debt and special facility bond transactions	-	-	1,252
Net cash provided by (used in) financing activities	(1,675)	(591)	533
Net increase (decrease) in cash	27	(17)	18
Cash at beginning of year	121	138	120
Cash at end of year	$ 148	$ 121	$ 138

Activities Not Affecting Cash

Funding of construction and debt service reserve accounts	$ -	$ -	$ 284
Capital lease obligations incurred	$ -	$ -	$ 13
Flight equipment acquired through seller financing	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements.

AMR CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in millions, except share amounts)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (loss)	Accumulated Deficit	Total
Balance at January 1, 2005	182	2,521	(1,308)	(664)	(1,268)	(537)
Net loss	-	-	-	-	(857)	(857)
Minimum pension liability	-	-	-	(379)	-	(379)
Changes in fair value of derivative financial instruments	-	-	-	58	-	58
Unrealized gain on investments	-	-	-	6	-	6
Total comprehensive loss						(1,172)
Issuance of 13,000,000 shares	13	210	-	-	-	223
Issuance of 8,576,404 shares from Treasury to employees pursuant to stock option and deferred stock incentive plans	-	(473)	529	-	-	56
Balance at December 31, 2005	195	2,258	(779)	(979)	(2,125)	(1,430)
Net earnings	-	-	-	-	231	231
Pension liability	-	-	-	748	-	748
Changes in fair value of derivative financial instruments	-	-	-	(62)	-	(62)
Total comprehensive income						917
Reclassification and amortization of stock compensation plans	-	275	-	-	-	275
Issuance of 15,002,091 shares	15	385	-	-	-	400
Issuance of 24,489,980 shares to employees	18	(200)	412	-	-	230

pursuant to stock option and deferred stock incentive plans						
Adjustment resulting from adoption of SFAS 158	-	-	-	(998)	-	(998)
Balance at December 31, 2006	228	2,718	(367)	(1,291)	(1,894)	(606)
Net earnings	-	-	-	-	504	504
Pension, retiree medical and other liability				1,744	-	1,744
Changes in fair value of derivative financial instruments	-	-	-	223	-	223
Unrealized gain on investments	-	-	-	(6)	-	(6)
Total comprehensive income						1,859
Reclassification and amortization of stock compensation plans	-	211	-	-	-	211
Issuance of 13,000,000 shares	13	484	-	-	-	497
Issuance of 14,173,610 shares to employees pursuant to stock option and deferred stock incentive plans	14	76	-	-	-	90
Balance at December 31, 2007	$ 255	$ 3,489	$ (367)	$ 670	$ (1,390)	$ 2,657

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of Presentation The accompanying consolidated financial statements as of December 31, 2007 and for the three years ended December 31, 2007 include the accounts of AMR Corporation (AMR or the Company) and its wholly owned subsidiaries, including (i) its principal subsidiary American Airlines, Inc. (American) and (ii) its regional airline subsidiary, AMR Eagle Holding Corporation and its primary subsidiaries, American Eagle Airlines, Inc. and Executive Airlines, Inc. (collectively, AMR Eagle). The consolidated financial statements as of and for the year ended December 31, 2007 include the accounts of the Company and its wholly owned subsidiaries as well as variable interest entities for which the Company is the primary beneficiary. All significant intercompany transactions have been eliminated.

New Accounting Pronouncement In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157 “Fair Value Measurements” (SFAS 157). SFAS 157 introduces a framework for measuring fair value and expands required disclosure about fair value measurements of assets and liabilities. On February 6, 2008 the FASB issued a final FASB Staff Position (FSP) No. FAS 157-b, “Effective Date of FASB Statement No. 157”. This FSP delays the effective date of FASB Statement No. 157, Fair Value Measurements, for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. In addition, the FSP removes certain leasing transactions from the scope of SFAS 157. The effective date of SFAS 157 for nonfinancial assets and liabilities has been delayed by one year to fiscal years beginning after November 15, 2008 and interim periods within those fiscal years. SFAS 157 for financial assets and liabilities is effective for fiscal years beginning after November 15, 2007, and the Company will adopt the standard for those assets and liabilities as of January 1, 2008. The principal impact to the Company will be to require the Company to expand its disclosure regarding its derivative instruments and to include credit risk as a part of the calculation of the fair value of derivatives. Although the Company continues to evaluate the impact of the adoption of this standard on its consolidated financial statements, the Company believes the impact of adoption will be immaterial.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Restricted Cash and Short-term Investments The Company has restricted cash and short-term investments related primarily to collateral held to support projected workers’ compensation obligations.

Inventories Spare parts, materials and supplies relating to flight equipment are carried at average acquisition cost and are expensed when used in operations. Allowances for obsolescence are provided - over the estimated useful life of the related aircraft and engines - for spare parts expected to be on hand at the date aircraft are retired from service. Allowances are also provided for spare parts currently identified as excess and obsolete. These allowances are based on management estimates, which are subject to change.

Maintenance and Repair Costs Maintenance and repair costs for owned and leased flight equipment are charged to operating expense as incurred, except costs incurred for maintenance and repair under flight hour maintenance contract agreements, which are accrued based on contractual terms when an obligation exists.

Intangible Assets Route acquisition costs and airport operating and gate lease rights represent the purchase price attributable to route authorities (including international airport take-off and landing slots), domestic airport take-off and landing slots and airport gate leasehold rights acquired. Indefinite-lived intangible assets (route acquisition costs and international slots and related international take-off and landing slots) are tested for impairment annually on December 31, rather than amortized, in accordance with Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (SFAS 142). Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value.

Statements of Cash Flows Short-term investments, without regard to remaining maturity at acquisition, are not considered as cash equivalents for purposes of the statements of cash flows.

1. Summary of Accounting Policies (Continued)

Measurement of Asset Impairments In accordance with Statement of Financial Accounting Standards No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets” (SFAS 144), the Company records impairment charges on long-lived assets used in operations when events and circumstances indicate that the assets may be impaired, the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets and the net book value of the assets exceeds their estimated fair value. In making these determinations, the Company uses certain assumptions, including, but not limited to: (i) estimated fair value of the assets; and (ii) estimated future cash flows expected to be generated by these assets, which are based on additional assumptions such as asset utilization, length of service the asset will be used in the Company's operations and estimated salvage values.

Equipment and Property   The provision for depreciation of operating equipment and property is computed on the straight-line method applied to each unit of property, except that major rotable parts, avionics and assemblies are depreciated on a group basis. The depreciable lives used for the principal depreciable asset classifications are:

	Depreciable Life
American jet aircraft and engines	20 - 30 years
Other regional aircraft and engines	16 - 20 years
Major rotable parts, avionics and assemblies	Life of equipment to which applicable
Improvements to leased flight equipment	Lesser of lease term or expected useful life
Buildings and improvements (principally on leased land)	5 - 30 years or term of lease, including estimated renewal options when renewal is economically compelled at key airports
Furniture, fixtures and other equipment	3 - 10 years
Capitalized software	3 - 10 years

Residual values for aircraft, engines, major rotable parts, avionics and assemblies are generally five to ten percent, except when guaranteed by a third party for a different amount.

Equipment and property under capital leases are amortized over the term of the leases or, in the case of certain aircraft, over their expected useful lives. Lease terms vary but are generally ten to 25 years for aircraft and seven to 40 years for other leased equipment and property.

Regional Affiliates   Revenue from ticket sales is generally recognized when service is provided. Regional Affiliates revenues for flights connecting to American flights are based on industry standard proration agreements.

Passenger Revenue   Passenger ticket sales are initially recorded as a component of Air traffic liability. Revenue derived from ticket sales is recognized at the time service is provided. However, due to various factors, including the complex pricing structure and interline agreements throughout the industry, certain amounts are recognized in revenue using estimates regarding both the timing of the revenue recognition and the amount of revenue to be recognized, including breakage. These estimates are generally based upon the evaluation of historical trends, including the use of regression analysis and other methods to model the outcome of future events based on the Company's historical experience, and are recorded at the scheduled time of departure.

Various taxes and fees assessed on the sale of tickets to end customers are collected by the Company as an agent and remitted to taxing authorities. These taxes and fees have been presented on a net basis in the accompanying consolidated statement of operations and recorded as a liability until remitted to the appropriate taxing authority.

1. Summary of Accounting Policies (Continued)

Frequent Flyer Program The estimated incremental cost of providing free travel awards is accrued for mileage credits earned by using American's service that are expected to be redeemed in the future. American also accrues a frequent flyer liability for the mileage credits that are expected to be used for travel on participating airlines based on historical usage patterns and contractual rates. American sells mileage credits and related services to companies participating in its frequent flyer program. The portion of the revenue related to the sale of mileage credits, representing the revenue for air transportation sold, is valued at fair value and is deferred and amortized over 28 months, which approximates the expected period over which the mileage credits are used. Breakage of sold miles is recognized over the estimated period of usage. The remaining portion of the revenue, representing the marketing services sold and administrative costs associated with operating the AAdvantage program, is recognized upon sale as a component of passenger revenues, as the related services have been provided. The Company recognizes this revenue in passenger revenue because it is derived from the value of the Company's AAdvantage passengers. The Company's total liability for future AAdvantage award redemptions for free, discounted or upgraded travel on American, American Eagle or participating airlines as well as unrecognized revenue from selling AAdvantage miles was approximately $1.6 billion (and is recorded as a component of Air traffic liability on the accompanying consolidated balance sheets) at both December 31, 2007 and 2006, respectively. Effective December 15, 2007, AAdvantage members now must have mileage earning or redemption activity once every eighteen (18) months in order to remain active and retain their miles. Prior to this change, mileage credits automatically expired after thirty-six (36) months of inactivity in the AAdvantage member's account. This change resulted in a benefit of $39 million at implementation in 2007, recognized in passenger revenue.

Income Taxes The Company generally believes that the positions taken on previously filed income tax returns are more likely than not to be sustained by the taxing authorities. The Company has recorded income tax and related interest liabilities where the Company believes its position may not be sustained or where the full income tax benefit will not be recognized. In accordance with the standards of Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes- an interpretation of FASB Statement No. 109 (FIN 48), the effects of potential income tax benefits resulting from the Company's unrecognized tax positions are not reflected in the tax balances of the financial statements. Recognized and unrecognized tax positions are reviewed and adjusted as events occur that affect the Company's judgment about the recognizability of income tax benefits, such as lapsing of applicable statutes of limitations, conclusion of tax audits, release of administrative guidance, or rendering of a court decision affecting a particular tax position.

Advertising Costs The Company expenses on a straight-line basis the costs of advertising as incurred throughout the year. Advertising expense was $162 million, $154 million and $144 million for the years ended December 31, 2007, 2006 and 2005, respectively.

2. Restructuring Charges

In the fourth quarter of 2007, the Company permanently grounded and held for disposal 24 McDonnell Douglas MD-80 airframes and certain other equipment, all 24 of which had previously been in temporary storage. Of these 24 aircraft, 12 are owned by the Company, seven are accounted for as capital leases and five are accounted for as operating leases. Primarily as a result of the retirement, the Company incurred a charge of $63 million, included in Other operating expenses in the consolidated statement of operations, to accrue future lease commitments and write-down the aircraft frames to their fair values. In determining the fair values of these aircraft, the Company considered recent transactions involving inventory for the aircraft.

2. Restructuring Charges (Continued)

As a result of the revenue environment, high fuel prices and the Company's restructuring activities, the Company has recorded a number of other charges during the last few years. The following table summarizes the components of these charges and the remaining accruals for future lease payments, aircraft lease return and other costs, facilities closure costs and employee severance and benefit costs (in millions):

		Aircraft Charges	Facility Exit Costs	Employee Charges	Other	Total
Remaining accrual at	January 1, 2005	129	26	36	-	191
Restructuring charges		155	19	-	(37)	137
Adjustments		-	(2)	-	-	(2)
Non-cash charges		(119)	-	-	37	(82)
Payments		(13)	(7)	(36)	-	(56)
Remaining accrual at	December 31, 2005	152	36	-	-	188
Adjustments		(3)	(16)	-	-	(19)
Payments		(21)	(1)	-	-	(22)
Remaining accrual at	December 31, 2006	$ 128	$ 19	$ -	$ -	$ 147
Restructuring charges		63	-	-	-	63
Non-cash charges		(53)	-	-	-	(53)
Payments		(12)	(1)	-	-	(13)
Remaining accrual at	December 31, 2007	$ 126	$ 18	$ -	$ -	$ 144

Cash outlays related to the accruals for aircraft charges and facility exit costs will occur through 2017 and 2018, respectively.

Other

On September 22, 2001, President Bush signed into law the Air Transportation Safety and System Stabilization Act (the Stabilization Act). The Stabilization Act provides that, notwithstanding any other provision of law, liability for all claims, whether compensatory or punitive, arising from the terrorist attacks of September 11, 2001 (the Terrorist Attacks), against any air carrier shall not exceed the liability coverage maintained by the air carrier. Based upon estimates provided by the Company's insurance providers, the Company initially recorded a liability of approximately $2.3 billion for claims arising from the Terrorist Attacks, after considering the liability protections provided for by the Stabilization Act. The balance, recorded in the accompanying consolidated balance sheet, was $1.8 billion at both December 31, 2007 and 2006. The Company also has a liability recorded of approximately $381 million related to flight 587, which crashed on November 12, 2001. The Company has recorded a receivable for all of these amounts, which the Company expects to recover from its insurance carriers as claims are resolved. These insurance receivables and liabilities are classified as Other assets and Other liabilities and deferred credits, respectively, on the accompanying consolidated balance sheets, and are based on reserves established by the Company's insurance carriers. These estimates may be revised as additional information becomes available concerning the expected claims.

3. Investments

Short-term investments consisted of (in millions):

	December 31, 2007	December 31, 2006
Overnight investments and time deposits	$ 488	$ 29
Corporate and bank notes	3,781	4,475
U. S. government agency mortgages	-	7
U. S. government agency notes	17	16
Other	101	67
	$ 4,387	$ 4,594

Short-term investments at December 31, 2007, by contractual maturity included (in millions):

Due in one year or less	$ 3,621
Due between one year and three years	766
Due after three years	-
	$ 4,387

All short-term investments are classified as available-for-sale and stated at fair value. Unrealized gains and losses are reflected as a component of Accumulated other comprehensive income (loss).

In 2007, the Company sold its interests in ARINC, Incorporated (“ARINC”), a military and aviation communications company, previously recorded as a component of other assets. The Company received $192 million in proceeds for its interest in ARINC, $138 million of which was recognized as a gain. The gain on the sale of the Company’s interest in ARINC is included in Miscellaneous-net in the accompanying consolidated statement of operations.

4. Commitments, Contingencies and Guarantees

As of December 31, 2007, the Company had commitments to acquire 23 Boeing 737-800s in 2009 and an aggregate of 29 Boeing 737 aircraft and seven Boeing 777 aircraft in 2013 through 2016 as a part of its fleet renewal strategy. Future payments for all aircraft, including the estimated amounts for price escalation, are currently estimated to be approximately $2.8 billion, with the majority occurring in 2008 through 2015. However, if the Company commits to accelerating the delivery dates of a significant number of aircraft in the future, a significant portion of the $2.8 billion commitment will be accelerated into earlier periods, including 2008 and 2009. Future payments for all aircraft, including price escalation, will approximate $269 million in 2008, $432 million in 2009, no payments in 2010, $106 million in 2011, $336 million in 2012, and $1.6 billion for 2013 and beyond. This amount is net of purchase deposits currently held by the manufacturer.

American has granted Boeing a security interest in American’s purchase deposits with Boeing. These purchase deposits totaled $239 million and $177 million at December 31, 2007 and 2006, respectively.

4. Commitments, Contingencies and Guarantees (Continued)

On December 18, 2007, the European Commission issued a Statement of Objection ("SO") against 26 airlines, including the Company. The SO alleges that these carriers participated in a conspiracy to set surcharges on cargo shipments in violation of EU law. The SO states that, in the event that the allegations in the SO are affirmed, the Commission will impose fines against the Company. The Company intends to vigorously contest the allegations and findings in the SO under EU laws, and it intends to cooperate fully with all other pending investigations. In the event that the SO is affirmed or other investigations uncover violations of the U.S. antitrust laws or the competition laws of some other jurisdiction, or if the Company were named and found liable in any litigation based on these allegations, such findings and related legal proceedings could have a material adverse impact on the Company. The evaluation of this allegation is still in the early stages, but based on the information to date, the Company has not recorded any reserve for this exposure in the 2007 consolidated financial statements.

The Company has contracts related to facility construction or improvement projects, primarily at airport locations. The contractual obligations related to these projects totaled approximately $102 million as of December 31, 2007. The Company expects to make payments of $97 million and $5 million in 2008 and 2009, respectively. See Footnote 6 for information related to financing of JFK construction costs which are included in these amounts. In addition, the Company has an information technology support related contract that requires minimum annual payments of $150 million through 2013.

American has capacity purchase agreements with two regional airlines, Chautauqua Airlines, Inc. (Chautauqua) and Trans States Airlines, Inc. (collectively the American Connection® carriers) to provide Embraer EMB-140/145 regional jet services to certain markets under the brand "American Connection". Under these arrangements, the Company pays the American Connection carriers a fee per block hour to operate the aircraft. The block hour fees are designed to cover the American Connection carriers' fully allocated costs plus a margin. Assumptions for certain costs such as fuel, landing fees, insurance, and aircraft ownership are trued up to actual values on a pass through basis. In consideration for these payments, the Company retains all passenger and other revenues resulting from the operation of the American Connection regional jets. Minimum payments under the contracts are $97 million in 2008 and $22 million over the years 2009 and 2010. In addition, if the Company terminates the Chautauqua contract without cause, Chautauqua has the right to put its 15 Embraer aircraft to the Company. If this were to happen, the Company would take possession of the aircraft and become liable for lease obligations totaling approximately $21 million per year with lease expirations in 2018 and 2019.

The Company is a party to many routine contracts in which it provides general indemnities in the normal course of business to third parties for various risks. The Company is not able to estimate the potential amount of any liability resulting from the indemnities. These indemnities are discussed in the following paragraphs.

The Company's loan agreements and other London Interbank Offered Rate (LIBOR)-based financing transactions (including certain leveraged aircraft leases) generally obligate the Company to reimburse the applicable lender for incremental costs due to a change in law that imposes (i) any reserve or special deposit requirement against assets of, deposits with, or credit extended by such lender related to the loan, (ii) any tax, duty, or other charge with respect to the loan (except standard income tax) or (iii) capital adequacy requirements. In addition, the Company's loan agreements, derivative contracts and other financing arrangements typically contain a withholding tax provision that requires the Company to pay additional amounts to the applicable lender or other financing party, generally if withholding taxes are imposed on such lender or other financing party as a result of a change in the applicable tax law.

These increased cost and withholding tax provisions continue for the entire term of the applicable transaction, and there is no limitation on the maximum additional amounts the Company could be obligated to pay under such provisions. Any failure to pay amounts due under such provisions generally would trigger an event of default, and, in a secured financing transaction, would entitle the lender to foreclose upon the collateral to realize the amount due.

4. Commitments, Contingencies and Guarantees (Continued)

In certain transactions, including certain aircraft financing leases and loans and derivative transactions, the lessors, lenders and/or other parties have rights to terminate the transaction based on changes in foreign tax law, illegality or certain other events or circumstances. In such a case, the Company may be required to make a lump sum payment to terminate the relevant transaction.

In its aircraft financing agreements, the Company generally indemnifies the financing parties, trustees acting on their behalf and other relevant parties against liabilities (including certain taxes) resulting from the financing, manufacture, design, ownership, operation and maintenance of the aircraft regardless of whether these liabilities (or taxes) relate to the negligence of the indemnified parties.

The Company has general indemnity clauses in many of its airport and other real estate leases where the Company as lessee indemnifies the lessor (and related parties) against liabilities related to the Company's use of the leased property. Generally, these indemnifications cover liabilities resulting from the negligence of the indemnified parties, but not liabilities resulting from the gross negligence or willful misconduct of the indemnified parties. In addition, the Company provides environmental indemnities in many of these leases for contamination related to the Company's use of the leased property.

Under certain contracts with third parties, the Company indemnifies the third party against legal liability arising out of an action by the third party, or certain other parties. The terms of these contracts vary and the potential exposure under these indemnities cannot be determined. Generally, the Company has liability insurance protecting the Company for its obligations it has undertaken under these indemnities.

AMR and American have event risk covenants in approximately $1.3 billion of indebtedness and operating leases as of December 31, 2007. These covenants permit the holders of such obligations to receive a higher rate of return (between 100 and 650 basis points above the stated rate) if a designated event, as defined, should occur and the credit ratings of such obligations are downgraded below certain levels within a certain period of time. No designated event, as defined, had occurred as of December 31, 2007.

The Company is involved in certain claims and litigation related to its operations. In the opinion of management, liabilities, if any, arising from these claims and litigation will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows, after consideration of available insurance.

5. Leases

AMR's subsidiaries lease various types of equipment and property, primarily aircraft and airport facilities. The future minimum lease payments required under capital leases, together with the present value of such payments, and future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2007, were (in millions):

Year Ending December 31,	Capital Leases	Operating Leases
2008	$ 243	$ 1,037
2009	180	932
2010	144	866
2011	146	859
2012	97	676
2013 and thereafter	559	5,798

	$ 1,369	$ 10,168	(1)
Less amount representing interest	523		
Present value of net minimum lease payments	$ 846		

(1) As of December 31, 2007, included in Accrued liabilities and Other liabilities and deferred credits on the accompanying consolidated balance sheet is approximately $1.3 billion relating to rent expense being recorded in advance of future operating lease payments.

5. Leases (Continued)

At December 31, 2007, the Company was operating 184 jet aircraft and 2 turboprop aircraft under operating leases and 84 jet aircraft under capital leases. The aircraft leases can generally be renewed at rates based on fair market value at the end of the lease term for one to five years. Some aircraft leases have purchase options at or near the end of the lease term at fair market value, but generally not to exceed a stated percentage of the defined lessor's cost of the aircraft or a predetermined fixed amount.

The special facility revenue bonds have been issued by certain municipalities primarily to improve airport facilities and purchase equipment. To the extent these transactions were committed to prior to May 21, 1998 (the effective date of EITF 97-10, “The Effect of Lessee Involvement in Asset Construction”) they are accounted for as operating leases under Financial Accounting Standards Board Interpretation 23, “Leases of Certain Property Owned by a Governmental Unit or Authority”. Approximately $1.7 billion of these bonds (with total future payments of approximately $4.1 billion as of December 31, 2007) are guaranteed by American, AMR, or both. Approximately $395 million of these special facility revenue bonds contain mandatory tender provisions that require American to make operating lease payments sufficient to repurchase the bonds at various times: $218 million in 2008, $112 million in 2014 and $65 million in 2015. Although American has the right to remarket the bonds, there can be no assurance that these bonds will be successfully remarketed. Any payments to redeem or purchase bonds that are not remarketed would generally reduce existing rent leveling accruals or be considered prepaid facility rentals and would reduce future operating lease commitments. The special facility revenue bonds that contain mandatory tender provisions are listed in the table above at their ultimate maturity date rather than their mandatory tender provision date. Approximately $198 million of special facility revenue bonds with mandatory tender provisions were successfully remarketed in 2005. They were acquired by American in 2003 under a mandatory tender provision. Thus, the receipt by American of the proceeds from the remarketing resulted in an increase to Other liabilities and deferred credits where the tendered bonds had been classified pending their use to offset certain future operating lease obligations.

Rent expense, excluding landing fees, was $1.4 billion, $1.4 billion and $1.3 billion in 2007, 2006 and 2005, respectively.

American has determined that it holds a significant variable interest in, but is not the primary beneficiary of, certain trusts that are the lessors under 84 of its aircraft operating leases. These leases contain a fixed price purchase option, which allows American to purchase the aircraft at a predetermined price on a specified date. However, American does not guarantee the residual value of the aircraft. As of December 31, 2007, future lease payments required under these leases totaled $2.0 billion.

6. Indebtedness

Long-term debt consisted of (in millions):

December 31,

	2007	2006
Secured variable and fixed rate indebtedness due through 2021 (effective rates from 4.25% - 11.36% at December 31, 2007)	$ 4,662	$ 6,000
Enhanced equipment trust certificates due through 2012 (rates from 3.86% - 12.00% at December 31, 2007)	2,482	2,968
6.0% - 8.5% special facility revenue bonds due through 2036	1,688	1,697
Credit facility agreement due through 2010 (effective rate of 8.60% at December 31, 2007)	440	740
4.25% - 4.50% senior convertible notes due 2023 – 2024	619	619
9.0% - 10.20% debentures due through 2021	213	213
7.88% - 10.55% notes due through 2039	211	226
	10,315	12,463
Less current maturities	902	1,246
Long-term debt, less current maturities	$ 9,413	$ 11,217

6. Indebtedness (Continued)

Maturities of long-term debt (including sinking fund requirements) for the next five years are: 2008 - $902 million; 2009 - $1.2 billion; 2010 - $1.3 billion; 2011 – $2.1 billion, 2012 - $0.9 billion.

American’s credit facility consists of a $255 million senior secured revolving credit facility and a $440 million term loan facility (the Revolving Facility and the Term Loan Facility, respectively, and collectively, the Credit Facility). Advances under either facility can be designated, at American’s election, as LIBOR rate advances or base rate advances. Interest accrues at the LIBOR rate or base rate, as applicable, plus, in either case, the applicable margin. The applicable margin with respect to the Revolving Facility can range from 2.50 percent to 4.00 percent per annum, in the case of LIBOR advances, and from 1.50 percent to 3.00 percent per annum, in the case of base rate advances, depending upon the senior secured debt rating of the Credit Facility. Based on ratings as of December 31, 2007, the applicable margin with respect to the Revolving Facility is 3.00 percent per annum in the case of LIBOR advances, and 2.00 percent per annum in the case of base rate advances. The applicable margin with respect to the Term Loan Facility is 2.00 percent per annum in the case of LIBOR advances, and 1.00 percent per annum in the case of base rate advances. On March 30, 2007, American paid in full the principal balance of its senior secured revolving credit facility, and the $255 million balance of the facility remains available to American through maturity in June 2009.

The Term Loan Facility matures on December 17, 2010 and amortizes quarterly at a rate of $1 million. Principal amounts repaid under the Term Loan Facility may not be re-borrowed.

The Credit Facility is secured by certain aircraft. The Credit Facility includes a covenant that requires periodic appraisals of the aircraft at current market value and requires American to pledge more aircraft or cash collateral if the loan amount is more than 50 percent of the appraised value (after giving effect to sublimits for specified categories of aircraft). In addition, the Credit Facility is secured by all of American’s existing route authorities between the United States and Tokyo, Japan, together with certain slots, gates and facilities that support the operation of such routes. American’s obligations under the Credit Facility are guaranteed by AMR, and AMR’s guaranty is secured by a pledge of all the outstanding shares of common stock of American.

The Credit Facility contains a covenant (the Liquidity Covenant) requiring American to maintain, as defined, unrestricted cash, unencumbered short term investments and amounts available for drawing under committed revolving credit facilities which have a final maturity of at least 12 months after the date of determination, of not less than $1.25 billion for each quarterly period through the remaining life of the Credit Facility.

In addition, the Credit Facility contains a covenant (the EBITDAR Covenant) requiring AMR to maintain a ratio of cash flow (defined as consolidated net income, before interest expense (less capitalized interest), income taxes, depreciation and amortization and rentals, adjusted for certain gains or losses and non-cash items). The required ratio is 1.40 to 1.00 for each period of four consecutive quarters through the four quarter period ending March 31, 2009 and will increase to 1.50 to 1.00 for the four quarter period ending June 30, 2009 and each four quarter period ending thereafter.0

AMR and American were in compliance with the Liquidity Covenant and the EBITDAR Covenant at December 31, 2007 and expect to be able to comply with these covenants. However, given fuel prices that are high by historical standards and the volatility of fuel prices and revenues, it is difficult to assess whether AMR and American will, in fact, be able to continue to comply with the Liquidity Covenant and, in particular, the EBITDAR Covenant, and there are no assurances that they will be able to do so. Failure to comply with these covenants would result in a default under the Credit Facility which - - if the Company did not take steps to obtain a waiver of, or otherwise mitigate, the default - - could result in a default under a significant amount of the Company’s other debt and lease obligations and have a material adverse impact on the Company.

In September 2005, American sold and leased back 89 spare engines with a book value of $105 million to a variable interest entity (VIE). The net proceeds received from third parties were $133 million. American is considered the primary beneficiary of the activities of the VIE as American has substantially all of the residual value risk associated with the transaction. As such, American is required to consolidate the VIE in its financial statements. At December 31, 2007, the book value of the engines was $87 million and was included in Flight equipment on the consolidated balance sheet. The engines serve as collateral for the VIE’s long-term debt of $113 million at December 31, 2007, which has also been included in the consolidated balance sheet. The VIE has no other significant operations.

6. Indebtedness (Continued)

In November 2005, the New York City Industrial Development Agency issued facilities sublease revenue bonds for John F. Kennedy International Airport to provide reimbursement to American for certain facility construction and other related costs. The Company recorded the issuance of $775 million (net of $25 million discount) as long-term debt on the consolidated balance sheet as of December 31, 2005. The bonds bear interest at fixed rates, with an average effective rate of 8.06 percent, and mature over various periods of time, with a final maturity in 2031. Proceeds from the offering were to be used to reimburse costs associated with the Company’s terminal construction project at JFK. As of December 31, 2007, the Company had $99 million held in a debt service reserve fund for revenue bonds.

During the year ended December 31, 2005, AMR Eagle borrowed approximately $319 million, net of discount, under various debt agreements related to the purchase of regional jet aircraft. These debt agreements are secured by the related aircraft and have effective interest rates ranging from 5.00 percent to 5.13 percent. The debt agreements are guaranteed by AMR and mature over various periods of time through 2021.

The Company has outstanding $324 million principal amount of its 4.50 percent senior convertible notes due 2024 (the 4.50 Notes) and $300 million principal amount of its 4.25 percent senior convertible notes due 2023 (the 4.25 Notes). Each note is convertible into AMR common stock at a conversion rate of 45.3515 shares for the 4.50 Notes and 57.61 shares for the 4.25 Notes, per $1,000 principal amount of notes (which represents an equivalent conversion price of $22.05 per share for the 4.50 Notes and $17.36 per share for the 4.25 Notes), subject to adjustment in certain circumstances. These notes are guaranteed by American. The 4.25 and 4.50 notes have become convertible into shares of AMR common stock, and as a result the holders may convert their notes at any time prior to maturity. Any conversion of notes may be settled by the Company in cash, common stock or a combination of cash and common stock. On each of February 15, 2009, 2014 and 2019 for the 4.50 Notes, and on September 23, 2008, 2013 and 2018 for the 4.25 notes, the holders may require us to purchase all or a portion of their notes at a price equal to 100% of their principal amount plus unpaid interest which may be paid in cash, common stock or a combination of cash and common stock. Accordingly, the Company reclassified the $300 million principal amount of the 4.25 Notes to Current maturities of long term debt as the first put date for those notes is during 2008. After February 15, 2009 and September 23, 2008, the Company may call all or any portion of the 4.50 Notes and 4.25 Notes, respectively, for redemption. In such case, holders may still elect to convert the notes into shares of AMR common stock, and any such conversions will be settled as described above.

Certain debt is secured by aircraft, engines, equipment and other assets having a net book value of approximately $10.7 billion as of December 31, 2007.

As of December 31, 2007, AMR has issued guarantees covering approximately $1.7 billion of American's tax-exempt bond debt and American has issued guarantees covering approximately $1.1 billion of AMR's unsecured debt. In addition, as of December 31, 2007, AMR and American have issued guarantees covering approximately $347 million of AMR Eagle's secured debt, and AMR has issued guarantees covering an additional $2.3 billion of AMR Eagle's secured debt.

Cash payments for interest, net of capitalized interest, were $861 million, $944 million and $828 million for 2007, 2006 and 2005, respectively.

7. Financial Instruments and Risk Management

As part of the Company's risk management program, AMR uses a variety of financial instruments, primarily fuel option and collar contracts. The Company does not hold or issue derivative financial instruments for trading purposes.

7. Financial Instruments and Risk Management (Continued)

The Company is exposed to credit losses in the event of non-performance by counterparties to these financial instruments, but it does not expect any of the counterparties to fail to meet its obligations. The credit exposure related to these financial instruments is represented by the fair value of contracts with a positive fair value at the reporting date, reduced by the effects of master netting agreements. To manage credit risks, the Company selects counterparties based on credit ratings, limits its exposure to a single counterparty under defined guidelines, and monitors the market position of the program and its relative market position with each counterparty. The Company also maintains industry-standard security agreements with a number of its counterparties which may require the Company or the counterparty to post collateral if the value of selected instruments exceed specified mark-to-market thresholds or upon certain changes in credit ratings. The Company's outstanding posted collateral as of December 31, 2007 is included in restricted cash and short-term investments and is not material. A deterioration of the Company's liquidity position may negatively affect the Company's ability to hedge fuel in the future.

Fuel Price Risk Management American enters into jet fuel and heating oil hedging contracts to dampen the impact of the volatility in jet fuel prices. These instruments generally have maturities of up to 24 months. The Company accounts for its fuel derivative contracts as cash flow hedges and records the fair value of its fuel hedging contracts in Other current assets and Accumulated other comprehensive income (loss) on the accompanying consolidated balance sheets. The Company determines the ineffective portion of its fuel hedge contracts by comparing the cumulative change in the total value of the fuel hedge contract, or group of fuel hedge contracts, to the cumulative change in a hypothetical jet fuel hedge. If the total cumulative change in value of the fuel hedge contract more than offsets the total cumulative change in a hypothetical jet fuel hedge, the difference is considered ineffective and is immediately recognized as a component of Aircraft fuel expense. Effective gains or losses on fuel hedging contracts are deferred in Accumulated other comprehensive income (loss) and are recognized in earnings as a component of Aircraft fuel expense when the underlying jet fuel being hedged is used.

Ineffectiveness is inherent in hedging jet fuel with derivative positions based in crude oil or other crude oil related commodities. As required by Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Company assesses, both at the inception of each hedge and on an on-going basis, whether the derivatives that are used in its hedging transactions are highly effective in offsetting changes in cash flows of the hedged items. In doing so, the Company uses a regression model to determine the correlation of the change in prices of the commodities used to hedge jet fuel (NYMEX Heating oil) to the change in the price of jet fuel. The Company also monitors the actual dollar offset of the hedges' market values as compared to hypothetical jet fuel hedges. The fuel hedge contracts are generally deemed to be "highly effective" if the R-squared is greater than 80 percent and the dollar offset correlation is within 80 percent to 125 percent. The Company discontinues hedge accounting prospectively if it determines that a derivative is no longer expected to be highly effective as a hedge or if it decides to discontinue the hedging relationship. During 2006, the Company determined that certain of its derivatives settling during the remainder of 2006 and in 2007 were no longer expected to be highly effective in offsetting changes in forecasted jet fuel purchased. As a result of the ineffectiveness assessment on these derivatives, changes in market value were recognized directly in earnings, while previously deferred gains in Other comprehensive income (loss) were deferred and recognized as a component of fuel expense when the originally hedged jet fuel was used in operations. All of these derivatives settling after December 31, 2006, were re-designated as hedges on October 26, 2006. Hedge accounting continues to be applied to derivatives used to hedge forecasted jet fuel purchases that are expected to remain highly effective.

For the years ended December 31, 2007, 2006 and 2005, the Company recognized net gains of approximately $239 million, $97 million and $64 million, respectively, as a component of fuel expense on the accompanying consolidated statements of operations related to its fuel hedging agreements, including the ineffective portion of the hedges. In addition, in 2006, the Company recognized a loss of $102 million in Miscellaneous – net for changes in market value of hedges that did not qualify for hedge accounting during certain periods in 2006. The fair value of the Company's fuel hedging agreements at December 31, 2007 and 2006, representing the amount the Company would receive to terminate the agreements, totaled $353 million and $23 million, respectively. Due to the current value of the Company's derivative contracts, some agreements with counterparties require collateral to be deposited with the Company. As of December 31, 2007 the collateral held in short term investments by AMR from such counterparties was $164 million. The Company held no collateral from such counterparties as of December 31, 2006.

7. Financial Instruments and Risk Management (Continued)

Fair Values of Financial Instruments The fair values of the Company's long-term debt were estimated using quoted market prices where available. For long-term debt not actively traded, fair values were estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amounts and estimated fair values of the Company's long-term debt, including current maturities, were (in millions):

	December 31,			
	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured variable and fixed rate indebtedness	$ 4,662	$ 3,896	$ 6,000	$ 5,574
Enhanced equipment trust certificates	2,482	2,472	2,968	3,068
6.0% - 8.5% special facility revenue bonds	1,688	1,801	1,697	1,978
Credit facility agreement	440	423	740	743
4.25% - 4.50 % senior convertible notes	619	670	619	1,037
9.0% - 10.20% debentures	213	178	213	222
7.88% - 10.55% notes	211	195	226	220
	$ 10,315	$ 9,635	$ 12,463	$ 12,842

8. Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 “Accounting for Uncertainty in Income Taxes” (FIN 48). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

The Company has an unrecognized tax benefit of approximately $40 million which did not change significantly during the twelve months ended December 31, 2007. The application of FIN 48 would have resulted in an increase in retained earnings of $40 million, except that the increase was fully offset by the application of a valuation allowance. In addition, future changes in the unrecognized tax benefit will have no impact on the effective tax rate due to the existence of the valuation allowance. Accrued interest on tax positions is recorded as a component of interest expense but is not significant at December 31, 2007.

The reconciliation of the beginning and ending amounts of unrecognized tax benefit are (in millions):

Unrecognized Tax Benefit at January 1, 2007	$ 41
Decreases due to settlements with taxing authority	(1)
Unrecognized Tax Benefit at December 31, 2007	$ 40

Due to the valuation allowance, the total amount of unrecognized tax benefit if recognized that would affect the effective tax rate would be zero. The Company estimates that the unrecognized tax benefit will not significantly change within the next twelve months.

The Company files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. The Company is currently under audit by the Internal Revenue Service for its 2001 through 2003 tax years. The anticipated closing date is in 2008. The Company’s 2004 through 2006 tax years are still subject to examination. Various state and foreign jurisdiction tax years remain open to examination as well, though the Company believes that the effect of any additional assessment(s) will be immaterial to its consolidated financial statements.

8. Income Taxes (Continued)

The income tax expense or benefit differed from amounts computed at the statutory federal income tax rate as follows (in millions):

	Year Ended December 31, 2007	2006	2005
Statutory income tax provision expense/(benefit)	$ 176	$ 81	$ (301)
State income tax expense/(benefit), net of federal tax effect	10	15	(8)
Meal expense	9	7	9
Change in valuation allowance	(180)	(124)	298
Other, net	(15)	21	2
Income tax benefit	$ -	$ -	$ -

In addition to the changes in the valuation allowance from operations described in the table above, the valuation allowance was also impacted by the changes in the components of Accumulated other comprehensive income (loss), described in footnote 12. The total increase (decrease) in the valuation allowance was $(696) million, $(18) million, and $506 million in 2007, 2006, and 2005, respectively.

The Company provides a valuation allowance for deferred tax assets when it is more likely than not that some portion, or all of its deferred tax assets, will not be realized. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion, or all of the deferred tax assets, will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income (including reversals of deferred tax liabilities) during the periods in which those temporary differences will become deductible.

The components of AMR's deferred tax assets and liabilities were (in millions):

	December 31, 2007	2006
Deferred tax assets:		
Postretirement benefits other than pensions	$ 1,162	$ 1,137
Rent expense	487	539
Alternative minimum tax credit carryforwards	413	413
Operating loss carryforwards	2,269	2,463
Pensions	405	825
Frequent flyer obligation	308	322
Gains from lease transactions	98	135
Other	722	752
Total deferred tax assets	5,864	6,586
Valuation allowance	(625)	(1,321)
Net deferred tax assets	5,239	5,265
Deferred tax liabilities:		
Accelerated depreciation and amortization	(4,960)	(4,939)
Other	(279)	(326)
Total deferred tax liabilities	(5,239)	(5,265)

Net deferred tax liability	$ -	$ -

8. Income Taxes (Continued)

At December 31, 2007, the Company had available for federal income tax purposes an alternative minimum tax credit carryforward of approximately $413 million, which is available for an indefinite period, and federal net operating losses of approximately $6.6 billion for regular tax purposes, which will expire, if unused, beginning in 2022. These net operating losses include an SFAS123(R) unrealized benefit of approximately $647 million related to the implementation of SFAS 123(R) that will be recorded in equity when realized. The Company had available for state income tax purposes net operating losses of $3.7 billion, which expire, if unused, in years 2008 through 2026. The amount that will expire in 2008 is $93 million.

Cash payments for income taxes were $7 million, $1 million and $7 million for 2007, 2006 and 2005, respectively.

Under special tax rules (the Section 382 Limitation), cumulative stock purchases by material shareholders exceeding 50 percent during a 3-year period can potentially limit a company's future use of net operating losses (NOL's). Such limitation is increased by "built-in gains", as provided by current IRS guidance. Based on available information, the Company is not currently subject to the Section 382 Limitation. If triggered in a future period, under current tax rules, such limitation is not expected to significantly impact the recorded value or timing of utilization of AMR's NOL's.

9. Share Based Compensation

AMR grants, or has granted, stock compensation under three plans: the Pilots Stock Option Plan (the Pilot Plan), the 1998 Long Term Incentive Plan, and the 2003 Employee Stock Incentive Plan (the 2003 Plan). The Company established the Pilot Plan in 1997 to grant members of the APA AMR stock options in conjunction with a prior contract negotiation. The Pilot Plan expired in May of 2007.

Under the 1998 Long Term Incentive Plan, as amended, officers and key employees of AMR and its subsidiaries may be granted certain types of stock or performance based awards. At December 31, 2007, the Company had stock option/ settled stock appreciation right (SSAR) awards, performance share awards, deferred share awards and other awards outstanding under this plan. The total number of common shares authorized for distribution under the 1998 Long Term Incentive Plan is 23,700,000 shares. The 1998 Long Term Incentive Plan, the successor to the 1988 Long Term Incentive Plan (collectively, the LTIP Plans), will terminate no later than May 21, 2008.

In 2003, the Company established the 2003 Plan to provide equity awards to employees. Under the 2003 Plan, employees may be granted stock options/SSARs, restricted stock and deferred stock. At December 31, 2007, the Company had stock options/SSARs and deferred awards outstanding under the 2003 Plan. The total number of shares authorized for distribution under the 2003 Plan is 42,680,000 shares.

In 2007, 2006 and 2005, the total charge for share-based compensation expense included in wages, salaries and benefits expense was $131 million, $219 million and $132 million, respectively. In 2007, 2006 and 2005, the amount of cash used to settle equity instruments granted under share-based compensation plans was $11 million, $29 million and $6 million, respectively.

Prior to January 1, 2006, the Company accounted for its share-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations. Under APB 25, no compensation expense was recognized for stock option grants if the exercise price of the Company's stock option grants was at or above the fair market value of the underlying stock on the date of grant. Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" (SFAS 123(R)) using the modified-prospective transition method. Under this transition method, compensation cost recognized in 2007 and 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006 based on the fair value used for pro forma disclosures and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the fair value estimated in accordance with the provisions of SFAS 123(R). Results for prior periods have not been restated. The adoption of SFAS 123(R) did not have a significant impact on the Company's net income or basic and diluted amounts per share in 2006.

9. Share Based Compensation (Continued)

The following table illustrates the effect on net earnings (loss) and earnings (loss) per share amounts if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based employee compensation for periods prior to the adoption of SFAS 123(R) (in millions, except per share amounts):

		2005
Net earnings (loss), as reported	$	(857)
Add: Stock-based employee compensation expense included in reported net earnings (loss)		132
Deduct: Total stock-based employee compensation expense determined under fair value based methods for all awards		(174)
Pro forma net earnings (loss)	$	(899)
Loss per share:		
Basic and diluted – as reported	$	(5.18)
Basic and diluted – pro forma	$	(5.44)

Stock Options/SSARs During 2006, the AMR Board of Directors approved an amendment covering all of the outstanding stock options previously granted under the LTIP Plans. The Amendment added to each of the outstanding options an additional stock settled stock appreciation right (SSAR) in tandem with each of the then outstanding stock options. The addition of the SSAR did not impact the fair value of the stock options, but simply allowed the Company to settle the exercise of the option by issuing the net number of shares equal to the in-the-money value of the option. This amendment is estimated to make available enough shares to permit the Company to settle all outstanding performance and deferred share awards in stock rather than cash.

Options/SSARs granted under the LTIP Plans and the 2003 Plan are awarded with an exercise price equal to the fair market value of the stock on date of grant, become exercisable in equal annual installments over periods ranging from two to five years and expire no later than ten years from the date of grant. Expense for the options is recognized on a straight-line basis. The fair value of each award is estimated on the date of grant using the modified Black-Scholes option valuation model and the assumptions noted in the following table. Expected volatilities are based on implied volatilities from traded options on the Company's stock, historical volatility of the Company's stock, and other factors. The Company uses historical employee exercise data to estimate the expected term of awards granted used in the valuation model. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is assumed to be zero based on the Company's history and expectation of not paying dividends.

	2007	2006	2005
Expected volatility	49.7% to 51.6%	52.5% to 55.0%	55.0%
Expected term (in years)	4.0	4.0	4.0
Risk-free rate	4.43% to 5.03%	4.35% to 5.07%	3.71% to 3.98%
Annual forfeiture rate	10.0%	10.0%	0.0%

9. Share Based Compensation (Continued)

A summary of stock option/SSARs activity under the LTIP Plans, the 2003 Plan and the Pilot Plan as of December 31, 2007, and changes during the year then ended is presented below:

	LTIP Plans			The Pilot Plan and the 2003 Plan		
	Options/SSARs		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Outstanding at January 1	15,602,328	$	27.03	21,559,434	$	7.89
Granted	697,940		28.53	-		-
Exercised	(4,230,379)		25.16	(7,015,519)		12.19
Forfeited or Expired	(225,274)		28.48	(267,862)		13.85
Outstanding at December 31	11,844,615	$	27.76	14,276,053	$	5.66
Exercisable at December 31	9,774,015	$	29.29	13,381,132	$	5.29
Weighted Average Remaining Contractual Term of Options Outstanding (in years)	3.9			5.4		
Aggregate Intrinsic Value of Options Outstanding	$ 3,146,591			$ 119,545,812		

The aggregate intrinsic value of all vested options/SSARs is $118 million and those options have an average remaining contractual life of 4.3 years. The weighted-average grant date fair value of options/SSARs granted during 2007, 2006 and 2005 was $12.63, $10.93 and $6.28, respectively. The total intrinsic value of options/SSARs exercised during 2007, 2006 and 2005 was $193 million, $350 million and $75 million, respectively.

A summary of the status of the Company's non-vested options/SSARs under all plans as of December 31, 2007, and changes during the year ended December 31, 2007, is presented below:

	Options/SSARs		Weighted Average Grant Date Fair Value
Outstanding at January 1	3,952,105	$	6.98
Granted	697,940		12.63
Vested	(1,575,904)		7.37
Forfeited	(108,620)		8.02
Outstanding at December 31	2,965,521	$	8.07

As of December 31, 2007, there was $15 million of total unrecognized compensation cost related to non-vested stock options/SSARs granted under the LTIP Plans and the 2003 Plan that is expected to be recognized over a weighted-average period of 2.9 years. The total fair value of stock options/SSARs vested during the years ended

December 31, 2007, 2006 and 2005, was $9 million, $25 million and $42 million, respectively.

9. Share Based Compensation (Continued)

Cash received by the Company from exercise of stock options for the years ended December 31, 2007, 2006 and 2005, was $90 million, $230 million and $56 million, respectively. No tax benefit was realized as a result of stock options/SSARs exercised in 2007 due to the tax valuation allowance discussed in Note 8.

Performance Share Awards During 2006 and in early January 2007, the AMR Board of Directors approved the amendment and restatement of all of the outstanding performance share plans, the related performance share agreements and deferred share agreements that required settlement in cash (collectively, the Amended Plans). The plans were amended to permit settlement in a combination of cash and/or stock; however, the amendments did not impact the fair value of the awards under the Amended Plans. As a result of these actions, any amounts accrued as liabilities at the time of conversion or at the time it became probable that sufficient shares would be available to settle the Amended Plans were reclassified from accrued liabilities to Additional paid-in capital. Accordingly, these awards are now accounted for as market condition awards in accordance with SFAS 123(R).

Performance share awards are granted under the LTIP Plans, generally vest pursuant to a three year measurement period and are settled on the vesting date. The number of awards ultimately issued under performance share awards is contingent on AMR's relative stock price performance compared to certain of its competitors over a three year period and can range from zero to 175 percent of the awards granted. The fair value of performance awards is calculated using a Monte Carlo valuation model that estimates the probability of the potential payouts using the historical volatility of AMR's stock and the stock of other comparative carriers.

Activity during 2007 for performance awards accounted for as equity awards was:

	Awards	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1	4,195,589		
Reclassified from liability awards	2,264,203		
Granted	1,524,170		
Settled	(2,441,297)		
Forfeited or Expired	(142,224)		
Outstanding at December 31	5,400,441	1.1	$ 82,443,348

The aggregate intrinsic value represents the Company's current estimate of the number of shares (5,876,219 shares at December 31, 2007) that will ultimately be distributed for outstanding awards computed using the market value of the

Company's common stock at December 31, 2007. The weighted-average grant date fair value per share of performance share awards granted during 2007, 2006, and 2005 was $28.52, $25.01 and $40.23, respectively. The total fair value of equity awards settled during the year ended December 31, 2007 was $153 million. As of December 31, 2007, there was $48 million of total unrecognized compensation cost related to performance share awards that is expected to be recognized over a period of 1.9 years.

Deferred Awards The distribution of deferred share awards granted under the LTIP Plans is based solely on a requisite service period (generally 36 months). Career equity awards granted to certain employees of the Company vest upon the retirement of those individuals. The fair value of each deferred award is based on AMR's stock price on the measurement date.

9. Share Based Compensation (Continued)

Activity during 2007 for deferred awards accounted for as equity awards was:

	Shares	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1	3,476,039		
Reclassified from liability awards	681,115		
Granted	462,980		
Settled	(882,128)		
Forfeited or Expired	(69,209)		
Outstanding at December 31	3,668,797	4.3	$ 51,473,223

The weighted-average grant date fair value per share of deferred awards granted during 2007, 2006 and 2005 was $28.54, $25.12 and $39.50, respectively. The total fair value of awards settled during the years ended December 31, 2007, 2006 and 2005 was $24 million, $4 million and $1 million, respectively. As of December 31, 2007, there was $31 million of total unrecognized compensation cost related to deferred awards that is expected to be recognized over a weighted average period of 3.4 years.

Other Awards As of December 31, 2007, certain performance share agreements and deferred share award agreements were accounted for as a liability, or as equity, as appropriate, in the consolidated balance sheet as the plans only permit settlement in cash or the awards required that the employee meet certain performance conditions which were not subject to market measurement. As a result, SFAS 123(R) required awards under these agreements to be marked to current market value. As of December 31, 2007, the aggregate intrinsic value of these awards was $21 million and the weighted average remaining contractual term of these awards was 1.9 years. The total fair value of awards settled during the years ended December 31, 2007, 2006 and 2005 was $11 million, $29 million, and $7 million respectively. As of December 31, 2007, there was $7 million of total unrecognized compensation cost related to other awards that is expected to be recognized over a weighted average period of 3.5 years.

10. Retirement Benefits

All employees of the Company may participate in pension plans if they meet the plans' eligibility requirements. The defined benefit plans provide benefits for participating employees based on years of service and average compensation for a specified period of time before retirement. The Company uses a December 31 measurement date for all of its defined benefit plans. American's pilots also participate in a defined contribution plan for which Company contributions are determined as a percentage (11 percent) of participant compensation. Certain non-contract employees (including all new non-contract employees) participate in a defined contribution plan in which the Company will match the employees' before-tax contribution on a dollar-for-dollar basis, up to 5.5 percent of their pensionable pay.

In addition to pension benefits, retiree medical and other postretirement benefits, including certain health care and life insurance benefits (which provide secondary coverage to Medicare), are provided to retired employees. The amount of health care benefits is limited to lifetime maximums as outlined in the plan. Substantially all regular employees of American and employees of certain other subsidiaries may become eligible for these benefits if they satisfy eligibility requirements during their working lives.

Certain employee groups make contributions toward funding a portion of their retiree health care benefits during their working lives. The Company funds benefits as incurred and makes contributions to match employee prefunding.

10. Retirement Benefits (Continued)

On December 13, 2007, President Bush signed the Fair Treatment for Experienced Pilots Act (H.R. 4343) into law, raising the mandatory retirement age for commercial pilots from 60 to 65. Previously, The FAA required commercial pilots to retire once they reached age 60. As a result of the new legislation, the Company has estimated the average retirement age for the pilot workgroup to be 63, based on the approximate retirement age of the Company's other work groups, which did not have the same mandatory retirement age. This change in the estimate of pilot retirement age caused a decrease to the pension and other postretirement liability of approximately $543 million.

On December 31, 2006, the Company adopted the recognition and disclosure provisions of SFAS 158. SFAS 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet as of December 31, 2006 with a corresponding adjustment to Accumulated other comprehensive income (loss). The adjustment to Accumulated other comprehensive income (loss) at adoption primarily represents the net unrecognized actuarial losses and unrecognized prior service costs. Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension cost in the same periods will be recognized as a component of Accumulated other comprehensive income (loss). These amounts will be subsequently recognized as a component of net periodic pension cost in Other comprehensive income (loss) in accordance with the Company's accounting policy.

The incremental effects of adopting the provisions of SFAS 158 on the Company's consolidated balance sheet at December 31, 2006 are presented in the following table. The adoption of SFAS 158 had no effect on the Company's consolidated statement of operations for the year ended December 31, 2006, or for any prior period presented, and it did not affect the Company's operating results in 2007, nor will it in future periods.

	Prior to adopting SFAS 158	Effect of adopting SFAS 158	As Reported at December 31, 2006
Intangible asset (pension)	$ 118	$ (118)	$ -
Accrued pension and postretirement benefits liability	4,657	880	5,537
Total liabilities	28,871	880	29,751
Accumulated other comprehensive income (loss)	(458)	(998)	(1,456)
Total stockholders' equity (deficit)	392	(998)	(606)

10. Retirement Benefits (Continued)

The following table provides a reconciliation of the changes in the pension and retiree medical and other benefit obligations and fair value of assets for the years ended December 31, 2007 and 2006, and a statement of funded status as of December 31, 2007 and 2006 (in millions):

	Pension Benefits		Retiree Medical and Other Benefits	
	2007	2006	2007	2006
Reconciliation of benefit obligation				
Obligation at January 1	$ 11,048	$ 11,003	$ 3,256	$ 3,384
Service cost	370	399	71	78
Interest cost	672	641	194	194
Actuarial (gain) loss	(1,021)	(390)	(693)	(212)
Plan amendments	-	-	-	(27)
Benefit payments	(618)	(605)	(156)	(161)
Obligation at December 31	$ 10,451	$ 11,048	$ 2,672	$ 3,256
Reconciliation of fair value of plan assets				
Fair value of plan assets at January 1	$ 8,565	$ 7,778	$ 202	$ 161
Actual return on plan assets	766	1,063	9	31
Employer contributions	386	329	168	171
Benefit payments	(618)	(605)	(155)	(161)
Fair value of plan assets at December 31	$ 9,099	$ 8,565	$ 224	$ 202
Funded status at December 31	$ (1,352)	$ (2,483)	$ (2,448)	$ (3,054)
Amounts recognized in the consolidated balance sheets				
Current liability	$ 6	$ 8	$ 170	$ 187
Noncurrent liability	1,346	2,475	2,278	2,867
	$ 1,352	$ 2,483	$ 2,448	$ 3,054
Amounts recognized in other comprehensive loss				
Net actuarial loss (gain)	$ 245	$ 1,310	$ (605)	$ 70
Prior service cost (credit)	137	153	(65)	(77)
	$ 382	$ 1,463	$ (670)	$ (7)
For plans with accumulated benefit obligations exceeding the fair value of plan assets				
Projected benefit obligation (PBO)	$ 10,451	$ 11,048	$ -	$ -
Accumulated benefit obligation (ABO)	9,486	10,153	-	-
Accumulated postretirement benefit obligation (APBO)	-	-	2,672	3,256

Fair value of plan assets	9,099	8,565	224	202
ABO less fair value of plan assets	387	1,588	-	-

10. Retirement Benefits (Continued)

At December 31, 2007 and 2006, pension benefit plan assets of $127 million and $149 million, respectively, and retiree medical and other benefit plan assets of $220 million and $200 million, respectively, were invested in shares of mutual funds managed by a subsidiary of AMR.

The following tables provide the components of net periodic benefit cost for the years ended December 31, 2007, 2006 and 2005 (in millions):

	Pension Benefits		
	2007	2006	2005
Components of net periodic benefit cost			
Defined benefit plans:			
Service cost	$ 370	$ 399	$ 372
Interest cost	672	641	611
Expected return on assets	(747)	(669)	(658)
Amortization of:			
Transition asset	-	(1)	(1)
Prior service cost	16	16	16
Unrecognized net loss	25	81	52
Net periodic benefit cost for defined benefit plans	336	467	392
Defined contribution plans	166	164	167
	$ 502	$ 631	$ 559

	Retiree Medical and Other Benefits		
	2007	2006	2005
Components of net periodic benefit cost			
Service cost	$ 70	$ 78	$ 75
Interest cost	194	194	197
Expected return on assets	(18)	(15)	(14)
Amortization of:			
Prior service cost	(13)	(10)	(10)
Unrecognized net loss (gain)	(7)	1	2
Net periodic benefit cost	$ 226	$ 248	$ 250

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $3 million and $16 million, respectively. The estimated net gain and prior service credit for the retiree medical and other postretirement plans that will be amortized from Accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $22 million and $13 million, respectively.

10. Retirement Benefits (Continued)

	Pension Benefits		Retiree Medical and Other Benefits	
	2007	2006	2007	2006
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	6.50%	6.00%	6.50%	6.00%
Salary scale (ultimate)	3.78	3.78	-	-

	Pension Benefits		Retiree Medical and Other Benefits	
	2007	2006	2007	2006
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31				
Discount rate	6.00%	5.75%	6.00%	5.75%
Salary scale (ultimate)	3.78	3.78	-	-
Expected return on plan assets	8.75	8.75	8.75	8.75

As of December 31, 2007, the Company's estimate of the long-term rate of return on plan assets was 8.75 percent based on the target asset allocation. Expected returns on longer duration bonds are based on yields to maturity of the bonds held at year-end. Expected returns on other assets are based on a combination of long-term historical returns, actual returns on plan assets achieved over the last ten years, current and expected market conditions, and expected value to be generated through active management, currency overlay and securities lending programs. The Company's annualized ten-year rate of return on plan assets as of December 31, 2007, was approximately 10.39 percent.

The Company's pension plan weighted-average asset allocations at December 31, by asset category, are as follows:

	2007	2006
Long duration bonds	41%	37%
U.S. stocks	26	30
International stocks	21	21
Emerging markets stocks and bonds	5	6
Alternative (private) investments	7	6
Total	100%	100%

The Company's target asset allocation is 40 percent longer duration corporate and U.S. government/agency bonds, 25 percent U.S. value stocks, 20 percent developed international stocks, five percent emerging markets stocks and bonds, and ten percent alternative (private) investments. Each asset class is actively managed and the plans' assets have produced returns, net of management fees, in excess of the expected rate of return over the last ten years. Stocks and emerging market bonds are used to provide diversification and are expected to generate higher returns over the long-term than longer duration U.S. bonds. Public stocks are managed using a value investment approach in order to participate in the returns generated by stocks in the long-term, while reducing year-over-year volatility. Longer duration U.S. bonds are used to partially hedge the assets from declines in interest rates. Alternative (private) investments are used to provide expected returns in excess of the public markets over the long-term. Additionally, the

Company engages currency overlay managers in an attempt to increase returns by protecting non-U.S. dollar denominated assets from a rise in the relative value of the U.S. dollar. The Company also participates in securities lending programs in order to generate additional income by loaning plan assets to borrowers on a fully collateralized basis.

10. Retirement Benefits (Continued)

	Pre-65 Individuals		Post-65 Individuals	
	2007	2006	2007	2006
Assumed health care trend rates at December 31				
Health care cost trend rate assumed for next year	7.0%	9.0%	7.0%	9.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.5%	4.5%	4.5%	4.5%
Year that the rate reaches the ultimate trend rate	2010	-	2010	2010

A one percentage point change in the assumed health care cost trend rates would have the following effects (in millions):

	One Percent Increase	One Percent Decrease
Impact on 2007 service and interest cost	25	(24)
Impact on postretirement benefit obligation as of December 31, 2007	192	(188)

The Company expects to contribute approximately $350 million to its defined benefit pension plans and $13 million to its retiree medical and other benefit plan in 2008. This amount is significantly higher than the Company's minimum required contribution and could be impacted by, among other things, pending pension legislation, the financial position of the Company and other economic factors. The Company's estimates of its defined benefit pension plan contributions reflect the current provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. However, the U.S. Congress is considering legislation that would amend the Pension Protection Act of 2006. As the proposed legislation is not yet finalized and could change significantly, the Company is unable to determine the potential impact on its financial statements; however, if enacted the proposed legislation could materially increase the Company's minimum required contributions to its defined benefit pension plans.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid:

	Pension	Retiree Medical and Other
2008	$ 472	$ 170
2009	514	176
2010	550	180
2011	594	185
2012	635	181
2013 – 2017	3,999	969

11. Intangible Assets

In April 2007, the United States and the European Union approved an "open skies" air services agreement that provides airlines from the United States and EU member states open access to each other's markets, with freedom of pricing and unlimited rights to fly beyond the United States and any airport in the EU including London's Heathrow Airport. The provisions of the agreement will take effect on March 30, 2008. Under the agreement, every U.S. and EU airline is authorized to operate between airports in the United States and Heathrow. Notwithstanding the open skies agreement, Heathrow is a slot-controlled airport. Only three airlines besides American were previously allowed to provide that Heathrow service. The Company has recorded route acquisition costs (including international routes and slots) of $846 million and $829 million as of December 31, 2007 and 2006, respectively, including a significant amount related to operations at Heathrow. The Company considers these assets indefinite life assets under Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangibles" and as a result they are not amortized but instead are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company has completed an impairment analysis and has concluded that no impairment exists.

The following tables provide information relating to the Company's amortized intangible assets as of December 31 (in millions):

	2007		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 517	$ 282	$ 235
Gate lease rights	182	107	75
Total	$ 699	$ 389	$ 310

	2006		
	Cost	Accumulated Amortization	Net Book Value
Amortized intangible assets:			
Airport operating rights	$ 517	$ 261	$ 256
Gate lease rights	182	100	82
Total	$ 699	$ 361	$ 338

Airport operating and gate lease rights are being amortized on a straight-line basis over 25 years to a zero residual value. The Company recorded amortization expense related to these intangible assets of approximately $28 million for each of the years ended December 31, 2007, 2006 and 2005, respectively. The Company expects to record annual amortization expense of approximately $28 million in each of the next five years related to these intangible assets.

12. Accumulated Other Comprehensive Income (Loss)

The components of Accumulated other comprehensive income (loss) are as follows (in millions):

	Pension Liability	Unrealized Gain/(Loss) on Investments	Unrealized Gain/(Loss) on Derivative Financial Instruments	Income Tax Benefit	Total
Balance at January 1, 2005	$ (827)	$ (3)	$ 21	$ 145	$ (664)
Current year net change	(379)	6	-	-	(373)
Reclassification of derivative financial instruments into earnings	-	-	(50)	-	(50)
Change in fair value of derivative financial instruments	-	-	108	-	108
Balance at December 31, 2005	(1,206)	3	79	145	(979)
Current year net change	748	-	-	-	748
Reclassification of derivative financial instruments into earnings	-	-	(88)	-	(88)
Change in fair value of derivative financial instruments	-	-	26	-	26
Adjustment resulting from adoption of SFAS 158	(998)	-	-	-	(998)
Balance at December 31, 2006	$ (1,456)	$ 3	$ 17	$ 145	$ (1,291)
Current year change	1,723	(6)	-	-	1,717
Amortization of actuarial loss and prior service cost	21				21
Reclassification of derivative financial instruments into earnings	-	-	(158)	-	(158)
Change in fair value of derivative financial instruments	-	-	381	-	381
Balance at December 31, 2007	$ 288	$ (3)	$ 240	$ 1455	$ 670

As of December 31, 2007, the Company estimates during the next twelve months it will reclassify from Accumulated other comprehensive income (loss) into net earnings (loss) approximately $213 million in net gains related to its cash flow hedges.

13. Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share (in millions, except per share amounts):

	Year Ended December 31,		
	2007	2006	2005
Numerator:			
Net earnings (loss) – numerator for basic earnings (loss) per share	$ 504	$ 231	$ (857)
Interest on senior convertible notes	27	27	-
Net earnings (loss) adjusted for interest on senior convertible notes – numerator for diluted earnings per share	$ 531	$ 258	$ (857)
Denominator:			
Denominator for basic earnings (loss) per share – weighted average shares	245	205	165
Effect of dilutive securities:			
Senior convertible notes	32	32	-
Employee options and shares	34	44	-
Assumed treasury shares purchased	(12)	(17)	-
Diluted potential common shares			
Denominator for diluted earnings loss per share – weighted-average shares	299	264	165
Basic earnings (loss) per share	$ 2.06	$ 1.13	$ (5.18)
Diluted earnings (loss) per share	$ 1.78	$ 0.98	$ (5.18)

For the year ended December 31, 2007 and 2006, approximately 7 million and 10 million shares related to employee stock options were not added to the denominator because the options' exercise prices were greater than the average market price of the common shares. Approximately 78 million shares issuable upon conversion of the Company's convertible notes, employee stock options and deferred stock were not added to the denominator for the year ended December 31, 2005 because inclusion of such shares would be antidilutive.

14. Segment Reporting

The Company's operations of American and AMR Eagle are treated as an integrated route network and the route scheduling system maximizes the operating results of the Company. The Company's chief operating decision maker makes resource allocation decisions to maximize the Company's consolidated financial results. Based on the way the Company treats the network and the manner in which resource allocation decisions are made, the Company has only one operating segment for financial reporting purposes consisting of the operations of American and AMR Eagle.

American is largest scheduled passenger airline in the world in terms of available seat miles and revenue passenger miles. At the end of 2007, American provided scheduled jet service to approximately 170 destinations throughout North America, the Caribbean, Latin America, Europe and Asia. American is also one of the largest scheduled air freight carriers in the world, providing a full range of freight and mail services to shippers throughout its system onboard American's passenger fleet. AMR Eagle owns two regional airlines, which do business as "American Eagle" - American Eagle Airlines, Inc. and Executive Airlines, Inc. The American Eagle® carriers provide connecting service from eight of American's high-traffic cities to smaller markets throughout the United States, Canada, Mexico and the Caribbean.

14. Segment Reporting (Continued)

Revenues from other segments are below the quantitative threshold for determining reportable segments and consist primarily of revenues from American Beacon Advisors, Inc. and Americas Ground Services, Inc. The difference between the financial information of the Company's one reportable segment and the financial information included in the accompanying consolidated statements of operations and balance sheets as a result of these entities is not material.

The Company's operating revenues by geographic region (as defined by the Department of Transportation) are summarized below (in millions):

	Year Ended December 31, 2007	2006	2005
DOT Domestic	$ 14,179	$ 14,159	$ 13,245
DOT Latin America	4,268	4,024	3,568
DOT Atlantic	3,556	3,409	3,115
DOT Pacific	932	971	784
Total consolidated revenues	$ 22,935	$ 22,563	$ 20,712

The Company attributes operating revenues by geographic region based upon the origin and destination of each flight segment. The Company's tangible assets consist primarily of flight equipment, which are mobile across geographic markets and, therefore, have not been allocated.

15. Quarterly Financial Data (Unaudited)

Unaudited summarized financial data by quarter for 2007 and 2006 (in millions, except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007				
Operating revenues	$ 5,427	$ 5,879	$ 5,946	$ 5,683
Operating income (loss)	248	467	319	(69)
Net earnings (loss)	81	317	175	(69)
Earnings (loss) per share:				
Basic	0.35	1.28	0.70	(0.28)
Diluted	0.30	1.08	0.61	(0.28)
2006				
Operating revenues	$ 5,344	$ 5,975	$ 5,847	$ 5,397

Operating income	115	476	284	185
Net earnings (loss)	(92)	291	15	17
Earnings (loss) per share:				
Basic	(0.49)	1.44	0.07	0.08
Diluted	(0.49)	1.14	0.06	0.07

The third quarter 2006 results include a charge of $99 million for changes in market value of hedges that did not qualify for hedge accounting during the quarter. The 2006 results include the immaterial impact of adopting FSP AUG AIR-1 “Accounting for Planned Major Maintenance Activities”, as adjusted in the fourth quarter of each year.

The third quarter 2007 results include a charge of $40 million for to correct certain vacation accruals included in Wages, salaries and benefits expense. Of this amount, $30 million related to the years 2003 through 2006.

15. Quarterly Financial Data (Unaudited) (Continued)

The fourth quarter 2007 results include the impact of several items including: a $138 million gain on the sale of AMR's stake in ARINC included in Other Income, Miscellaneous – net, a $39 million gain to reflect the positive impact of the change to an 18-month expiration of AAdvantage miles included in Passenger revenue, and a $63 million charge associated with the retirement of 24 MD-80 aircraft and certain other equipment that previously had been temporarily stored included in Other operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as of December 31, 2007. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2007. During the quarter ending on December 31, 2007, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007 using the criteria set forth in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2007, the Company's internal control over financial reporting was effective based on those criteria.

The effectiveness of internal control over financial reporting as of December 31, 2007, has been audited by Ernst & Young LLP, the independent registered public accounting firm who also audited the Company's consolidated financial statements. Ernst & Young LLP's attestation report on the effectiveness of the Company's internal control over financial reporting appears below.

/s/ Gerard J. Arpey
Gerard J. Arpey
Chairman, President and Chief Executive Officer

/s/ Thomas W. Horton
Thomas W. Horton
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
AMR Corporation

We have audited AMR Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AMR Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

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

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, AMR Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of AMR Corporation as of December 31, 2007 and 2006 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2007 of AMR Corporation and related financial statement schedule and our report dated February 20, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Dallas, Texas
February 20, 2008

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2008. Information concerning the executive officers is included in Part I of this report on page 25 and information concerning the Company's code of ethics in included in Part I of this report on page 10.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2008.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Equity Compensation Plan Information

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	11,844,615	$ 27.76	-**
Equity compensation plans not approved by security holders	14,276,053*	$ 5.66	509,244
Total	26,120,668	$ 15.68	509,244

* Represents 14,276,053 options granted under the 2003 Employee Stock Incentive Plan (the ESIP). The ESIP was implemented in accordance with the rules of the New York Stock Exchange.
** Additional shares may become available for future use as certain employee stock options are settled as SSARs.

See Note 9 to the consolidated financial statements for additional information regarding the equity compensation plans included above.

The information required by Item 403 of Regulation S-K is incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2008.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2008.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated herein by reference from the Company's definitive proxy statement for the annual meeting of stockholders on May 21, 2008.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) The following financial statements and Independent Auditors' Report are filed as part of this report:

(2) The following financial statement schedule is filed as part of this report:

Schedules not included have been omitted because they are not applicable or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits required to be filed by Item 601 of Regulation S-K. (Where the amount of securities authorized to be issued under any of AMR's long-term debt agreements does not exceed 10 percent of AMR's assets, pursuant to paragraph (b)(4) of Item 601 of Regulation S-K, in lieu of filing such as an exhibit, AMR hereby agrees to furnish to the Commission upon request a copy of any agreement with respect to such long-term debt.)

Exhibit

3.1 Restated Certificate of Incorporation of AMR, incorporated by reference to AMR's Registration Statement on Form S-4, file number 33-55191.

3.2 Bylaws of AMR Corporation, amended as of April 24, 2003, incorporated by reference to Exhibit 3.2 to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.

3.3 Amendments to the AMR Corporation Certificate of Incorporation, incorporated by reference to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.

10.1 Compensation and Benefit Agreement relative to the retirement of Robert L. Crandall, between AMR and Robert L. Crandall, dated September 18, 1998, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.2 Description of informal arrangement relating to deferral of payment of directors' fees, incorporated by reference to Exhibit 10(c)(11) to American's Registration Statement No. 2-76709.

10.3 AMR Corporation 2004 Directors Unit Incentive Plan, as amended, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005; the successor to the AMR Corporation 1994 Directors Stock Incentive Plan, as amended, incorporated by reference to Exhibit 10.9 to AMR's report on Form 10-K for the year ended December 31, 1996, and the AMR Corporation 1999 Directors' Stock Appreciation Rights Plan, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended March 31, 1999.

10.4 Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.5 Deferred Compensation Agreement, dated as of November 16, 2002 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.27 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.6 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.7 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.8 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.8 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.9 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and John W. Bachmann, incorporated by reference to Exhibit 10.9 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.10 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and John W. Bachmann.

10.11 Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and David L. Boren, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.

10.12 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and David L. Boren, incorporated by reference to Exhibit 10.13 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.13 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and David L. Boren, incorporated by reference to Exhibit 10.17 to AMR's report on Form 10-K for the year ended December 31,

2004.

10.14 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and David L. Boren, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.15 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and David L. Boren, incorporated by reference to Exhibit10.23 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.16 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and David L. Boren.

10.17 Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.15 to AMR's report on Form 10-K for the year ended December 31, 1997.

10.18 Deferred Compensation Agreement, dated as of January 13, 1999, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.19 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.19 Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 1999.

10.20 Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 2000.

10.21 Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.6 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.22 Deferred Compensation Agreement, dated as of December 13, 2002 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.28 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.23 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.20 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.24 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.25 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.25 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.29 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.26 Deferred Compensation Agreement, dated as of December 21, 2006 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.33 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.27 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Armando M. Codina.

10.28 Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.2 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.

10.29 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.22 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.30 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.28 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.31 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.33 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.32 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Earl G. Graves, incorporated by reference to Exhibit 10.39 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.33 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Earl G. Graves.

10.34 Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Ann M. Korologos, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2003.

10.35 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Ann M. Korologos, incorporated by reference to Exhibit 10.24 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.36 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Ann M. Korologos, incorporated by reference to Exhibit 10.31 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.37 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Ann M. Korologos, incorporated by reference to Exhibit 10.37 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.38 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Ann M. Korologos incorporated by reference to Exhibit 10.44 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.39 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Ann M. Korologos.

10.40 Deferred Compensation Agreement, dated as of April 30, 2003 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.4 to AMR's report on Form 10-Q for the quarterly period ended March

31, 2003.

10.41 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.26 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.42 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.34 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.43 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.41 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.44 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Michael A. Miles, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.45 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Michael A. Miles.

10.46 Deferred Compensation Agreement, dated as of January 19, 2001, between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.26 to AMR's report on Form 10-K for the year ended December 31, 2000.

10.47 Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.48 Deferred Compensation Agreement, dated as of November 15, 2002 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.29 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.49 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.30 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.50 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.39 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.51 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.47 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.52 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Philip J. Purcell, incorporated by reference to Exhibit 10.56 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.53 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Philip J. Purcell.

10.54

Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Ray M. Robinson, incorporated by reference to Exhibit 10.48 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.55 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Ray M. Robinson, incorporated by reference to Exhibit 10.58 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.56 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Ray M. Robinson.

10.57 Deferred Compensation Agreement, dated as of July 16, 1997, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.22 to AMR's report on Form 10-K for the year ended December 31, 1997.

10.58 Deferred Compensation Agreement, dated as of February 19, 1998, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.23 to AMR's report on Form 10-K for the year ended December 31, 1997.

10.59 Deferred Compensation Agreement, dated as of January 7, 1999, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.30 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.60 Deferred Compensation Agreement, dated as of January 12, 2000, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.29 to AMR's report on Form 10-K for the year ended December 31, 1999.

10.61 Deferred Compensation Agreement, dated as of January 22, 2001, between AMR and Judith Rodin, incorporated by reference to Exhibit 10.25 to AMR's report on Form 10-K for the year ended December 31, 2000.

10.62 Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.4 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.63 Deferred Compensation Agreement, dated as of November 20, 2002 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.26 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.64 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.42 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.65 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.53 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.66 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.64 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.67 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Judith Rodin, incorporated by reference to Exhibit 10.69 to AMR's report on Form 10-K for the year ended December 31,

2006.

10.68 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Judith Rodin.

10.69 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Matthew K. Rose, incorporated by reference to Exhibit 10.65 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.70 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Matthew K. Rose, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.71 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Matthew K. Rose, incorporated by reference to Exhibit 10.72 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.72 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Matthew K. Rose.

10.73 Deferred Compensation Agreement, dated as of December 18, 2001 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2002, as filed on July 19, 2002.

10.74 Deferred Compensation Agreement, dated as of November 18, 2002 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.23 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.75 Deferred Compensation Agreement, dated as of January 12, 2004 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.45 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.76 Deferred Compensation Agreement, dated as of December 8, 2004 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.57 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.77 Deferred Compensation Agreement, dated as of November 29, 2005 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.71 to AMR's report on Form 10-K for the year ended December 31, 2005.

10.78 Deferred Compensation Agreement, dated as of November 29, 2006 between AMR and Roger T. Staubach, incorporated by reference to Exhibit 10.78 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.79 Deferred Compensation Agreement, dated as of December 4, 2007 between AMR and Roger T. Staubach.

10.80 Deferred Compensation Agreement, dated as of January 15, 2008 between AMR and Rajat K. Gupta.

10.81 Deferred Compensation Agreement, dated as of January 15, 2008 between AMR and Alberto Ibargüen.

10.82 Current form of Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.64 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.83 Current form of Stock Option Agreement under the 2003 Employee Stock Incentive Plan, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.84 Current form of 2003 Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended September 30, 2003.

10.85 Current form of 2004 Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.64 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.86 Current form of 2005 Stock Option Agreement under the 1998 Long-Term Incentive Plan, as amended, incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005.

10.87 Current form of 2003 Stock Option Agreement under the 2003 Employee Stock Incentive Plan, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.88 Current form of 2004 Stock Option Agreement under the 2003 Employee Stock Incentive Plan, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.89 Current form of 2005 Stock Option Agreement under the 2003 Employee Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005.

10.90 Current form of Amendment of Stock Option Agreements under the 1998 Long-Term Incentive Plan to Add Stock Appreciation Rights, incorporated by reference to AMR's report on Form 10-Q for the quarterly period ended September 30, 2006.

10.91 Career Performance Shares, Deferred Stock Award Agreement between AMR Corporation and Gerard J. Arpey dated as of July 25, 2005, incorporated by reference to Exhibit 10.6 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005.

10.92 Current form of Career Equity Program Deferred Stock Award Agreement for Corporate Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.41 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.93 Current form of Career Equity Program Deferred Stock Award Agreement for non-officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.94 Current form of Career Equity Program Deferred Stock Award Agreement for Senior Officers under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.42(a) to AMR's report on Form 10-K for the year ended December 31, 1998.

10.95 Current form of Career Equity Program Deferred Stock Award Agreement for Employees under the AMR 1998 Long-Term Incentive Plan, incorporated by reference to Exhibit 10.44 to AMR's report on Form 10-K for the year ended December 31, 1999.

10.96 Current form of 2006 Deferred Share Award Agreement (with awards to executive officers noted), incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2006.

10.97 Current form of 2007 Deferred Share Award Agreement (with awards to executive officers noted), incorporated by reference to Exhibit 10.3 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2007

10.98 Current form of Stock Appreciation Right Agreement under the 1998 Long Term Incentive Plan, as Amended (with awards to executive officers noted), incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2006.

10.99 Current form of Stock Appreciation Right Agreement under the 1998 Long Term Incentive Plan, as Amended (with awards to executive officers noted), incorporated by reference to Exhibit 10.2 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2007

10.100 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gerard J. Arpey, dated May 21, 1998, incorporated by reference to Exhibit 10.61 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.101 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Peter M. Bowler, dated May 21, 1998, incorporated by reference to Exhibit 10.63 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.102 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Daniel P. Garton, dated May 21, 1998, incorporated by reference to Exhibit 10.66 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.103 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Monte E. Ford, dated November 15, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 2000.

10.104 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Henry C. Joyner, dated January 19, 2000, incorporated by reference to Exhibit 10.74 to AMR's report on Form 10-K for the year ended December 31, 1999.

10.105 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Charles D. MarLett, dated May 21, 1998, incorporated by reference to Exhibit 10.70 to AMR's report on Form 10-K for the year ended December 31, 1998.

10.106 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and William K. Ris, Jr., dated October 20, 1999, incorporated by reference to Exhibit 10.79 to AMR's report on Form 10-K for the year ended December 31, 1999.

10.107 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Gary F. Kennedy dated February 3, 2003, incorporated by reference to Exhibit 10.55 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.108 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Robert W. Reding dated May 20, 2003, incorporated by reference to Exhibit 10.71 to AMR's report on Form 10-K for the year ended December 31, 2003.

10.109 Employment agreement between AMR, American Airlines and William K. Ris, Jr. dated November 11, 1999, incorporated by reference to Exhibit 10.73 to AMR's report on Form 10-K for the year ended December 31,

2003.

10.110 Employment agreement between AMR, American Airlines and Robert W. Reding dated May 21, 2003, incorporated by reference to Exhibit 10.94 to AMR's report on Form 10-K for the year ended December 31, 2004.

10.111 Amended and Restated Executive Termination Benefits Agreement between AMR, American Airlines and Jeffrey J. Brundage dated April 1, 2004, incorporated by reference to Exhibit 10.5 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2004.

10.112 Employment agreement between AMR, American Airlines and Thomas W. Horton dated March 29, 2006, incorporated by reference to Exhibit 10.1 to AMR's current report on Form 8-K dated March 31, 2006.

10.113 Supplemental Executive Retirement Program for Officers of American Airlines, Inc., as amended on October 15, 2002, incorporated by reference to Exhibit 10.60 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.114 Trust Agreement Under Supplemental Retirement Program for Officers of American Airlines, Inc., dated October 14, 2002, incorporated by reference to Exhibit 10.61 to AMR's report on Form 10-K for the year ended December 31, 2002.

10.115 Trust Agreement Under Supplemental Executive Retirement Program for Officers of American Airlines, Inc Participating in the $uper $aver Plus Plan, incorporated by reference to Exhibit 10 to AMR's report on Form 10-Q for the quarterly period ended September 30, 2005.

10.116 Aircraft Purchase Agreement by and between American Airlines, Inc. and The Boeing Company, dated October 31, 1997, incorporated by reference to Exhibit 10.48 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this document.

10.117 Letter Agreement dated November 17, 2004 and Purchase Agreement Supplements dated January 11, 2005 between the Boeing Company and American Airlines, Inc., incorporated by reference to Exhibit 10.99 to AMR's report on Form 10-K for the year ended December 31, 2004. Confidential treatment was granted as to a portion of these agreements.

10.118 Letter Agreement between the Boeing Company and American Airlines, Inc. dated May 5, 2005, incorporated by reference to Exhibit 10.7 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2005. Confidential treatment was granted as to a portion of this agreement.

10.119 Aircraft Purchase Agreement by and between AMR Eagle Holding Corporation and Bombardier Inc., dated January 31, 1998, incorporated by reference to Exhibit 10.49 to AMR's report on Form 10-K for the year ended December 31, 1997. Confidential treatment was granted as to a portion of this agreement.

10.120 Amended and Restated Credit Agreement dated March 27, 2006, incorporated by reference to Exhibit 10 to AMR's report on Form 10-Q for the quarterly period ended March 31, 2006.

10.121 Directors Stock Equivalent Purchase Plan, incorporated by reference to Exhibit 10(g)(g) to AMR's report on Form 10-K for the year ended December 31, 1989.

10.122 Current form of Deferred Share Award Agreement as Amended and Restated March 29, 2006 (with awards to executive officers noted), incorporated by reference to Exhibit 99.7 to AMR's current report on Form 8-K dated March 31, 2006.

10.123 2008 Annual Incentive Plan for American, incorporated by reference to Exhibit 99.1 to AMR's current report on Form 8-K dated January 22, 2008.

10.124 2007 Annual Incentive Plan for American, as amended and restated as of January 9, 2008.

10.125 Form of 2006-2008 Performance Share Agreement (with awards to executive officers noted) and 2006-2008 Performance Share Plan for Officers and Key Employees, incorporated by reference to Exhibit 10.4 to AMR's current report on Form 10-Q for the quarterly period ended June 30, 2006.

10.126 Form of 2007-2009 Performance Share Agreement (with awards to executive officers noted), and 2007-2009 Performance Share Plan for Officers and Key Employees, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarterly period ended June 30, 2007.

10.127 Form of 2005 Deferred Share Award Agreement, as Amended and Restated as of January 16, 2007, incorporated by reference to Exhibit 99.4 to AMR's current report on Form 8-K dated January 17, 2007.

10.128 AMR Corporation 1998 Long-Term Incentive Plan, as Amended, incorporated by reference to Exhibit 10.132 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.129 Amendment of Stock Option Agreements Under the 1998 Long-Term Incentive Plan to Add Stock Appreciation Rights, incorporated by reference to Exhibit 10.132 to AMR's report on Form 10-K for the year ended December 31, 2006.

10.130 American Airlines 2008 Employee Profit Sharing Plan.

10.131 Stock Purchase Agreement dated as of July 3, 2007, between American Airlines, Inc., Radio Acquisition Corp., ARINC Incorporated, and the other parties identified therein, incorporated by reference to Exhibit 10.1 to AMR's report on Form 10-Q for the quarter ended September 30, 3007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.132 Deferred Compensation Agreement, dated as of December 21, 2006 between AMR and Armando M. Codina, incorporated by reference to Exhibit 10.34 to AMR's report on Form 10-K for the year ended December 31, 2006

10.133 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated August 17, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.134 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated November 20, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.135 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated December 10, 2007. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.136 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated January 20, 2008. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

10.137 Purchase Agreement Supplement by and between American Airlines, Inc. and The Boeing Company, dated February 11, 2008. Portions of this Exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities and Exchange Act of 1934, as amended.

12 Computation of ratio of earnings to fixed charges for the years ended December 31, 2007, 2006, 2005, 2004 and 2003.

21 Significant subsidiaries of the registrant as of December 31, 2007.

23 Consent of Independent Registered Public Accounting Firm.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).

31.3 Certification pursuant to Rule 13a-14(b) and section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code).

SIGNATURES

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

AMR CORPORATION

By: /s/ Gerard J. Arpey
Gerard J. Arpey
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: February 20, 2008

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

/s/ Gerard J. Arpey
Gerard J. Arpey
Director, Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ Thomas W Horton
Thomas W. Horton
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ John W. Bachmann
John W. Bachmann, Director

/s/ Ann McLaughlin Korologos
Ann McLaughlin Korologos, Director

/s/ David L. Boren
David L. Boren, Director

/s/ Michael A. Miles
Michael A. Miles, Director

/s/ Armando M. Codina
Armando M. Codina, Director

/s/ Philip J. Purcell
Philip J. Purcell, Director

/s/ Earl G. Graves
Earl G. Graves, Director

/s/ Ray M. Robinson
Ray M. Robinson, Director

/s/ Rajat K. Gupta
Rajat K. Gupta, Director

/s/ Judith Rodin
Judith Rodin, Director

/s/ Alberto Ibargüen
Alberto Ibargüen, Director

/s/ Matthew K. Rose
Matthew K. Rose, Director

/s/ Roger T. Staubach
Roger T. Staubach, Director

Date: February 20, 2008

AMR CORPORATION
Schedule II - Valuation and Qualifying Accounts and Reserves
(in millions)

	Balance at beginning of year	Changes charged to statement of operations accounts	Payments	Write-offs (net of recoveries)	Sales, retire- ments and transfers	Balance at end of year
Year ended December 31, 2007						
Allowance for obsolescence of inventories	$ 411	$ 27	$ -	$ -	$ (14)	$ 424
Allowance for uncollectible accounts	45	(1)		(3)		41
Reserves for environmental remediation costs	33	-	(7)	(5)	-	21
Year ended December 31, 2006						
Allowance for obsolescence of inventories	$ 410	$ 24	$ -	$ -	$ (23)	$ 411
Allowance for uncollectible accounts	60	3	-	(25)	7	45
Reserves for environmental remediation costs	40	2	(9)	-	-	33

Year ended December 31, 2005						
Allowance for obsolescence of inventories	$ 379	$ 31	$ -	$ -	$ -	$ 410
Allowance for uncollectible accounts	59	6	-	(5)	-	60
Reserves for environmental remediation costs	62	(18)	(4)	-	-	40
Allowance for insurance receivable	22	(22)	-	-	-	-