Tulsa Municipal Airport Trust

Financial Statements

and

Independent Auditors' Report
For the Years Ended
May 31, 2012 and 2011

Tulsa Municipal Airport Trust

CONTENTS

Russell D. Robinson, CPA
Charles L. Tefertiller, CPA
Norman C. Cross, Jr., CPA 1926-1985

Cross & Robinson

ACCOUNTANTS AND AUDITORS

Richmond Plaza
4200 East Skelly Drive, Suite 560
Tulsa, Oklahoma 74135
Phone: 918 492-8800
Fax: 918 492-8808
www.crossandrobinson.com

Independent Auditors' Report

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, OK

We have audited the accompanying financial statements of Tulsa Municipal Airport Trust (an Oklahoma trust) as of and for the years ended May 31, 2012 and 2011 as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 financial position of Tulsa Municipal Airport Trust as of May 31, 2012 and 2011 and changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Tulsa Municipal Airport Trust will continue as a going concern. As discussed in Note 9 to the financial statements, the Trust relies on the ability of American Airlines to meet its financial obligations. American Airlines has filed voluntary petitions for Chapter 11 relief under the Bankruptcy Code in the United States Bankruptcy Court. This condition raises substantial doubt about the Trust's ability to continue as a going concern. The Trust is relying on American's management's plans regarding those matters which are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Trust has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2012 on our consideration of the Tulsa Municipal Airport Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CROSS AND ROBINSON

Cross and Robinson

Certified Public Accountants
A Professional Corporation

Tulsa, Oklahoma
November 27, 2012

Tulsa Municipal Airport Trust
Statements of Net Assets
May 31, 2012 and 2011

ASSETS	2012	2011
Current assets:		
Cash and investments:		
General fund	$ 13,265	$ 12,363
Restricted	43,598,436	8,461,834
Operating lease payments receivable - Note 5	-	26,779,475
Net investment in direct financing leases - Note 4	4,571,051	4,208,456
Accounts receivable	29,234	29,643
Prepaid expenses	119,888	119,888
Total current assets	48,331,874	39,611,659
Noncurrent assets:		
Capital assets:		
Leased facility	11,408,208	11,408,208
Buildings and improvements, net	76,453,620	83,889,531
Other noncurrent assets:		
Operating lease payments receivable - Note 5	182,572,303	175,948,487
Net investment in direct financing leases - Note 4	64,224,866	69,152,092
Deferred minimum lease payments receivable - Note 4	64,008,771	60,288,159
Bond issue costs, net of amortization - Note 7	436,437	455,250
Total noncurrent assets	399,104,205	401,141,727
Total Assets	447,436,079	440,753,386
LIABILITIES		
Current liabilities:		
Current portion of revenue bonds payable (net of unamortized discount) - Notes 6 and 7	27,500,000	27,493,803
Accrued interest payable	16,063,167	8,467,819
Total current liabilities	43,563,167	35,961,622
Noncurrent liabilities:		
Revenue bonds payable (net of unamortized discounts and deferred loss on early retirement of debt) - Notes 6 and 7	418,185,869	417,649,868
Total Liabilities	461,749,036	453,611,490
NET ASSETS		
Invested in capital assets, net of related debt	(252,672,461)	(244,783,649)
Restricted for:		
Debt service	238,197,117	231,763,651
Other purposes	162,388	161,894
Total Net Assets	$ (14,312,956)	$ (12,858,104)

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

Tulsa Municipal Airport Trust
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended May 31, 2012 and 2011

	2012	2011
Operating Revenues		
Rent	$ 18,436,055	$ 20,187,190
Administrative fees	111,395	110,799
Total Operating Revenues	18,547,450	20,297,989
Operating Expenses		
Administrative expenses	11,738	11,087
Trustee fees	99,164	99,164
Ground rent	179,832	179,832
Amortization	18,813	18,813
Depreciation	7,435,911	7,508,704
Total Operating Expenses	7,745,458	7,817,600
Operating Income	10,801,992	12,480,389
Non-Operating Revenues (Expenses)		
Interest earned	4,436,416	5,093,430
Interest expense	(16,693,260)	(17,946,060)
Net Non-Operating Revenues (Expenses)	(12,256,844)	(12,852,630)
Change in Net Assets	(1,454,852)	(372,241)
Total Net Assets, Beginning	(12,858,104)	(12,485,863)
Total Net Assets, Ending	$ (14,312,956)	$ (12,858,104)

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

Tulsa Municipal Airport Trust
Statements of Cash Flows
For the Years Ended May 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities		
Administrative fees received	$ 280,409	$ 263,524
Cash paid for goods and services	(11,738)	(11,087)
Net Cash Provided by Operating Activities	268,671	252,437
Cash Flows from Noncapital Financing Activities	-	-
Cash Flows from Capital and Related Financing Activities		
Interest received on capital leases	4,907,016	5,264,274
Rents received on operating leases	38,752,664	12,283,275
Interest paid on revenue bonds	(8,555,715)	(17,397,667)
Rent paid on operating lease	(179,832)	(504,266)
Trustee fees paid	(99,164)	(99,164)
Net Cash Provided (Used) by Capital and Related Financing Activities	34,824,969	(453,548)
Cash Flows From Investing Activities		
Interest received on investments	43,864	9,920
Net Cash Provided by Investing Activities	43,864	9,920
Net Increase (Decrease) in Cash	35,137,504	(191,191)
Cash at Beginning of Year	8,474,197	8,665,388
Cash at End of Year	$ 43,611,701	$ 8,474,197

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

	2012	2011
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Net income (loss)	$ (1,454,852)	(372,241)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	7,435,911	7,508,704
Amortization	561,010	567,206
Financing activies:		
Interest income	(4,392,553)	(5,083,510)
Rental income	(18,436,055)	(20,187,189)
Interest expense	16,151,063	17,397,667
Rent expense	179,832	179,832
Trustee fees	99,164	99,164
Income and expense from investing activities:		
Interest income	(43,863)	(9,920)
Loss on investments	-	-
Decrease in accounts receivable	169,015	152,724
Total adjustments	1,723,524	624,678
Net Cash Provided by Operating Activities	$ 268,671	$ 252,437

Note 1 - Summary of Significant Accounting Policies

Creation of Trust

The Tulsa Municipal Airport Trust is a public trust created August 5, 1957 for the benefit of the city of Tulsa, Oklahoma. The purpose of the Trust is to alter and modify any and all airport improvements, buildings and structures located on any leasehold estate, whether within or without the territorial boundaries of the city of Tulsa, Oklahoma, acquired by the Trustees and to erect, construct and install additional buildings, structures, fixtures, equipment and facilities therefore; to incur indebtedness to cover the cost thereof; to lease or sublease said premises with or without such improvements and to secure the payment of such indebtedness by that which may be derived thereunder, with full power and authority to enforce all terms and conditions of each and every such lease or other agreement and to modify and cancel or otherwise terminate the same.

Basis of Presentation

The financial statements of the Trust are prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

The Trust's financial statements are presented using the accrual basis of accounting, which recognizes revenues when earned and expenses are recorded when the liability is incurred or an economic asset is used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Trust considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and investments consist of deposits with financial institutions and investments in a mutual fund, American AAdvantage Fund, which is managed by a subsidiary of AMR Corporation, parent of American Airlines, Inc. These investments are short-term and are valued at cost.

The Trust's investment policies are governed by state statutes and city ordinance. Permissible investments include direct obligations of the U.S. Government and agency securities, certificates of deposit and savings accounts. Collateral is required for demand deposits and certificates of deposit at 110% of all amounts not covered by federal deposit insurance. Revenue bond issue accounts covered by indenture are not subject to the aforementioned requirements.

Restricted Assets

Restricted assets reported in the financial statements include current assets that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts restricted for debt service. Included in restricted assets as of May 31, 2012 and 2011 are the following:

	2012	2011
Bond trustee accounts:		
Bond and interest funds	$ 43,527,877	$ 8,419,168
Bond retirement funds	30,681	2,846
Replacement funds	39,878	39,820
	$ 43,598,436	$ 8,461,834

Equity

The financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Note 1 - Summary of Significant Accounting Policies (continued)

Equity (continued)

Restricted net assets consist of net assets with constraints placed on the use either by external groups (such as creditors, grantors, contributors or laws or regulations of other governments) or law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of all other net assets that do not meet the definition of "Invested in capital assets, net of related debt" or "Restricted net assets."

It is the Trust's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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 reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Capital Assets

Capital assets are stated at historical cost. Depreciation is computed on the straight-line method for buildings and improvements over the estimated useful lives of the assets, which range from 9 to 35 years. Depreciation for the year ended May 31, 2012 was $7,435,911 and $7,508,704 in 2011.

In addition, the city of Tulsa acquired certain facilities from the Federal Government in 1946. At January 31, 1958, these facilities were appraised at $11,408,208 which was the estimated replacement cost, less accumulated depreciation at that time.

Note 2 - Capital Assets (continued)

The following table provides a summary of changes in capital assets for the fiscal year ended May 31, 2012:

	Balance at June 1, 2011	Additions	Disposals	Balance at May 31, 2012
Leased facility	11,408,208	$ -	$ -	$ 11,408,208
Buildings and improvements	349,849,371	-	-	349,849,371
Totals at historical cost	361,257,579	-	-	361,257,579
Less accumulated depreciation				
Buildings and improvements	265,959,840	7,435,911	-	273,395,751
Capital assets, net	$ 95,297,739	$ (7,435,911)	$ -	$ 87,861,828

Note 3 - Leasing Arrangements

On August 6, 1957, the city of Tulsa executed a lease of certain lands and facilities constituting a portion of the Tulsa Municipal Airport to the Trustees of the Tulsa Municipal Airport Trust. Terms of the lease provide for the Trust to sublease the property and to use the proceeds from rents received to retire any debt and expenses incurred by the Trust.

On June 24, 1958, the Trust executed a sublease with American Airlines. Property leased to Lessor consists of the existing facilities owned by the city of Tulsa, Oklahoma, and leased by the city to the Trust, all buildings, improvements and fixtures to be constructed by Lessor and those to be altered and modified by Lessor, all equipment acquired by Lessor at its expense or to be acquired by Lessor and installed on the Base Premises. The sublease also includes all equipment acquired by Lessee at its expense as a substitution for, or in renewal or replacement of, any equipment acquired and installed at the expense of Lessor.

The original sublease referred to above has subsequently been amended fourteen times resulting in five separate components; the Base ground lease; 1992 improvements, 1995 improvements, 2000 improvements and 2001 improvements. Each component, except for the base ground lease, corresponds to the separate bond indentures described in Note 6. The subleases have been classified as operating leases for facilities and direct-financing leases for equipment. The lease agreements are designed to provide revenues to the Trust sufficient to pay principal and interest as required by the bond indentures.

Note 3 - Leasing Arrangements (continued)

Under the terms of the lease agreements, American Airlines must bear all costs related to the operations of the Trust such as commissions, trustee and professional fees. Any income from investment of trustee fees can be used to defray such costs, as well as to reduce future lease payments. In addition, any interest received from investment of a construction fund shall be credited to the construction fund from which made and be a part thereof.

The eighth amendment dated November 15, 1985 included an amendment to extend the Base Ground Lease rentals. The base ground lease expires January 31, 2038 and is accounted for as an operating lease. At May 31, 2012, future minimum lease payments under the terms of this lease total $6,038,425 and in 2011 totaled $6,218,257.

The eleventh amendment dated November 1, 1992 expires December 1, 2011, and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 1992 improvements. The lease is accounted for as an operating lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 1992 Revenue Bonds. At May 31, 2012, future minimum lease payments under the terms of this lease total $27,500,000 and in 2011 totaled $28,510,625.

The twelfth amendment dated November 1, 1995 expires June 1, 2020, and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 1995 improvements. Because this lease involves buildings, improvements and equipment, 26.774% of the rents are accounted for as an operating lease and 73.226% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 1995 Revenue Bonds. At May 31, 2012 future minimum lease payments under the terms of this lease total $146,565,008 and in 2011 totaled $152,671,884.

The thirteenth amendment dated October 1, 2000 expires June 1, 2035, and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 2000 improvements. Because this lease involves buildings, improvements and equipment, 91.652% of the rents are accounted for as an operating lease and 8.348% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 2000 Revenue Bonds. At May 31, 2012 future minimum lease payments under the terms of this lease total $377,830,256 and in 2011 totaled $386,633,528.

Note 3 - Leasing Arrangements (continued)

The fourteenth amendment dated April 1, 2001, expires December 1, 2035, and Lessee has the option to renew the sublease for a term not to exceed 80% of the reasonably expected economic life of the 2001 improvements. Because this lease involves buildings, improvements and equipment, 87.013% of the rents are accounted for as an operating lease and 12.987% as a direct financing lease. Under the terms of the sublease, Lessee's obligation to pay rentals includes sufficient amounts to pay principal and interest on the 2001 Revenue Bonds. At May 31, 2012 future minimum lease payments under the terms of this lease total $158,110,846 and in 2011 totaled $158,340,882.

Note 4 - Net Investment in Direct Financing Leases

Trust equipment owned and leased meets the criteria for direct financing leases and is carried at the gross investment in the lease less unearned income. Unearned income is recognized in such a manner as to produce a constant periodic rate of return on the net investment in the direct financing lease. This differs from the actual periodic minimum lease payments being received giving rise to a receivable that will be collected in the final year of the leases.

The following is a schedule by years of future minimum lease payments together with the present value of the net minimum lease payments as of May 31, 2012:

Year ended May 31		
2013	$	8,957,179
2014		8,957,179
2015	$	8,957,179
2016	$	8,957,179
2017	$	8,957,179
Thereafter		50,603,231
Total minimum lease payments		95,389,126
Less unearned interest income		26,263,616
Net investment in direct financing leases	$	69,125,510

Note 5 - Operating Leases

Trust land, buildings and improvements owned and leased meet the criteria for operating leases. Rental income is recognized in such a manner as to produce a constant periodic rate of return over the life of the respective lease. This differs from the actual periodic cash rentals being received giving rise to a receivable that will be collected in the final year of the leases. As of May 31, 2012 and 2011 the cost of assets leased is $361,257,579 and accumulated depreciation of $273,395,751 and $265,959,840, respectively.

Note 5 - Operating Leases (continued)

The following lists the future minimum rentals for operating leases as of May 31, 2012:

Year ended May 31	
2013	$ 18,647,210
2014	16,916,061
2015	16,916,061
2016	16,916,061
2017	16,916,061
Thereafter	283,659,557
Total future minimum rentals	$ 369,971,011

Note 6 - Revenue Bonds Payable

Revenue bonds outstanding consist of debt issued by the Trust. A summary of debt activity for these revenue bonds is detailed as follows:

Revenue Bonds	Balance 05/31/11	Additions	Deductions	Balance 05/31/12	Due within one year
Series 1992	$ 27,500,000	$ -	$ -	$ 27,500,000	$27,500,000
Series 1995	97,710,000	-	-	97,710,000	-
Series 2000	175,355,000	-	-	175,355,000	-
Series 2001	152,705,000	-	-	152,705,000	-
	$ 453,270,000	$ -	$ -	$ 453,270,000	$27,500,000

The annual debt service requirements to maturity, including principal and interest, for revenue bonds as of May 31, 2012 are as follows:

Year ended May 31,	Principal	Interest
2013	$ 27,500,000	$ 16,358,345
2014	-	15,347,720
2015	-	15,347,720
2016	-	15,347,720
2017	-	15,347,720
2018 - 2022	97,710,000	67,578,288
2023 - 2027	-	46,204,229
2028 - 2032	-	46,204,230
2033 - 2037	328,060,000	51,009,419
Total	$ 453,270,000	$ 288,745,391

Note 6 - Revenue Bonds Payable (continued)

The revenue bonds are payable from rents derived under the sublease, as amended, described in Note 3. AMR Corporation, the parent corporation of American Airlines, Inc., unconditionally guarantees payment of the principal and interest on the bonds.

A summary of revenue bonds outstanding, maturity dates and interest rates as of May 31, 2012, are detailed as follows:

	Interest Rate	Issue Amount	Maturity	Balance 05/31/12
Series 1992	7.350%	$ 27,500,000	Dec-11	$ 27,500,000
Series 1995	6.250%	$ 97,710,000	Jun-20	97,710,000
Series 2000	7.750%	$ 112,355,000		
	Variable	$ 63,000,000	Jun-35	175,355,000
Series 2001	Variable	$ 27,500,000		
	Variable	$ 125,205,000	Dec-35	152,705,000
Total Revenue Bonds				$ 453,270,000
Current portion				$ 27,500,000
Noncurrent portion				425,770,000
Total Revenue Bonds				$ 453,270,000

The variable interest rate is calculated on a monthly basis. At May 31, 2012, the rate was calculated to be .30%.

Total interest incurred on long-term debt was $16,151,063 and $17,397,667 for the years ended May 31, 2012 and 2011, respectively.

Note 7 - Bond Discounts, Issuance Costs and Deferred Gain/Loss on Early Retirement of Debt

Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other assets.

Note 7 - Bond Discounts, Issuance Costs and Deferred Gain/Loss on Early Retirement of Debt (continued)

The difference between the net carrying value of the old debt and the reacquisition price of the new debt is deferred and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt. Deferred losses on early retirement of debt are presented as a reduction of the face amount of the revenue bonds payable.

Gains resulting from the changes in the terms of leases resulting from the refunding of tax-exempt debt are applied to the deferred losses on early retirement of debt described above.

A summary of the net carrying value of the revenue bonds as of May 31, 2012 and 2011 is detailed as follows:

May 31, 2012	Face Amount	Unamortized Discounts	Unamortized Deferred (Gain) Loss	Net Carrying Value
Series 1992	$ 27,500,000	$ -	$ -	$ 27,500,000
Series 1995	97,710,000	606,271	-	97,103,729
Series 2000	175,355,000	613,742	1,350,415	173,390,843
Series 2001	152,705,000	546,086	4,467,617	147,691,297
	$ 453,270,000	$ 1,766,099	$ 5,818,032	$ 445,685,869

May 31, 2011	Face Amount	Unamortized Discounts	Unamortized Deferred (Gain) Loss	Net Carrying Value
Series 1992	$ 27,500,000	6,197	$ -	$ 27,493,803
Series 1995	97,710,000	682,055	-	97,027,945
Series 2000	175,355,000	640,428	1,519,217	173,195,355
Series 2001	152,705,000	569,324	4,709,109	147,426,567
	$ 453,270,000	$ 1,898,004	$ 6,228,326	$ 445,143,670

Note 8 - Lease Commitment - Related Party

The Trust is leasing land from the Tulsa Airport Authority under a noncancellable lease expiring in 2038. The lease has scheduled rent increases of 10% every five years.

The following is a schedule of future minimum rental payments required under the above operating lease as of May 31, 2012:

Year ended May 31,		
2013	$	197,816
2014		197,816
2015		197,816
2016		197,816
2017		197,816
2018 - 2022		1,087,985
2023 - 2027		1,196,785
2028 - 2032		1,316,465
2033 - 2037		1,448,110
Total future minimum rentals	$	6,038,425

Total rent expense was $179,832 and $179,832 for the years ended May 31, 2012 and 2011, respectively.

Note 9 - Concentration of Credit Risk

The Trust's sources of revenue are dependent upon the operating and direct financing leases with American Airlines. Termination, default or cancellation of these leases before retirement of revenue bonds could result in an adverse affect upon the Trust.

Included in the "Report of Independent Auditors" of AMR Corporation, parent of American Airlines, as of December 31, 2011 and 2010 was the following explanatory paragraph.

"The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company's bankruptcy filing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty."

Note 9 - Concentration of Credit Risk (continued)

The Trust must rely on American Airlines Management's plans regarding the going concern matters referred to in the previous paragraph. Note 1 of AMR Corporation's December 31, 2011 "Notes to Condensed Consolidated Financial Statements," contained the following disclosure.

"On November 29, 2011, AMR and certain of its direct and indirect domestic subsidiaries filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. The Chapter 11 Cases are being jointly administered under the caption "in re AMR Corporation, et al, Case No. 11-15463-SHL."

The Company and the other Debtors are operating as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. The Bankruptcy Code enables the Company to continue to operate its business without interruption, and the Bankruptcy Court has granted additional relief covering, among other things, obligations to (i) employees, (ii) taxing authorities, (iii) insurance providers, (iv) independent contractors for improvement projects, (v) foreign vendors, (vi) other airlines pursuant to certain interline agreements and (vii) certain vendors deemed critical to the Debtors' operations.

While operating as debtors-in-possession under Chapter 11 of the Bankruptcy Code, the Debtors may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business. Moreover, the Debtors have not yet prepared or filed with the Bankruptcy Court a plan of reorganization. The ultimate plan of reorganization, which would be subject to acceptance by the requisite majorities of empowered creditors under the Bankruptcy Code and approved by the Bankruptcy Court, could materially change the amounts and classifications in the historical Condensed Consolidated Financial Statements.

The Company's Chapter 11 Cases followed an extended effort by the Company to restructure its business to strengthen its competitive and financial position. However, the Company's substantial cost disadvantage compared to its larger competitors, all of which restructured their costs and debt through Chapter 11, became increasingly untenable given the accelerating impact of global economic uncertainty and resulting revenue instability, volatile and rising fuel prices and intensifying competitive challenges.

Note 9 - Concentration of Credit Risk (continued)

No assurance can be given as to the value, if any, that may be ascribed to the Debtors' various pre-petition liabilities and other securities. The Company cannot predict what the ultimate value of any of its securities may be and it remains too early to determine whether holders of any such securities will receive any distribution in the Debtors' reorganization. In particular, in most cases under Chapter 11 of the Bankruptcy Code, holders of equity securities receive little or no recovery of value from their investment. Accordingly, the Debtors urge that caution be exercised with respect to existing and future investments in any of these securities or other Debtor claims. In addition, trading in the Company's common stock and certain debt securities on the NYSE was suspended on January 5, 2012, and the Company's common stock and such debt securities were delisted by the Securities and Exchange Commission from the NYSE on January 30, 2012. On January 5, 2012, the Company's common stock began trading under the symbol "AAMRQ" on the OTCQB marketplace, operated by OTC Markets Group (www.otcmarkets.com)."

Note 10 - Subsequent Events

We have evaluated all events subsequent to the balance sheet date of May 31, 2012 through the date available for issuance, November 27, 2012. Due to American Airlines bankruptcy proceedings, debt service payment to bond holders were suspended until October 23, 2012, at which time all payments were made current both to bond holders and to Tulsa Municipal Airport Trust pertaining to lease revenues.

REPORTS IN ACCORDANCE

WITH

GOVERNMENT AUDITING STANDARDS

Russell D. Robinson, CPA
Charles L. Tefertiller, CPA
Norman C. Cross, Jr., CPA 1926-1985

Cross & Robinson
ACCOUNTANTS AND AUDITORS

Richmond Plaza
4200 East Skelly Drive, Suite 560
Tulsa, Oklahoma 74135
Phone: 918 492-8800
Fax: 918 492-8808
www.crossandrobinson.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Tulsa Municipal Airport Trust
Tulsa, Oklahoma

We have audited the financial statements of the Tulsa Municipal Airport Trust as of and for the years ended May 31, 2012 and 2011 and have issued our report thereon dated November 27, 2012. Our report on the financial statements included an explanatory paragraph describing conditions, discussed in Note 9, to the financial statements that raised substantial doubt about the entity's ability to continue as a going concern. Our report on the financial statements also included an explanatory paragraph that the Trust has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Tulsa Municipal Airport Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tulsa Municipal Airport Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Trust's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tulsa Municipal Airport Trust's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tulsa Municipal Airport Trust, in a separate letter dated November 27, 2012.

This report is intended solely for the information and use of the Board of Trustees, management and designated regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

CROSS AND ROBINSON

Cross and Robinson

Certified Public Accountants
A Professional Corporation

Tulsa, Oklahoma
November 27, 2012