NEW ISSUE—BOOK-ENTRY-ONLY

In the opinion of Co-Bond Counsel, assuming continuing compliance with certain covenants and provisions in the Series 1997 Bond documents, (i) interest on the Series 1997A Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and is not included in the computation of federal alternative minimum tax imposed on individuals, trusts, estates and, subject to certain exceptions, corporations; and (ii) interest on the Series 1997B Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, except for interest on any Series 1997B Bond during any period in which such Series 1997B Bond is held by a person who is a "substantial user" or a "related person" as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended, but will be an item of tax preference for purposes of calculation of the alternative minimum tax liability of individuals and corporations. Also, in the opinion of Co-Bond Counsel, interest on the Series 1997 Bonds is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri. In addition, the receipt of interest on the Series 1997 Bonds may result in other tax consequences. See "TAX MATTERS" herein and APPENDIX E—"FORMS OF OPINIONS OF CO-BOND COUNSEL" hereto.

$199,605,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 1997
(1997 Capital Improvement Program)
Lambert-St. Louis International Airport

$40,420,000
Series 1997A (Non-AMT)

$159,185,000
Series 1997B (AMT)

Dated: August 15, 1997

Due: July 1, as shown on the inside cover

The Series 1997A Bonds and the Series 1997B Bonds (collectively, the "Series 1997 Bonds") will be issued in two separate series by The City of St. Louis, Missouri, a constitutional charter city and political subdivision of the State of Missouri, under and pursuant to the Indenture, to provide for the funding of certain improvements at Lambert-St. Louis International Airport as described herein. The Series 1997 Bonds will be secured on a parity basis with the City's outstanding airport revenue bonds as more fully described herein. **The Series 1997 Bonds are limited obligations of the City, payable solely from the Net Revenues derived by the City from the operation of the Airport and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture. The Series 1997 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 1997 Bonds, either as to principal, premium (if any), or interest.**

Payment, when due, of the principal of and interest on the Series 1997 Bonds will be guaranteed by a municipal bond insurance policy to be issued concurrently with the issuance of the Series 1997 Bonds by

Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

Interest on the Series 1997 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 1998, until maturity or prior redemption. The Series 1997 Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company pursuant to the Book-Entry-Only System described herein. Beneficial ownership may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Series 1997 Bonds will be made to the purchasers. Principal of, premium, if any, and interest on the Series 1997 Bonds will be payable at the principal corporate trust office of UMB Bank of St. Louis N.A., St. Louis, Missouri, as Trustee. **See "THE SERIES 1997 BONDS—Book-Entry-Only System" herein. The Series 1997 Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.**

See the inside cover page for maturities, principal amounts, interest rates and yields.

This cover page contains information for reference only. It is not a complete summary of the Series 1997 Bonds. Investors must read the entire Official Statement, including the cover page and appendices hereto, to obtain information essential to making an informed investment decision.

The Series 1997 Bonds are offered when, as and if issued by the City and received by the Underwriters and subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality of the Series 1997 Bonds by McKenzie, McGhee & Pryce, L.L.P., New York, New York, and Greenberg Traurig Hoffman Lipoff Rosen & Quentel, New York, New York, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, by Hopkins & Sutter, Chicago, Illinois, Special Counsel, and by Armstrong, Teasdale, Schlafly & Davis, St. Louis, Missouri, Special Disclosure Counsel, and for the Underwriters by Thompson Coburn, St. Louis, Missouri, and Caldwell, Hughes & Singleton, St. Louis, Missouri, Co-Underwriters' Counsel. Certain legal matters will be passed upon for the City by White, Ovletrea & Watson, L.C., St. Louis, Missouri. It is expected that the Series 1997 Bonds in book-entry-only form will be available for delivery to DTC in New York, New York, on or about September 10, 1997.

Bear, Stearns & Co. Inc.
A.G. Edwards & Sons, Inc.

Goldman, Sachs & Co.
Stifel, Nicolaus & Company, Incorporated

George K. Baum & Company
Lehman Brothers
Prudential Securities, Inc.
Smith Barney Inc.

M.R. Beal & Company
Melvin Securities Corporation

First Chicago Capital Markets, Inc.
PaineWebber Incorporated
SBK Brooks Investment Corp.
Southwest Securities, Inc.

August 21, 1997

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

$199,605,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 1997
(1997 Capital Improvement Program)
Lambert-St. Louis International Airport

$40,420,000
Series 1997A (Non-AMT)

$18,955,000 Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Maturity (July 1)	Principal Amount	Interest Rate	Yield
2001	$ 250,000	4.10%	4¼ %	2010	$1,240,000	5 %	5.10%
2002	500,000	4.20	4.35	2011	1,295,000	5	5.15
2003	625,000	4.30	4.45	2012	1,360,000	5.10	5.20
2004	715,000	4.40	4.55	2013	1,420,000	5.15	5¼
2005	755,000	4½	4.65	2014	1,490,000	5⅛	5.30
2006	995,000	4.60	4.70	2015	1,560,000	5⅛	5.32
2007	1,085,000	4.65	4¾	2016	1,635,000	5⅛	5.35
2008	1,135,000	4.70	4.85	2017	1,710,000	5⅛	5.37
2009	1,185,000	4.85	5				

$ 9,395,000 5⅛% Term Bonds Due July 1, 2022 - Yield: 5.40%
$ 12,070,000 5⅛% Term Bonds Due July 1, 2027 - Yield: 5.43%

(Plus accrued interest from August 15, 1997)

$159,185,000
Series 1997B (AMT)

$72,690,000 Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	Maturity (July 1)	Principal Amount	Interest Rate	Yield
2001	$ 750,000	4.30%	4.45%	2010	$4,775,000	6 %	5.15%
2002	1,500,000	4.40	4.55	2011	5,035,000	6	5.20
2003	2,195,000	4½	4.65	2012	5,310,000	6	5¼
2004	2,570,000	5¼	4¾	2013	5,605,000	6	5.28
2005	2,735,000	5¼	4.85	2014	5,910,000	6	5.33
2006	3,710,000	5¼	4.90	2015	6,245,000	5¼	5.47
2007	4,110,000	5¼	4.95	2016	6,545,000	5¼	5½
2008	4,300,000	6	5	2017	6,865,000	5¼	5.52
2009	4,530,000	6	5.08				

$37,745,000 5¼% Term Bonds Due July 1, 2022 - Yield: 5.55%
$48,750,000 5¼% Term Bonds Due July 1, 2027 - Yield: 5.58%

(Plus accrued interest from August 15, 1997)

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

Clarence Harmon, Mayor
Darlene Green, Comptroller
Francis G. Slay, President of the Board of Aldermen
Larry Williams, Treasurer

BOARD OF ALDERMEN

Parrie L. May
Nancy Weber
Freeman Bosley, Sr.
Miguel Mitchell
April Ford-Griffin
Marit Clark
Phyllis Young
Stephen J. Conway
Martie Aboussie
Craig Schmid
Matt Villa
Fred Heitert
Alfred J. Wessels, Jr.
Stephen Gregali
Marge Vining
James F. Shrewsbury
Joseph D. Roddy
Terry Kennedy
Michael McMillan
Sharon Tyus
Bennice Jones-King
Kenneth Jones
James Sondereman
Robert Ruggeri
Paul M. Beckerle
Irving Clay
Gregory J. Carter
Daniel J. McGuire

BOARD OF ESTIMATE AND APPORTIONMENT

Clarence Harmon, Mayor
Darlene Green, Comptroller
Francis G. Slay, President of the Board of Aldermen

CITY AIRPORT COMMISSION

Col. Leonard L. Griggs, Jr., Chairman

Darlene Green
Francis G. Slay
Kenneth A. Behlmann
James H. Buford
Roger A. Clough
Stacy M. Edwards
Todd H. Epsten
Clifton W. Gates
Joseph J. Hunt
Lee M. Liberman
Daniel McGuire
Elmer E. Smith
Wayman F. Smith, III
Milton P. Wilkins, Jr.

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC
Chicago, Illinois

P.G. Corbin & Company, Inc.
Philadelphia, Pennsylvania

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP
St. Louis, Missouri

AIRPORT CONSULTANT

Unison Consulting Group, Inc.
Chicago, Illinois

No dealer, broker, salesman or other person has been authorized by the City, the Airport or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 1997 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, the Airport, the Underwriters and other sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Airport or the Underwriters. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

THE SERIES 1997 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE SERIES 1997 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE SERIES 1997 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 1997 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1997 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

OFFICIAL STATEMENT
Relating to

$199,605,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 1997
(1997 Capital Improvement Program)
Lambert-St. Louis International Airport

$40,420,000
Series 1997A (Non-AMT)

$159,186,000
Series 1997B (AMT)

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and appendices hereto (this "Official Statement"), is to furnish information with respect to the issuance of $40,420,000 aggregate principal amount of Airport Revenue Bonds, Series 1997A (1997 Capital Improvement Program), Lambert-St. Louis International Airport (the "Series 1997A Bonds") and $159,185,000 aggregate principal amount of Airport Revenue Bonds, Series 1997B (1997 Capital Improvement Program) Lambert-St. Louis International Airport (the "Series 1997B Bonds" and together with the Series 1997A Bonds, the "Series 1997 Bonds") of The City of St. Louis, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the "City"). The proceeds of the Series 1997 Bonds will be used to (i) pay a portion of the costs of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport property as more fully described under **"CAPITAL PROGRAM -- The 1997 Project"** herein (the "1997 Project"); (ii) provide for the reimbursement of a portion of certain costs relating to the expansion of the east terminal at the Airport (the "East Terminal Expansion") (such reimbursement is referred to herein as the "East Terminal Expansion Reimbursement"); (iii) fund the Debt Service Reserve Account for the Series 1997 Bonds; (iv) provide for the payment of capitalized interest on the Series 1997 Bonds during construction of the 1997 Project; and (v) pay a portion of the costs of issuance of the Series 1997 Bonds. See **"PLAN OF FINANCE"** herein. Unless otherwise defined herein, certain capitalized words and terms used in this Official Statement have the meanings ascribed to them in **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

Lambert-St. Louis International Airport (the "Airport") is owned by the City and operated by the Airport Authority of the City (the "Airport Authority"). The Airport Authority was created by ordinance of the Board of Aldermen of the City and consists of the City Airport Commission (the "Commission"), the Airport Authority's Chief Executive Officer (the "Director of Airports") and other managers and personnel required to operate the Airport. The Airport is the primary air carrier airport serving the St. Louis metropolitan area. According to data reported by the Airports Council International, the Airport was ranked as the eighth busiest airport in operations in the nation and the ninth busiest in the world for 1996. In addition, according to Airports Council International, the Airport ranked 14th in the nation and 22nd in the world in 1996 based on total passengers. Trans World Airlines, Inc. ("TWA"), which operates its major hub at the Airport, represented 67.7% of passenger enplanements at the Airport in 1996, 25.1% of which represents origin and destination passengers and 42.6% of which constitutes connecting passengers. For the six month period ending June 30, 1997, TWA's share of passenger enplanements at the Airport increased to 68.5%.

The Series 1997 Bonds are issued under authority of Article VI, Section 27 of the Missouri Constitution, and pursuant to Section 108.140 of the Revised Statutes of Missouri, as amended, and an

ordinance adopted by the Board of Aldermen and approved by the Mayor on July 23, 1997. The Series 1997 Bonds are secured by an Indenture of Trust dated as of October 15, 1984 (the "Original Indenture") between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank and Trust Company of Missouri, N.A., as successor to Mercantile Bank of St. Louis National Association, formerly known as Mercantile Trust Company National Association), St. Louis, Missouri, as Trustee (the "Trustee"), as supplemented by a Second Supplemental Indenture of Trust dated as of November 15, 1992, between the City and the Trustee (the "Second Supplemental Indenture"), a Third Supplemental Indenture of Trust dated as of August 1, 1993 between the City and the Trustee (the "Third Supplemental Indenture"), a Fourth Supplemental Indenture of Trust dated as of November 1, 1993 between the City and the Trustee (the "Fourth Supplemental Indenture"), a Fifth Supplemental Indenture of Trust dated as of April 1, 1996 between the City and the Trustee (the "Fifth Supplemental Indenture") and a Sixth Supplemental Indenture of Trust dated as of August 1, 1997 between the City and the Trustee (including Attachment A thereto, the "Sixth Supplemental Indenture" and, together with the Original Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, the "Indenture"). See **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

The Series 1997 Bonds are being issued on a parity with the City's currently outstanding (i) $102,790,000 principal amount of Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport (the "Series 1992 Bonds"); (ii) $90,130,000 principal amount of Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport (the "Series 1993 Refunding Bonds"); (iii) $49,815,000 principal amount of Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport (the "Series 1993A Bonds"); and (iv) the $34,320,000 principal amount of Airport Revenue Refunding Bonds, Series 1996, Lambert-St. Louis International Airport (the "Series 1996 Refunding Bonds"). The Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997 Bonds and any Additional Bonds (as herein defined) issued on a parity therewith are collectively referred to herein as the "Bonds."

The Series 1997 Bonds are limited obligations of the City, payable solely from the Net Revenues derived by the City from the operation of the Airport and certain other funds pledged under the Indenture, all as more fully described under the caption **"SECURITY FOR THE BONDS"** herein. The Series 1997 Bonds are entitled to the benefits of a lien on the Net Revenues on a parity with the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds and the Series 1996 Refunding Bonds, subject to the application thereof in accordance with the Indenture and to the prior lien on such Net Revenues in favor of certain prior revenue bonds (the "Outstanding Obligations") issued by the City prior to 1984. See **"SECURITY FOR THE BONDS -- Outstanding Obligations"** herein.

THE SERIES 1997 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE SERIES 1997 BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

Upon the occurrence of certain events set forth in the Indenture, including the default in the payment of principal of, premium, if any, and interest on the Series 1997 Bonds, the Trustee may, and upon the written request of 25% of the Bondholders the Trustee is required to, declare the principal of the Bonds and all accrued and unpaid interest to be due and payable. There is no provision for

acceleration of the maturity of the Series 1997 Bonds if interest on the Series 1997 Bonds becomes included in the gross income of the owners thereof for federal income tax purposes.

Payment, when due, of principal of and interest on the Series 1997 Bonds is guaranteed by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company (the "Bond Insurer" or "Financial Guaranty"). See **"SECURITY FOR THE BONDS -- Bond Insurance," "BOND INSURANCE"** herein and **APPENDIX D -- "FORM OF BOND INSURANCE POLICY"** hereto.

This Official Statement contains summary descriptions of, among other things, the Series 1997 Bonds, the City, the Airport, the Use Agreements (as defined below), the Cargo Leases (as defined below), the Indenture and certain TWA agreements. All references herein to the Use Agreements, the Cargo Leases, the Indenture, certain TWA agreements and any other documents are qualified in their entirety by reference to such documents and all references herein to the Series 1997 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture.

SECURITY FOR THE BONDS

*The Bond Insurer, and, by purchasing the Series 1997 Bonds, Bondholders will be deemed to have consented to the Amendments (as defined below). Pursuant to the Indenture, such consent will be binding upon any Bondholders of the Series 1997 Bonds or any subsequent Bonds issued in exchange therefor, whether or not such Bondholders have notice of such consent. The summary of the Bonds, including the Series 1997 Bonds, and the Indenture contained herein reflect the Original Indenture, as amended by the Amendments. See **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.*

Amendments to the Indenture

The City and the Trustee have executed and delivered the Sixth Supplemental Indenture providing for certain amendments (the "Amendments") to the Original Indenture. The Amendments will become effective after the City obtains the consent of 51% of the holders of Outstanding Bonds or the bond insurer for each series of currently Outstanding Bonds (in each case, Financial Guaranty Insurance Company, the "Insurer of Outstanding Bonds"). It is anticipated that the Insurer of Outstanding Bonds will consent to the Amendments. Each Supplemental Indenture for each series of Outstanding Bonds provides that, for purposes of the provisions of the Original Indenture relating to, among other things, supplements and amendments to the Original Indenture, the Insurer of Outstanding Bonds will be deemed to be the sole holder of each series of currently Outstanding Bonds for so long as the Insurer of Outstanding Bonds has not failed to comply with its payment obligations under the applicable bond insurance policies.

The Amendments relate to, among other things: (a) additions or changes to the definitions of (i) "Counterparty," (ii) "Debt Service," (iii) "Debt Service Reserve Requirement," (iv) "Government Securities," (v) "Interest Rate Exchange Agreement," (vi) "Investment Securities," (vii) "Operation and Maintenance Expenses," (viii) "Option Bond," (ix) "Rating Agency or Rating Agencies," (x) "Revenues" and (xi) "Variable Rate Bond"; (b) additions to the terms that may apply to Bonds of a Series issued at a fixed rate of interest; (c) additions to the terms that may apply to Bonds of a Series issued as Variable Rate Bonds; (d) amendments permitting manual or facsimile signatures on Bonds; (e) amendments permitting moneys in a Construction Fund or a Capitalized Interest Account created for a Series of Bonds to be used for another Series of Bonds under certain circumstances; (f) amendments to the method of replenishing a deficiency in, and for withdrawing excess amounts from, the Debt Service Reserve

Account; (g) provisions for the City to enter into and to establish terms governing Interest Rate Exchange Agreements; (h) amendments to the provisions relating to the delivery of an accountant's certificate prior to the issuance of Additional Bonds; (i) a provision permitting a bond insurer to direct remedies and to consent to amendments to the Indenture; and (j) amendments to the subordinated indebtedness provisions.

Pledge of Revenues

The Bonds are limited obligations of the City, payable solely from and secured by a pledge of (i) the Revenues, subject to the application thereof for the payment of Operation and Maintenance Expenses in accordance with the Indenture; and (ii) the funds held or set aside under the Indenture; subject, in each case, only to the prior lien on the Net Revenues given as security for the Outstanding Obligations. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the Series 1997 Bonds. An escrow account has been funded by the City for the full payment of the principal of and interest on the Outstanding Obligations. See **"SECURITY FOR THE BONDS -- Outstanding Obligations"** herein. Of the various funds created under the Indenture, only the Bond Fund (including the Debt Service Account and the Debt Service Reserve Account created under the Indenture) will be held by the Trustee; the other funds created by the Indenture will be held directly by the City, subject to the City's covenants regarding the use and application of such funds in accordance with the provisions of the Indenture.

The Indenture defines *Revenues* as follows:

> *"Revenues"* means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys shall be received as payment for the use of the Airport, (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport, (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with Section 1301 of the Original Indenture, (e) any consideration received by the City upon transfer of the Airport pursuant to Section 809(E) of the Original Indenture, (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, unless and to the extent all or a portion thereof are designated as Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any

sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as Revenues by the City in a Supplemental Indenture.

The definition of Revenues excludes passenger facility charges ("Passenger Facility Charges" or "PFCs") or other similar charges levied by or on behalf of the Airport against passengers or cargo, except if and to the extent that all or a portion of such charges are designated as Revenues by the terms of a Supplemental Indenture. No Supplemental Indenture, including the Sixth Supplemental Indenture which authorizes the issuance of the Series 1997 Bonds, has included revenue from Passenger Facility Charges or similar charge in the definition of Revenues.

The Indenture defines *Operation and Maintenance Expenses* as follows:

"Operation and Maintenance Expenses" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and shall include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of ... [the] Indenture or by laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under ... [the] Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" does not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

The Indenture defines *Net Revenues* as Revenues less Operation and Maintenance Expenses.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

Rate Covenant

Under the Indenture, the City has covenanted that it will at all times while any Bonds remain outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that Revenues will be sufficient to pay Aggregate Debt Service for such Airport Fiscal Year, to make the required deposits in and maintain the several funds and accounts established under the Indenture and to pay and discharge all indebtedness, charges and liens payable out of the Revenues.

Parity Bonds and Additional Bonds

The Series 1997 Bonds are being issued on a parity with (i) the Series 1992 Bonds; (ii) the Series 1993 Refunding Bonds; (iii) the Series 1993A Bonds; and (iv) the Series 1996 Refunding Bonds.

Additional Bonds, equally and ratably secured under the Indenture on a parity with the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997 Bonds and all Bonds theretofore issued and outstanding, may be authorized and issued by the City upon satisfaction of certain conditions for the purpose of providing funds for the extension, improvement or enlargement of the Airport (including the refunding of Subordinated Indebtedness and Special Facilities Indebtedness and the funding of funds and accounts established pursuant to the Indenture) or for the purpose of providing funds for the refunding of Bonds.

Additional Bonds (other than Refunding Bonds) may be issued only upon receipt by the Trustee among other things, of:

1. A certificate of the independent accountant for the Airport stating (a) the Net Revenues of the Airport for any period of 12 consecutive months out of the 18 months preceding the delivery of such Additional Bonds and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating for such 12-month period that Net Revenues equalled at least 1.25 times the Aggregate Adjusted Debt Service; and

2. A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Project or any Additional Project will be completed, will be at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Airport Fiscal Years (adjusted to reflect the issuance of such Additional Bonds and other Additional Bonds estimated to be issued to finance completion of the Project or such Additional Project). In determining such matters, such authorized officer must rely on a certificate of the Consulting Engineers for such Project or Additional Project as to estimated cost and date of completion of such Project or Additional Project and a certificate of the Airport Consultant estimating Net Revenues of the Airport during each of such three Airport Fiscal Years.

Additional Bonds issued for the purpose of refunding Bonds may be issued only upon receipt by the Trustee, among other things, of either:

1. The certificates referred to above with respect to the issuance of Additional Bonds for the financing of Projects; or

2. A certificate of an authorized officer of the City setting forth (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year to and including the Airport Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (X) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (Y) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Airport Fiscal Year pursuant to (Y) above are no greater than the corresponding amounts set forth for such Airport Fiscal Year pursuant to (X) above.

Deposit of Revenues and Application of Funds

The City is required to deposit all of the Revenues in the Revenue Fund maintained by the City in accordance with the provisions and requirements of the Indenture. Revenues are then allocated monthly by the City to the various funds for application to the purposes specified in the Indenture. Of the various funds created by the Indenture, only the Bond Fund (including the Debt Service Account and the Debt Service Reserve Account) will be held by the Trustee. The other funds created by the Indenture will be held by the City, subject to the City's covenants regarding the use and application of such funds in accordance with the provisions of the Indenture.

Pursuant to the provisions of the Indenture, no later than five days prior to the end of each month, the City is required to allocate amounts in the Revenue Fund to the other funds and accounts created by the Indenture in the following order of priority:

1. To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

2. To the Bond Fund for credit to the Debt Service Account, if and to the extent required, so that the balance in the Account will equal the Accrued Aggregate Debt Service on the Bonds (adjusted to reflect capitalized interest held in the Debt Service Account);

3. To the Bond Fund for credit to the Debt Service Reserve Account, such amount, in the manner, at the times and to the extent provided in the Indenture, as may be necessary to cause the amounts deposited therein to equal the Debt Service Reserve Requirement;

4. To the Renewal and Replacement Fund, an amount equal to $57,000; provided that no deposit will be required to be made into this Fund whenever and as long as the uncommitted moneys in this Fund are equal to or greater than $3,500,000 or such larger amount as the City will determine as necessary for the purposes of this Fund;

5. To a subaccount in the Revenue Fund, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such sub-account would equal at the end of such Airport Fiscal Year the payments required to be made to the City as hereinafter described with respect to such Airport Fiscal Year; and

6. The remaining balance in the Revenue Fund will be deposited into the Development Fund.

With respect to Paragraph 5 above, an amount equal to five percent of Revenues (exclusive of investment income and nonoperating income of the Airport) is to be accumulated in a subaccount in the Revenue Fund and paid to the City's general revenue fund as soon as practical after the end of each Airport Fiscal Year. For all periods subsequent to July 1, 1996, the applicable percentage of Revenues will equal the percentage of the gross revenues required to be paid to the City by public utilities operating within the City. This amount payable to the City's general revenue fund may be paid in advance by the Airport in monthly installments so long as (i) such amount is included in the rate base utilized to determine the rates and charges payable by air carriers utilizing the Airport; and (ii) each such monthly installment will not exceed the lesser of (a) one-twelfth of eighty percent of the total amount paid to the City under the Indenture in respect of the prior Airport Fiscal Year or (b) eighty percent of the amount deposited in such month in the subaccount within the Revenue Fund pursuant to Paragraph 5 above. The

final installment of the amount payable to the City in each Airport Fiscal Year is subject to the filing with the Trustee of certificates of the City that all required deposits to the Operation and Maintenance Fund, the Bond Fund and the Renewal and Replacement Fund have been made and that no Event of Default has occurred and is continuing under the Indenture. If, during any Airport Fiscal Year, the aggregate amount paid in advance to the City exceeds the amount payable to the City during such Airport Fiscal Year, the amount of such excess will be returned by the City to the Revenue Fund. Until any such excess is returned by the City to the Revenue Fund, the City will be entitled to no further payments by the Airport.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the issuance of Subordinated Indebtedness secured by a lien on the Net Revenues of the Airport, provided that such lien is junior and inferior to the lien of the Bonds on the Net Revenues of the Airport. Prior to the incurrence of any such Subordinated Indebtedness, the City must furnish to the Trustee a certificate of the City that estimated Net Revenues available after payment of Debt Service on Outstanding Bonds for each of the subsequent three Fiscal Years following the fiscal year in which it is estimated that the Project or any Additional Project will be completed will be at least equal to 1.10 times debt service on outstanding Subordinated Indebtedness plus debt service on Subordinated Indebtedness projected to be issued. The principal of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default, unless and until the principal of the Bonds has also been accelerated.

There currently is no Subordinated Indebtedness outstanding. The City has no current plans to incur such indebtedness.

The Indenture permits the issuance of obligations by the City or otherwise ("Special Facilities Indebtedness") for the purpose of financing capital improvements to be located on Airport property, provided that such Special Facilities Indebtedness will not be payable from Revenues. Special Facilities Indebtedness must be payable solely from rentals and other charges paid by the person, firm or corporation utilizing such Special Facilities. Prior to the issuance of the Special Facilities Indebtedness, there must be filed with the Trustee a certificate of the Airport Consultant certifying that (i) the estimated rentals, payments and other charges (including interest earnings on any reserves) to be paid with respect to the Special Facilities will be at least sufficient to pay the principal of and interest on such Special Facilities Indebtedness together with all costs of operating, maintaining and securing the Special Facilities; and (ii) the construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport. The City is required to charge a fair and reasonable rental for land upon which any Special Facilities are to be constructed, and such ground rent will be deemed Revenues of the Airport.

There currently is no Special Facility Indebtedness outstanding. The City has no current plans to incur such indebtedness.

Use Agreements, Cargo Leases and Certain TWA Agreements

As more fully described in **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto, the City has entered into individual Use Agreements (as hereinafter defined) and in some instances, Cargo Leases with certain of the airlines serving the Airport (the "Signatory Airlines"). Each of the Use Agreements and Cargo Leases with all Signatory Airlines, except TWA, expires December 31, 2005, unless earlier terminated or extended in accordance with its terms. The TWA Use Agreement and the TWA Cargo

Lease, have month-to-month terms which renew automatically until December 31, 2005, unless the City exercises its right to terminate such documents in accordance with their respective terms.

The Use Agreements grant the Signatory Airlines the right to use the airfield, the terminal building, the concourses and related facilities for the business of air transportation with respect to persons, property, cargo and mail. The Use Agreements also provide for the Airport to establish a cost accounting system based upon cost centers and to provide for the payment of rentals, fees and charges by the Signatory Airlines as established by such cost accounting system.

The principal certificated air carriers and the City originally entered into Use Agreements as of August 1, 1965 (individually with respect to each such air carrier, a "Use Agreement" and collectively, the "Use Agreements"). The Use Agreement was amended for each of the air carriers in 1975 and 1977. A Third Amendatory Agreement was executed by each of the air carriers in 1981. Eight air carriers were parties to the Third Amendatory Agreement (American Airlines, Inc. ("American"), Delta Airlines, Inc. ("Delta"), Eastern Airlines, Inc. ("Eastern"), Northwest Airlines, Inc. ("Northwest"), Continental Airlines, Inc. ("Continental"), TWA, USAirways, Inc. ("USAirways") and Ozark Airlines ("Ozark")). Eastern has ceased operations and Ozark has merged with TWA. United Airlines, Inc. ("United"), Trans States Airlines, Inc. ("Trans States"), America West Airlines, Inc. ("America West") and Southwest Airlines, Inc. ("Southwest") have subsequently signed Use Agreements with substantially the same terms.

The Airport had entered into a Fourth Amendatory Agreement with Ozark in 1983 pursuant to which Ozark leased the Airport's southeast concourse. TWA succeeded to Ozark's obligations under the Fourth Amendatory Agreement when Ozark merged into TWA. The rental rate for this space is determined separately from the rental rate for other concourse space; but the agreement uses the same methodology. In addition, TWA is obligated to reimburse the City for the cost of certain tenant improvements on the southeast concourse (specifically, loading bridges and baggage conveyance equipment). Such reimbursement is in the form of a tenant improvement rental surcharge based on depreciation and interest costs related to the City's investment in these improvements.

TWA and the City executed an amendment to TWA's Use Agreement in 1993 (the "Use Amendment 1993") which provides, among other things, that the 57 gates and terminal support facilities leased by TWA at the Airport are subject to reclamation and reassignment by the City if and to the extent that TWA fails to maintain certain utilization standards with respect to its numbers of daily flight departures at the Airport. To purchase substantially all of TWA's leasehold interests, improvements and related personal and certain real property located at and proximate to the Airport, in 1993 the City paid approximately $70 million to TWA. Under the Use Amendment 1993, TWA agreed to pay to the City the rents, fees and charges previously payable under the TWA Use Agreement and an Asset Use Charge of approximately $652,000 per month for such purchased assets.

In 1995 the City entered into a First Southwest Airlines Co. Amendatory Agreement relating to East Terminal Expansion, whereby Southwest will lease, on a preferential use basis, the twelve gates and the majority of the airline ticketing, office, baggage make-up and operations space which will be available as part of the East Terminal Expansion. Southwest has agreed to pay a rental rate per square foot which includes depreciation and interest comparable to the other Airport terminal facilities, actual maintenance and operating costs averaged over all terminal and concourse space and an allocation of the Airport's deferred maintenance charges. The City is currently negotiating a revised agreement with Southwest which will reflect recent changes in the design of the East Terminal Expansion.

Separate Cargo Leases were executed with six airlines (American, Delta, Republic Airlines, Inc. ("Republic"), Northwest, TWA and USAirways) (individually with respect to each such air carrier, a

"Cargo Lease" and collectively, the "Cargo Leases"). Republic's obligations under its Cargo Lease were subsequently assumed by Northwest. The Cargo Leases grant the Signatory Airlines the right to use certain cargo and maintenance facilities constructed by the Airport in connection with their respective air transportation businesses and to establish rentals, fees and charges in connection therewith.

For more information, see **"THE AIRLINE INDUSTRY"** herein and **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

Debt Service Reserve Account

To the extent that a Debt Service Reserve Account is established in a Supplemental Indenture for a Series of Bonds, the Indenture requires the Trustee to maintain the Debt Service Reserve Account and to use the amounts deposited therein to pay principal of and interest on the Bonds in the event other available funds are insufficient for such purposes.

The Indenture requires that, upon the issuance of each Series of Bonds, the amount held in the Debt Service Reserve Account must equal the Debt Service Reserve Requirement on all outstanding Bonds. Under the Indenture, the *Debt Service Reserve Requirement* means, as of any date of calculation for the then Outstanding Bonds, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, an amount which equals the lesser of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Such amount for any Series of Bonds may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof, which is rated in one of the three highest rating categories by the Rating Agencies and permits the full amount thereof to be drawn down at least 30 days prior to the expiration thereof. A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied by depositing such requirement over time from Revenues monthly in substantially equal amounts which time period shall not exceed 60 months from the closing date for such Series. Alternatively, a Supplemental Indenture for a Series of Bonds may specify that such Series of Bonds shall not have a Debt Service Reserve Requirement, in which event such Series of Bonds will not be entitled to a lien on such account.

If at any time the amount held in the Debt Service Reserve Account falls below the Debt Service Reserve Requirement, the City is required to fund the deficit from moneys deposited in the Bond Fund for the credit of the Debt Service Reserve Account in the order of priority indicated:

(a) At least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount at least equal to 1/60 of the Debt Service Requirement for such Series of Bonds until the amount on deposit in the Debt Service Reserve Account equals the Debt Service Reserve Requirement. The Debt Service Reserve Requirement is cumulative and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of such Debt Service Reserve Account in each month thereafter until the time as such deficiency will be remedied;

(b) At least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount equal to 1/12 of the deficiency attributed to a draw (or diminution in stated principal) upon a financial instrument as specified in the definition of Debt Service Reserve Requirement, deposited into

the Debt Service Reserve Account until the principal amount (or available amount) of such financial instrument, either singularly, or in combination with amounts on deposit therein, is equal to the Debt Service Reserve Requirement if and only if such amounts are attributable to such Series of Bonds; and

(c) As soon as practicable (but not later than 30 days from the date of such deficiency), the full amount of any deficiency in the Debt Service Reserve Account, which is attributable to a decline in the market value of Investment Securities on deposit therein until such securities and any cash therein shall equal the Debt Service Reserve Requirement..

The balance on deposit in the Debt Service Reserve Account immediately after the issuance of the Series 1997 Bonds will at least equal the Debt Service Reserve Requirement.

For more information, see **"PLAN OF FINANCE -- Estimated Application of the Series 1997 Bond Proceeds"** herein and **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

Bond Insurance

Payment, when due, of principal of and interest on the Series 1997 Bonds is guaranteed by a municipal bond insurance policy to be issued by the Bond Insurer. The municipal bond insurance policy will be issued concurrently with the issuance of the Series 1997 Bonds, is noncancelable and extends for the term of the Series 1997 Bonds. See **"BOND INSURANCE"** herein and **APPENDIX D -- "FORM OF BOND INSURANCE POLICY"** hereto.

Outstanding Obligations

The Series 1997 Bondholders will not be entitled to a lien on monies in the escrow account for the Outstanding Obligations.

The Outstanding Obligations were issued pursuant to several bond ordinances (the "Prior Ordinances") of the City that do not provide for the legal defeasance of the lien on Revenues of the City from the Airport and airport facilities and the operation thereof securing the Outstanding Obligations. Therefore, the Outstanding Obligations, until paid, will be entitled to the benefits of a first lien on the Revenues of the Airport. The principal amount of the Outstanding Obligations was approximately $70.8 million as of August 1, 1997. The Outstanding Obligations are scheduled to be paid in full on July 1, 2005.

To provide for the payment of the Outstanding Obligations, the City established an escrow account irrevocably pledged to the full payment when due of the principal of and interest on the Outstanding Obligations in an amount calculated to be sufficient to pay debt service on the Outstanding Obligations.

Under the Indenture and pursuant to and in accordance with the Prior Ordinances, the City has agreed not to issue any additional obligations with a lien on the Revenues senior to the Bonds.

Remedies

There is no provision for acceleration of the maturity of the Series 1997 Bonds if any default occurs in the payment of principal of, premium, if any, or interest on the Series 1997 Bonds, in the

performance of any other obligation of the City under the Indenture or if interest on the Series 1997 Bonds becomes includible in the gross income of the owners thereof for federal income tax purposes.

BOND INSURANCE

The information relating to the Bond Insurer contained below has been furnished by the Bond Insurer. No representation is made herein by the City, the Airport or the Underwriters as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Concurrently with the issuance of the Series 1997 Bonds, the Bond Insurer will issue its Municipal Bond New Issue Insurance Policy for the Series 1997 Bonds (the "Policy"). See **APPENDIX D -- "FORM OF BOND INSURANCE POLICY"** hereto.

Concurrently with the issuance of the Series 1997 Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy for the Series 1997 Bonds (the "Policy"). See **APPENDIX D -- "FORM OF BOND INSURANCE POLICY"** hereto. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 1997 Bonds which has become due for payment, but will be unpaid by reason of nonpayment by the City. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 1997 Bonds or the Trustee of the nonpayment of such amount by the City. The Fiscal Agent will disburse such amount due on any Series 1997 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 1997 Bond includes any payment of principal or interest made to an owner of a Series 1997 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code, as amended, by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 1997 Bonds. The Policy covers failure to pay principal of the Series 1997 Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 1997 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 1997 Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to

such description for a discussion of the circumstances, if any, under which the City is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 1997 Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 1997 Bonds. Reference should be made to the description of the City for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that may not be secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law, as amended.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 1997, the total capital and surplus of Financial Guaranty was approximately $1,164,694,536. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: (212) 312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: (212) 480-5187.

THE SERIES 1997 BONDS

The Series 1997A and Series 1997B Bonds are being issued in two separate series under the Indenture and contain certain terms and conditions which are substantially the same. Except to the extent generally applicable to all Bonds or except as otherwise provided herein, the terms and provisions described in this Official Statement as applicable to the "Series 1997 Bonds" apply independently to the Series 1997A Bonds and Series 1997B Bonds, respectively, and should be read as separately referring to each Series. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to each series of Bonds.

General

The Series 1997 Bonds will be dated and will be payable at such times set forth on the cover page of this Official Statement, and will bear interest at such rates, will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement.

The principal of and redemption premium, if any, on the Series 1997 Bonds, will be payable at maturity or upon earlier redemption to the persons in whose name such Series 1997 Bonds are registered upon presentation and surrender of such Series 1997 Bonds at the principal corporate trust office of UMB Bank of St. Louis, N.A., as Trustee. Interest on the Series 1997 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 1998. Registered owners of Series 1997 Bonds of a principal amount of at least $1,000,000 may receive payments of interest by wire transfer upon written notice provided by the registered owner to the Trustee of the relevant wire instructions not later than five days prior to the Record Date for such interest payment date.

Redemption Provisions

Redemption of one Series of Bonds may be made in the manner described below without the redemption of any other Series of Bonds.

Optional Redemption. The Series 1997A Bonds maturing July 1, 2008 and thereafter are subject to the right of the City to redeem such Bonds prior to maturity from any source of funds, in whole at any time, or in part on any interest payment date, in such order of maturity as may be selected by the City (and within a maturity as selected by lot), on and after July 1, 2007 at the following Redemption Prices (expressed as a percentage of the principal amount of the Series 1997A Bonds or portions thereof to be redeemed), together with accrued interest to the redemption date:

Redemption Dates (dates inclusive)	Redemption Price
July 1, 2007 through June 30, 2008	101 %
July 1, 2008 through June 30, 2009	100½
July 1, 2009 and thereafter	100

The Series 1997B Bonds maturing July 1, 2015, and thereafter are subject to the right of the City to redeem such Bonds prior to maturity from any source of funds, in whole at any time, or in part on any interest payment date, in such order of maturity as may be selected by the City (and within a maturity as selected by lot), on and after July 1, 2007 at the following Redemption Prices (expressed as a percentage of the principal amount of the Series 1997B Bonds or portions thereof to be redeemed), together with accrued interest to the redemption date:

Redemption Dates (dates inclusive)	Redemption Price
July 1, 2007 through June 30, 2008	101 %
July 1, 2008 through June 30, 2009	100½
July 1, 2009 and thereafter	100

Mandatory Sinking Fund Redemption. The Indenture establishes Sinking Fund Installments for the Series 1997A Bonds maturing on July 1, 2022 and July 1, 2027. Such installments are due on each of the dates set forth on the following respective tables in the respective amount set forth opposite such date in each such table:

SERIES 1997A BONDS DUE JULY 1, 2022

Year	Amount
2018	$1,695,000
2019	1,785,000
2020	1,875,000
2021	1,970,000
2022	2,070,000 (maturity)

SERIES 1997A BONDS DUE JULY 1, 2027

Year	Amount
2023	$2,180,000
2024	2,290,000
2025	2,410,000
2026	2,530,000
2027	2,660,000 (maturity)

The Indenture establishes Sinking Fund Installments for the Series 1997B Bonds maturing on July 1, 2022 and July 1, 2027. Such installments are due on each of the dates set forth on the following respective tables in the respective amount set forth opposite such date in each such table:

SERIES 1997B BONDS DUE JULY 1, 2022

Year	Amount
2018	$6,795,000
2019	7,155,000
2020	7,530,000
2021	7,925,000
2022	8,340,000 (maturity)

SERIES 1997B BONDS DUE JULY 1, 2027

Year	Amount
2023	$8,780,000
2024	9,240,000
2025	9,725,000
2026	10,235,000
2027	10,770,000 (maturity)

Notice of Redemption. Notices of redemption will be mailed by the Trustee, postage prepaid, not less than 30 days prior to any redemption date, to the registered Bondholders of the Series 1997 Bonds that are to be redeemed. Each such notice will identify the Series 1997 Bonds to be redeemed (and, in the case of Series 1997 Bonds to be redeemed in part only, the principal amounts to be redeemed), will specify the redemption date and the redemption price, and will state that the Series 1997 Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. Notice of the redemption of any Series 1997 Bonds, except for any notice that refers to any Series 1997 Bonds that are the subject of a refunding, will be circulated only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Series 1997 Bonds to be redeemed.

Book-Entry-Only System

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City, the Trustee and the Underwriters believe to be reliable, but the City, the Trustee and the Underwriters take no responsibility for the accuracy thereof, and neither the Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 1997 Bonds. The Series 1997 Bonds will be issued as fully registered Series 1997 Bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 1997 Bond will be issued for each maturity of the Series 1997 Bonds, each in the aggregate principal amount of such maturity of the Series 1997 Bonds and will be deposited with DTC or its agent.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the United States Securities and Exchange Commission.

Purchases of Series 1997 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 1997 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 1997 Bond (the "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 1997 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 1997 Bonds, except in the event that use of the book-entry system for the Series 1997 Bonds is discontinued.

To facilitate subsequent transfers, all Series 1997 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Series 1997 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 1997 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 1997 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Beneficial Owners of the Series 1997 Bonds or those possessing interests in the Series 1997 Bonds will not receive or have the right to receive physical delivery of such Series 1997 Bonds, and will not be or be considered to be owners thereof under the Indenture. So long as Cede & Co. is the registered owner of the Series 1997 Bonds, as nominee of DTC, references herein to the owners, holders or registered owners of the Series 1997 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Series 1997 Bonds. Under its usual procedure, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 1997 Bonds are credited on the record date (identified in a listing attesting to the Omnibus Proxy).

Principal of and interest payments on the Series 1997 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 1997 Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, the Trustee may make arrangements with a successor securities depository that operates upon reasonable and customary terms. If no such arrangements are made, Series 1997 Bonds are required to be delivered as described in the Indenture. The Beneficial Owner, upon registration of the Series 1997 Bonds held in the Beneficial Owner's name, shall become the owner thereof under the Indenture.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Series 1997 Bonds are to be delivered as described in the Indenture and the Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the Series 1997 Bonds are to be registered.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments on the Series 1997 Bonds made to DTC or its nominee, as the registered owner, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT, OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.

CAPITAL PROGRAM

Capital Improvement Program

The Airport has an ongoing capital improvement program (the "Capital Improvement Program") consisting of certain projects currently under construction and other projects to be undertaken within the next five years. The Capital Improvement Program is estimated to cost approximately $320,000,000. Certain of the major projects included in the Capital Improvement Program are as follows:

(1) The 1997 Project.

(2) Concourse C expansion.

(3) Land acquisition in connection with the Airport's noise mitigation program.

(4) Airfield improvements and holding pads.

(5) New access control system.

For more information on the Capital Improvement Program, see **"THE AIRPORT -- Noise Abatement"** herein and **APPENDIX B -- "FINANCIAL FEASIBILITY REPORT"** hereto.

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The 1997 Project

As further described below, the 1997 Project represents the first eighteen months of projects in the Airport's Capital Improvement Program. The 1997 Project includes:

	Project Description	Approximate Cost
A.	Terminal Improvements -- The terminal improvements largely involve the renovation and improvement of existing terminal building facilities and systems. Proposed terminal improvements are grouped into five categories as follows:	
1.	terminal systems upgrades	$27,602,000
2.	terminal building upgrades	8,762,000
3.	design for Concourse C expansion	2,000,000
4.	elevators/escalators upgrades	4,125,000
5.	terminal curbside improvements	3,188,000
	Terminal Subtotal	$45,677,000
B.	Airfield Improvements -- Proposed airfield projects are grouped into six categories as follows:	
1.	apron pavement improvements	$ 2,225,000
2.	taxiway improvements	18,863,000
3.	airfield infrastructure improvements	25,393,000
4.	airfield maintenance facilities	3,927,000
5.	noise monitoring system	1,500,000
	Airfield Subtotal	$51,908,000
C.	Parking and Roadway Improvements -- Proposed parking and roadway improvement largely involve the renovation, improvement and major maintenance of existing parking and roadway facilities and are grouped into two categories as follows:	
1.	parking improvements	$11,277,000
2.	roadway and curbside improvements	5,720,000
	Parking Subtotal	$16,997,000
D.	Other Improvements -- Other projects include a new Airport communications center and a compressed natural gas facility.	
1.	new airport communications/electronics center	800,000
	Other Subtotal	$ 800,000
	TOTAL	$115,382,000

The terminal improvements, airfield improvements and other improvements have received the approval of a majority-in-interest of the airlines serving the Airport pursuant to the Use Agreements. The parking and roadway improvements do not require such approval.

East Terminal Expansion

The East Terminal Expansion is currently under construction and consists of a 234,000 square foot expansion and replacement of the existing East Terminal and the construction of a new aircraft parking apron accommodating 12 narrow-body aircraft gates, a 1,000 space automobile parking structure and related terminal roadways. Most of the airline space in the East Terminal Expansion will be preferentially leased to Southwest. Additional areas will be leased to the City's contract gate operator and used to accommodate the ticketing and baggage claim functions of certain domestic and international charter flights operating at gates in the adjacent east connector facility. The East Terminal Expansion includes certain tenant finishes for Southwest's office and operations space and a temporary baggage conveyor system. Southwest intends to purchase and install its outbound baggage conveyors and all of the loading bridges for the East Terminal from its own resources. Phase 1 of the project, involving approximately two-thirds of the building (8 of the 12 gates) is scheduled for completion in the first quarter of 1998, and the balance of the facility is scheduled to be completed in the fourth quarter of 1998. The estimated total cost of the East Terminal Expansion is approximately $97,583,000.

The Master Plan

An airport master plan generally serves as a guide to the future development of an airport. The previous master plan study for the Airport began in 1988. Although completed in 1992, the original master plan for the Airport was based primarily on data collected from the late 1980's. Several significant events since 1987, however, have affected the growth in aviation activity at the Airport and the need for future facilities expansion. The Airport Authority and the Federal Aviation Administration concluded that the nature of those events required a supplement (the "Master Plan Supplement") to the 1992 master plan (as supplemented by the Master Plan Supplement, the "Master Plan"). The study conducted in connection with the Master Plan Supplement provides the basis for evaluating recommendations contained in the Master Plan and for supporting recommendations for revisions to the earlier plan. The Master Plan is being used by the City and the Federal Aviation Administration to guide the development of the Airport to the year 2015 and beyond.

Revised aviation demand forecasts, prepared as a part of the study conducted in connection with the Master Plan Supplement, indicated that passenger enplanements would increase from 13.1 million in 1995 to 20.9 million in 2015. There would be a commensurate increase in aircraft operations from 520,000 in 1995 to 632,000 in 2015. Without improvements to the Airport airfield, the average delay per aircraft operation would increase from approximately eight minutes in 1995 to over 34 minutes in 2015.

The Master Plan Supplement study also concluded that the primary reason for the increase in aircraft delays is because the two existing parallel runways at the Airport are spaced only 1,300 feet apart and do not permit simultaneous, independent operations in instrument meteorological conditions, particularly independent arrivals. Approximately 90% of the aircraft delays occur during marginal and poor weather conditions. It was determined in the study conducted in connection with the Master Plan Supplement, therefore, that a third parallel runway will be required with a minimum spacing of 3,400 feet between the outbound runways.

An initial review of over 35 different airfield configurations was conducted as a part of the study conducted in connection with Master Plan Supplement. Nine alternative airfield configurations were selected for more detailed analysis as a result of the initial review. From the detailed analysis, alternative W-1W ("W-1W") was selected by the City as the preferred alternative. W-1W was selected, because the

City concluded that it represents the best combined long-range and short-range strategy for the Airport and the St. Louis region. The City has further concluded that W-1W:

- Increases visual flight rules and instrument flight rules airfield capacity to accommodate forecasted aviation demand.

- Enables the Airport to continue as a prime catalyst in achieving economic growth and development for the benefit of the entire region.

- Provides for "demand-based expansion" of terminal, airfield and related facilities in a cost effective manner.

- Permits full achievement of the goals of the Airport Authority, the City and the St. Louis region well into the 21st Century.

W-1W calls for the construction of a third parallel runway southwest (the "New West Runway Project") of the existing airfield with a separation of 4,100 feet between the outbound runways and 2,800 feet between the new runway and what will become the center runway of the expanded airfield. The Master Plan Supplement projects that average annual delays per aircraft operation would be reduced from the 1995 figure of eight minutes at 520,000 operations to 4.7 minutes at 632,000 operation in 2015. At a delay level of eight minutes, the Airport has concluded that the W-1W airfield may accommodate up to 705,000 operations which would ensure the continued use of the Airport well into the 21st century. Aircraft delay savings relating to the W-1W airfield were estimated at $388 million for the year 2015 alone.

The Master Plan for the year 2015, based on W-1W, also calls for the expansion of the passenger terminal complex at the Airport from the current 85 air carrier aircraft parking positions to 100-105 parking positions, a doubling of the size of the terminal building from 1.2 million square feet to 2.5 million square feet, and a doubling of the public parking spaces from 6,300 to 12,500. The City plans to build facilities when demand dictates and funding is available.

The City's current estimate of the costs associated with implementing the Master Plan ranges from approximately $2.0 billion to $2.2 billion. The New West Runway Project represents approximately $576 million of this cost. The City currently expects to fund these costs from Airport Improvement Program grants, Passenger Facility Charges and Additional Bonds.

The Master Plan Supplement and a related Airport Layout Plan were submitted to the Federal Aviation Administration in January 1996. The City understands that the Federal Aviation Administration is currently completing the environmental impact statement for the Airport expansion program recommended in the Master Plan Supplement. The final environmental impact statement is expected to be released by the Federal Aviation Administration, and the Record of Decision granting approval of the expansion program is expected to be issued approximately 45-60 days after the release of the final environmental impact statement. There is no assurance that a favorable Record of Decision will be issued by the Federal Aviation Administration.

The City of Bridgeton, Missouri, a charter city located west of the Airport in St. Louis County, recently brought legal action against the City and the Airport concerning the implementation of W-1W. For more information, see "**LITIGATION**" herein.

For more information on the Master Plan, see **APPENDIX B -- "FINANCIAL FEASIBILITY REPORT"** hereto.

PLAN OF FINANCE

General

For the past several years, the City has relied on Passenger Facility Charges, Airport Improvement Program grants and funds on deposit in the Development Fund to finance its Capital Improvement Program. The City is now implementing a plan of finance to (i) reimburse from Bond proceeds the Airport's Passenger Facility Charge Fund for moneys previously used to fund the East Terminal Expansion; (ii) release monies in the Development Fund previously committed to fund the East Terminal Expansion; and (iii) fund the 1997 Project. The funds deposited in the Airport's Passenger Facility Charge Fund as a result of this reimbursement will be available to fund certain qualified projects which may include the initial land acquisition and roadway relocation projects for the New West Runway Project. The funds to be released in the Development Fund as a result of the issuance of the Series 1997 Bonds will be available for major maintenance, equipment costs, small capital outlays and contingencies.

By implementing this plan of finance, the City will have moneys available in the Airport's Passenger Facility Charge Fund sufficient to fund the land acquisition and roadway relocation projects that will be required as part of the New West Runway Project. These projects cannot be commenced until the Federal Aviation Administration completes an Environmental Impact Statement for certain proposed future projects, including the New West Runway Project, and issues a Record of Decision approving such projects. Upon receipt of such approval, the City expects to commence the implementation of the New West Runway Project in phases. This phased implementation will enable the City to continue to monitor the level of enplanements at the Airport and the level of aircraft delays, as well as the requirements of the air carriers serving the Airport. There is no assurance that the Federal Aviation Administration will issue a Record of Decision approving such projects. See "**CAPITAL PROGRAM -- The Master Plan**" herein.

Use of Passenger Facility Charge Revenues

On November 5, 1990, the Federal Aviation Administration approved a $3.00 Passenger Facility Charge to be imposed and used to pay qualified costs of the Airport. The Federal Aviation Administration approved the collection of a total amount of $177,484,717. Based upon forecasted enplanements, it was estimated that collections at the Airport would expire in December 1997. For more information related to an amendment to the current Passenger Facility Charge application, see "**SELECTED FINANCIAL INFORMATION -- Management Discussion -- *Passenger Facility Charge Revenues***" herein.

As described under "**SECURITY FOR THE BONDS -- Pledge of Revenues**" herein, Passenger Facility Charges are excluded from the definition of "Revenues" under the Indenture, and are not pledged as security for the Bonds. The City has applied Passenger Facility Charges and interest earnings thereon, to pay, among other things, a portion of the costs of the construction, improvement, renovation, expansion, rehabilitation and equipping of the East Terminal Expansion. As of June 30, 1997, the City had collected a total of $157,633,610.58 of Passenger Facility Charges.

The amount of actual Passenger Facility Charges received by the City will vary depending on actual levels of qualifying passenger enplanements at the Airport. No assurance is given that the amount of Passenger Facility Charges which are assumed by the City to be received will be attained. In addition, the Federal Aviation Administration may terminate the City's authority to impose the Passenger Facility Charges, subject to formal and informal procedural safeguards, if (1) the City's Passenger Facility Charges are not being used for approved projects in accordance with the Federal Aviation

Administration's approval, the federal act authorizing the imposition of Passenger Facility Charges (the "Authorizing Act") or the regulations promulgated thereunder or (2) the City otherwise violates the Authorizing Act or regulations. The City's authority to impose Passenger Facility Charges may also be terminated if the City violates certain provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. No assurance is given that the City's authority to impose the Passenger Facility Charges may not be terminated by the Congress of the United States or the Federal Aviation Administration, that the Passenger Facility Charges program may not be modified or restricted by the Congress of the United States or the Federal Aviation Administration so as to reduce Passenger Facility Charges available to the City, or that the City may not seek to decrease the amount of the Passenger Facility Charges to be collected.

As indicated above, the City intends to redirect Passenger Facility Charges revenues initially applied to the funding of the East Terminal Expansion to fund implementation of the proposed New West Runway Project. Federal Aviation Administration approval is required prior to the use of such revenues for such a project. The City expects to submit an amendment to its Passenger Facility Charge application, seeking to obtain Federal Aviation Administration approval to redirect approximately $54.3 million of Passenger Facility Charges to such use. In addition, the Airport expects to submit another application to the Federal Aviation Administration by year-end 1997 that will seek authorization to collect approximately $137 million for additional qualified projects. There is no assurance that the Federal Aviation Administration will approve such applications.

Use of Development Fund

As of June 30, 1997, substantially all amounts on deposit in the Development Fund had been committed to pay for a portion of the costs of the Capital Improvement Program. Upon the issuance of the Series 1997 Bonds, approximately $25 million of uncommitted funds will be on deposit in the Development Fund and will be available to fund future major maintenance and equipment needs and other small ongoing capital projects.

Federal Grants

The Airport and Airways Improvement Act of 1982 created the Airport Improvement Program. Airport Improvement Program grants include entitlement funds which are apportioned annually based upon enplaned passengers and discretionary funds which are available at the discretion of the Federal Aviation Administration based upon a national priority system. For certain classes of airports, including the Airport, annual entitlement grants are reduced by 50% following the imposition of Passenger Facility Charges.

In the past three years, the Airport has received a total of $10,940,360 in entitlement and $17,654,993 in discretionary Airport Improvement Program grants. The Airport intends to apply future Airport Improvement Program grants, if any, to pay for a portion of applicable costs associated with the Capital Improvement Program.

It is possible that any amounts to be made available for large airports under the Airport Improvement Program in the future will be lower than in recent years.

Estimated Application of Series 1997 Bond Proceeds

It is expected that the proceeds of the Series 1997 Bonds will be applied to (i) finance a portion of the cost of the 1997 Project; (ii) to provide for the East Terminal Expansion Reimbursement; (iii) fund deposits to the Capitalized Interest Account and Debt Service Reserve Account; and (iv) pay a portion of the costs of issuance for the Series 1997 Bonds. The table below shows the estimated sources and uses of funds in connection with the issuance of the Series 1997 Bonds.

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Series 1997A Bonds	$ 40,420,000
Principal Amount of Series 1997B Bonds	159,185,000
Original Issue Discount	(2,535,156)
Accrued Interest	737,120
Total Sources of Funds	$ 197,806,964
Uses of Funds:	
Payment of 1997 Project Costs	$ 109,116,232
East Terminal Expansion Reimbursement[1]	54,300,000
Deposit to Capitalized Interest Account[2]	15,525,545
Deposit to Debt Service Reserve Account[3]	14,969,885
Costs of Issuance[4]	1,754,396
Underwriters' Discount	1,403,786
Deposit to Bond Fund	737,120
Total Uses of Funds	$ 197,806,964

[1] Such funds shall be deposited in the Airport's Passenger Facility Charge Fund.

[2] Estimated to provide capitalized interest for the Series 1997 Bonds until February 28, 1999.

[3] Moneys on deposit in the Debt Service Reserve Account upon the issuance of the Series 1997 Bonds will equal the Debt Service Reserve Requirement.

[4] Includes legal, accounting, printing, bond insurance premium and other expenses associated with the issuance of the Series 1997 Bonds.

DEBT SERVICE

The following table shows annual debt service for the Bonds previously issued under the Indenture and Outstanding as of the date of this Official Statement, annual debt service for the Series 1997 Bonds and annual debt service for the Bonds issued under the Indenture for the Fiscal Years set forth below.

Outstanding Airport Revenue Bonds*

Fiscal Year Ended June 30	Debt Service on Outstanding Bonds(1)	Series 1997A Bonds Principal	Series 1997A Bonds Interest	Series 1997B Bonds Principal	Series 1997B Bonds Interest	Total Series 1997 Bonds Debt Service	Total Debt Service
1998	37,169,108	$ --	$ 1,779,839	$ --	$ 7,537,357	$ 9,317,196	$ 46,486,304
1999	37,203,233	--	2,027,665	--	8,586,863	10,614,528	47,817,761
2000	37,326,495	--	2,027,665	--	8,586,863	10,614,528	47,941,023
2001	37,336,173	250,000	2,027,665	750,000	8,586,863	11,614,528	48,950,701
2002	36,007,848	500,000	2,017,415	1,500,000	8,554,613	12,572,028	48,579,876
2003	35,996,473	625,000	1,996,415	2,195,000	8,488,613	13,305,028	49,301,501
2004	35,980,708	715,000	1,969,540	2,570,000	8,389,838	13,644,378	49,625,086
2005	35,975,793	755,000	1,938,080	2,735,000	8,254,913	13,682,993	49,658,786
2006	14,039,838	995,000	1,904,105	3,710,000	8,111,325	14,720,430	28,760,268
2007	14,034,625	1,085,000	1,858,335	4,110,000	7,916,550	14,969,885	29,004,510
2008	9,530,213	1,135,000	1,807,883	4,300,000	7,700,775	14,943,658	24,473,871
2009	9,534,413	1,185,000	1,754,538	4,530,000	7,442,775	14,912,313	24,446,726
2010	9,529,150	1,240,000	1,697,065	4,775,000	7,170,975	14,883,040	24,412,190
2011	9,530,613	1,295,000	1,635,065	5,035,000	6,884,475	14,849,540	24,380,153
2012	9,531,963	1,360,000	1,570,315	5,310,000	6,582,375	14,822,690	24,354,653
2013	9,531,669	1,420,000	1,500,955	5,605,000	6,263,775	14,789,730	24,321,399
2014	9,528,200	1,490,000	1,427,825	5,910,000	5,927,475	14,755,300	24,283,500
2015	9,530,925	1,560,000	1,351,463	6,245,000	5,572,875	14,729,338	24,260,263
2016	--	1,635,000	1,271,513	6,545,000	5,245,013	14,696,526	14,696,526
2017	--	1,710,000	1,187,719	6,865,000	4,901,400	14,664,119	14,664,119
2018	--	1,695,000	1,100,081	6,795,000	4,540,988	14,131,069	14,131,069
2019	--	1,785,000	1,013,213	7,155,000	4,184,250	14,137,463	14,137,463
2020	--	1,875,000	921,731	7,530,000	3,808,613	14,135,344	14,135,344
2021	--	1,970,000	825,638	7,925,000	3,413,288	14,133,926	14,133,926
2022	--	2,070,000	724,675	8,340,000	2,997,225	14,131,900	14,131,900
2023	--	2,180,000	618,588	8,780,000	2,559,375	14,137,963	14,137,963
2024	--	2,290,000	506,863	9,240,000	2,098,425	14,135,288	14,135,288
2025	--	2,410,000	389,500	9,725,000	1,613,325	14,137,825	14,137,825
2026	--	2,530,000	265,988	10,235,000	1,102,763	14,133,751	14,133,751
2027	--	2,660,000	136,325	10,770,000	565,425	14,131,750	14,131,750

(1) Series 1992 Bonds, Series 1993 Refunding Bonds, Series 1993A Bonds and Series 1996 Refunding Bonds.
* Amounts are rounded to the nearest dollar.

THE CITY OF ST. LOUIS

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless

steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for by its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large to a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over all City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elect Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen. The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment and the Board of Aldermen, the appointment of certain officials, including the members of the Board of Police Commissioners, and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

For more information concerning the City, see **APPENDIX F -- "INFORMATION REGARDING THE CITY OF ST. LOUIS"** hereto.

AIRPORT MANAGEMENT

Introduction

The Airport is owned by the City and operated by the Airport Authority. The Airport Authority was created by the City's Board of Aldermen by an ordinance adopted in 1968 and consists of the Commission, the Airport Authority's Chief Executive Officer and other managers and personnel required to operate the Airport. The Chief Executive Officer of the Airport Authority is the Director of Airports who is appointed by the Mayor for a term that runs concurrently with the Mayor's term of office or until his or her successor is appointed.

The Commission consists of the Director of Airports who serves as Chairman of the Commission, the Comptroller of the City, the President the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor for four-year terms and five additional members appointed by the St. Louis County Executive. The Commission is responsible for the planning, development, management and operation of the Airport. The present members of the Commission are set forth in this Official Statement.

The Director of Airports, with the approval of the Commission and the Board of Estimate and Apportionment of the City, has the power to enter into contracts, leases and agreements for use of the Airport property and facilities. Contracts, leases and agreements for a term of more than three years must also be authorized by ordinance of the Board of Aldermen. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

Airport Staff

The Airport Commission and the Director of Airports have an Airport staff to aid them in carrying out their responsibilities. Key members of the Airport staff include a Deputy Director, six Assistant Directors, an Airport Fiscal Officer and an Aviation Properties Manager.

Col.Leonard Griggs, Jr. is the Director of Airports and Chairman of the Airport Commission. He has held these positions from 1977 through 1987 and from July 1993 to the present. Prior to his retirement as Colonel from the United States Air Force in 1977, Colonel Griggs was the Vice Commander of the Airlift Command at Scott Air Force Base in Illinois. After his term as Director of Airports in 1987, he received a presidential appointment as Assistant Administrator for Airports with the Federal Aviation Administration. He is also a member of the National Civil Aviation Review Commission.

The Deputy Director's position is vacant. John Noble, the current Assistant Director for Administration is acting in this position until a permanent replacement is found. The Deputy Director is responsible for assisting the Director of Airports and for acting in his absence. Mr. Noble has been on the Airport staff for eleven years. The Assistant Director for Administration is responsible for personnel, emergency medical services and administrative services at the Airport.

The Assistant Director for Finance and Accounting is Kenneth Below. He is responsible for the financial planning and management functions at the Airport. Mr. Below has served in this capacity since December 1994. Prior to joining the Airport he was employed by Martin Marietta for ten years.

The Assistant Director for Planning and Development is Donald Ruble. Mr. Ruble is responsible for managing the construction of Airport improvements. Mr. Ruble has served in this position since December 1996. Mr. Ruble was first employed by the Airport in 1977 as an architect and was subsequently promoted to Architectural Manager in 1980. After serving four years as the Architectural

Manager, Mr. Ruble was promoted to Assistant Director for Planning and Engineering in 1984, before leaving the Airport to join the Sverdrup Corporation. Upon his return in 1992, Mr. Ruble was hired as an Engineering Construction Manager and held that position until his current promotion.

The Assistant Director for Operations and Maintenance is Gerard Slay. Mr. Slay's responsibilities include airfield and terminal buildings maintenance and operations. Mr. Slay has served in this capacity since December 1996. Mr. Slay was hired at the Airport in 1984 as the Airport Maintenance Manager.

The Assistant Director for Engineering is William Fronick. Mr. Fronick is responsible for the planning and design of the Airport's capital improvement projects. Mr. Fronick has served in this capacity since December 1996. Mr. Fronick started at the Airport as an architect in 1983 and was later promoted to Architectural Manager in 1987 before his current position.

The Assistant Director for Community Programs is Karl Reid. Mr. Reid is responsible for the Airport's noise mitigation program. Mr. Reid has served in this position since May 1995. Mr. Reid started at the Airport as an Administrative Assistant in 1987 and was subsequently promoted to Program Manager in 1990, before his current position.

The Aviation's Properties Manager is Joan Cassidy. Ms. Cassidy's responsibilities include leasing and administering Airport property contracts and agreements. Ms. Cassidy has served in this position for ten years.

THE AIRPORT

History and Location

The Airport is located in St. Louis County, which is adjacent to the City, approximately 15 miles northwest of the City's central business district, a drive of approximately 20 to 30 minutes on Interstate Highway 70, and approximately ten miles from the center of population of the St. Louis metropolitan area. The Airport is classified as a "Large Hub Airport" by the Federal Aviation Administration.

The Airport was originally established by Major Albert Bond Lambert and other aviation pioneers on a 160-acre site. It was acquired by the City in 1929 and subsequently expanded to its present size of slightly more than 3,400 acres.

According to data reported by Airports Council International, the Airport was ranked as the eighth busiest airport in operations in the nation and the ninth busiest in the world in 1996. In addition, according to Airports Council International, the Airport ranked 14th in the nation and 22nd in the world in 1996 based on total passengers. TWA, which operates its major hub activities at the Airport, represented 67.7% of passenger enplanements at the Airport in 1996, 25.1% of which represents origin and destination passengers and 42.6% of which constitutes connecting passengers. For the six-month period ending June 30, 1997, TWA's share of passenger enplanements at the Airport increased to 68.5%.

Service Area

The Airport's primary service area consists of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "St. Louis Area"), which includes the City, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only commercial airport in the St. Louis Area. The Federal Aviation Administration identifies six reliever airports in the St. Louis Area. They are Spirit of St. Louis

Airport in west St. Louis County; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport; St. Charles County/Smart Airport; and Creve Coeur Airport. In addition, a new airport, Mid America Airport, is currently under construction in St. Clair County, Illinois. Mid America Airport will be a joint-use facility in connection with the existing Scott Air Force Base and is expected to include commercial operations facilities. See **APPENDIX B -- "FINANCIAL FEASIBILITY REPORT"** hereto.

Airside Facilities

Existing airfield facilities include five runways and a related taxiway system. The Airport operates with five concrete runways containing the following dimensions:

Runway 12R-30L -- 11,019 feet in length and 200 feet wide

Runway 12L-30R -- 9,003 feet in length and 150 feet wide

Runway 6-24 -- 7,602 feet in length and 150 feet wide

Runway 13-31 -- 6,289 feet in length and 75 feet wide

Runway 17-35 -- 3,008 feet in length and 75 feet wide.

The primary runway, 12R-30L, may be used by the largest types of commercial aircraft without restrictions. Two of the four remaining runways, 12L-30R and 6-24, are sufficient in length to handle safely most types of aircraft now serving the Airport. The other runways, 17-35 and 13-31, serve the commuter airlines and smaller types of general aviation aircraft. In addition to the runways, there are over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with Federal Aviation Administration approved lights with controllable brightness switching. Aircraft parking, servicing and refueling space is provided by 88 acres of concrete apron used by scheduled air carriers and 18 acres of concrete apron leased to two fixed base operators and used by general aviation aircraft.

Terminal Facilities

The main terminal was completed in 1956 and originally consisted of three concrete shell domes with vaulted ceilings of acoustical plaster and glass walls supported by a steel framework. The main terminal has since been expanded by the addition of a fourth dome and a two-level passenger roadway system. An east addition to the main terminal was added in 1976. The main terminal contains 528,250 square feet of floor space on three levels and concourses with an additional 590,641 square feet of space. The upper level of the main terminal contains the passenger ticketing and outbound baggage services, a restaurant, snack shops, cocktail lounges and gift shops. The middle level contains a bank, a PGA golf store, incoming baggage carousel, airport management offices, a United States Post Office, ground transportation services, five car rental agencies and concessions. The lower level contains airline operations offices, outbound baggage make-up and related facilities and services. Currently, the main terminal and the East Terminal have 85 gates.

The City is in the process of completing the East Terminal Expansion; following completion, the Airport will have a total of 93 gates. Upon completion of the expansion project, the East Terminal will have gates for twelve 737 aircraft with 234,000 square feet of building space. Included in the East Terminal Expansion will be a domestic-international holdroom, a new ticketing area with counters, offices and queuing space, holdrooms and circulation space to support the additional gates, public rest rooms and telephones. A two-level roadway system will be provided with a covered area for curbside baggage

service and passenger drop-off. The lower drive will provide for passenger pick-up, commercial transportation and passenger transport vehicles. The East Terminal Expansion is expected to be completed in the fourth quarter of 1998.

Public parking is provided in a multi-story parking garage of 2,315-car capacity adjacent to the passenger terminal roadway. There is a 1,178-car capacity paved parking area for intermediate-term parking across the Airport Service Road and a 3,779-car capacity lot serviced by minibuses and used for long-term parking and overflow storage. In addition, a new 1,000-space parking facility is scheduled to open in March 1998.

For more information concerning the Airport's concession strategy, see **"SELECTED FINANCIAL INFORMATION -- Management Discussion"** herein.

Other Facilities

The other principal structures at the Airport are five cargo buildings and ten related shop and service buildings. In addition there are other structures not owned by the Airport which include maintenance facilities for TWA, general aviation hangars, a Missouri Air National Guard hangar and certain cargo facilities.

Midcoast Aviation Services, Inc. occupies four hangars and has tie down storage and other ancillary services. Sabreliner Corporation occupies a building at the Airport. Also provided at this location are aircraft charters and rentals, hangar storage, tie down storage and minor airframe engine repairs. Air Terminal Services is engaged in servicing all charter and international flights. McDonnell Douglas Corporation and the Missouri Air National Guard, both of which adjoin the Airport, use the Airport's runways and taxiways. McDonnell Douglas Corporation pays landing fees determined in a manner similar to the airlines, and the Missouri Air National Guard pays a flat annual fee. The Missouri Air National Guard maintains and operates 21 aircraft at the Airport.

On a two-acre tract on Airport property is a unique, aviation-themed restaurant which is operated by Specialty Restaurant Corporation. The 8,000 square foot building is a replica of a 100 year old French farmhouse and was completed in September 1978.

In May 1989 a new cargo facility was constructed for freight forwarders. The facility sits on a 31,186 acre site and contains a cargo building 100,000 square feet in size and 448,000 square feet of aircraft parking apron.

Noise Abatement

The Federal Aviation Regulation ("FAR") Part 150, Airport Noise Compatibility Planning, was enacted in 1984 to require airport operators to work with their surrounding communities to address the noise impacts of aircraft operations. Soon after FAR Part 150 was enacted, the Airport Authority initiated a Part 150 Study for the Airport, which was updated in 1994. This Part 150 Study Update for the Airport examined 1994 and future 1999 noise impact relating to changing activity levels at the Airport.

Within the 1994 noise contours, there are 13,882 acres with 19,000 housing units and over 44,000 people impacted by aircraft noise. The recommendations in the Part 150 Study Update include completing the ongoing land acquisition program, acquiring four mobile home parks, developing a sound insulation and sales assistance program for eligible homeowners, completing the sound insulation of schools within the 1999 noise contours and purchasing a new noise monitoring system to help in the implementation of the operational procedure recommendations. With the implementation of the

operational recommendations and the remedial noise program, it is estimated that inside the 1999 noise contours, there will be 7,400 acres with 7,100 housing units and just over 15,000 people impacted by noise.

The estimated cost of implementing the 1994 Part 150 Study Update is approximately $160 million. The greater portion of the program's cost is allocated to land acquisition, estimated at $82 million. This cost is included in the approximately $320 million Capital Improvement Program. Implementation of the sound insulation and sales assistance program is estimated to be $78 million. This cost is not included in the Capital Improvement Program and implementation is voluntary. The main sources of funding are federal grants and Passenger Facility Charges. See "**PLAN OF FINANCE**" herein. Depending on the availability of funds, the land acquisition program is expected to take five years to complete. The sales assistance and sound insulation programs, which are also dependent on available funds, may not be completed within the five-year time frame of the Part 150 Study Update. It is expected that the next Part 150 Study Update will be necessary by the year 2000.

AIRLINE SERVICE

General

Scheduled airline service between the Airport and over 125 domestic and international locations is provided by the airlines shown below.

Signatory Air Carriers	Non-Signatory Air Carriers	Air Cargo Carriers
America West	Air Canada	Airborne Express
American	American Trans Air	Burlington Air
Continental	Comair	DHL Airways
Delta	Continental Express	Emery Airfreight
Northwest	Frontier	Federal Express
Southwest	Skyway Airlines	United Parcel Service
Trans States*	Sun Country	Zantop International Airlines
TWA		
United		
USAirways		

* Trans States operates under the name Trans World Express and is a TWA code-sharing partner.

Passenger Enplanements

Passenger enplanements at the Airport are categorized as either originating or connecting. Originating passengers are those who begin their travel from within the Airport's service area. Enplaning passengers who originate their travel within the Airport's service area, and those deplaning at the Airport with an ultimate travel destination within the Airport's service area, constitute the Airport's "Origin and Destination" demand for service. Connecting passengers are those whose travel begins and ends outside the Airport's service area. In deplaning and enplaning at the Airport, connecting passengers are transferring from one flight which connects with another. Connecting activities at airports are also referred to as "hub" activities. The table which follows shows, for the period indicated, the origin and destination and connecting enplanement traffic at the Airport.

Historical Origin & Destination and Connecting Enplanement Traffic

Calendar Year	O&D (000)	O&D % of Total	Connecting (000)	Connecting % of Total	Total Enplanements (000)
1986	4,895	48.8%	5,126	51.2%	10,021
1987	4,894	49.0	5,088	51.0	9,982
1988	5,227	51.9	4,837	48.1	10,064
1989	5,349	53.5	4,648	46.5	9,997
1990	5,575	55.6	4,444	44.4	10,020
1991	5,545	58.0	4,011	42.0	9,556
1992	6,181	59.0	4,297	41.0	10,479
1993	6,271	63.1	3,671	36.9	9,942
1994	6,938	59.5	4,728	40.5	11,667
1995	7,316	56.9	5,532	43.1	12,848
1996	7,472	54.8	6,160	45.2	13,631
1997[1]	2,966	55.0	2,430	45.0	5,396
Average Annual Growth Rate					
1986-1996	4.3%		1.9%		3.1%
1986-1991	2.5		(4.8)		(0.9)
1991-1996	6.1		9.0		7.4

[1] Covers period from January 1, 1997 to May 31, 1997.

Source: Airport management records.

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Air Carrier Activity at Airport

The table below summarizes scheduled air carrier activity at the Airport for the indicated periods.

Historical Airline Enplanements and Market Share

	Enplanements			Market Share		
	1991	1996	Jan-May 1997	1991	1996	Jan-May 1997
Air Carrier						
America West	66,330	95,268	40,722	0.7 %	0.7 %	0.8 %
American	355,377	303,837	122,620	3.7	2.2	2.3
American Trans Air	--	45,581	22,023	--	0.3	0.4
Continental	81,339	183,747	63,046	0.9	1.4	1.2
Delta	220,041	288,747	117,273	2.3	2.1	2.2
Northwest	280,196	311,768	115,630	2.9	2.3	2.1
Southwest	631,531	1,853,673	652,120	6.6	13.6	12.1
TWA	6,680,355	9,232,007	3,713,043	69.9	67.7	68.8
United	284,590	275,354	112,761	3.0	2.0	2.1
USAir	156,914	156,293	59,512	1.6	1.2	1.1
Other	90,870	--	--	1.0	--	--
Total Air Carriers	8,847,543	12,746,275	5,018,748	92.6 %	93.5 %	93.0 %
Commuters						
Air Midwest	4,508	--	--	0.05%	--	--
Air Canada	--	21,539	7,632	--	0.2 %	0.1 %
Comair	14,777	36,128	16,821	0.2	0.3	0.3
Continental	--	--	1,826	--	--	0.03
Executive Express	7,258	2,518	807	0.1	0.02	0.01
Frontier	--	21,471	15,845	--	0.2	0.3
Flagship	--	--	--	--	--	--
Skyway Airlines	--	5,741	2,199	--	0.04	0.0
Trans States	540,589	722,873	310,616	5.7	5.3	5.8
Other	3,404	249	--	0.04	--	--
Total Commuters	570,536	810,519	355,745	6.0 %	6.0 %	6.6 %
Non-Scheduled						
Total Non-Scheduled	137,551	74,520	21,198	1.4 %	0.5 %	0.4 %
Total Enplanements	9,555,630	13,631,314	5,395,690	100.0 %	100.0 %	100.0 %

Source: Airport management records

SELECTED FINANCIAL INFORMATION

Revenues and Expenses

Revenues and expenses for the Fiscal Years set forth below are listed in the following table. For more detailed information on revenues and expenses, see **APPENDIX B -- "FINANCIAL FEASIBILITY REPORT"** hereto and **APPENDIX C -- "FINANCIAL STATEMENTS OF THE AIRPORT"** hereto. This Official Statement does not include financial information on the Airport after December 31, 1996.

Lambert-St. Louis Airport
Total Airport Revenues and Expenses
($000's)

	AUDITED (Fiscal Years Ended June 30)					UNAUDITED (Six Months Ended December 31)	
Operating Revenues	1992	1993	1994	1995	1996	1995	1996
Airline Fees[1]	$40,342	$41,805	$41,042	$43,330	$44,996	$22,022	$20,196
Concession Fees	22,301	21,792	24,514	28,554	28,892	14,553	14,366
Cargo/Other Revenues[2]	9,178	8,962	8,977	7,657	7,313	3,429	4,402
TWA Asset Use Charges	--	--	4,323	7,829	7,829	3,914	3,914
Interest Income	5,636	5,335	5,276	7,756	8,290	4,163	4,435
Total Operating Revenue	$77,457	$77,894	$84,132	$95,126	$97,320	$48,081	$47,313
Operating Expenses							
Total Maintenance and Operating Expenses	$34,256	$38,449	$40,987	$45,655	$49,517	$22,963	$24,435
Net Revenues	$43,201	$39,445	$43,145	$49,471	$47,803	$25,118	$22,878
Annual Debt Service	24,618	28,614	25,525	36,783	33,838	--	--
Debt Service Coverage	1.75	1.38	1.69	1.34	1.41	--	--
Airport Revenues/Enplanement	$ 7.49	$ 7.89	$ 7.94	$ 7.58	$ 7.33	--	--
Airline Cost/Enplanement	$ 3.90	$ 4.24	$ 3.87	$ 3.45	$ 3.39	--	--

[1] Consist of landing fees and terminal rents for both Signatory and Non-Signatory Airlines.
[2] Excludes Passenger Facility Charges and interest.

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Management Discussion

Operating Revenues. Operating Revenues for the Fiscal Year ended June 30, 1996 were $97,319,943. This amount represents an increase of $2,193,754, or approximately 2.3% over the prior Fiscal Year. This increase is largely attributable to an increase in aviation use fees. During the six-month period ending December 31, 1996, Operating Revenues were $47,313,459, representing an approximately 1.6% decrease from the comparable prior year's period. Airline fees for the six-month period ending December 31, 1996 do not reflect Fiscal Year-end adjustments which may be made to account for higher than projected operation and maintenance expenses.

Operating Expenses. Operating Expenses for the Fiscal Year ended June 30, 1996 were $53,140,363. This amount represents an increase of $3,501,981, or approximately 7.05% over the prior Fiscal Year. This increase was due to incremental expenses for salaries, wages, overtime and the rental and lease of equipment largely attributable to inclement weather experienced at the Airport during the winter of 1995-1996. During the six-month period ending December 31, 1996, Operating Expenses were $24,434,538, representing an approximately 6.4% increase from the comparable prior year's period.

Net Revenues. Net Revenues for the Fiscal Year ended June 30, 1996 were $47,802,867. This amount represents a decrease of $1,668,251, or approximately 3.37% lower than the prior Fiscal Year. As indicated above, this resulted from increased expenses due to inclement weather during the winter of 1995-1996. During the six-month period ending December 31, 1996, Net Revenues were $22,878,921, representing an approximately 8.9% decrease from the comparable prior year's period.

New Concessions Strategy. The City implemented a new concession strategy in early 1997 that has established new minimum guarantees under certain contracts, as well as a revamping of certain terminal space for additional concession activities that was previously underutilized at the Airport. Effective February 1, 1997, master agreements have been negotiated with Host International, Inc. (food and beverage) and The Paradies Shops, Inc. (news and gifts).

Passenger Facility Charge Revenues. The Airport collected a total of $41,249,711 of Passenger Facility Charges (including investment earnings) in the Fiscal Year ended June 30, 1996. Under the most recent Passenger Facility Charges application approved by the Federal Aviation Administration, the Airport may collect approximately $80.2 million through June 30, 1998. The Airport expects to submit an additional application to the Federal Aviation Administration by year-end 1997 that will seek authorization to collect approximately $137 million for qualified projects. The City also expects to submit an amendment to its Passenger Facility Charge application, seeking to obtain Federal Aviation Administration approval to redirect approximately $54.3 million of Passenger Facility Charges revenues from the East Terminal Expansion to the New West Runway Project. There is no assurance that the Federal Aviation Administration will approve such application or amendment.

Financial Condition of TWA. Airport management continues to closely monitor the financial condition of TWA, which has operated its major hub at the Airport since 1982. TWA's passenger enplanements represented 67.7% of passenger enplanements at the Airport in 1996. For the six-month period ending June 30, 1997, TWA's share of passenger enplanements at the Airport increased to 68.5%.

In connection with TWA, the City has the right to reclaim and reassign to other airlines up to 57 TWA gates at the Airport if and to the extent that TWA fails to maintain certain utilization standards with respect to its number of daily flight departures at the Airport. This may prevent the gates from being unused if TWA's operations at the Airport were substantially reduced. Also, the City has acquired ownership and control of certain of TWA's personal property, including loading bridges, baggage handling systems, ground power systems, de-icing systems, hold-room seating, office furnishings, counters, flight information display information systems, motorized and non-motorized ramp and

maintenance equipment. The City believes that its right to reclaim and reassign gates in the event of reductions in TWA's operations at the Airport, together with the City's ownership of the personal property, may enhance the City's ability to maintain revenues from airlines at the Airport. See "**THE AIRLINE INDUSTRY**" herein and **APPENDIX B -- "FINANCIAL FEASIBILITY REPORT"** hereto.

The City's Cargo Leases and Use Agreements permit the City to adjust rental rates for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period. Such deficiencies or excesses may result from a variety of circumstances, including airline bankruptcies and vacancies of Airport facilities. Notwithstanding these provisions, the City is not permitted to make adjustments based on deficiencies resulting from any TWA failure to pay asset use charges. The City intends, to the extent feasible, to enforce rental rate adjustment provisions contained in the Cargo Leases and Use Agreements to replace revenues that may not be available from airlines (other than, in the case of any TWA failure to pay, revenues attributable to asset use charges). In connection with any deficiencies resulting from such circumstances as vacancies or air carrier bankruptcies, the City anticipates allocating nonpayments in current calendar year airfield operations to other air carriers in subsequent calendar year adjustments. In the event of a default by TWA, to the extent that other air carriers request use of some of the facilities previously occupied by TWA, such air carriers would be expected by the City to pay all of the asset use charges allocable to such facilities.

No assurance is given that in the event of a default by an airline, revenues from a rental adjustment, together with, in the case of a TWA default, other revenues available to replace TWA's asset use charges would be sufficient or received on a timely basis to make payments on the Bonds, including the Series 1997 Bonds. No assurance is given that a bankruptcy filing by or against an airline will not result in delay in enforcing the City's legal, equitable and contractual rights in and to its aforementioned property interests.

THE AIRLINE INDUSTRY

This section contains general information concerning the airline industry, including TWA. The information contained in this section is not, and is not intended to be, a comprehensive or an exhaustive discussion of the airline industry, including TWA.

General

The City's ability to derive Revenues from its operation of the Airport depends upon many factors, many of which are not subject to the control of the City or management at the Airport. There are numerous factors which affect air traffic generally and air traffic at the Airport specifically. Demand for air travel is influenced by factors such as, among other things, population, levels of disposable income, the nature, level and concentration of economic activity in the service area and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination, the financial condition, cost structure and hub strategies of the airlines serving an airport, national and international economic conditions, federal or state regulatory actions, airline service, air fare levels, the operation of the air traffic control system, the willingness of competing airlines to enter into an airport market, the cost of operating at an airport, the price of fuel and any operating constraints (due to capacity, environmental concerns or other related factors) limiting the airport traffic within the national system or at a particular airport. The financial strength and stability of airlines serving the Airport are a key determinant of future airline traffic. Accordingly, no assurance can be given as to the levels of aviation activity that will be achieved at the Airport.

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. The industry has undergone significant changes including

a number of airline mergers, acquisitions, bankruptcies and closures. Several airlines have filed for bankruptcy protection, including TWA, America West Airlines, Continental, Eastern, Midway Airlines, KIWI International Airlines, Inc., and Pan American World Airways. Three of these airlines, Eastern, Midway Airlines and Pan American World Airways, subsequently ceased operations. Further bankruptcy filings, liquidations or major restructurings by other airlines are also possible.

Impact of Airline Insolvency

If any airline using the Airport were to file for protection under the bankruptcy laws, such airline (or a trustee on its behalf) would have the right to seek, among other things, rejection of its Use Agreement. Further, the insolvency or the filing of a bankruptcy petition by any Signatory Airlines, including TWA, may adversely affect or delay the stream of payments to the Airport from such Signatory Airline. Although the Airport may pass on certain costs not paid by such Signatory Airline to other Signatory Airlines, there is no assurance that the remaining Signatory Airlines will pay such costs.

Trans World Airlines, Inc.

Introduction. TWA, the nation's seventh largest air carrier, is the primary air carrier at the Airport. Since commencing hub operations at the Airport in 1982, TWA has routed a large volume of connecting flights through the Airport. For 1996, TWA's enplanements accounted for approximately 67.7% of enplaned passengers at the Airport. For the six-month period ending June 30, 1997, TWA's share of passenger enplanements at the Airport increased to 68.5%. In addition, payments by TWA accounted for approximately 44% and 43% of Operating Revenue, respectively, in Fiscal Years 1995 and 1996.

TWA Reorganizations. On January 31, 1992, TWA filed a petition to reorganize under Chapter 11 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"). Following court approval of its plan of reorganization, TWA emerged from bankruptcy on November 3, 1993. TWA again filed a petition for reorganization under Chapter 11 of the Bankruptcy Code on June 30, 1995 and its pre-packaged plan of reorganization was approved on August 4, 1995. These reorganizations resulted in the elimination of more than $1.5 billion of debt and lease obligations. In addition, as part of TWA's initial plan of reorganization in 1993, the City purchased substantially all of TWA's leasehold interests, improvements and related personal and certain real property located at and proximate to the Airport for approximately $70 million. The City is currently leasing and licensing such interests and property back to TWA. For more information regarding TWA's contract obligations, see "**SECURITY FOR THE BONDS -- Use Agreements, Cargo Leases and Certain TWA Agreements**" herein and **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** hereto.

Recent Financial Results. For the three months ending June 30, 1997, TWA reported operating income of $5.9 million and a net loss of $14.4 million, compared with operating income of $62.0 million and a net profit of $25.3 million for the second quarter of 1996. At December 31, 1996, TWA reported an operating loss of $198.5 million and a net loss of $284.8 million for the year then ended. For the year ended December 31, 1995, TWA recorded operating income of $25.1 million and a net loss of $227.5 million.

TWA's Form 10-Q for the quarter ended March 31, 1997, states that TWA's operating loss for that quarter was $99.4 million. TWA's net loss for that period was $71.6 million. This compares to an operating loss of $54.2 million and a net loss of $37.1 million for the quarter ended March 31, 1996. TWA reported operating revenue of $762.3 million for the first quarter of 1997, which represented a $20.1 million (2.6%) decrease from the first quarter of 1996, when TWA's reported operating revenue totaled $782.4 million. TWA's operating expenses for the first quarter of 1997 were $861.8 million,

which reflects an increase of $25.2 million over operating expenses of $836.6 million reported during the first quarter of 1996.

TWA entered bankruptcy in 1995 with negative shareholders' equity of $418 million, and emerged from bankruptcy later that year with $323 million positive shareholders' equity. At December 31, 1996, TWA reported negative shareholders' equity of $314.9 million. As of June 30, 1997, TWA's cash and cash equivalents balance was $102 million. As of March 31, 1997, TWA's cash and cash equivalents balance was $136.5 million. On December 31, 1996, TWA reported a cash balance of $181.6. This compares to TWA's reported cash balance of $286.8 million at December 31, 1995, which was up from a $121.3 million cash balance on December 31, 1994.

Auditor's Opinion. TWA's outside auditor, KPMG Peat Marwick, has issued a qualified opinion with respect to TWA's 1996 financial statements to the effect that substantial doubt exists regarding TWA's ability to continue as a going concern due to TWA's recurring losses from operations and its limited sources of additional liquidity.

Capital Resources. In recent years, TWA's earnings have not been sufficient to cover its fixed charges. TWA's Form 10-Q for the quarter ended March 31, 1997 states that TWA has no unused credit lines and must satisfy all of its working capital and capital expenditure requirements from cash provided by operating activities, from external borrowings or from the sale of assets. Substantially all of the strategic assets that TWA owns, including its owned aircraft, ground equipment, gates, slots and overhaul facilities, have been pledged to secure various issues of outstanding indebtedness of TWA. TWA has relatively few non-strategic assets which it could monetize, substantially all of such assets being subject to various liens and security interests which would restrict and/or limit the ability of TWA to realize any significant proceeds from the sale thereof.

Other Factors. Various other factors adversely affect or could adversely affect TWA. The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996 and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. Negotiations for new collective bargaining agreements with TWA's employees are ongoing and any resulting substantial increase in labor costs could be particularly damaging to TWA. Failure to implement successfully current plans to reduce the average age of TWA's planes (which at 18.3 years is one of the oldest among U.S. air carriers) and to meet federal noise reduction standards could adversely affect operations. Recent changes in TWA's executive management team (including the replacement of its Chief Executive Officer and Chief Financial Officer) could adversely affect its operations or ability to implement its business strategy. An adverse result in pending litigation with Karabu Corporation and Carl C. Icahn over financing arrangements and other agreements with them could result in financial defaults that could result in TWA being in default under its other credit arrangements. Any or all of these or other factors could result in a material adverse effect on TWA's operations or financial condition and adversely affect its financial viability.

There is no assurance that TWA will not file another Chapter 11 case to further restructure its financial affairs. Although relieved of substantial debt, TWA remains a highly leveraged company and has significantly less liquidity than many of its major airline competitors, several of which have available lines of credit and/or significant unencumbered assets. The financial forecasts used by TWA are and have been subject to, and may continue to be affected by, a number of factors, including significant business, economic and regulatory uncertainties and the adverse publicity to which TWA has been and possibly will continue to be subject as a result of the crash of TWA Flight 800. Many of these factors such as interest rates, load factors, yields, fuel costs, the economy, the level of competitiveness in the airline industry and the timing and availability of new flight equipment TWA contemplates leasing pursuant to its business strategies, are beyond the control of TWA. In addition, no assurance is given that TWA will continue

its hub operations at the Airport. In the event that TWA discontinues or reduces its hub operations at the Airport, its current level of activity may not be replaced by other airlines. Accordingly, no assurance is given as to the level of aviation activity which will be achieved at the Airport. In addition, any significant financial or operational difficulties incurred by TWA and any material decline in TWA's level of operations at the Airport may have a material adverse effect on the Airport to the extent that passenger demand at the Airport is not met by other air carriers. There is no assurance that TWA will continue as a going concern, and in the event TWA ceases operations at the Airport, that other carriers would commence or increase operations.

Rates and Charges Legislation

On August 23, 1994, the President of the United States signed into law the Federal Aviation Administration Authorization Act of 1994 (the "1994 Act"), Section 113 of which is entitled "Resolution of airport-air carrier disputes concerning airport fees." Section 113 continues the basic federal requirement that airport fees be "reasonable" and provides a mechanism by which the United States Secretary of Transportation may review rates and charges complaints brought by air carriers. Pursuant to Section 113, in February 1995 the United States Department of Transportation issued its final rule outlining the procedures to be followed in determining the reasonableness of new or increased airport rates and charges and in June 1996 issued a policy statement setting forth the standards the United States Department of Transportation will use in determining the reasonableness of fees charged to airlines and other aeronautical users. Airport management is currently not aware of any rates and charges disputes between the Airport and any airline or of any complaints concerning rates and charges at the Airport brought by any airline to the United States Secretary of Transportation. There is no assurance, however, that such disputes or complaints will not arise in the future.

Additional Information

The Signatory Airlines (including the corporate parents of TWA, American, Continental, United and Northwest) and certain other airlines operating at the Airport (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the United States Securities and Exchange Commission. Certain information, including financial information, as of particular dates, concerning each airline (or their respective parent corporations) is included in such reports. The reports may be inspected in the Public Reference Room of the United States Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the United States Securities and Exchange Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of the reports may be obtained from the Public Reference Section of the United States Securities and Exchange Commission at the above address at prescribed rates. In addition, each Signatory Airlines and certain other airlines are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports may be inspected at the following location: Office of Airline Statistics, Research and Special Programs Administration, United States Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the United States Department of Transportation at prescribed rates. The foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. Certain information regarding TWA may be obtained from the United States Bankruptcy Court for the Eastern District of Missouri and the District of Delaware. The City makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the airlines.

FINANCIAL FEASIBILITY REPORT

The Financial Feasibility Report attached as ***APPENDIX B*** *to this Official Statement (the "Financial Feasibility Report") must be read in its entirety to understand the assumptions upon which the forecasts therein are based and the qualifications which have been made. There is no assurance that the forecasts will be achieved. Actual future events will likely vary from the forecasts, and such variances may be material. Neither the Underwriters, their counsel nor their advisors have participated in the preparation of the Financial Feasibility Report and no representation or warranty, either express or implied, is made by or on behalf of the Underwriters nor their counsel or advisors as to the accuracy or completeness of the information contained therein.*

General

The Financial Feasibility Report of the Airport Consultant is included in reliance upon the knowledge and experience of the Airport Consultant. The principals of the Airport Consultant have participated in financial feasibility studies supporting the sale of over $1.5 billion of general airport revenue bonds and almost $500 million in special facility revenue bonds for airport projects. The Airport Consultant has provided consulting services to most of the major airports in the United States.

The Airport Consultant has analyzed the ability of the City to meet its financial obligations related to the Series 1997 Bonds through the Fiscal Year 2002. The Financial Feasibility Report describes key factors which impact aviation activity and operations at the Airport, including activity forecasts, revenue and expense projections, planned capital development and the availability of funds to meet debt service coverage levels required by the Additional Bonds test of the Indenture.

The Financial Feasibility Report provides background information on the Airport and its operations, reviews the Indenture and the Capital Improvement Program, the 1997 Project and the Master Plan. The Financial Feasibility Report also describes the purpose of the Series 1997 Bonds with an overview of the plan of financing. An analysis of the Airport's service area and economic base is provided in the Financial Feasibility Report in order to determine the impact of such factors on travel to and from the Airport. The Financial Feasibility Report summarizes the historical and projected aviation activity at the Airport and provides an analysis of the factors which impact these statistics. Additionally, the Financial Feasibility Report provides an analysis of the financial impact of the Series 1997 Bonds on Airport cash flow and airline rates and charges, including an outline of estimates of Airport revenues, operating and maintenance expenses, debt service and coverage. The Financial Feasibility Report concludes with a sensitivity analysis developed to simulate the effect on operations at the Airport if TWA ceases operations at the Airport after Fiscal Year 1997.

Assumptions

The Financial Feasibility Report projects enplanements, revenues and expenses based upon the following assumptions:

(i) The Series 1997 Bonds are expected to be issued in the amount of $199.6 million with annual debt service ranging from a low of $12.6 million to a high of $14.9 million after Fiscal Year 2000, with a 30-year final maturity and an average interest rate of 5.46%.

(ii) Total Revenues will be committed to support total expenses and debt service of the Airport. Passenger Facility Charges will not be pledged for the payment of the Series 1997 Bonds.

(iii) The Capital Improvement Program, other than the 1997 Project, will be completed on a phased basis depending on priority and activity demand and will be funded by Airport Improvement Program entitlement grants, Airport discretionary funds and Passenger Facility Charges. There are no current plans to issue Additional Bonds to finance the portion of the Capital Improvement Program not financed by the Series 1997 Bonds.

(iv) No debt service has been included for any Additional Bonds which may be issued by the Airport during the forecast period to fund projects associated with the Master Plan or the Capital Improvement Program not financed by the Series 1997 Bonds.

(v) The annual rate of inflation is projected to be 2.7% for the St. Louis Area.

(vi) For Scenario 1, the Financial Feasibility Report of air traffic, revenues, operating expenses and net revenues included in the Financial Feasibility Report is based on hub operations at the Airport by TWA or another air carrier.

(vii) For Scenario 2, the Financial Feasibility Report assumes the discontinuation of hub operations by TWA after Fiscal Year 1997 and the replacement of all of TWA's origin and destination traffic, and approximately 50% of its connecting traffic at the Airport.

Findings and Conclusions

The Airport Consultant reached the following findings and conclusions in the Financial Feasibility Report:

(i) The economic base of the Airport's service area is strong and should continue to provide growth in origin and destination passengers at the Airport during the forecast period, Fiscal Year 1997 through Fiscal Year 2002.

(ii) Total enplanements at the Airport are projected to increase under the Scenario 1 forecast from 13,672,000 in 1997 to 15,481,500 by the year 2002.

(iii) Also, under Scenario 1, the Airport will enjoy average net discretionary cash flow of approximately $17.8 million per year during the period Fiscal Year 1997 through Fiscal Year 2002. The cumulative amount of this discretionary cash flow for the six-year period is forecasted to be approximately $106.9 million.

(iv) Annual debt service coverage during the forecast period under Scenario 1 is projected to range from a high of 1.70 to a low of 1.48.

(v) The Airport's projected average cost per enplaned passenger is $3.55 in 1997, and is projected under Scenario 1 to be $4.03 in 2002, and will likely continue to be less than the average for other large hub airports.

(vi) Under Scenario 2, the cumulative amount of the discretionary cash flow during the forecast period is estimated to be approximately $72.5 million. Further, annual debt service coverage during the forecast period, under Scenario 2, is projected to range from a high of 1.53 to a low of 1.31. Finally, the Airport's average cost per enplanement will likely continue to be less than the average for other large airports.

The following is a summary of debt service coverage for Scenario 1:

Financial Forecast -- Scenario 1
1997-2002

Fiscal Year	Net Revenues (millions)	Debt Service (millions)	Debt Service Coverage
1997	$55.2	$37.1	1.49
1998	59.6	37.2	1.60
1999	69.3	40.8	1.70
2000	70.9	47.9	1.48
2001	74.0	49.0	1.51
2002	75.6	48.6	1.56

The following is a summary of debt service coverage for Scenario 2:

Financial Forecast -- Scenario 2
1997-2002

Fiscal Year	Net Revenues (millions)	Debt Service (millions)	Debt Service Coverage
1997	$55.2	$37.1	1.49
1998	54.9	37.2	1.48
1999	62.4	40.8	1.53
2000	62.6	47.9	1.31
2001	65.8	49.0	1.34
2002	66.7	48.6	1.37

In developing the projections and in formulating the Financial Feasibility Report, the Airport Consultant has relied upon certain information, estimates and assumptions provided by the Airport and its staff. Based upon the review of the Airport Consultant, the Airport Consultant believes that the information and estimates contained in the Financial Feasibility Report are accurate and that such assumptions provide a reasonable basis for conclusions reached in the Financial Feasibility Report. Some variation, however, from the estimated costs, revenues and trends is inevitable and such variations may be material.

Based upon the analysis and assumptions presented in the Financial Feasibility Report, the Airport Consultant forecasts that the Airport will be able to comply with the Additional Bonds test of the Indenture required for the issuance of the Series 1997 Bonds. The Airport is expected to generate revenues in each of the years of the forecast period, Fiscal Year 1997 through Fiscal Year 2002, sufficient to pay operating and maintenance expenses debt service and to provide debt service coverage in excess of 1.25 times debt service as required by the Indenture's Additional Bonds test. In addition, based on the Airport Consultant's knowledge of comparable airports and the Airport Consultant's experience in preparing similar studies and providing financial consulting services to a variety of airports, the Airport Consultant believes that the projected airline costs per enplaned passenger at the Airport are

reasonable. Accordingly, the Airport Consultant concludes that it is feasible for the Airport to proceed with the issuance of the Series 1997 Bonds.

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City, threatened, that would restrain or enjoin the issuance or delivery of the Series 1997 Bonds, or that questions the validity of the Series 1997 Bonds or the Indenture or concerns any proceedings of the City taken in connection therewith, or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The Airport is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. In the opinion of the City Counselor there is no litigation pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations with the exception of the suit described in the next paragraph which has been filed in the Circuit Court of Missouri. This suit seeks significant amounts of monetary damages arising from Airport operations.

John D. Corrigan, et al. vs. City of St. Louis, St. Louis County Circuit Court Cause No. 666713, filed in August, 1994 by the Board of Governors of the Carrollton Subdivision Homeowners Association located west of the Airport, arises from the City's purchase of homes in this subdivision under the Airport's Noise Mitigation Program. The Plaintiffs, in a four-count petition, seek payment for subdivision assessments, damages for alleged violations of subdivision restrictions, inverse condemnation and violation of environmental public policies exceeding fifteen million dollars ($15,000,000). In June, 1995 the Court certified this as a class action lawsuit. This lawsuit to which the City is responding through various pleadings, discovery and trial preparation, will be vigorously defended by the City, but the City Counselor is unable to predict with reasonable certainty the eventual outcome of the litigation or its financial or other impact on Airport operations.

In addition, in *City of Bridgeton v. City of St. Louis*, St. Louis City Circuit Court, Cause No. 964-0980, the City of Bridgeton, Missouri, filed a petition in April 1996 for declaratory judgment and injunction, opposing the proposed Airport expansion plans relating to W-1W (no portion of the costs of the W-1W expansion is being paid from the proceeds of the Series 1997 Bonds). The complaint was based on the claim that the City of Bridgeton's zoning ordinance prohibited this expansion. A Missouri Circuit Court Judge granted the City's motion to dismiss, ruling that the City of Bridgeton's litigation against Airport expansion was premature since no Record of Decision had yet been issued by the Federal Aviation Administration. The City of Bridgeton has not appealed.

UNDERWRITING

Bear, Stearns & Co. Inc. and the other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters"), have agreed to purchase the Series 1997 Bonds from the City at an aggregate purchase price equal to $195,666,059 (which amount constitutes (1) the aggregate principal amount of the Series 1997A Bonds, less original issue discount on the Series 1997A Bonds of $1,180,234, less Underwriters' discount on the Series 1997A Bonds of $284,021; plus (2) the aggregate principal amount of the Series 1997B Bonds, less original issue discount on the Series 1997B Bonds of $1,354,922, less Underwriters' discount on the Series 1997B Bonds of $1,119,765); plus accrued interest. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 1997 Bonds, if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain

other conditions. The initial public offering prices of the Series 1997 Bonds may be changed from time to time by the Underwriters.

INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX C** hereto are the audited financial statements of the Airport as of June 30, 1996 and 1995 and for the years then ended, together with the report thereon of Arthur Andersen LLP, independent public accountants, and the unaudited financial statements of the Airport as of December 31, 1996 and December 31, 1995 and for the six-month periods then ended. This Official Statement does not include financial information on the Airport after December 31, 1996. The financial statements included in **APPENDIX C** hereto are not necessarily indicative of the financial results of the Airport to be achieved in future periods.

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC, and P.G. Corbin & Company, Inc. served as financial advisors to the City with respect to the sale of the Series 1997 Bonds. The financial advisors assisted in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the Series 1997 Bonds and provided other advice. The financial advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the City and other sources who have certified that such information contains no material misstatement of information.

TAX MATTERS

General

In the opinion of McKenzie, McGhee & Pryce, L.L.P., New York, New York, and Greenberg Traurig Hoffman Lipoff Rosen & Quentel, New York, New York, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest (including any original issue discount properly allocable to the owners thereof as discussed in the portion of this Official Statement captioned "**TAX MATTERS -- Original Issue Discount**") (i) on the Series 1997A Bonds is excluded from gross income for federal income tax purposes and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the next paragraph, corporations; and (ii) on the Series 1997B Bonds is excluded from gross income for federal income tax purposes, except for interest on any Series 1997B Bond during any period in which such Series 1997B Bond is held by a person who is a "substantial user" or a "related person" as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code") and is an item of tax preference for the calculation of the alternative minimum tax liability of individuals and corporations under the Code. In addition, interest on the Series 1997 Bonds is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri. Interest on the Series 1997 Bonds will be included in gross income retroactive to the date of issuance if the City fails to comply, as covenanted in the Series 1997 Bond documents, with certain requirements of the Code which must be satisfied subsequent to the issuance of the Series 1997 Bonds. Such requirements include, among others, (i) the use, expenditure and investment of Series 1997 Bonds proceeds, (ii) the use of the project and (iii) the timely payment of certain investment earnings to the United States. No opinion is expressed as to the applicability of any taxes imposed on financial institutions by the State of Missouri under Chapter 148 of the Revised Statutes of Missouri.

Additionally, interest on the Series 1997 Bonds, when held by certain corporations, may be subject to federal tax under the following circumstances.

1. A branch profits tax is imposed on foreign corporations pursuant to Section 884 of the Code equal to 30% of their adjusted earnings and profits attributable to income that is effectively connected, or treated as effectively connected, with the active conduct of a trade or business in the United States. Interest on the Series 1997 Bonds may be included in such earnings and profits.

2. Section 1375 of the Code imposes a tax on the "excess net passive income" of certain S corporations with Subchapter C earnings and profits at the close of the taxable year. Treasury regulations provide that tax-exempt interest, which would include any interest on the Series 1997 Bonds, is included in determining an S corporation's "excess net passive income" for the tax year.

Prospective purchasers of the Series 1997 Bonds should be aware that ownership of tax-exempt obligations such as the Series 1997 Bonds may result in other federal tax consequences to certain owners, including, without limitation, financial institutions, insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who may be eligible for the earned income credit, taxpayers who have incurred or continued indebtedness to purchase or carry tax-exempt obligations, owners who dispose of any Series 1997 Bond prior to its stated maturity (whether by sale or otherwise), and owners who purchase any Series 1997 Bond at a price different from its initial offering price. Prospective purchasers of the Series 1997 Bonds should consult their tax advisors as to the applicability and the impact of any such other tax consequences and the status of interest on the Bonds under state or local laws other than those of the State of Missouri.

The opinions on federal tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain covenants of the City to be contained in the Series 1997 Bond documents and which are intended to evidence and assure the foregoing, including that the Series 1997 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the certifications and representations made by the City.

Legislative proposals have been, are being and will be considered by the U.S. Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the federal income tax consequences referred to herein of owning the Series 1997 Bonds or that could adversely affect the market value of the Series 1997 Bonds. It cannot be predicted whether or in what form any such proposals might be enacted or whether, if enacted, it would apply to obligations (such as the Series 1997 Bonds), issued prior to enactment. Co-Bond Counsel will not express any opinion regarding any pending or proposed federal tax legislation.

Original Issue Discount

The Series 1997B Bonds maturing July 1, 2001 through July 1, 2003, July 1, 2015 through July 1, 2017, and maturing on July 1, 2022 and July 1, 2027 and all of the Series 1997A Bonds (collectively, the "Discount Bonds"), have been offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (original principal amount) over the "issue price" of each Discount Bond. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant interest rate method, compounded semiannually (or over such shorter permitted compounding interval selected by the owner). With respect to a purchaser of a Discount Bond at its issue price in the initial offering, the portion of OID that accrues during the period

that the purchaser owns the Discount Bond (i) is interest excluded from that purchaser's gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to other interest on the Series 1997 Bonds, and (ii) is added to that purchaser's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Owners of Series 1997 Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID accruable each year with respect to such Series 1997 Bonds and as to other federal tax consequences and the treatment of OID for state and local tax purposes.

Premium

The Series 1997B Bonds maturing July 1, 2004 through July 1, 2014 (collectively, the "Premium Bonds") have been initially purchased by the first holders thereof at an original issue premium. As a result of the tax cost reduction requirements of the Code relating to amortization of bond premium, under certain circumstances the first holder of Premium Bonds may realize a taxable gain upon disposition of such Premium Bonds even though they are sold or redeemed for an amount equal to or less than such first holder's original cost of acquiring such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the tax consequences of owning such Premium Bonds.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Series 1997 Bonds are subject to the approval of McKenzie, McGhee & Pryce, L.L.P., New York, New York, and Greenberg Traurig Hoffman Lipoff Rosen & Quentel, New York, New York Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, by Hopkins & Sutter, Chicago, Illinois, Special Counsel, and by Armstrong, Teasdale, Schlafly & Davis, St. Louis, Missouri, Special Disclosure Counsel, and for the Underwriters by Thompson Coburn, St. Louis, Missouri, and Caldwell, Hughes & Singleton, St. Louis, Missouri, Co-Underwriters' Counsel. Certain legal matters will be passed upon for the City by White, Ovletrea & Watson, L.C., St. Louis, Missouri.

Co-Bond Counsel has assisted in the preparation of certain information including portions of this Official Statement under the captions **"THE SERIES 1997 BONDS"** (except for **"Book-Entry-Only System"**), **"SECURITY FOR THE BONDS"** (except for **"Bond Insurance"** and **"Use Agreements, Cargo Leases and Certain TWA Agreements"**) and **"TAX MATTERS"** and in **APPENDIX A -- "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES"** (except **"Airline Use Agreements and Other Leases"**) and **APPENDIX E -- "FORMS OF OPINIONS OF CO-BOND COUNSEL,"** but has not been engaged or undertaken to review the accuracy, completeness or sufficiency of the remainder of this Official Statement and, accordingly, expresses no opinion as to the accuracy, completeness or sufficiency of other material or information, including financial information, included herein.

CERTAIN RELATIONSHIPS

Thompson Coburn, St. Louis, Missouri, and Caldwell, Hughes & Singleton, St. Louis, Missouri, are serving as Co-Underwriters' Counsel and have represented the Underwriters in connection with the issuance of the Series 1997 Bonds. Thompson Coburn and Caldwell, Hughes & Singleton each also

represent the City from time to time on other transactions. In addition, Thompson Coburn, from time to time, serves as outside counsel to TWA on certain matters.

White, Ovletrea & Watson, L.C. also represents the City from time to time on other transactions. In addition, Craig Schmid, Esq., an attorney serving as of-counsel with the law firm of White, Ovletrea & Watson, L.C., also serves as a member of the Board of Aldermen of the City.

CONTINUING DISCLOSURE

The following is a summary of the Continuing Disclosure Agreement (the "Disclosure Agreement"). All references herein to the Disclosure Agreement are qualified in their entirety by reference to such document. The Disclosure Agreement is available for inspection at the offices of the City.

Definitions

For purposes of this section, the capitalized terms set forth below will have the following meanings, unless the context otherwise requires:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, the Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 1997 Bonds for federal income tax purposes.

"Disclosure Representative" means the Comptroller of the City or his or her designee, or such other person as the City will designate in writing to the Dissemination Agent from time to time.

"Dissemination Agent" means UMB Bank of St. Louis, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"Listed Events" means any of the events listed in the Disclosure Agreement.

"National Repository" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the United States Securities and Exchange Commission as of the date of execution and delivery of the Disclosure Agreement are set forth in the Disclosure Agreement.

"Obligated Person" means the City and each airline and any other entity at any time using the Airport (i) that is obligated under a use agreement, lease or other agreement or agreements having a term of more than one year to pay a portion of the debt service on the Bonds; and (ii) pursuant to such agreement or agreements has paid amounts equal to at least 20% of the Revenues of the Airport for each of the prior two Fiscal Years of the Airport.

"Participating Underwriter" means any of the original underwriters of the Series 1997 Bonds required to comply with the Rule in connection with offering of the Series 1997 Bonds.

"Repository" means each National Repository and each State Repository.

"Rule" means Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of Missouri.

"State Repository" means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the United States Securities and Exchange Commission. As of the date of the Disclosure Agreement, there is no State Repository.

Purpose of the Disclosure Agreement

The Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the Series 1997 Bonds and in order to assist the Participating Underwriters in complying with the Rule. The City and the Dissemination Agent acknowledge that the Bond Insurer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under the Disclosure Agreement, and the Bond Insurer has no liability to any person, including any Bondholder or Beneficial Owner of the Series 1997 Bonds, with respect to the Rule. The City has determined that the City is an Obligated Person. The City has also determined that TWA currently is the only other Obligated Person.

TWA is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, TWA files reports and other information with the United States Securities and Exchange Commission (the "SEC Reports"), as more fully described under the caption **"THE AIRLINE INDUSTRY -- Additional Information"** herein. The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by, TWA or by any future Obligated Person. Unless no longer required by the Rule, the City has agreed in the Disclosure Agreement to use its reasonable efforts to cause each Obligated Person other than the City, if any (to the extent that such Obligated Person is not otherwise required to file SEC Reports), to provide to the City annual information substantially equivalent to that contained in the SEC Reports. In the event that any such Obligated Person fails to provide to the City annual information substantially equivalent to that contained in the SEC Reports, the City shall not be in default under the Disclosure Agreement. The City has also agreed in the Disclosure Agreement to use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring airlines to provide information to the City to enable the City, if necessary, to comply with the Rule. In the event that the City does not obtain such provision in any future amendments to the Use Agreement, the City shall not be in default under the Disclosure Agreement.

Provision of Annual Reports

The City will, or will cause the Dissemination Agent to, not later than 210 days after the end of the City's fiscal year (which currently ends on June 30 of each year), commencing with the report for the 1997 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of the Disclosure Agreement. The City will provide a written certificate with the Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in of the Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under of the Disclosure Agreement.

Not later than fifteen (15) Business Days prior to the date specified in for providing the Annual Report to the Repositories, the City will provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received the Annual Report, the Dissemination Agent will contact the City and request that the City comply with the Disclosure Agreement.

If the Dissemination Agent has not received an Annual Report by the date required by the Disclosure Agreement. The Dissemination Agent will send a notice to the Participating Underwriters, the Trustee and (i) each Repository or (ii) the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached to the Disclosure Agreement.

The Dissemination Agent is required to:

1. determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

2. provide notice to the City and the Trustee (if the Trustee is not the Dissemination Agent) certifying (A) that the Annual Report has been provided to the Repositories by the Dissemination Agent pursuant to the Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided; or (B) that the City has certified to the Dissemination Agent that the City has provided the Annual Report to the Repositories.

Content of Annual Reports

The City's Annual Report will contain or include by reference the following:

1. The audited financial statements of the Airport for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the Airport's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to the Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

2. Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the Disclosure Agreement.

3. Certain statistical and operating data of the Airport updated for the prior Fiscal Year in substantially the scope and form contained in the Disclosure Agreement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the United States Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City will clearly identify each such other document so included by reference.

Reporting of Significant Events

Pursuant to the provisions of the Disclosure Agreement, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 1997 Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. bond calls;

5. defeasances;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Series 1997 Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; and

11. release, substitution or sale of property securing repayment of the Series 1997 Bonds.

The Dissemination Agent will, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to the Disclosure Agreement. For the purpose of the Disclosure Agreement, "actual knowledge" of such listed events will mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to the Indenture or the Disclosure Agreement.

Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to the Disclosure Agreement (b) or otherwise, the City will as soon as possible determine if such event would be material under applicable federal securities laws.

If knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City will promptly notify the Dissemination Agent in writing. Such notice will instruct the Dissemination Agent to report the occurrence pursuant to the Disclosure Agreement.

If in response to a request pursuant to the Disclosure Agreement, the City determines that the Listed Event would not be material under applicable federal securities laws, the City will so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to the Disclosure Agreement

If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent will file a notice of such occurrence with (i) each Repository or (ii) the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City, the Trustee and the Participating Underwriters. Notwithstanding the foregoing, notice of Listed Events described in the Disclosure Agreement need not be given under the Disclosure Agreement any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Bonds pursuant to the Indenture.

Termination of Reporting Obligation

The City's obligations under the Disclosure Agreement will terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 1997 Bonds. The Disclosure Agreement will also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; or (ii) receipt by the Dissemination Agent, the Trustee (if the Trustee is not the Dissemination Agent) and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 1997 Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity will be responsible for compliance with the Disclosure Agreement in the same manner as if it were the City, and the City will have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 1997 Bonds, the City will give notice of such termination or substitution in the same manner as for a Listed Event under of the Disclosure Agreement.

Dissemination Agent

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent will also have no duty or obligation to determine the materiality of the listed events and will not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any other designated Dissemination Agent, the Trustee will be the Dissemination Agent.

Amendment; Waiver

Notwithstanding any other provision of the Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement (and the approval of the Dissemination Agent to any such amendment will not be unreasonably withheld), and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of the Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 1997 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 1997 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondholders of the Series 1997 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Series 1997 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a

change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under the Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Disclosure Agreement will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by the Disclosure Agreement, the City will have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Default

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Participating Underwriter or the Bondholders or Beneficial Owner of at least 25% aggregate principal amount of Outstanding Bonds, will), or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement will not be deemed to be an Event of Default under the Indenture, and the sole remedy under the Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Disclosure Agreement will be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The Original Indenture is made applicable to the Disclosure Agreement and the Dissemination Agent as if such provisions were (solely for this purpose) contained in the Disclosure Agreement. The Dissemination Agent will have only such duties as are specifically set forth in the Disclosure Agreement, and, to the extent permitted by applicable law, the City indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. The obligations of the City under the Disclosure Agreement will survive resignation or removal of the Dissemination Agent and payment of the Series 1997 Bonds. No provisions of the Disclosure Agreement will be interpreted to limit, prohibit or affect any right of the Trustee to provide notice to the Bondholders of the Series 1997 Bonds or any other person pursuant to the terms of the Indenture.

RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and Fitch Investors Service, L.P., have assigned ratings of "Aaa," "AAA" and "AAA," respectively, to the Series 1997 Bonds, with the understanding that, upon delivery of the Series 1997 Bonds, the Bond Insurance Policy will be issued by the Bond Insurer. These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the Series 1997 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004, and Fitch Investors Service, L.P., One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 1997 Bonds.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

The references herein to the Indenture, the Use Agreements, the Cargo Leases and certain TWA Agreements are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and for full and complete statements of the provisions thereof, reference is made to the Indenture, the Use Agreements, the Cargo Leases and certain TWA Agreements. Copies of such documents are on file at the offices of the City and following the delivery of the Series 1997 Bonds will be on file at the offices of the Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be delivered with the Series 1997 Bonds, but neither the failure to print such numbers on any Series 1997 Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 1997 Bonds.

The attached appendices are integral parts of this Official Statement and must be read together with all of the foregoing statements.

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Clarence Harmon
Mayor

By: /s/ Darlene Green
Comptroller

685396

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIRLINE USE AGREEMENTS AND OTHER LEASES

THE INDENTURE

The following is a summary of certain provisions of the Indenture relating to the Airport Revenue Bonds, Series 1984 (the "Original Indenture") as supplemented by the Second Supplemental Indenture, pursuant to which the Series 1992 Bonds were issued, the Third Supplemental Indenture, pursuant to which the Series 1993 Refunding Bonds were issued, the Fourth Supplemental Indenture, pursuant to which the Series 1993A Bonds were issued, the Fifth Supplemental Indenture, pursuant to which the Series 1996 Refunding Bonds were issued and the Sixth Supplemental Indenture, pursuant to which the Series 1997 Bonds are to be issued, and is qualified in its entirety by reference to the Original Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture. The Original Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture are collectively referred to as the "Indenture."

The Sixth Supplemental Indenture, pursuant to which the Series 1997 Bonds are to be issued, also contains certain amendments to the Original Indenture (collectively, the "Amendments"). For a brief description of the nature of the amendments, see "**SECURITY FOR THE BONDS -- Amendments to the Indenture**" in this Official Statement. Such Amendments will become effective after the City obtains the consent of at least 51% of the holders of the Outstanding Bonds or the bond insurer for each series of currently Outstanding Bonds (in each case, Financial Guaranty Insurance Company, the "Insurer of Outstanding Bonds"). In any event, the Bond Insurer, and, by purchasing the Series 1997 Bonds, Bondholders will be deemed to have consented to the Amendments. Pursuant to the Indenture, such consent will be binding upon any Bondholders of the Series 1997 Bonds or any subsequent Bonds issued in exchange therefor, whether or not such Bondholders have notice of such consent. The summary of the certain provisions of the Indenture contained in this *Appendix A* reflects the Original Indenture, as amended to the date hereof, including the Amendments.

Definitions

The following terms have the following meanings in the Indenture, unless a different meaning clearly appears from the context:

"Accountant's Certificate" means a certificate signed by an independent certified public accountant or a firm of certified public accountants selected by the City satisfactory to the Trustee, who may be the accountant or firm of accountants who regularly audit the books of the City.

"Accrued Aggregate Debt Service" means, as of any date of calculation, an amount equal to the sum of (i) interest on the Bonds of all Series accrued and unpaid and to accrue to the end of the then current calendar month, and (ii) Principal Installments due and unpaid and that portion of the Principal Installments for all Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

"Additional Bonds" means Bonds authenticated and delivered pursuant to the Indenture, and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Additional Project" means the extension, improvement, purchase, acquisition, construction and enlargement of facilities, appurtenances and equipment for the Airport to be financed in whole or in part from the proceeds of any Additional Bonds issued pursuant to the provisions of the Indenture.

"Adjusted Debt Service" means Debt Service, except that for any Series of Partially Amortizing Bonds it will mean Debt Service for each Fiscal Year other than the Fiscal Year in which the final maturity date of such Bonds occurs and with respect to such Fiscal Year and each Fiscal Year thereafter through the Fiscal Year ending on the date which is the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance, that amount which if paid in substantially equal installments in each such Fiscal Year would pay the full amount of principal of such Bonds and the interest thereon (at the Index Interest Rate) by such anniversary.

"Aggregate Adjusted Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Adjusted Debt Service for such period with respect to all Series of Bonds.

"Aggregate Debt Service" means, as of any particular date of computation and with respect to any period, the sum of the amounts of Debt Service for such period with respect to all Series of Bonds.

"Airport" means the Lambert-St. Louis International Airport owned and operated by the City, including all land owned or to be acquired by the City (by lease or otherwise) for purposes of such airport (including, without limitation, noise mitigation and clear zone purposes) and all improvements and facilities in existence and located on any such land, as said Airport may be added to, extended, improved or constructed and equipped.

"Airport Commission" means the existing Airport Commission of the City, or such officer, board or commission of the City who or which may be legally given the powers and duties given to the Airport Commission in existence on the date of the Indenture.

"Airport Consultant" means the airport consultant or airport consulting firm or corporation at times retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Airport Consultant in the Indenture.

"Airport Fiscal Year" means the annual accounting period of the Airport for its general accounting purposes and designated as such by the Airport Commission, which period currently consists of the twelve consecutive calendar months ending the last day of June of any year.

"Annual Budget" means the annual budget of the City (through the Airport Commission) for the Airport, as amended or supplemented from time to time, adopted or in effect for a particular City Fiscal year as provided in the Indenture.

"Authorized Officer of the City" means the Mayor, Comptroller or Treasurer of the City, or any other officer or employee of the City authorized under the laws of the State of Missouri, the Charter or ordinance by the City to perform specific acts or duties related to the subject matter of the authorization.

"Bond" or "Bonds" means the Series 1984 Bonds, the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997 Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means legal counsel experienced and nationally recognized in matters relating to tax-exempt financing under Sections 103 and 141-150 of the Code.

"Bond Fund" means the Airport Bond Fund established by the Indenture.

"Bondholder" or "Owner of Bonds" or any similar term means any person who will be registered owner of any Bond or Bonds.

"Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer that guarantees payment of principal and interest on the Series 1996 Refunding Bonds.

"Bond Insurer" means each insurance company which has insured the payment of the principal and interest on all or any portion of the Bonds and any successor thereto and with respect to the Series 1997 Bonds means Financial Guaranty Insurance Company.

"Bond Registrar" means the Trustee and any other bank or trust company organized under the laws of any state or national banking association appointed by the City to perform the duties of Bond Registrar enumerated in the Indenture. The term "Bond Registrar" will also be deemed to include any Co-Registrar appointed pursuant to the Indenture.

"Bond Proceeds" means all amounts received on the sale of a Series of Bonds.

"Capital Budget" means the capital budget of the City (through the Airport Commission) for the Airport, as amended of supplemented from time to time, adopted or in effect for a particular City Fiscal Year as provided in the Indenture.

"Charter" means the Charter of the City as in effect from time to time.

"City Fiscal Year" means the annual accounting period of the City for its general accounting purposes and designated as such in accordance with the Charter of the City, which period currently consists of the twelve consecutive calendar months ending with the last day of June of any year.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contingency Fund" means the Airport Contingency Fund established by the Indenture.

"Construction Fund" means the Airport Construction Fund established by the Indenture.

"Consulting Engineer" means the engineer or engineering firm or corporation at the time retained by the City pursuant to the Indenture to perform the acts and carry out the duties provided for such Consulting Engineers in the Indenture.

"Corporation" means Lambert-St. Louis International Airport Corporation, a Missouri nonprofit corporation.

"Cost of Construction", with respect to the initial Project or an Additional Project, means the City's costs properly attributable to the construction or acquisition thereof. "Cost of Construction" will also include the Costs of Issuance of any Series of Bonds to the extent payable from the Construction Fund pursuant to the Indenture or a Supplemental Indenture.

"Cost of Issuance Account" means the Cost of Issuance Account established with respect to each Series in accordance with the Indenture.

"Costs of Issuance" means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to authorization, sale and issuance of any Bonds including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiduciary, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of Bonds, costs and expenses of refunding, premiums for the insurance of the payment of Bonds, fees payable in connection with any letter of credit securing all or a portion of the Bonds, financing charges, accrued interest with respect to the initial investment of proceeds of Bonds and any other costs, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" means an opinion of an attorney or firm of attorneys nationally recognized on the subject of tax-exempt municipal financings (who may be counsel to the City) selected by the City and satisfactory to the Trustee.

"Counterparty" means an entity whose senior long-term debt obligations, or whose obligations under an Interest Rate Exchange Agreement, are guaranteed by a financial institution whose senior long term debt obligations have a rating in one of the three highest categories of each of the Rating Agencies.

"Debt Service" for any period means, as of any date of calculation and with respect to any Series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such Series, except to the extent that such interest on the Bonds of such Series is to be paid from deposits (including investment income thereon) in the Debt Service Account made from Bond proceeds or other amounts available therein, and (ii) that portion of each Principal Installment for such Series of Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there will be no such preceding Principal Installment due date, from the date of issuance of such Series). For the purposes of any projections required by the Indenture, with respect to Variable Rate Bonds, interest will be calculated on the basis of the average interest rate or rates borne on Variable Rate Bonds Outstanding during any consecutive twelve months of the preceding 24 months, except that (i) for the purpose of satisfying the conditions for the issuance of Additional Bonds, if the Variable Rate Bonds are being issued on the date of computation, the rate of interest will be assumed to be 110% of the initial interest rate of such Bonds, and (ii) for the purpose of satisfying the Debt Service Reserve Requirement, if any, the interest rate for any Variable Rate Bonds will be computed at the average interest rate on such Bonds during the preceding Airport Fiscal Year or if not Outstanding during the preceding Airport Fiscal Year, the initial interest rate of such Bonds; provided, however, that no payments required for any Option Bonds, other Bonds, or Interest Rate Exchange Agreements which may be tendered or otherwise presented for payment at the option or demand of the owners thereof, or which may otherwise become due by reason of any other circumstance which will not, with certainty, occur during such period, will be included in any computation of Debt Service prior to the stated or theretofore extended maturity or otherwise certain due dates thereof, and all such payments will be deemed to be required on such stated or theretofore extended maturity dates or otherwise certain due dates; and provided, further, however, if the City in a Supplemental Indenture for a Series of Bonds elects to enter into an Interest Rate Exchange Agreement

and deem any payments received thereunder as Revenues, Debt Service will include any amounts payable by the City during such interest rate period pursuant to such Interest Rate Exchange Agreement (other than termination payments thereunder).

"Debt Service Account" means the Airport Debt Service Account established within the Bond Fund by the Indenture.

"Debt Service Reserve Requirement" means, as of any date of calculation for the then Outstanding Bonds, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, an amount which will equal the lesser of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of the average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. Such amount for any Series of Bonds may be satisfied by a deposit of cash or a letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds or provides funds for the purchase of such Bonds or portions thereof, which will be rated in one of the three highest rating categories by the Rating Agency and will permit the full amount thereof to be drawn down at least thirty days prior to the expiration thereof. A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied by depositing such requirement over time from Revenues monthly in substantially equal amounts which time period will not exceed sixty months from the closing date for such Series, alternatively, a Supplemental Indenture for a Series of Bonds may specify that such Series of Bonds will not have a Debt Service Reserve Requirement, in which event such Series of Bonds will not be entitled to a lien on such account.

"Development Fund" means the Airport Development Fund established by the Indenture,

"Director of Airports" means the now existing Director of Airports of the City, or such officer of the City who hereafter may be legally given the powers and duties given to the Director of Airports on the date of the Indenture.

"Event of Default" will have the meaning given to such term in the Indenture.

"Fiduciary" means the Trustee, the Co-Registrar, and any Paying Agent, or any or all of them as may be appropriate.

"Government Securities" means any securities described in clauses (i) and (vii) of the definition of "Investment Securities."

"Indenture" means the Indenture of Trust dated as of October 15, 1984 (the "Original Indenture") authorizing Airport Revenue Bonds of the City, as the same was amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture, and as the same may from time to time be amended or supplemented by a Supplemental Indenture in accordance with the terms thereof.

"Index Interest Rate" means the per annum interest rate set forth in the most recently issued 25-Revenue Bond Index published by The Bond Buyer or, in the event such Index is no longer published, in such comparable index selected by the Trustee.

"Interest Rate Exchange Agreement" means any financial arrangement (i) that is entered into by the City with an entity that is a Counterparty; (ii) which provides that the City will pay to such Counterparty an amount based either on the principal amount or the notional amount equal to the principal amount of all or a portion of a Series of Bonds, and that such Counterparty will pay to the City an amount based on the principal amount of such Series of Bonds, in each case computed in accordance with a formula set forth in such Interest Rate Exchange Agreement, or that one will pay to the other any net amount due under such arrangement; or (iii) the City will be paid by the Counterparty an amount, based either on the principal amount or a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds exceeds a previously agreed upon rate, and/or the City will pay to the Counterparty an amount, based on a notional amount equal to the principal amount of all or any portion of the Variable Rate Bonds of such Series, if the interest rate on such Series of Variable Rate Bonds is less than a previously agreed upon rate; (iv) which has been designated in writing to the Trustee by an Authorized City Representative as an Interest Rate Exchange Agreement with respect to a Series of Bonds and (v) which, in the opinion of Bond Counsel, will not adversely effect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

"Investment Securities" means, subject to the next paragraph and unless otherwise specified in a Supplemental Indenture, and includes any of the following obligations, to the extent the same are at the time legal for investment of funds of the City, including the amendments thereto or hereafter made, or under other applicable law: (i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations of any Federal agency to the extent the full and timely payment of the principal of and interest on such obligations are unconditionally guaranteed by the United States of America; (ii) senior debt obligations and mortgage-backed securities issued by Federal Land Banks, Export-Import Bank of the United States, Federal Financing Bank, FNMA (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), FHLMC (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount), Farmers Home Administration, Federal Housing Administration, Private Export Funding Corporation, Federal Farm Credit System and senior debt obligations and letter of credit-backed issues issued by the Student Loan Marketing Association; (iii) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state ("deposits" meaning obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured by direct obligations of the United States having a market value (exclusive of accrued interest) which will meet the over-collateralization levels and meet the criteria required by each Rating Agency to maintain the rating on the Bonds or (b) secured to the extent, if any, required by each Rating Agency and made with an institution whose debt securities are rated at least equal to the then current rating on the Bonds (or equivalent rating of short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency; (iv) repurchase agreements backed by or related to obligations described in (i) or (ii) above with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (v) investment agreements, secured or unsecured as required by each Rating Agency, with any institution which will not adversely affect the then current rating on the Bonds by each Rating Agency; (vi) if rated at a level which will not adversely affect the then current rating on the Bonds by each Rating Agency, direct and general obligations of or obligations guaranteed by any state or possession of the United States or the District of Columbia, to the payment of the principal of and interest on which the full faith and credit of such state, possession or District of Columbia is pledged; (vii) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the

following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above, (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; (viii) interest-bearing notes issued by a bank having combined capital and surplus of at least $500,000,000 whose senior debt is rated in the highest rating category of the Rating Agency; (ix) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "A" by each Rating Agency; (x) money market funds registered under the Investment Company Act of 1940, as amended (the "1940 Act") or shares of a diversified open-end management investment company, as defined in the 1940 Act, whose shares are registered under the Securities Act of 1933, as amended, which invests only in securities of the type described in clause (i) or (ii) above and having the highest possible rating from each Rating Agency; (xi) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by at each Rating Agency; (xii) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the three highest rating categories by each Rating Agency; (xiii) short-term corporate debt including commercial paper which is rated in the highest short-term rating category by each Rating Agency, and (xiv) public housing bonds issued by public agencies which are either: (a) fully guaranteed by the United States of America; or (b) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States if America; or (c) state or public agency or municipality obligations rated in the highest credit rating category by each Rating Agency; provided that it is expressly understood that the definition of Investment Securities will be, and be deemed to be, expanded, or new definitions and related provisions will be added to the Indenture, thus permitting investments with different characteristics from those permitted which the City deems from time to time to be in the interest of the City to include as Investment Securities, if at the time of inclusion such inclusion will not, in and of itself, adversely affect the then current rating on the Bonds. Investment Securities must be limited to those instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change, and if the obligation is rated, it should not have an "r" highlighter affixed to its rating.

Provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, "Investment Securities" means:

(i) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations"); (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities; (iii) direct obligations

of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation; (iv) commercial paper (having original maturities of not more than 270 days) rated, at time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation; (v) federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investors Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation; (vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation; (vii) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation; (viii) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1" or "A-" or better by Standard & Poor's Corporation, provided: (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (A) a Federal Reserve Bank, (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (C) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* in such securities is created for the benefit of the Trustee; (d) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; and (ix) investment agreements, the issues, form and substance of which are specifically approved by the Bond Insurer; (x) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above, (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; and (xi) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "AA" by each Rating Agency.

"Net Revenues" means the Revenues less Operation and Maintenance Expenses.

"Original Indenture" means the Indenture of Trust between the City and the Trustee dated October 15, 1984.

"Operation and Maintenance Expenses" means the City's expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the Airport, including a reasonable reserve for uncollectible Revenues, and will include, without limitation, administrative and overhead expenses, insurance premiums, deposits for self-insurance, legal, engineering, consulting, accounting or other professional service expenses, union contributions, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, costs of rentals of equipment or other personal property, costs of rentals of real property, costs incurred in collecting and attempting to collect any sums due the City in connection with the operation of the Airport, and any other expenses required to be paid by the City under the provisions of this Indenture or by laws or consistent with standard practices for airports similar to the properties and business of the Airport and applicable in the circumstances, including, without limitation, an allocable share of administrative personnel costs incurred by the City at locations other than the Airport in connection with the operations of the Airport, and the expenses, liabilities and compensation of the fiduciaries required to be paid under this Indenture, all to the extent properly attributable to the Airport. "Operation and Maintenance Expenses" will not include any capital development cost or any allowance for depreciation or any operation or maintenance costs for Special Facilities where the lessee is obligated under its Special Facilities lease to pay such expenses.

"Operating and Maintenance Fund" means the Airport Operation and Maintenance Fund established by the Indenture.

"Option Bond" means any Bond which by its terms may be tendered for payment by and at the option of the owners thereof prior to the stated maturity thereof, or the maturities of which may be extended at the option of the owners thereof.

"Outstanding" or "outstanding", when used with reference to Bonds, means as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered under the Indenture except as otherwise provided therein.

"Outstanding Obligations" means the negotiable interest bearing revenue bonds of the City issued pursuant to the Outstanding Obligations Ordinances and which are described in the Indenture.

"Outstanding Obligations Ordinances" means the Ordinances of the City pursuant to which the Outstanding Obligations were issued and which are described in the Indenture.

"Partially Amortizing Bonds" will mean a Series of Bonds providing for principal payments such that: (i) the principal and interest coming due in the final year exceeds by more than 25% the amount coming due in any prior year; and (ii) the principal amount payable in the year ending on the final maturity date of such Series will not exceed the lesser of (a) 75% of the original principal amount of such Series or (b) the amount that would have been Outstanding on the day prior to the final maturity date of such Bonds if the Bonds of such Series had required level debt service payments (with interest payable at the Index Interest rate) over the period beginning on the first principal payment date of such Series and ending on the anniversary of the final maturity date of such Series next occurring before the date which is 25.5 years after their issuance.

"Paying Agent" or "Paying Agents" means the Trustee or any other bank or banks or trust company or trust companies designated by the City as paying agent for the Bonds of any series and its successor or successors hereafter appointed in the manner provided for in the Indenture.

"Principal Installment" means, as of the date of calculation and with respect to any Series of Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Project" means the capital projects to be financed with the proceeds of the Outstanding Obligations in accordance with the Outstanding Obligations Ordinances and which are to be completed subsequent to the issuance of the Series 1984 Bonds and the improvement, purchase, acquisition, construction and enlargement of the facilities, appurtenances and equipment described on Schedule I of the First Supplemental Indenture, the Second Supplemental Indenture and the Fourth Supplemental Indenture, as such Schedule is modified from time to time in accordance with the Indenture.

"Rating Agency" or "Rating Agencies" means with respect to the Bonds or any Series of Bonds, Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Investors Service, L.P., to the extent that any of such rating services have issued a credit rating on the Bonds which is in effect at the time in question or, upon discontinuance of any of such rating services, such other nationally recognized rating service or services, if any such rating service has issued a credit rating on the Bonds at the request of the City and such credit rating is in effect at the time in question.

"Redemption Price" means, with respect to any Series 1997 Bond, the amount payable upon redemption thereof pursuant to the Sixth Supplemental Indenture.

"Renewal and Replacement Fund" means the Airport Renewal and Replacement Fund established by the Indenture.

"Revenues" means all revenues collected by the City relating to, from or with respect to its possession, management, supervision, operation and control of the Airport, including all rates, charges, landing fees, rentals, use charges, concession revenues, revenues from the sale of services, supplies or other commodities, any investment income realized from the investment of amounts in the Revenue Fund, and any other amounts deposited into the Revenue Fund. Revenues will not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State of Missouri or other sources, the use of which is limited by the grantor or donor to the planning or the construction of capital improvements, including land acquisition, for the Airport, except to the extent any such moneys will be received as payment for the use of the Airport, (c) any Bond proceeds and other money (including investment earnings) credited to the Construction Fund for the financing of capital improvements to the Airport, (d) any interest earnings or other gain from investment of moneys or securities in any escrow or similar account pledged to the payment of any obligations therein specified in connection with the issuance of Refunding Bonds or the defeasance of any Series of Bonds in accordance with Section 1301 hereof, (e) any consideration received by the City upon transfer of the Airport pursuant to Section 809(E) of the Original Indenture, (f) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of Bonds or (ii) the Debt Service Account or the Debt

Service Reserve Account if and to the extent there is any deficiency therein; (g) any passenger facility charge or similar charge levied by or on behalf of the Airport against passengers or cargo, including any income or earnings thereon, unless and to the extent all or a portion thereof are designated as Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (l) amounts payable to the City under an Interest Rate Exchange Agreement Unless and to the extent designated as Revenues by the City in a Supplemental Indenture.

"Revenue Fund" means the Airport Revenue Fund established by the Indenture.

"Series" means all Bonds, including Additional Bonds, authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Series 1984 Bonds" means the Airport Revenue Bonds, Series 1984, Lambert-St. Louis International Airport in the original aggregate principal amount of $167,095,000 and authorized to be issued pursuant to the Indenture.

"Series 1992 Bonds" means the Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport in the original principal amount of $109,125,000 and authorized to be issued pursuant to Article B of the Second Supplemental Indenture.

"Series 1993 Refunding Bonds" means the Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport in the original principal amount of $121,720,000 authorized to be issued pursuant to Article B of the Third Supplemental Indenture.

"Series 1993A Bonds" means the Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport authorized to be issued pursuant to Article II of the Fourth Supplemental Indenture.

"Series 1996 Refunding Bonds" means the Airport Revenue Bonds, Series 1996, Lambert-St. Louis International Airport authorized to be issued pursuant to the Fifth Supplemental Indenture.

"Series 1997 Bonds" means the Series 1997A Bonds and the Series 1997B Bonds.

"Series 1997A Bonds" means the Airport Revenue Bonds, Series 1997A (Capital Improvement Program), Lambert-St. Louis International Airport in the original aggregate principal amount of $40,420,000 and authorized to be issued pursuant to Article II of the Sixth Supplemental Indenture.

"Series 1997B Bonds" means the Airport Revenue Bonds, Series 1997B (Capital Improvement Program), Lambert-St. Louis International Airport in the original aggregate principal amount of $159,185,000 and authorized to be issued pursuant to Article II of the Sixth Supplemental Indenture.

"Special Facilities" means those capital improvements or facilities acquired or constructed after the date of the Indenture and described therein.

"Special Facilities Indebtedness" means any indebtedness issued by the City or any other public corporation or public instrumentality to finance Special Facilities in accordance with the Special Facilities covenant, described in the Indenture.

"Subordinated Indebtedness" means any evidence of debt referred to in, and complying with the provisions of the Indenture regarding Subordinated Indebtedness.

"Trustee" means UMB Bank of St. Louis, N.A., as successor trustee.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change; provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, for all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Issuance of the Bonds

The Indenture authorizes the issuance of one or more series of Bonds for the purpose of advance refunding the Outstanding Obligations, financing, together with the other funds available for such purpose, the Cost of Construction of the Project or any Additional Project, refunding any Outstanding Bonds, Subordinated Indebtedness, Special Facilities Indebtedness, funding any Funds or Accounts established pursuant to the Indenture or any combination of the foregoing. The Indenture authorizes the issuance of Variable Rate Bonds on such terms as will be provided in a Supplemental Indenture authorizing a Series of Bonds. Each such Series of Bonds will be designated as "Airport Revenue Bonds," (Original Indenture, Section 303; First Supplemental Indenture, Section 201; Second Supplemental Indenture, Section 201; Third Supplemental Indenture, Section 201; Fourth Supplemental Indenture, Section 201; Fifth Supplemental Indenture, Section 201.; Sixth Supplemental Indenture, Section 201 and Attachment A thereto, Section 12)

The Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997A Bonds and the Series 1997B Bonds, the Indenture authorizes the issuance of one or more Series of Additional Bonds for the purpose of paying the Cost of Construction of the completion of the Project and all or a portion of the Cost of Construction of any Additional Project. The issuance of Additional Bonds is subject to certain conditions and tests, including, but not limited to:

(1) Net Revenues for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such series of Additional Bonds equalled at least 1.25 times the Aggregate Adjusted Debt Service for such 12-month period.

(2) The estimated Net Revenues determined by the Airport Consultant during each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Project or any

Additional Project is estimated to be completed is at least equal to 1.25 times the Aggregate Debt Service, as estimated by the Authorized Officer, with respect to future Series of Bonds, if any, which such Authorized Officer will estimate (based on the estimate of the Consulting Engineers of the Cost of Construction for the Project or any such Additional Project and utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of the Project or any Additional Project. (Original Indenture, Section 304)

Each Series of Bonds will be issued in accordance with the provisions of the Indenture. With respect to Bonds of each Series which bear interest at a rate fixed to maturity, a Supplemental Indenture may specify the interest payment date or dates, which dates may vary within each Series of Bonds, the record dates, the interest rate or rates (including Bonds issued at a premium or at a discount from par), which interest rate may vary within each maturity and within each Series of Bonds, the date of maturity for such Bonds, the manner of determining such rate or rates, the authorized denominations thereof, the provisions regarding optional and mandatory redemption of Bonds, provisions for deposits to be made into the Debt Service Reserve Account, if any, in whole or periodically over time, and dated dates for a Series of Bonds and such other related provisions as may be set forth in such Supplemental Indenture. With respect to Variable Rate Bonds, a Supplemental Indenture may specify the interest payment dates, the record dates, the interest rate determination date, the date for maturity of such Bonds, dated dates for a Series of Bonds, the authorized denominations thereof, the interest rate mode or modes, the provisions with respect to conversion from one interest rate mode to an alternative interest rate mode, and provisions regarding optional and mandatory tender of Bonds for purchase and such other related provisions as may be set forth in such Supplemental Indenture. (Original Indenture, Section 302; Sixth Supplemental Indenture, Attachment A, Sections 13 and 14)

Refunding Bonds

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding (i) all Outstanding Bonds of one or more Series or one or more maturities within a Series, (ii) any Subordinated Indebtedness, or (iii) any Special Facilities Indebtedness, in each case in a principal amount sufficient, together with other moneys available therefore, to accomplish such refunding and to make the deposits in the Funds under the Indenture required by the provisions of the Supplemental Indenture, authorizing such Bonds and determining the terms and details thereof.

The issuance of Refunding Bonds is subject to the conditions, among others, that either (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year is not increased by such refunding, or (ii) the conditions and tests respecting the issuance of Additional Bonds are to be met.

The issuance of Bonds to refund Subordinated Indebtedness or Special Facilities Indebtedness is subject to, among others, substantially the same conditions and tests to which the issuance of Additional Bonds are subject. (Original Indenture, Section 305)

Pledge Effected by the Indenture

The Bonds are secured by a pledge of, and the Bondholders are granted an express lien on (i) the proceeds of the sale of the Bonds, (ii) Revenues which exclude the proceeds of any passenger facility or analogous charge or fee approved by the Federal Aviation Administration that has been or may be levied which are received and retained by the Airport), and (iii) all Funds established by the Indenture, including the investments, if any, thereof; subject, in all cases, to the rights of holders of the Outstanding Obligations pursuant to the Outstanding Obligations Ordinances and to the Revenues of the Airport and

the provisions of the Indenture permitting the application of the proceeds of the sale of the Bonds and the Revenues for the purposes and on the terms and conditions set forth in the Indenture. Pursuant to the Second Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1992 Bonds. Pursuant to the Third Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1993 Refunding Bonds. Pursuant to the Fourth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1993A Bonds. Pursuant to the Fifth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1996 Refunding Bonds. Pursuant to the Sixth Supplemental Indenture, the City ratified and confirmed its pledge under the Original Indenture and in addition granted the Trustee for the benefit of the Bondholders a security interest in the proceeds of the sale of the Series 1997 Bonds. (Original Indenture, Granting Clauses and Section 501; First Supplemental Indenture, Granting Clauses; Second Supplemental Indenture, Granting Clauses; Third Supplemental Indenture, Granting Clauses; Fourth Supplemental Indenture, Granting Clauses; Fifth Supplemental Indenture, Granting Clauses; Sixth Supplemental Indenture, Granting Clauses.)

Establishment of Funds

The Indenture establishes the following Funds as Funds of the City:

Fund	**Held By**
Airport Construction Fund, including the Airport Construction Account and therein, a Cost of Issuance Account	City
Airport Revenue Fund	City
Airport Operation and Maintenance Fund	City
Airport Bond Fund, including the Debt Service Account and the Debt Service Reserve Account	Trustee
Airport Renewal and Replacement Fund	City
Airport Development Fund	City
Airport Contingency Fund	City

(Original Indenture, Section 502; Fourth Supplemental Indenture, Section 208; Fifth Supplemental Indenture, Section 403)

Construction Fund

The Indenture establishes the Construction Fund and therein a separate account or accounts for the Projects relating to the Outstanding Obligations, the Project relating to the Series 1992 Bonds, the Project relating to the Series 1993A Bonds, the Project relating to the Series 1997 Bonds and for each Additional Project the costs of which are to be paid in whole or in part out of the Construction Fund.

Application of Funds

All Revenues as received will be deposited by the City into the Revenue Fund, from which the City, each month, will make withdrawals for deposit in the following Funds in the following order of priority the amounts set forth below:

(1) To the Operation and Maintenance Fund, an amount sufficient to pay the estimated Operation and Maintenance Expenses during the next month;

(2) To the Bond Fund for credit to the Debt Service Account, if and to the extent required so that the balance in said Account will equal the Accrued Aggregate Debt Service on the Bonds;

(3) To the Bond Fund for credit to the Debt Service Reserve Account, an amount sufficient to maintain a balance in such Account equal to the Debt Service Reserve Requirement; provided, however, no deposit in the Debt Service Reserve Account will be required to the extent the amount therein equals or exceeds the Debt Service Reserve Requirement and in the event the amount in the Debt Service Reserve Account is reduced below the amount otherwise required therein, such amount will be replenished immediately from other available funds as provided in the Indenture, or if such funds are not sufficient for such purposes at the earliest practicable date from Revenues received following such reduction. To the extent that a deficiency exists in the Debt Service Reserve Account, such deposits to the Bond Fund will be made in the order of priority indicated:

(a) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount at least equal to 1/60 of the Debt Service Requirement for such Series of Bonds until the amount on deposit in the Debt Service Reserve Account will equal the Debt Service Reserve Requirement. The Debt Service Reserve Requirement will be cumulative and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of such Debt Service Reserve Account in each month thereafter until time as such deficiency will be remedied;

(b) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited, at least monthly, to the Debt Service Reserve Account for a Series of Bonds an amount equal to 1/12 of the deficiency attributed to a draw (or diminution in stated principal) upon a financial instrument as specified in the definition of Debt Service Reserve Requirement, deposited into the Debt Service Reserve Account until the principal amount (or available amount) of such financial instrument, either singularly, or in

combination with amounts on deposit therein, is equal to the Debt Service Reserve Requirement if and only if such amounts are attributable to such Series of Bonds; and

(c) To the Bond Fund for credit to the Debt Service Reserve Account, there will be deposited to the Debt Service Reserve Account as soon as practicable (but not later than thirty days from the date of such deficiency), the full amount of any deficiency in the Debt Service Reserve Account, which is attributable to a decline in the market value of Investment Securities on deposit therein until such securities and any cash therein will equal the Debt Service Reserve Requirement;

(4) To the Renewal and Replacement Fund, an amount equal to Fifty Seven Thousand Dollars ($57,000); provided that, no deposit will be required to be made into said Fund whenever and as long as uncommitted moneys in said Fund are equal to or greater than Three Million Five Hundred Thousand Dollars ($3,500,000) or such larger amounts as the City will determine as necessary for the purposes said Fund; and provided further that, if any such monthly allocation to said Fund will be less than the required amount, the amount of the next succeeding monthly payments will be increased by the amount of such deficiency;

(5) To a sub-account in the Revenue Fund, an amount determined from time to time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport Fiscal Year, the balance in such sub-account will equal at the end of such Airport Fiscal Year the amounts payable to the City with respect to such Airport Fiscal Year pursuant to the Indenture; and

(6) The remaining balance in the Revenue Fund will be deposited into the Development Fund.

As soon as practicable after the end of each Airport Fiscal Year and except as otherwise provided in the Indenture and subject to the satisfaction of the conditions set forth therein, after all deposits required to be made into each of the aforesaid Funds have been made, the City will transfer from the sub-account established by the Indenture within the Revenue Account to the general revenue fund of the City, an amount equal to five percent (5%) of the Revenues (excluding, however, from Revenues, for this purpose only, investment income and other non-operating income of the Airport) during the Airport Fiscal Year then last ended; provided, however, for all periods subsequent to July 1, 1996, the applicable percentage of Revenues (as determined above) will equal the percentage of the gross revenues required to be paid to the City by public utilities operating within the City such percentage currently being ten percent.

The amount payable to the general revenue fund of the City pursuant to the preceding paragraph may be paid in advance in monthly installments so long as (i) such amount is included in the rate base utilized to determine rates and charges payable by air carriers which utilize the Airport and (ii) each such monthly installment will not exceed the lesser of (1/12) one twelfth of eighty percent (80%) of the total amount paid to the City pursuant to such clause in respect of the prior Airport Fiscal Year or (2) eighty percent of the amount deposited in such month in the sub-account in the Revenue Account in respect of the amounts payable pursuant to the preceding paragraph. If the amount paid in advance to the City pursuant to this Section prior to the end of the Airport Fiscal Year will exceed the amount

specified herein, the City will promptly transfer to the Revenue Fund the amount of such excess. (Original Indenture, Section 504; Sixth Supplemental Indenture, Attachment A, Section 17)

To the extent that the City has determined not to deem payments received from a Counterparty under an Interest Rate Exchange Agreement to be Revenues, the City may, if set forth in a Supplemental Indenture for a Series of Bonds, make payments due under an Interest Rate Exchange Agreement (other than termination payments thereunder) from amounts on deposit in the Development Fund and the Renewal and Replacement Fund. (Sixth Supplemental Indenture, Attachment A, Section 22)

Description of Funds Established by the Indenture

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund will be paid out from time to time by the City for reasonable and necessary Operation and Maintenance Expenses. Amounts in said fund which the City at any time determines to be in excess of the requirements of such Fund will be transferred into the Revenue Fund and applied in accordance with the provisions of the Indenture regarding the application of Revenues. (Original Indenture, Section 505)

Bond Fund-Debt Service Account. The Trustee will pay out of the Debt Service Account to the respective Paying Agents (1) the amount required for the interest payable on or before each interest payment date for any of the Bonds; (2) the amount required for the Principal Installment payable on or before each Principal Installment due date; and (3) the amount required for the payment of interest on the Bonds then to be redeemed on or before the day preceding any redemption date for the Bonds. (Original Indenture, Section 506)

Bond Fund-Debt Service Reserve Account. If, on the final business day of any month the amount in the Debt Service Account will be less than the amount required to be in such account pursuant to the Indenture, the Trustee will apply amounts from the Debt Service Reserve Account to the extent necessary to make good such deficiency or deficiencies. Whenever the moneys on deposit in the Debt Service Reserve Account will exceed the Debt Service Reserve Requirement, the Trustee, at the direction of an Authorized Officer of the City, will allocate and apply the amount of such excess in the same manner as Revenues pursuant to the Indenture. If, as of June 30 of each year, the amount in any Account in the Debt Service Reserve Account exceeds the applicable Debt Service Reserve Requirement after giving effect to any letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution which provides for payment of all or a portion of the Principal Installments and/or interest due on any Series of Bonds, deposited in such Account, the Trustee will, on the first business day of the following Airport Fiscal Year, withdraw from such Account the amount of any excess therein over the applicable Debt Service Reserve Requirement as of the date of such withdrawal for deposit into (i) the Arbitrage Rebate Fund, the amount estimated by the City to be required by the Code to be rebated to the Department of the Treasury, if any, and (ii) the Revenue Fund, the amount of any excess then remaining in the Debt Service Reserve Account over the applicable Debt Service Reserve Fund Requirement. If the amount in any Account in the Debt Service Reserve Account is less than the applicable Debt Service Reserve Requirement and to the extent that such deficiency has not been made up within 12 months with respect to a deficiency resulting from a draw on the Debt Service Reserve Account by deposits pursuant to Section 504 (A)(3) or to the extent there has been a deficiency resulting from a decline in market value, the City will immediately deposit such amounts as will be necessary to cure such deficiency. (Original Indenture, Section 507; Sixth Supplemental Indenture, Attachment A, Section 18)

Renewal and Replacement Fund. Money in the Renewal and Replacement Fund may be applied to pay costs of the renewal or replacement of machinery, equipment, rolling stock, facilities or other capital items used in connection with the operation of the Airport. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Development Fund and the Contingency Fund will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. (Original Indenture, Section 508)

Development Fund. Moneys in the Development Fund may be applied, in accordance with the Capital Budget or otherwise, at the discretion of the City, to the acquisition of land or easements for the expansion or improvement of the Airport, to purchase items of machinery, equipment, rolling stock or other capital items for use in connection with the Airport, to pay the cost of planning, engineering, design and construction of new facilities for the Airport, or to pay the cost of any other capital improvements to the Airport. If at any time the moneys in the Debt Service Account, Debt Service Reserve Account and the Contingency Fund will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Development Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance expenses when due, the City will transfer from the Development Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. The City may use amounts on deposit in the Development Fund to make payments pursuant to an Interest Rate Exchange Agreement by transferring such amounts to the Debt Service Account of the Bond Fund or as otherwise specified in a Supplemental Indenture for such Series of Bonds. The City may, but if and only to the extent consistent with the Capital Budget, transfer from the Development Fund to the Contingency Fund any moneys in the Development Fund which are no longer needed for the purposes of moneys on deposit in the Development Fund. (Original Indenture, Section 509; Sixth Supplemental Indenture, Attachment A, Section 19.)

Contingency Fund. If at any time the moneys in the Debt Service Account and the Debt Service Reserve Account will be insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, will transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Contingency Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. Amounts in the Contingency Fund not required to meet a deficiency as required above, may, at the discretion of the City, be applied to any one or more of the following purposes:

1. the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any such Bonds;

2. payments of principal or redemption price of and interest on any Subordinated Indebtedness;

3. improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport or the provision of one or more reserves therefor; and

4. any other corporate purpose of the City in connection with the Airport, the local airport system or other local facilities which are owned or operated by the City and directly related to the actual transportation of passengers or property. (Original Indenture, Section 510)

Subordinated Indebtedness

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing bonds, notes, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account, Debt Service Reserve Account, the Renewal and Replacement Fund or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created by the Indenture for the payment and security of the Bonds. Prior to the issuance of any Subordinated Indebtedness, the City will furnish to the Trustee a Certificate of the City that estimated Net Revenues available after payment of Debt Service of Outstanding Bonds for each of the subsequent three (3) Fiscal Years following the fiscal year in which it is estimated that the Project or any Additional Project will be completed will be at least equal to 1.10 times debt service on outstanding Subordinated Indebtedness plus debt service on Subordinated Indebtedness projected to be issued. The principal amount of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture. (Original Indenture, Section 511; Sixth Supplemental Indenture, Attachment A, Section 20)

Investment of Certain Funds

Moneys held in the Debt Service Account and the Debt Service Reserve Account will be invested and reinvested by the Trustee to the fullest extent practicable in Investment Securities which mature not later than such times as will be necessary to provide moneys when needed for payments to be made from such Fund and Accounts, and in the case of the Debt Service Reserve Account not later than 15 years (unless such securities will be redeemable at the option of the holder thereof, in which event such securities may mature at a date no later than the final maturity date of the Bonds). The Trustee will make such investment in accordance with any instructions received from an Authorized Officer of the City. The Trustee, upon notice to and written consent of an Authorized Officer of the City, may make any and all such investments through its own bond department or the bond department of any bank or trust company under common control with the Trustee.

Moneys in the Revenue Fund and the Construction Fund may be invested by the City in Investment Securities which mature not later than such time as will be necessary to provide moneys when needed to provide payments from such Funds. Moneys in the Operation and Maintenance Fund may be invested by the City in Investment Securities which mature within 12 months and moneys in the Development Fund, the Renewal and Replacement Fund and the Contingency Fund may be invested in Investment Securities which mature within 5 years, and in any case not later than such time as will be necessary to provide moneys when needed for payment from such respective Funds.

Earnings on any moneys on investments on all Funds and Accounts established under the Indenture will be deposited in the Revenue Fund, except that earnings on the moneys or investments in the Construction Fund will, to the extent expressly required by the terms of any Supplemental Indenture authorizing the issuance of a Series of Bonds, be retained in the Construction Fund. (Original Indenture, Section 703)

Particular Covenants of the City

Indebtedness and Liens. The City will not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, payable out of or secured by a pledge of the Revenues or the moneys, securities of funds held or set aside by the City or by the Fiduciaries under the Indenture and will not create or cause to be created any lien or charge on the Revenues or such moneys, securities or funds; provided, however, that nothing contained in the Indenture will prevent the City from issuing Subordinated Indebtedness, as provided in the Indenture. (Original Indenture, Section 808)

Sales, Lease or Encumbrance of Property. The City covenants not to sell or otherwise dispose of or encumber any part of the Airport, except property which, in the opinion of the Airport Commission and the Airport Consultant, is no longer necessary or useful in the operation thereof, and except as provided in the Indenture with respect to Special Facilities. In addition, the City may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Airport if such lease, contract, license or easement or right does not impede or restrict the operation by the City of the Airport for Airport purposes. Proceeds from the sale or disposition of property not used to replace such property and any such payments with respect to a lease, contract, license, easement or right not otherwise required to be applied in accordance with the Indenture will be applied in the same manner and to the same purpose as Revenues.

The Indenture expressly permits the transfer (by sale, lease or otherwise) of all or a substantial part of the Airport if the principal of and interest on the Bonds are paid in full; the Bonds are defeased in accordance with the Indenture; or the transferee assumes all obligations of the City under the Indenture and in the Bonds and if, in the case of such assumption: (1) in the written opinions of the Director of Airports and the Airport Consultant, after giving effect to such transfer and assumption, the ability of the transferee to meet the rate maintenance and other covenants thereunder and the security for the Bonds are not materially and adversely affected, (2) the City will have furnished the Trustee with a Counsel's Opinion to the effect that such transfer will not adversely affect the tax-exempt status of interest on the Bonds under the Code and (3) such transferee will expressly agree not to use the Funds held under the Indenture otherwise than as provided in the Indenture. In the event of any such transfer and assumption, nothing in the Indenture will prohibit or prevent the retention by the City of any facility of the Airport if, in the written opinions of the Director of Airports and the Airport Consultant, such retention will not materially and adversely affect the security for the Bonds, nor unreasonably restrict the transferee's ability to comply with the rate maintenance and other covenants thereunder. Any consideration received by the City from the transferee of all or a substantial part of the Airport will not constitute "Revenues" under the Indenture or be subject to the terms and provisions of the Indenture. The terms and conditions of the transfer of all or a substantial part of the Airport pursuant to Section 809 of the Original Indenture will be set forth in a Supplemental Indenture executed by the City, the Trustee and the transferee and notice of such transfer will be given to the Bondholders in accordance with the Indenture. (Original Indenture, Section 809)

Rates and Charges. The City will, at all times while any Bonds will be Outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues

will be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Indenture. (Original Indenture, Section 811)

Insurance. So long as any Bonds are Outstanding the City will at all times carry insurance or cause insurance to be carried, including the City as an insured as its interest may appear, with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airport as are customarily insured, and against loss or damage from such causes as are customarily insured against, by public or private corporations engaged in a similar type of business, all in accordance with the annual written recommendations of the Insurance Consultant.

Any proceeds of insurance for the Airport will be paid into the Construction Fund during the period of Construction, and thereafter will, to the extent necessary and desirable, be applied to the repair and replacement of any damaged or destroyed properties of the Airport. If any of said proceeds received are not used or committed for use with respect to the repair or replacement of Airport property within twenty-four months of receipt, such proceeds will be paid into the Development Fund. (Original Indenture, Section 812)

Airport Consultant. The City will employ an Airport Consultant from time to time whenever and for the purposes contemplated by the Indenture. Such Airport Consultant will be an airport consultant or airport consultant firm or corporation having a wide and favorable reputation for skill and experience with respect to the operation and maintenance of airports, in recommending rental and other charges for use of airport facilities and in projecting revenues to be derived from the operation of airports. (Original Indenture, Section 814)

Budget. The City agrees to prepare and file annually with the Trustee at the beginning of each City Fiscal Year an Annual Budget setting forth the ensuing City Fiscal year in reasonable detail, among other things, estimated Revenues, estimated Operation and Maintenance Expenses, reasonably anticipated unusual and extraordinary expenses, and deposits into each of the Funds established under the Indenture. The City may at any time adopt an amended Annual Budget for the remainder of the then current City Fiscal Year.

At least every five (5) City Fiscal Years the City agrees to prepare and file with the Trustee a Capital Budget for the Airport for the ensuing five (5) City Fiscal Years. The Capital Budget will set forth in reasonable detail the anticipated necessary or appropriate major capital improvements and the anticipated source of funds for the payment of such Costs. The City may at any time and from time to time adopt an amended Capital Budget for the remainder of the five (5) City Fiscal Years covered thereby and will promptly file any such amendment with the Trustee. The Annual Budget, Capital Budget and any amendments thereto will be available at the offices of the Trustee for inspection by the Bondholders. (Original Indenture, Section 816)

Accounts and Reports. The City will keep or cause to be kept proper books of record and accounts of the Airport in which complete and correct entries will be made of its transactions relating to the Revenues, each Fund and Account established under the Indenture and which will at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The City will annually cause an audit to be made of its books and accounts relating to the Airport for such Airport Fiscal Year by an independent and recognized certified public accountant or firm of independent certified public accountants not in the regular employ of the City. Promptly thereafter reports of each audit will be filed with the Trustee, each Bond Insurer and each rating agency, if any, maintaining a credit rating on any of the Bonds. Each such Audit Report will set forth with respect to such Airport Fiscal Year: (i) a statement of financial condition of the Airport as of the end of such Airport Fiscal Year and the related statement of revenues and expenses for the Airport Fiscal Year then ended; (ii) a summary with respect to each Fund and Account established under the Indenture of the receipts therein and disbursements therefrom; (iii) the details of all Bonds issued, paid, purchased or redeemed; (iv) the amounts on deposit at the end of such Airport Fiscal Year to the credit of each Fund and Account established under the Indenture; (v) the amounts of the proceeds received from any sales of property constituting part of the Airport; and (vi) a list of all insurance policies with respect to the Airport or certificates thereof then held by the City or the Trustee.

The reports, statements and other documents required to be furnished to the Trustee pursuant to any provisions of the Indenture will be available for the inspection of the Bondholders at the office of the Trustee and will be mailed to each Bondholder who will file a written request therefor with the City. The City may charge each Bondholder requesting such reports, statement and other documents, a reasonable fee to cover reproduction, handling and postage. (Original Indenture, Section 817)

Special Facilities. The City or any other public corporation or public instrumentality will be authorized to finance from the proceeds of obligations, other than Bonds issued by the City or such public corporation or public instrumentality which are not payable from Revenues, capital improvements or facilities to be located in any property included under the definition of Airport ("Special Facilities") without regard to any requirements of the Indenture with respect to the issuance of Additional Bonds, provided

(1) Such obligations are payable solely from rentals or other charges derived by the City of such other public corporation or public instrumentality under a lease, sale or other agreement entered into between the City or such other public corporation or public instrumentality and the person, firm or corporation which will be utilizing the Special Facilities to be financed.

(2) The estimated rentals, payments or other charges (including interest earnings on any reserves) to be derived by the City or such other public corporation or public instrumentality from the lease, sale or other agreement with respect to the Special Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Special Facilities and all sinking fund, reserve or other payments required by the resolution, ordinance or indenture securing such obligations.

(3) The construction and operation of the Special Facilities to be financed will not decrease the Revenues presently projected to be derived from the Airport.

(4) In addition to all rentals, payments or other charges with respect to the Special Facilities to be financed, a fair and reasonable rental for the land upon which said Special Facilities are to be constructed will be charged by the City, and said ground rent will be deemed Revenues derived from the Airport.

The Indenture further provides that the above provisions will not be applicable to or otherwise be deemed to limit the right of the City or any other public corporation or public instrumentality to finance the expansion, relocation or other improvement of any airline aviation fueling facilities or in-flight meal preparation facilities located at the Airport on October 15, 1984. (Original Indenture, Section 821)

Defaults and Remedies

If one or more of the following events ("Events of Default") will happen, that is to say:

(A) if default will be made in the due and punctual payment of the principal of or Redemption Price of any Bond, whether at maturity or by call for redemption, or otherwise, or in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor when and as such interest installment or Sinking Fund Installment will become due and payable;

(B) if default will be made by the City in the performance or observance of the covenants, agreements and conditions on its part in establishing, fixing, prescribing and collecting rates, fees, rentals and other charges for the use of the Airport in order that in each Airport Fiscal Year the Revenues will be sufficient to pay the Aggregate Debt Service for such year and to provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in the Indenture, and in any event, as will be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of the Revenues under the Indenture; provided, however, a failure by the City to comply with the foregoing covenants will not constitute an event of default hereunder if, (i) within four (4) months of the end of the most recently completed Airport Fiscal Year, the City will retain the Airport Consultant for the purpose of making recommendations with respect to the operations of the Airport and the sufficiency of its rates, fees, rentals and other charges, (ii) the Airport Consultant will make the required recommendations to the City within seven months of the end of such Airport Fiscal Year and file same with the Trustee; and (iii) the City will diligently and in good faith follow the recommendations of the Airport Consultant;

(C) if default will be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds and such default will continue for a period of sixty days after written notice thereof to the City by the Trustee or to the City and to the Trustee by the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding; provided, however, that if such failure will be such that it can be corrected but cannot be corrected within such sixty day period, it will not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(D) if the City will file a petition seeking a composition of indebtedness under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Missouri;

(E) if judgment for the payment of money will be rendered against the City as the result of the construction, improvement, ownership, control or operation of the Airport, and any such judgment will not be discharged within twenty-four (24) months

after the entry thereof, or an appeal will not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment will have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, or order, decree or process or the enforcement thereof; or

(F) if an order or decree will be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any part thereof, or other revenues therefrom, or if such order or decree having been entered without the consent or acquiescence of the City, will not be vacated or discharged, stayed or appealed within ninety (90) days after the entry thereof;

then and in each and every such case, so long as such Event of Default will not have been remedied, unless the principal of all the Bonds will have already become due and payable, either the Trustee may (by notice in writing to the City), and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding (by notice in writing to the City and the Trustee) will, declare the principal of an the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

The right of the Trustee to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds will have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the City under the Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) will either be paid by or for the account of the City or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) will be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Owners of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee will have acted itself, and if there will not have theretofore delivered to the Trustee written direction to the contrary by the Owners of fifty-one percent in principal amount of the Bonds then Outstanding, then any such declaration will ipso facto be deemed to be rescinded and any such default and its consequences will ipso facto be deemed to be annulled, but no such rescission and annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

If an Event of Default will happen and will not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Owners of not less than twenty-five percent in principal amount of the Bonds Outstanding or the Bond Insurers will proceed, to protect and enforce its rights and the rights of the Owners of the Bonds under the Indenture forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, will deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

The Owners of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy

available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee will have the right to decline to follow any such direction if the Trustee will be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith will determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding, or the Bond Insurer, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interest of the Bondholders. (Original Indenture, Sections 901 and 904)

Rights and Remedies of Bondholders

No Owner of any Bond will have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture, unless such Owner will have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the Indenture, and the Owners of at least twenty-five percent in principal amount of the Bonds then Outstanding will have filed a written request with the Trustee, and will have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the laws of the State of Missouri or to institute such action, suit or proceeding in its own name, and unless such Owners will have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will have refused to comply with such request for a period of thirty days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture will be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds. (Original Indenture, Section 905)

Waiver of Events of Defaults

Prior to the declaration of maturity of the Bonds as provided in the Indenture, the Owners of at least fifty-one percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Indenture and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver will extend to any subsequent or other default or impair any right consequent thereon. (Original Indenture, Section 907)

Rights of Bond Insurers upon Default

All actions required or permitted to be taken under the Indenture upon the occurrence of an Event of Default by the Owners of any Bonds insured by a Bond Insurer may be taken by such Bond Insurer without any action being taken by such Owner. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owner for purposes of the Indenture. (Original Indenture, Sections 901 and 907)

Supplemental Indentures

For any one or more of the following purposes at any time or from time to time, a Supplemental Indenture of the City may be adopted, which, upon the execution and delivery thereof by the Trustee will be fully effective in accordance with its terms:

(1) To close the Indenture against, or provide limitations and restrictions to the limitations and restrictions contained in the Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the City in the Indenture, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture as therefore in effect;

(3) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the city which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) To provide for the issuance of bearer Bonds and interest coupons and establish appropriate exchange privileges and notice requirements in connection therewith with respect to any Bonds issued or to be issued under the Indenture;

(5) To authorize Bonds of a Series or to determine the terms and details thereof and, in connection therewith, specify and determine the matters and things referred to in the Indenture, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

(6) To confirm, as further assurance, any pledge under, and the subject to any lien or pledge created or to be created by, the Indenture, of the Revenues, or of any other moneys, securities or funds;

(7) To modify any of the provisions of the Indenture in any respect whatever, provided that (i) the effective date of such modification will be, and expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture will cease to be Outstanding, and (ii) such Supplemental Indenture will be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof,

(8) To cure any ambiguity, supply an omission, or cure or correct any defect or inconsistent provision in the Indenture; or

(9) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture theretofore in effect.

At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture, which

Supplemental Indenture, upon the execution and delivery thereof by the Trustee and upon compliance with the provisions of the Indenture, will become fully effective in accordance with its terms as provided in the Indenture.

Any modification or amendment of the Indenture and of the rights and obligations of the City and of the Owners of the Bonds thereunder, in particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture (i) of the Owners of at least fifty-one percent in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the Indenture. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or Sinking Fund Installment or any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the owners of which is required to effect any such modification or amendment.

The terms and provisions of the Indenture and the rights and obligations of the City and of the Owners of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the City of a Supplemental Indenture and the consent of the Owners of all the Bonds then Outstanding.

The consent of the Owner of any Bond which is entitled to the benefits of a Bond Insurance Policy issued by a Bond Insurer will not be effective unless the Trustee will have received a written consent of such Bond Insurer. For purposes of certain provisions of the Indenture, certain actions required or permitted to be taken thereunder by the owners of any Bonds may be taken by such Bond Insurer without any action being taken by the owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such owners. (Original Indenture, Sections 1101, 1102, 1202, 1204, 1207; Sixth Supplemental Indenture, Attachment A, Section 21)

Discharge of Lien of the Indenture

If the City will pay or cause to be paid, or there will otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of any Net Revenues, and other moneys and securities pledged under the Indenture and all covenants, agreements and other obligations of the City to the Bondholders, will thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for payment or redemption of which moneys will have been set aside and will be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. All Outstanding Bonds of any Series will prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Trustee in form satisfactory to it irrevocable

instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date; (ii) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Securities the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal or premium, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, and all necessary and proper fees, compensation and expenses of the Trustee and Paying Agents pertaining to the Bonds with respect to which such deposit is made will have been paid or the payment thereof provided for to the satisfaction of the Trustee and Paying Agents, respectively, as the case may be; and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the City will have given the Trustee in form satisfactory to it irrevocable instructions to mail, a soon as practicable, to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, will, unless otherwise provided by law, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged with respect thereto and the Bondholders will look only to the City for the Payment of such Bonds; provided, however, that before being required to the City and the Fiduciary will, at the expense of the City, cause to be mailed to the Owner of each unpaid Bond, at the address of such Owner as set forth on the Bond register maintained by the Trustee, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than forty-five days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City. (Original Indenture, Section 1301)

AIRLINE USE AGREEMENTS AND OTHER LEASES

The following is, in part, a summary of certain provisions of the Airline Use Agreements (the "Use Agreements") and certain other Airport leases and is qualified in its entirety by references to such documents.

General

The principal certificated air carriers ("Certificated Airlines") and the City originally entered into commercial airlines/airport use agreements as of August 1, 1965 ("Use Agreements"). The Use Agreements were amended for each of the Certificated Airlines in 1975 and 1977. A Third Amendatory Agreement was executed by each of the Certificated Airlines in 1981. There were eight Certificated Airlines that were parties to the Third Amendatory Agreement (American, Delta, Eastern, Northwest, Continental, TWA, USAir and Ozark). The TWA Third Amendatory Agreement differs from those of the other Certificated Airlines in that it provides for the lease by TWA of the Concourse C extension at a rental rate determined separately from the rental rate for existing concourse space, but uses the same methodology. Use Agreements with the same terms and conditions have subsequently been executed by Southwest Airlines, Trans States Airlines (d/b/a Trans World Express), United Airlines and America West.

The Airport entered into a Fourth Amendatory Agreement with Ozark in 1983 pursuant to which Ozark leased Concourse D at the Airport. TWA succeeded to Ozark's obligations under the Fourth Amendatory Agreement. The contract rate for this space is determined separately from the rental rate for other concourse space, but uses the same rate methodology. In addition, TWA is obligated to reimburse the City for the cost of certain tenant improvements on the southeast concourse (specifically, loading bridges and baggage conveyance equipment). Such reimbursement is in the form of a tenant improvement surcharge based on depreciation and interest costs related to the City's investment in these improvements.

In 1995, the City entered into a First Southwest Airlines Co. Amendatory Agreement relating to East Terminal Expansion, whereby Southwest leases, on a preferential use basis, the twelve gates and the majority of the airline ticketing, office, baggage make-up and operations space which will be available as part of the East Terminal Expansion. Southwest is required to pay a rental rate per square foot which includes depreciation and interest comparable to the other Airport terminal facilities, actual maintenance and operating costs averaged over all terminal and concourse space and an allocation of the Airport's deferred maintenance charges.

Separate cargo leases were executed with five Certificated Airlines--American, Delta, Republic (Republic's obligations under its cargo lease were assumed by Northwest Airlines), TWA and USAir as authorized by the City in 1981, and in 1980 with Southwest.

TWA Reorganizations and the Airline Agreements

On January 31, 1992, TWA filed for protection under Chapter 11 of the United States Bankruptcy Code. On August 12, 1993, the Bankruptcy Court for the District of Delaware entered an order confirming the Plan of Reorganization of TWA ("First Reorganization Plan"). Under the confirmation order, TWA assumed the 1965 Airport Use Agreement, Cargo Leases, Hangar/Office Building Lease and several other related leases and space permits between the City and TWA. The First Reorganization Plan provided for the City's purchase of all of TWA's leasehold interests and improvements, and related real and personal property at or near the Airport for a purchase price of approximately $70 million. In addition, the First Reorganization Plan provided for the amendment ("Use Amendment 1993") of the 1965 Airport Use Agreement to give the City the right to take back underutilized facilities. On November 3, 1993, TWA's First Reorganization Plan became effective. The closing of the purchase transaction was held on December 14, 1993.

A number of leases and agreements with the City have been affirmed and amended by TWA under its First Reorganization Plan of Reorganization. TWA executed agreements and amendments to a number of leases, licenses and agreements as described in this Section, and listed below:

- Use Agreement
- Use Amendment 1993 and its First Amendment
- Cargo Leases
- Cargo Use Amendment and its First Amendment
- Hangar/Office Building Lease and Use Amendment 1993
- Flight Training Center Lease (new agreement)

- Equipment Operating Lease and its First Amendment (new agreements)

On June 30, 1995, TWA filed a second petition for protection under Chapter 11 of the United States Bankruptcy Code. On August 23, 1995, the Missouri Bankruptcy Court's order confirming the Plan of Reorganization of TWA ("Second Reorganization Plan") became effective. All of TWA's leases, licenses and agreements with the City were assumed by TWA in the Second Reorganization Plan.

Use Agreements

Purpose. The Use Agreements grants the signatory air carriers the specified exclusive and non-exclusive uses of the airfield, the terminal building, the concourses and related facilities for the business of air transportation with respect to persons, property, cargo and mail. TWA's Use Agreement has been substantially modified by Use Amendment 1993 which is described below.

Term. Each of the Use Agreements expires on December 31, 2005, unless earlier terminated or extended in accordance with its terms.

Calculation of Use Agreement Revenues. The Certificated Airlines have agreed to pay the following amounts in consideration of the use of the Airport by such Certificated Airlines and the agreement by the City to make certain capital improvements thereto and provide maintenance of Airport facilities:

(1) Landing Fees. Landing fees are payable monthly in an amount equal to an agreed upon price per one thousand pounds of maximum approved aircraft landing weight for all revenue landings at the Airport. The landing fee rate is determined as of January 1 of each year by dividing the estimated landing area expenses for the ensuing year (after deducting estimated landing fees from airfield users other than the scheduled Certificated Airlines) by the estimated total weight in one thousand pound units of all aircraft of the Certificated Airlines that are parties to the Use Agreements in such year. Estimated landing expense is calculated pursuant to a formula that takes into account operation and maintenance expense (including deferred maintenance), depreciation and interest costs of investments relating to the landing area. After calendar year end, the actual revenues and expenses are compared to projections and carriers are assessed or reimbursed pro rata for deficiencies or excess in the previous year.

(2) Terminal Building and Concourse Rentals. Terminal building and concourse rentals are payable monthly at an agreed upon rate per square foot of terminal and concourse space made available for the exclusive or common use of each Certificated Airline. The rental rate is determined by agreement every two years (but pursuant to an informal agreement with the Signatory Airlines, the City determines the rental rate annually), except during the final three years of the lease term, and is based upon an allocation of the estimated expenses for the operation and maintenance (including deferred maintenance), depreciation and interest costs of investments relating to the terminal building and the concourses. The rental rate is also adjusted for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period.

(3) Miscellaneous. The City receives rent for the use by the Certificated Airlines of sanitary disposal facilities and the airline employee parking lots. The City also charges the Certificated Airlines for certain utilities and for the reimbursement of tenant improvements financed by the City.

Maintenance of Airport Facilities. The City is generally obligated to operate, maintain and keep in repair the landing area and those portions of the terminal building, concourses and other structures that are not, by contract, the responsibility of the airlines for their operation, maintenance and repair.

Airfield Improvement and Terminal Expansion and Improvement Program. Capital expenditures by the City affecting the terminal building and concourse rental rates for the Airport require the prior approval of a majority-in-interest ("MII") of the scheduled Certificated Airlines (defined as Certificated Airlines that had more than 50% of the aggregate revenue aircraft weight that landed during the preceding year, but in no event less than 50% of the number of Certificated Airlines that are parties to the Use Agreements), unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, or (iii) in an amount less than $100,000 for any single item and the aggregate thereof does not exceed $500,000 in any rate adjustment period (such amounts to be adjusted for inflation). Failure to receive approval precludes use of said expenditures in the calculation of rental rates. The City is not required to obtain MII approval for terminal and concourse projects if the recovery of the project costs is not included in terminal and concourse rental rates.

Capital expenditures in the airfield area (with the exception of the Airport's existing noise mitigation program) that in the aggregate increase landing fees by more than two cents per thousand pounds of maximum approved landing weight in any calendar year require the prior approval of a MII, unless the capital expenditure is (i) required by an appropriate federal or state agency, (ii) of an emergency nature, (iii) the subject of a final judgment rendered by a court of competent jurisdiction, or (iv) financially self-sustaining and as such will not increase landing fees payable by the scheduled airlines. Failure to receive approval precludes the inclusion of costs associated with such expenditures in the calculation of landing fees payable by the scheduled airlines.

Damage or Destruction. The City is obligated to repair or replace with due diligence Airport facilities occupied or used by the Certificated Airlines that are damaged by fire, the elements, public enemy or other casualty, but not rendered untenantable. If the damage renders such facility untenantable and not capable of being repaired within thirty days, the facility may, at the City's option, be repaired by the City or abandoned, provided that the City furnishes replacement facilities if required by the Certificated Airlines. In any event, each Certificated Airline is entitled to rent abatement for any period in which any facility occupied or used by it is untenantable or unusable.

Cancellation by City. Provision is made for the City to cancel the Use Agreement to which an Certificated Airline is a party by giving sixty days' advance written notice upon or after the happening of any of the following events:

(1) such Certificated Airline files a voluntary bankruptcy petition or is adjudicated bankrupt;

(2) a court takes jurisdiction of the Certificated Airline and its assets pursuant to proceedings under any Federal reorganization act;

(3) a receiver is appointed for any of such Certificated Airline's assets;

(4) such Certificated Airline's interest in the Use Agreement is divested by operation of law;

(5) such Certificated Airline abandons the conduct of air transportation at the airport; or

(6) such Certificated Airline defaults in the performance of its obligation under the Use Agreement and such default continues for sixty days.

The City does not have the right to cancel a Use Agreement for the failure or refusal by an Certificated Airline to pay any fees or rentals if within thirty days of nonpayment, such Certificated Airline gives written notice to the City that such failure or refusal is in good faith predicated upon either (i) any provision of the Use Agreements that grants such Certificated Airline a reduction in or abatement of fees or rentals, or (ii) the performance by the Certificated Airline of obligations of the City if the Use Agreement provides that the Certificated Airline will be entitled to deduct from fees and rentals otherwise owing by it the reasonable cost of such performance.

Cancellation by Certificated Airline. Prior to the stated expiration date of a Use Agreement, and so long as the Certificated Airline is not in default in its payments to the City thereunder, each Certificated Airline has the right to cancel the Use Agreement to which it is a party, in whole or only insofar as it relates to the terminal building or certain other buildings, and terminate all or any of its obligations thereunder by giving the City sixty days advance written notice upon or after the happening of any of the following events:

(1) the Federal Aviation Administration fails or refuses to permit such Certificated Airline to operate to or from the Airport with any type of aircraft that such Certificated Airline may reasonably desire to operate to or from the Airport;

(2) the termination of such Certificated Airline's obligation or right to carry the United States mail or passengers to, from or through the St. Louis metropolitan area or its environs;

(3) the designation of any other airport in substitution for the Airport, the failure or refusal to designate the Airport, or the withdrawal of designation of the Airport by the United States Postal Service or any other competent government authority as a terminal point for the St. Louis metropolitan area and its environs for the receiving and dispatching of the United States Air Mail;

(4) the issuance of an injunction in any way preventing or restraining the use of the Airport or any part thereof for airport purposes if such injunction remains in force for ninety days;

(5) the inability of such Certificated Airline to use the Airport for a period in excess of ninety days by reason of any law, any act of governmental authority, acts of God or the public enemy;

(6) the default by the City with respect to its covenants in the Use Agreements if such default continues to be unremedied for a period of sixty days after receipt of written notice thereof; or

(7) the assumption by the United States Government or any agency thereof of the operation, control or use of the Airport so as to substantially restrict such Certificated Airline's use thereof for a period of at least ninety days.

Suspension and Abatement. If the City's operation of the Airport or any Certificated Airline's operation at the Airport is restricted substantially by action of the federal, state or local government, or any agency thereof, then the City or such Certificated Airline has the right, upon written notice to the other party, to a suspension of such carrier's Use Agreement and an abatement of a just proportion of (i) the services and facilities to be afforded to such carrier and (ii) the payments owing under the Use Agreement.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Use Agreements or sublet any of the leased premises without the written consent of the City, which consent may not be unreasonably withheld. No such consent is required in the case of an assignment by a Certificated Airline of its rights under a Use Agreement to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline.

TWA's Use Amendment 1993 and its First Amendment

TWA and the City executed Use Amendment 1993 which amended the terms of TWA's Use Agreement. The Use Agreement 1993 provides that:

(1) The 57 gates and terminal support facilities that TWA is currently using at the Airport are subject, under certain circumstances, to reassignment by the City. So long as TWA has, during any term of the Use Amendment 1993, an average of not less than 190 regularly scheduled daily departures (including flights of airlines affiliated with TWA through merger, consolidation, joint venture, code-sharing and other successors and assigns, but not including any commuter carriers), which is an average of 3.33 daily regularly scheduled flight departures per gate, it will have the right to use all 57 gates and all of its terminal support facilities. If during any month, TWA has an average of less than 190 regularly scheduled daily flight departures or maintains less than 3.33 regularly scheduled daily flight departures per gate, the City has the right to redesignate gates and terminal support facilities to other airlines so that TWA would retain use of only that number of gates resulting in an average of 3.33 regularly scheduled daily flight departures per gate.

(2) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises the right to cancel due to one of the following conditions:

(a) Non-payment of rentals, fees, charges or other moneys due to the City from TWA thirty days after notice from the City that such amounts are due and payable;

(b) Total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other force majeure occurrences;

(c) Failure of TWA to (i) maintain its current domestic operations offices in the City or St. Louis County, Missouri, (ii) relocate and maintain its St. Louis area reservations center in the City, and (iii) to maintain at the Airport its administrative offices and facilities, except in an event of a business

combination with any other entity in which TWA or its operations do not remain the dominant entity or division.

(3) In the case of any TWA default other than those set forth above, the City may cancel only after written notice of default to TWA and a thirty day cure period, or if such cure will reasonably require more than thirty days to complete, and TWA will have failed to commence such cure within thirty days and completed such cure within a reasonable time, and then only pursuant to the statutes and laws of the State of Missouri.

(4) Under Use Amendment 1993, TWA agreed to pay to the City (a) each and every rent, fee and charge previously payable under the Use Agreement and (b) an asset use charge for the use of certain assets formerly owned by TWA and sold to the City of approximately $652,000 per month.

(5) TWA may designate its use of gates and terminal support facilities to other airlines affiliated with TWA through merger, consolidation, joint venture, code-sharing arrangements and other successors and assigns, so long as (a) TWA's hub operation at the Airport is not materially changed and (b) such designated uses are subject to the Use Amendment 1993. TWA will not permit any non-affiliated airline to use the gates or terminal support facilities without written permission of the City.

Cargo Leases

Purpose. The Cargo Leases granted the Certificated Airlines the right to use air cargo facilities constructed by the Airport in connection with their air transportation businesses. TWA's Cargo Leases have been substantially modified by the Cargo Use Amendment as described below.

Term. The term of each Cargo Lease terminates as of December 31, 2005, unless earlier terminated or extended in accordance with the terms of such Cargo Lease.

Rent. The monthly rentals to be paid under the Cargo Leases are composed of three elements:

(1) Ground Rental -- a pro rata share of the ground cost, including land rent, maintenance expense, depreciation and interest expense.

(2) Facilities Rental -- a pro rata share of the building cost, including maintenance, depreciation, interest expense and deferred maintenance.

(3) Tenant Improvements Rental Surcharge -- a pro rata share of tenant improvements, including depreciation and interest expense.

Maintenance of Cargo Buildings. The City is responsible for the structural maintenance of the cargo buildings and the maintenance of all commonly used roadways, automobile parking lots, utility lines, sewer lines, exterior lighting and perimeter fencing. The Certificated Airlines are responsible for the maintenance of the interior premises and all utilities. The Certificated Airlines are also responsible for all taxes and insurance coverage, other than insurance for fire and extended coverage, vandalism and malicious mischief, which are maintained by the City.

Cancellation by City. In the event of an Certificated Airline's default under its Cargo Lease and the expiration of the applicable cure period, the City may elect to terminate the Certificated Airline's rights under the Cargo Lease and re-enter and take possession of the leased premises, without prejudice to any rights the City may have to enforce such Certificated Airline's obligations under the Cargo Lease. In addition, provision is made for the City to terminate the Cargo Lease if the Certificated Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent, if a receiver of the Certificated Airline's interest in the leased premises is appointed, if the Certificated Airline makes an assignment for the benefit of its creditors or if any proceedings are commenced to foreclose any mortgage or other lien on the Certificated Airline's property and such proceedings are not vacated, dismissed or stayed within sixty days of such filings.

Cancellation by Certificated Airline. A Certificated Airline may, at any time, cancel its Cargo Lease and terminate all or any of its obligations thereunder upon or after the happening of any one of the following events, so long as the Certificated Airline is not in default in the payment of any rental, fees or charges to the City thereunder and so long as the Certificated Airline gives the City sixty days prior written notice:

(1) Action by the Federal Aviation Administration that prevents the Certificated Airline from operating in or out of the Airport with aircraft for a period of at least ninety days;

(2) The issuance of an injunction in any way preventing or restraining for a period of at least ninety days the use of the leased premises so as to affect substantially the Certificated Airline's use of the Airport in its conduct of an air transportation system at the Airport; provided that such injunction is not due to any fault or action of the Certificated Airline or to the Certificated Airline's operation at the Airport;

(3) The suspension for more than ninety days or substantial modification or revocation of the operating authority of the Certificated Airline to service the City;

(4) A default by the City under the Cargo Lease if such default continues for a period of sixty days after receipt of written notice thereof;

(5) The assumption by the federal government or any agency thereof of the operation, control or use of the Airport or any substantial part thereof, so as to restrict substantially the Certificated Airline for a period of at least ninety days from operating its air transportation system.

Termination for Government Use. In the event of a taking, by condemnation or otherwise, of a Certificated Airline's leased premises or any material part thereof by the government, the City may elect to terminate the Cargo Lease. If such taking materially interferes with the Certificated Airline's use of the leased premises, which interference cannot be substantially remedied by furnishing substitute facilities, the Certificated Airline may elect to terminate the Cargo Lease.

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Cargo Leases or sublet any of the leased premises without the written approval of the City. No such approval is required for an assignment by Certificated Airline of its rights under its Cargo Lease to any corporation with which such Certificated Airline may merge or consolidate, or that may succeed to the business of such Certificated Airline. In addition, no such approval is required for any Certificated Airline to allow another party to use portions of its leased premises if such use is connected with service provided by the Certificated Airline to such other party.

TWA's Cargo Use Amendment and its First Amendment

On November 4, 1993, TWA and the City executed a Cargo Use Amendment which adopts, amends and continues the terms of TWA's Cargo Leases. On December 14, 1993, TWA and the City executed the First Amendment to Cargo Use Amendment which specified the amount of the Asset Use Charge. Some of the more significant amendatory provisions are as follows:

(1) The term is month-to-month with automatic renewals through December 31, 2005, subject to the City's right to cancel for any of the following reasons:

(a) The City may immediately cancel for (i) non-payment of rentals, fees, charges or other moneys due the City from TWA thirty days after notice from the City that such amounts are due and payable, (ii) total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions by the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences, (iii) a default by TWA under any other lease or use agreement, or (iv) failure of TWA to (A) relocate, and, during each term, maintain its current domestic operations offices from Mt. Kisco, New York to the City or St. Louis

County, Missouri with relocation to occur within twelve months of the effective date of the Cargo Use Amendment, (B) relocate, and, during each term, maintain TWA's St. Louis area reservations center in the City with relocation to occur within twelve months of the effective date of the Cargo Use Amendment, and (C) during each term, maintain at the Airport, TWA's current administrative offices and facilities, provided, however, that TWA may relocate its domestic operations offices, reservations center and administrative offices and facilities in the event of a business combination with any other entity in which TWA does not remain the dominant entity.

(b) The City may otherwise cancel upon a default under the Cargo Lease or other principal agreement only after written notice of default to TWA and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) TWA pays the City each month, in addition to all rents, fees and charges payable under the Cargo Lease, an Asset Use Charge of $7,698.11 per month.

TWA's Hangar/Office Lease and Use Amendment 1993

The City and Ozark entered into a Lease Agreement for hangar/office facilities (Hangar/Office Lease) on July 8, 1963, which lease was assigned to TWA with the consent of the City. The Hangar/Office Lease, which was twice amended, provided for the leasing of 26.494 acres of land upon which Ozark built an aircraft hangar and later constructed an office building addition. Ozark had two options to extend the term of the Hangar/Office Lease beyond November 12, 1992, by 12 years and 10 years, respectively, to an end date of November 12, 2014. The rent payable by TWA to the City under the Lease is $17,572 per month for the land. On December 14, 1994, TWA conveyed to the City title to the Hangar/Office Building and other improvements on the site, and TWA and the City executed the Hangar/Office Lease Use Amendment 1993 on substantially the same terms and conditions as described above, except that:

(1) The term is month-to-month with automatic renewals through December 31, 2005, unless the City exercises its right to cancel for (a) non-payment of rentals, fees, charges or other moneys due City from TWA thirty days after notice from the City that such amounts are due and payable, or (b) total cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City, labor strikes, lockouts, fire or other casualty, governmental action, weather, acts of God or other *force majeure* occurrences. In the case of any default other than nonpayment by TWA the City may cancel the Hangar/Office Lease only after written notice of default to TWA and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) TWA pays the City each month, in addition to all rents, fees and charges payable under the Hangar/Office Lease, an Asset Use Charge of $28,509.11 per month.

TWA's Flight Training Center Lease

On December 14, 1993, the City and TWA executed the Flight Training Center Lease. The City also purchased TWA's fee interest in 7.38 acres of land located at 11495 Natural Bridge Road, Bridgeton, St. Louis County, Missouri, on which exists a four-story masonry and steel commercial

building with a gross floor area of 165,550 sq. ft. This facility is used by TWA as a Flight Training Center and contains flight simulators for B-767 and L-1011 aircraft as well as classrooms and office space.

TWA uses this Flight Training Center and has entered into an absolute net lease of the premises. TWA pays all costs and expenses of every character, whether seen or unforeseen, ordinary or extraordinary, structural or non-structural, in connection with the use, operation, possession, storage, maintenance, repair and reconstruction of the premises, including taxes, utilities, insurance, maintenance and operating costs of any type on this property. In addition, TWA pays to the City rent of $61,454.43 per month.

TWA's Equipment Operating Lease and its First Amendment

On November 4, 1993, the City and TWA entered into an Equipment Operating Lease Agreement with the City as Lessor and TWA as Lessee. The City and TWA subsequently entered into the First Amendment to Equipment Operating Lease Agreement and Equipment Lease Supplements I through VII (collectively, the Equipment Lease).

The City acquired certain equipment, personal property, furniture, machinery, vehicles, loading bridges, baggage handling systems, ground power systems, deicing systems, hold room seating, office furnishings, counters and millwork flight information display systems and communications installations, all motorized and non-motorized ramp and maintenance equipment and certain other personal property tangible or intangible (the Equipment). Pursuant to the Equipment Lease, the City leases the Equipment to TWA under the following conditions.

Term. The term of the Equipment Lease commenced on November 4, 1993 and is a month-to-month lease and renews automatically for each calendar month thereafter beginning on December 1, 1993 through December 31, 2005, subject to earlier termination with respect to all or any of the Equipment leased by the City in accordance with the terms and conditions set forth in the Equipment Lease.

Redesignation of Use of Gate Equipment. In the event TWA's use of the 57 gates identified in the Use Agreement 1993 subject to redesignation to the use of another airline: (i) the City, in its discretion, may, but is not required to, terminate TWA's right to use and/or possession of a proportionate amount of the gate equipment and to redesignate the use and possession thereof to such other airline(s) in accordance with and subject to the provisions of the Use Agreement 1993; and (ii) with respect to the outbound baggage system, in the event of redesignation of any gates and other terminal support facilities, TWA will act as the coordinator of the operation of the outbound baggage system and such other redesignated carrier(s) will be entitled to joint use of the outbound baggage system subject to certain terms and conditions.

Rent Payments. TWA pays to the City rents in the following manner: (i) TWA pays to the City rent (Periodic Rent) for the use of the equipment for each month during the term of the Equipment Lease, each such payment to be in an amount equal to the sum of the periodic rent amounts set forth in the Equipment Lease supplements as adjusted from time to time as a result of the adjustment reflected by the Equipment Lease; and (ii) TWA pays to the City any and all supplemental rent promptly as the same becomes due and owing, and if TWA fails to pay any supplemental rent, the City has all rights, powers and remedies provided for in the Equipment Lease or by law or in equity or otherwise in the case of nonpayment of the Periodic Rent.

Events of Default. The following events will constitute events of default: (i) TWA fails to pay when due Periodic Rent or supplemental rent or any other amounts payable pursuant to the Equipment Lease, and such failure continues for thirty days after written notice to TWA from the City that such rent or payment was not paid when due; or (ii) TWA fails to observe or perform any other obligation or covenant required to be observed or performed by TWA under the Equipment Lease and such failure continues for more than thirty days after written notice thereof is received by TWA from the City; or (iii) cessation of TWA's air passenger operations at the Airport for a period of more than twenty days, unless due to acts or omissions of the City or labor strikes, lockouts, fire or other casualty, government action, weather, acts of God or other force majeure occurrences; or (iv) TWA fails to comply with certain provisions of the Use Amendment 1993 within thirty days after notice of any failure to comply; or (v) TWA is in default or an event of default has occurred under any of the Purchase Transaction Agreements or any payment default under any agreements between the City and TWA, which default or event of default has not been cured within thirty days of notice by the City to TWA.

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APPENDIX B

FINANCIAL FEASIBILITY REPORT

Neither the Underwriters, their counsel nor their advisors have participated in the preparation of the Financial Feasibility Report and no representation or warranty, either express or implied, is made by or on behalf of the Underwriters nor their counsel or advisors as to the accuracy or completeness of the information contained therein.

FINANCIAL FEASIBILITY REPORT

FOR

The City of St. Louis, Missouri
AIRPORT REVENUE BONDS, SERIES 1997A (Non-AMT) and Series 1997B (AMT)
(1997 Capital Improvement Program)

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

August 22, 1997

Prepared by
Unison Consulting Group, Inc.
Chicago, Illinois

U N I S O N
CONSULTING GROUP, INC.

August 22, 1997

Colonel Leonard L. Griggs, Jr.
Director of Airports
Lambert-St. Louis International Airport
Post Office Box 10212
St. Louis, MO 63145

Re: ***Report of the Airport Consultant Concerning the Financial Feasibility of Issuing the City of St. Louis, Missouri Airport Revenue Bonds Series 1997A (Non-AMT) and Series B (AMT) (1997 Capital Improvement Program), Lambert-St. Louis International Airport***

Dear Colonel Griggs:

Unison Consulting Group is pleased to have the opportunity to provide this Feasibility Report in connection with the City of St. Louis, Missouri's (City) issuance of the Airport Revenue Bonds, Series 1997A and Series B, Lambert-St. Louis International Airport (collectively referred to herein as the Series 1997 Bonds) in an approximate par amount of $199.6 million. The Series 1997 Bonds are being issued to: i) provide bond financing for the 1997 Project, as defined below, ii) reimburse portions of the costs associated with the East Terminal Expansion, iii) fund capitalized interest during the construction of the 1997 Project, iv) fund a deposit to the Debt Service Reserve Account and v) pay costs of issuance.

The Series 1997 Bonds are limited obligations of the City, payable solely from certain revenues derived by the City from the operation of Lambert-St. Louis International Airport (Airport) and a lien upon the Revenue Fund, the Debt Service Fund and the Debt Service Reserve Fund. The Series 1997 Bonds are being issued pursuant to the provisions of the Indenture of Trust, dated October 15, 1984, as amended and supplemented (Indenture).

The Airport is owned by the City and operated by the Airport Authority of the City (Airport Authority). The Airport is the primary air carrier airport serving the St. Louis area.

Purpose of the Financing

As noted, the Series 1997 Bonds are being issued to fund a portion of the costs of the 1997 Project amounting to $115.4 million. The major components of the 1997 Project are; $45.6 million for terminal improvements (excluding the East Terminal Expansion), $51.8 million for airfield improvements and $17.0 million for various parking and roadway improvements.

Bond proceeds will also be used to reimburse the PFC Funds for $54.3 million of the costs of the East Terminal Expansion funded from such resources.

TWA Hub Operations at the Airport

TWA is a significant carrier at the Airport, with a current market share of 68.8%. Any financial or operational difficulties experienced by TWA could significantly affect Airport traffic. In the past six years, TWA has twice filed for protection and reorganized under Chapter 11 of the U.S. Bankruptcy Code.

These reorganizations resulted in the elimination of $1.5 billion of debt and lease obligations. In addition, TWA restructured its operations, reduced its operating costs, reached competitive long-term agreements, in part, with lessors and unions and completed a refinancing plan to significantly improve its long-term debt structure. However, TWA continues to experience financial difficulties due to :

- TWA's inability to boost revenues. An aggressive expansion of TWA capacity forced TWA to rely on lower-yielding feed traffic and bulk ticket sales to fill increased capacity.
- Aircraft delivery and maintenance delays that resulted in many flight cancellations, poor on-time performance, increased pilot training costs, and higher maintenance expenditures.
- The crash of TWA Flight 800 which caused adverse publicity and revenue losses, and distracted management's attention from core operating issues.

Report Organization

At the request of the City, we have analyzed the ability of the City to meet its financial obligations associated with the Series 1997 Bonds through FY2002. This report describes key factors which impact aviation activity and operations at the Airport. These include activity forecasts, revenue and expense projections, planned capital development, and the availability of funds to meet debt service coverage levels required by the additional bonds test of the Indenture.

Our report has been organized in the following manner:

Section I	Background of the Airport, its operations, review of the Indenture and overview of the Airport Capital Improvement Program, including the 1997 Project, and the Airport's proposed Master Plan.
Section II	Purpose of the 1997 financing and an overview of the plan of financing.
Section III	Analysis of the Airport's service area and economic base in order to determine its impact on travel to and from the Airport.
Section IV	Summary of the historical and projected aviation activity at the Airport and analysis of the factors which impact these statistics.
Section V	Analysis of the financial impact of the Series 1997 Bonds on Airport cash flow and airline rates and charges, including estimates of Airport revenues, operating and maintenance expenses, debt service and coverage. In addition, a sensitivity analysis was developed to simulate the effect on operations at the Airport in the event TWA ceases operations at the Airport after FY 1997.

Assumptions Utilized

In conducting the analysis, we projected enplanements, revenues and expenses based on the following assumptions:

1. The size of the Series 1997 Bond issue is estimated to be $199.6 million. Annual debt service will range from a low $12.6 million to a high of $14.9 miilion, after FY2000, with a 30 year final maturity and an average interest rate of 5.46%.

2. Total Airport revenues will be committed to support total expenses and debt of the Airport. Passenger Facility Charge (PFC) revenues will not be pledged for the payment of the Series 1997 Bonds debt service.

3. The Capital Improvement Program (CIP), other than the 1997 Project, will be completed on a phased basis depending on priority and activity demand at the Airport, and will be funded from grants-in-aid under the FAA's Airport Improvement Program, Development Funds, and PFC revenues. There are no current plans to issue additional bonds to finance the remaining projects in the CIP.

4. No debt service has been included for any additional bonds which may be issued by the Airport during the forecast period to fund projects associated with the Master Plan.

5. The annual rate of inflation is projected for the St. Louis Area to be 2.7% (US City Average – 1997 to 2007).

6. For Scenario 1, the forecast of air traffic, revenues, operating expenses and net revenues included in this Report are based on hubbing operations at the Airport by TWA or another air carrier.

7. For Scenario 2, the forecast assumes the discontinuation of hubbing operations by TWA and the replacement of all of TWA's origin and destination (O&D) traffic, and approximately 50% of its connecting traffic at the Airport.

Findings

The Report sets forth the following findings:

- The economic base of the Airport's Air Service Area is strong and should continue to provide growth in O&D passengers at the Airport during the forecast period, FY1997 through FY2002. This is consistent with historical O&D enplanement activity at the Airport.

- Total enplanements at the Airport are projected to increase under the Scenario 1 forecast from 13,672,000 in 1997 to 15,481,500 by the year 2002.

- The Airport, under Scenario 1, will enjoy average net discretionary cash flow of approximately $17.8 million per year during the period FY1997 through FY2002. The cumulative amount of this discretionary cash flow for the 6 year period is forecasted to be approximately $106.9 million.

- Annual debt service coverage during the forecast period, under Scenario 1, is projected to range from a high of 1.70 to a low of 1.48.

- The Airport's projected average cost per enplaned passenger is $3.55 in 1997 and is projected under Scenario 1 to be $4.03 in 2002, and will likely continue to be less than the average for other large hub airports.

Assuming Scenario 2, the cumulative amount of the discretionary cash flow during the forecast period is estimated to be approximately $72.5 million. Further, annual debt service coverage during the forecast period , under Scenario 2, is projected to range from a high of 1.53 to a low of 1.31. Finally, the Airport's average cost per enplanement will likely continue to be less than the average for other large airports.

The following is a summary of the debt service coverage for Scenario 1 and Scenario 2:

Fiscal Year	Net Revenues (millions)		Debt Service (millions)		Debt Service Coverage	
	Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
1997	$55.2	$55.2	$37.1	$37.1	1.49	1.49
1998	$59.6	$54.9	$37.2	$37.2	1.60	1.48
1999	$69.3	$62.4	$40.8	$40.8	1.70	1.53
2000	$70.9	$62.6	$47.9	$47.9	1.48	1.31
2001	$74.0	$65.8	$49.0	$49.0	1.51	1.34
2002	$75.6	$66.7	$48.6	$48.6	1.56	1.37

In developing the projections and formulating this Report, we have relied upon certain information, estimates and assumptions provided by the Airport and its staff. Based upon our review, we believe the information and estimates to be accurate and that such assumptions provide a reasonable basis for our forecast. However, some variation from the estimated costs, revenues and trends is inevitable and these variations may be material.

Conclusion

Based upon the analysis and assumptions presented in this Report, we forecast that the Airport will be able to comply with the additional bonds test of the Indenture relating to the Series 1997 Bonds.

The Airport is expected to generate revenues in each of the years of the forecast period, FY1997 through FY2002, sufficient to pay operating and maintenance expenses, debt service, and to provide debt service coverage in excess of 1.25 times debt service as required by the additional bonds test of the Indenture.

In addition, based on our knowledge of comparable airports and our experience in preparing similar studies and providing financial consulting services to a variety of airports, we believe the projected airline cost per enplaned passenger at the Airport to be reasonable.

Accordingly, we conclude it feasible for the Airport to proceed with the issuance of the Series 1997 Bonds.

Sincerely,

UNISON CONSULTING GROUP, INC.

FINANCIAL FEASIBILITY REPORT

FOR

The City of St. Louis, Missouri
AIRPORT REVENUE BONDS, SERIES 1997A (Non-AMT) and Series 1997B (AMT)
(1997 Capital Improvement Program)

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

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SECTION I

BACKGROUND

This report addresses the financial aspects of the proposed issuance of Airport Revenue Bonds, Series 1997A (Non-AMT) and Series 1997B (AMT) (collectively referred to herein as the Series 1997 Bonds) by the City of St. Louis (the City) to finance certain capital improvements at Lambert-St. Louis International Airport (the Airport).

Section I, *Background*, describes the Airport, the Governance of the Airport, and the financial framework established by the City's 1984 master airport revenue bond Trust Indenture, as supplemented and amended (the Trust Indenture), and also presents an overview of the Airport's ongoing and planned capital improvement programs. Section II, *Purposes of Financing*, describes the purposes of the 1997 financing and presents an overview of the City's overall financing plan for the Airport. Section III, *Air Service Area and Economic Base for Air Transportation*, describes the air service area served by the Airport and the economic base for air transportation demand at the Airport. Section IV, *Air Traffic Analysis and Forecast*, presents an analysis of historical air traffic at the Airport and forecasts of air traffic. Section V, *Financial Analysis*, presents forecasts of revenues, operation and maintenance expenses, debt service, net revenues and debt service coverage for the Airport for the forecast period (FY 1997 through FY 2002), and addresses the Additional Bonds Test of the Trust Indenture.

A. THE AIRPORT

The Airport is located in St. Louis County, adjacent to the City. It is approximately 15 miles northwest of downtown St. Louis – a drive of approximately 20 to 30 minutes on Interstate Highway 70 – and approximately 10 miles from the population center of the St. Louis Metropolitan Statistical Area (MSA), also referred to in this report as the St. Louis Area. The St. Louis Area encompasses approximately 6,392 square miles and includes the City and the following 11 counties: St. Louis, Franklin, Jefferson, Lincoln, St. Charles, and Warren counties in Missouri; and Clinton, Jersey, Madison, Monroe, and St.Clair counties in Illinois.

The Airport began operation in 1920 on a 160-acre site, established by Major Albert Bond Lambert. The site was acquired by the City in 1929 and subsequently expanded to its present size of slightly more than 3,400 acres. The Airport is owned by the City and operated by the Airport Authority of the City (the Authority).

The Airport is classified as a large hub airport by the Federal Aviation Administration (FAA).[1] In 1996, the Airport ranked as the 8th busiest airport in the United States and 9th busiest in the world in terms of total operations (take-offs and landings). In terms of total passengers for 1996, the Airport ranked 14th in the United States and 22nd worldwide.[2]

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[1] A large hub is defined as an airport enplaning 1% or more of total US passengers.

[2] Airports Council International (ACI), 1996 Worldwide Traffic Report, on-line in http://www.airports.org, as of August 7, 1997.

1. Terminal Facilities

The Main Terminal was completed in 1956, and the East Terminal was added in 1976, housing the international wing and the Federal Inspection Services (FIS) facility. A two-level passenger roadway system provides access to the terminals. The Main Terminal consists of three levels totaling 528,250 sq. ft. of floor space and four concourses representing an additional 590,641 sq. ft. The East Terminal contains 89,691 sq. ft. of floor space, which will be increased by 144,309 sq. ft. upon completion of the East Terminal Expansion. The upper level of the main terminal building contains the passenger ticketing and baggage check-in services, a restaurant, snack shops, cocktail lounges, and gift shops. The middle level contains a bank, a PGA Golf Store, baggage claim areas, Airport management offices, a US Post Office, ground transportation services, six car rental agencies, and other concessions. The lower level contains airline operations offices, baggage handling, and related facilities and services. Currently there are 85 gates available in the main terminal and East Terminal. The total number of gates will increase to 93 upon completion of the East Terminal Expansion.

2. Airfield and Aircraft Parking Aprons

The Airport's airfield facilities include five runways and an extensive related taxiway system as shown on **Table I-1**. The primary runway, 12R-30L, can be used by the largest commercial aircraft without restrictions. Runways 12L-30R and 6-24 are sufficient in length to safely handle most types of aircraft now serving the Airport. The other runways, 17-35 and 13-31, serve commuter airlines and smaller types of general aviation (GA) aircraft. In addition, the airfield has over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with FAA-approved lights with controllable brightness switching. Eighty-eight acres of concrete apron provide aircraft parking, servicing and refueling space for scheduled air carriers, and 18 acres are leased to two fixed-base operators and used by GA aircraft.

TABLE I-1
RUNWAY DESCRIPTIONS

	Runway		Runway		Runway		Runway		Runway	
	12R	30L	12L	30R	6	24	13	31	17	35
Runway Length (ft)	11,019	11,019	9,003	9,003	7,602	7,602	6,289	6,289	3,008	3,008
Runway Width (ft)	200	200	150	150	150	150	75	75	75	75
Runway Category [1]	I	I	I	II	NP	I	Visual	Visual	Visual	Visual

[1] Visual: Approach where no instrument approach equipment is available.

NP: Non precision approach - A standard instrument approach procedure in which no electronic glidescope is provided, with a minimum runway visual range of 2,400 feet.

I: CAT I - An instrument approach served by instrument landing system (ILS) and visual aids intended for operations down to a 200-foot decision height and minimum runway visual range of 1,800 feet.

II: CAT II - An instrument approach served by instrument landing system (ILS) and visual aids intended for operations down to a 100-foot decision height and a minimum runway visual range of 1,200 feet.

Source: Airport management records.

3. Public Parking

Adjacent to the passenger terminal, a multi-story parking garage provides public parking for a total of 2,315 vehicles. A 1,178 vehicle-capacity paved parking area provides intermediate-term parking across the Airport service road, and four remote lots, serviced by minibuses, provide an aggregate of 3,779 long-term parking spaces. Additional short-term parking for 500 vehicles is available on a temporary basis directly outside of the East Terminal. This parking facility will be replaced by a 1,000-space parking facility, currently under construction and scheduled to open in March 1998.

4. Other Facilities

The other principal structures at the Airport are five cargo buildings and ten related shop and service buildings.

B. GOVERNANCE

The City occupies approximately 61.4 square miles of land, and is located by the Mississippi River – the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City was formed by a charter under the Constitution and the laws of the State of Missouri. The Mayor serves as Chief Executive Officer of the City and the Comptroller serves as the Chief Fiscal Officer. Both are elected to a four-year term. The Board of Aldermen is the legislative body, consisting of a President and 28 Aldermen who serve four-year terms. The Mayor, the Comptroller and the President of the Board of Aldermen constitute the Board of Estimate and Apportionment, which is primarily responsible for the City's finances.

The Authority was created to manage the Airport by an ordinance of the Board of Aldermen. It is governed by the City Airport Commission (the Commission) with the Director of Airports as Chief Executive Officer, who is assisted by a Deputy Director (position currently vacant) and seven Assistant Directors. The Commission is primarily responsible for the planning, development, management and operation of the Airport. It consists of the Director of Airports who serves as the Chairman, the Comptroller of the City, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor of the City, and five members appointed by the Chief Executive Officer of the St. Louis County. The Commission and the Authority are staffed by qualified and experienced individuals as described in detail under "AIRPORT MANAGEMENT" in the Official Statement.

C. THE TRUST INDENTURE

Certain aspects of the financial operation of the Airport, including the issuance of Airport Revenue Bonds, are governed by the Trust Indenture, certain provisions of which are described below.

1. Application of Revenues to Funds and Accounts

The Trust Indenture establishes a Revenue Fund and requires that all Revenues of the Airport be deposited in the Revenue Fund and applied for various purposes to other funds and accounts as follows:

a) To the *Operation and Maintenance Fund* to pay operation and maintenance expenses;

b) To the *Debt Service Account* of the Bond Fund to pay Debt Service on Airport Revenue Bonds;

c) To the *Debt Service Reserve Account* of the Bond Fund to provide a balance equal to the Debt Service Reserve Requirement;

d) To the *Renewal and Replacement Fund* to maintain a balance in that Fund of $3.5 million;

e) To the *Section 504(B) Subaccount* of the Revenue Fund to accumulate moneys for the annual transfer of 5% of operating revenues to the general fund of the City; and

f) To the *Development Fund* (including the *Contingency Fund* held therein), all remaining revenues.

Moneys in the Development Fund are used by the City to fund major maintenance projects, purchase capital equipment and fund improvement projects at the Airport. As of June 30, 1997, the balance of cash and investments in the Development Fund was $91 million, of which $73 million was appropriated for ongoing or planned capital projects.

The City has also established a Contingency Fund within the Development Fund to maintain a reserve for contingencies, redemption of Bonds, and other lawful purposes. As of June 30, 1997, the balance in the Contingency Fund was $9 million. The Debt Service Reserve Account and Renewal and Replacement Fund are currently funded to the required levels.

2. Rate Covenant

In the Trust Indenture, the City covenants to "...at all times while any Bonds shall be outstanding, establish, fix prescribe and collect such rates, fees rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each Airport Fiscal Year...Revenues...sufficient to pay the Aggregate Debt service for such Airport Fiscal Year and to provide the funds necessary to make the required deposits in and maintain the several and accounts established by the Trust Indenture." This provision is referred to as the Rate Covenant.

3. Additional Bonds Test

As a condition to issuing Additional Bonds, the Trust Indenture requires that an authorized officer of the City provide a certificate, based in part on estimates of Net Revenues prepared by the Airport Consultant, demonstrating that the Net Revenues for each of the three Airport fiscal years following the Airport fiscal year in which the Consulting Engineers estimate the Additional Project will be completed are at least equal to 1.25 times the Aggregate Adjusted Debt Service for such Airport fiscal years. This provision is referred to as the Additional Bonds Test.

D. PASSENGER FACILITY CHARGE (PFC)

The Airport received approval from the FAA to impose a $3.00 Passenger Facility Charge (PFC) at the Airport and use the proceeds of the PFC for certain designated capital projects, including the new East Terminal Expansion, land acquisition under the Airport's approved Part 150 noise mitigation program, and certain airfield projects. The City established a *PFC Fund* to account for the receipt and expenditure of PFC resources. Interest income on the PFC Fund remains in the Fund and is used for approved PFC projects. The PFC proceeds and accrued interests thereon are not included as Revenues in the Trust Indenture and are not pledged for the repayment of the Series 1997 Bonds.

E. OVERVIEW OF THE AIRPORT CAPITAL PROGRAMS

1. East Terminal Expansion

The City is currently expanding the East Terminal to add twelve gates for 737 aircraft and 234,000 sq. ft. of building space. The additional gates will result in a net increase of 8 gates at the Airport. The project includes a new ticketing area with counters, offices and queuing space, hold rooms and circulation space to support the additional gates, public rest rooms, and telephones. On the lower level, the existing baggage claim area will be renovated, and additional space will be provided for two carousels, a baggage handling area, operations areas, a baggage service area. A two-level roadway system will be provided with a covered area for curbside baggage service and passenger drop-off. The East Terminal Expansion project has an approved budget of $97.6 million. Details of the financing plan for this project are discussed in Section II.

On February 17, 1995, the City entered into an agreement (the First Southwest Airlines Co. Amendatory Agreement for East Terminal Expansion) to lease, on a preferential use basis, the twelve gates and the majority of the additional airline ticketing, office, baggage handling and operations space to Southwest Airlines. Southwest Airlines agreed to pay a rental rate per square foot which includes depreciation and interest comparable to rates charged for other Airport terminal facilities, actual maintenance and operating costs averaged over all terminal and concourse space, and an allocation of the Airport's deferred maintenance charges.

2. Capital Improvement Program (CIP)

Each year, the City prepares a five-year CIP for the Airport. The current CIP covers the five-year period FY 1997 through FY 2001 and includes land acquisition, major maintenance, and capital projects amounting to $321 million. The first year of the FY 1997-2001 CIP is now complete. For the remaining four-year period, the City anticipates capital expenditures of $245 million. The remaining projects in the CIP, other than the "Near - Term Capital Improvement Program" (1997 Project), are expected to be completed on a phased basis depending on priority and activity demand at the Airport and it is expected that the remaining projects in the CIP will be funded from grants-in-aid under the FAA's Airport Improvement Program (AIP), Development Fund and PFC revenues. There are no current plans to issue additional bonds to finance the CIP. However, if additional bonds are considered in the future, approval of a Majority-in-Interest (MII) of the airlines serving the Airport will be sought.

The City finances the CIP through a process of appropriating funds by ordinance. Each month a Status of Funds report is prepared presenting the status of project funding by ordinance, by project, and by contract. As of June 30, 1997, the Airport had a total of $123 million appropriated but not yet expended for various ongoing capital projects – $53 million in encumbered contracts, $39 million in commitments for designated projects not yet under contract, and $31 million of available funds appropriated for projects not yet started. These appropriated funds come from a combination of sources: principally, the Development Fund, the PFC Fund and grants-in-aid under the AIP.

The Airport's noise mitigation program is estimated to cost $160 million. This total is comprised of $82 million for land acquisition, which is included in the five-year CIP. The remaining $78 million is for noise mitigation. These projects are voluntary and have no defined or mandated schedule for start or completion.

3. Master Plan Supplement

In addition to the CIP, the Airport recently completed a Master Plan Supplement which recommends a program of strategic investments in airfield and terminal facilities, Airport infrastructure, and other Airport facilities over a 20-year period. The projects recommended in the first phase of the Master Plan Supplement are *not* part of the current five-year CIP and therefore represent additional investments the City may undertake during the forecast period addressed in this report. The FAA is nearing completion of an Environmental Impact Statement (EIS) regarding the projects recommended in the Master Plan Supplement, and the City is awaiting the FAA's Record of Decision (ROD). The ROD is the final step in the environmental approval process for the program.

The major element of the recommended Master Plan Supplement is the construction of a new parallel runway to the southwest of the existing east-west parallel runways. This project requires acquisition of a substantial number of residential and commercial properties, relocation of a portion of a major secondary road (Lindbergh Boulevard), construction of new roadway interchanges, construction of the runway and related taxiways, and the installation of required airfield lighting and navigational aids. The estimated total cost of the new runway element of the Master Plan Supplement is $576 million, and the component costs are summarized on **Table I-2**.

TABLE I-2
ESTIMATED COSTS - NEW WEST RUNWAY
(In Thousands)

Project Component	Cost
Land acquisition and noise abatement	$152,308
Roadway improvements	147,303
Utility relocations	25,550
Drainage improvements	8,264
Runway and taxiway construction	136,923
Lighting, signage and navaids	26,704
Relocation of existing support facilities	27,011
ARFF station	5,200
Total	**$576,314**

The City believes the new runway is a strategic investment required to maintain and enhance the attractiveness of the Airport as a major transfer hub airport. The City has developed a phased strategy for implementing the new runway program (assuming the issuance of the ROD) – one which stages the issuance of bonds for the runway program to allow the City to monitor circumstances affecting the Airport, including uncertainties facing Trans World Airlines (TWA), the Airport's dominant carrier. MII approval of the airlines serving the Airport will be sought before any bonds are issued. The City intends to finance the initial phase of the program, involving a portion of the land acquisition and roadway relocations, with – PFC resources, AIP grants-in-aid, and Development Fund moneys. Other elements of the master plan (other than the runway) are considered to be "demand driven" and will be undertaken as and when demand for those facilities materializes.

SECTION II

PURPOSES OF 1997 FINANCING
OVERVIEW OF PLAN OF FINANCING

A. BACKGROUND

For the past several years, the City has relied on - PFC resources, AIP grants-in-aid, and moneys from the Airport's Development Fund to finance its ongoing rolling five-year CIP. All moneys currently on deposit in the Development Fund as of June 30, 1997, are essentially committed (i.e., appropriated) for ongoing projects in the CIP, thereby constraining the Airport's ability to fund ongoing major maintenance and equipment needs and other smaller capital projects. PFC resources are largely dedicated to the East Terminal, the acquisition of land for the Part 150 Noise Mitigation Program, and certain near-term airfield projects. AIP funding continues to decline as a result of budget pressures at the federal level.

Recognizing the current uncertainties facing TWA, the City wants to position itself to move forward deliberately with the land acquisition and roadway relocation projects that are the critical path elements for implementing the new west runway once the ROD on the EIS for the runway project is received. For these reasons, the City undertook a comprehensive review of its capital funding commitments and decided to embark on a new plan of financing.

B. MAJOR ELEMENTS OF PLAN OF FINANCING

The major elements of the new plan of financing are to: (1) *provide bond financing for appropriate elements of the CIP* --including projects already funded with other resources but not yet started, (2) reimburse the City for certain expenses associated with the East Terminal Expansion project with bond proceeds in order to *redirect PFC resources to fund the initial land acquisition and other critical path elements of the new west runway project and* (3) *reserve Development Fund moneys for major maintenance, equipment and small capital outlays* as well as *additional contingencies* in view of the TWA situation. As a central element of the new plan of financing , the City intends to issue the Series 1997 Bonds to reimburse the City for expenses associated with certain ongoing projects (including the East Terminal Expansion) and to finance certain new projects in the CIP, as described below. The Airport has already initiated an amendment to its PFC application to obtain FAA approval to redirect certain PFC resources to land acquisition for the new runway.

Specifically, the City plans to issue the Series 1997 Bonds to (1) reimburse the City for certain costs associated with the East Terminal Expansion previously funded with PFC and Development Fund resources and (2) provide financing for the next 18 months of projects, which are defined as the 1997 Project at the Airport, including certain projects which have already been funded with appropriations of Development Fund resources but have only recently been started or are not yet started.

With the exception of the proposed Concourse C Expansion (see below), none of the projects are intended for the exclusive use or benefit of TWA. The proposed financing will significantly enhance the Airport's liquidity as it faces current uncertainties regarding TWA and plans for the phased implementation of the new west runway. The financing will: (i) restore to the Airport's balance sheet approximately $25 million of equity capital, $20 million of which can be reserved for contingencies and/or applied toward the initial elements of the west runway program, (ii) restore to the PFC fund approximately $54 million which could be available to fund the initial elements of the west runway and (iii) allow the City to stage the issuance of debt for the new runway program while monitoring circumstances affecting the Airport, including uncertainties facing TWA.

In summary, the objectives of the proposed strategy are to:

- Provide long-term bond financing for major elements of the CIP.
- Reimburse a portion of the East Terminal Expansion project costs with Bonds.
- Reserve PFC and other resources to fund the first portion of the land acquisition program for the new runway while deferring the issuance of bonds for that program.
- Preserve the Development Fund for funding major maintenance and small capital improvement projects, equipment purchases and additional contingencies.

C. REIMBURSE CERTAIN EXPENSES ASSOCIATED WITH THE EAST TERMINAL EXPANSION

The new East Terminal project, which is currently under construction, consists of a new 234,000 square foot East Terminal to replace the existing East Terminal, together with a new aircraft parking apron accommodating 12 narrow-body aircraft gates, a 1,000 space automobile parking structure, and related terminal roadways. Most of the airline space in the new East Terminal will be preferentially leased to Southwest Airlines. Additional areas will be leased to the City's contract gate operator and used to accommodate the ticketing and baggage claim functions of certain domestic and international charter flights operating at gates in the adjacent East Connector facility. The approved budget for the East Terminal Expansion is $97,583,000, including certain tenant improvements for Southwest.[1] Phase 1 of the project, involving approximately two-thirds of the building (8 of the 12 gates) is scheduled for completion in the first quarter of 1998 and the balance of the facility in the fourth quarter of 1998.

The East Terminal was originally financed largely from the net proceeds of the Series 1992 Bonds, PFC resources and an AIP grant, with the balance of funds anticipated to come from the Development Fund, as shown on **Table II-1**.

[1] The project includes $3,500,000 for tenant finishes for Southwest's office and operations space and $382,000 for a temporary baggage conveyor system. Southwest intends to purchase and install its outbound baggage conveyors and all of the loading bridges for the East Terminal from its own resources. The costs of the baggage conveyors and the loading bridges are not included in the project budget.

TABLE II-1

Original Sources of Funding for the East Terminal Expansion

1987 Bond Fund	$ 176,229
1992 Bond Fund (initial design work)	4,264,400
1992 Bond Fund (construction work)	10,888,480
PFC Application #1	56,390,000
PFC Application #2	11,635,813
AIP grant (apron construction)	5,350,000
Development Fund (balance)	8,878,478
Total	**$97,583,000**

The new financing strategy calls for reimbursing a portion of this project costs, previously funded with PFC and Development Fund resources, with the Series 1997 Bonds. The amount of the East Terminal Expansion costs to be refinanced with the Series 1997 Bonds is estimated to be $54,327,613, as shown on **Table II-2**.

TABLE II-2

Revised Sources of Funding for the East Terminal Expansion

1987 Bond Proceeds	$ 176,229
1992 Bond Proceeds -1	4,264,000
1992 Bond Proceeds - 2	10,888,480
PFC Resources	22,576,678
AIP Grants	5,350,000
Airport Development Fund	0
Series 1997 Bonds	54,327,613
Total	**$ 97,583,000**

The City intends to apply PFC, AIP, and Development Fund resources toward the costs of the aircraft apron, roadway, and Metrolink elements of the project to fund up to 100% of these elements, with the balance applied against terminal building costs. As a result, the Series 1997 Bond proceeds associated with the East Terminal Expansion will be allocated solely to the terminal building, airline tenant improvements, and the parking structure.

D. 1997 PROJECT

The 1997 Project consists of projects grouped into the following major categories:

- Terminal Improvements
- Airfield Improvements
- Parking and Roadway Improvements
- Other Improvements

The Terminal Improvements, Airfield Improvements and Other Improvements have received the approval of a MII of the airlines serving the Airport under the procedures of the Airport Use and Lease Agreement. The Parking and Roadway Improvements do not require airline MII approval.

1. **Terminal Improvements.** The terminal improvements largely involve the renovation and improvement of existing terminal building facilities and systems. Proposed terminal improvements have been grouped into five categories as follows:

- **Terminal Systems Upgrades** $27,602,000

This group of projects includes upgrading and improving certain building systems, including a new fire alarm system, improvements to certain fire exit doors to meet ADA requirements, replacement and/or conversion of chiller units to meet current Environmental Protection Agency (EPA) requirements, and improvements to the electrical and telecommunications distribution systems in the terminal building. The elements of this project, for the most part, constitute normal replacement of older systems to provide for a functioning terminal facility, improvements required to meet certain federal standards or enhancements to the reliability of existing systems. The upgrades will help reduce future maintenance costs associated with the older systems.

- **Terminal Building Upgrades** $ 8,762,000

This project involves improvements to building finishes, fixtures, floor coverings, and signage to modernize the appearance and improve the overall functionality and aesthetics of the terminal. The project includes renumbering of all gates to meet ADA current size and height requirements. In addition, the project includes improvements to rest rooms, removal of the existing floor in various areas of the terminal and installation of new tile and carpet floors, rehabilitation of certain entryways, installation of new exterior canopies to provide the public with cover from the weather at terminal curbside, renovations to the ticket counter areas, and paving of the ticketing level plaza and walkways and other miscellaneous improvements.

- **Design for Concourse C Expansion** $ 2,000,000

This project involves design for the potential reconfiguration and renovation of Concourse C to meet passenger demand which far exceeds the concourse's current design capacity. The project entails the widening of the center corridor and hold rooms and improving the lighting and aesthetics in the concourse. The wider hold rooms will allow for more efficient gate utilization. Increased passenger amenities including additional revenue producing (concession) space will also be provided. Concourse C is leased to TWA. Under the compensatory rate-making system at the Airport, TWA is solely responsible for the payment of rent on the Terminal C leased premises.

- **Elevator/Escalator Upgrades** $4,125,000

This project involves the replacement of old escalators which no longer meet code and for which replacement parts are no longer made. When these escalators break down replacements parts cannot readily be found which often necessitates the purchase of very costly custom-made parts. Certain elevators are also being replaced due to increased wear and tear resulting from increased passenger demand. This project will improve the reliability of the escalators and elevators and reduce maintenance costs.

- **Terminal Curbside Improvements** $3,188,000

This project involves expanding the terminal curbside areas to improve vehicle circulation in front of the terminal building. The current curbside configuration does not adequately accommodate the drop off and processing of multiple vehicles without severely impeding traffic flow and has inadequate queuing space for curbside check-in and passenger circulation.

2. **Airfield Improvements.** Proposed airfield projects are grouped into six categories as follows:

- **Apron Pavement Improvements** $ 2,225,000

These projects involve the expansion of the apron behind Concourse A, which will be expanded to facilitate more efficient movement of aircraft in and out of gates, replacement of certain deteriorated apron pavement at Concourse A to reduce the possibility of foreign object damage to aircraft engines and the installation of taxiway guidance sign regulator circuits.

- **Taxiway Improvements** $18,863,000

This group of projects involves reconstruction of a number of taxiways to replace failing pavement based on recommendations of a pavement maintenance management study conducted for the Airport. These projects are the result of the Airport's new pavement management program.

- **Airfield Infrastructure Improvements** $25,393,000

This group of projects includes improvements to the storm sewer system to provide for the collection of glycol to meet the requirements of the Federal Clean Water Act, in accordance with an agreement between the Airport and the Missouri Department of Natural Resources. Other small airfield drainage improvement projects are also planned. In addition, the Airport plans to install a new electrical duct bank for the airfield lighting system and provide seismic strengthening of the airfield electrical vault.

- **Airfield Maintenance Facilities** $3,927,000

This group of projects includes construction of a new equipment storage building and shed, and an equipment parking area. These facilities are required to house new equipment and to replace older, deteriorated facilities. These improvements should increase the reliability of the equipment and extend its useful life.

- **Noise Monitoring System** $1,500,000

This project involves replacing the existing antiquated noise system with a new system based on current technology, in compliance with the Airport's approved Part 150 noise mitigation program.

3. **Parking and Roadway Improvements.** Proposed parking and roadway improvements largely involve the renovation, improvement and major maintenance of existing parking and roadway facilities and have been grouped into two categories as follows:

- **Parking Improvements** $11, 277,000

These projects include construction of a new employee parking lot and a series of small improvements and major maintenance projects for the parking garage. The new employee parking lot will provide an additional 4,000 spaces for employee parking at the Airport. The garage project will provide for the replacement of existing lighting which contains mercury, in violation of EPA requirements. Additional lighting will also be provided for passenger convenience and safety. Replacement offices will be constructed to provide for adequate ventilation in accordance with OSHA requirements. A new toll plaza will be installed to improve traffic flow and decrease traffic congestion on both the ticketing and baggage claims roadways.

The rental car operators will soon be vacating their ready/return spaces in the parking garage and will be accommodating those functions at their off-airport service center locations. When this process is completed, the existing rental car ready/return spaces in the garage will be renovated and converted to public parking.

- **Roadway and Curbside Improvements** $5,720,000

These projects include the rehabilitation of Lambert International Blvd. to correct deteriorated pavement conditions and improve traffic flow. In addition, new traffic signals and controllers will be installed throughout the Airport. The new traffic signals will allow for more efficient Airport traffic management. The existing traffic signal system is old, and replacement parts are no longer available. Other improvements such as modifications to improve traffic distribution and the paving of the ticket level plaza will also be undertaken. This group of projects also includes the construction of a new rental car shuttle area on Baggage Claim Drive. The shuttle area will include new canopies, enclosures, signage and islands.

4. **Other Improvements.** Other projects include a new Airport communications center and a compressed natural gas facility.

- **New Airport Communications/ Electronics Center** $800,000

This project will provide facilities to house all electronic systems such as police and fire communications systems, flight display information systems, telephone systems, etc. This consolidated facility will enhance Airport safety and increase the overall efficiency of Airport operations and communications.

The estimated costs of the 1997 Projects are summarized on **Table II-3**.

Table II-3
Estimated Costs of the 1997 Projects

MII Approved Projects	Estimated Project Costs	
Terminal Improvements		
Terminal Systems Upgrades	$	
Upgraded Fire Alarm System	2,025,000	
Fiber Optic Network	3,910,000	
Lightning Protection for Gate Area	2,500,000	
Reconstruction for Air Handlers	5,876,000	
Airport-wide FIDS Systems	5,500,000	
Other	7,791,000	
Terminal Finishes/Fixtures/Signage Upgrades		
Improvements to Terminal Flooring	2,506,000	
Entry Improvements	1,020,000	
Ticketing Level Plaza Improvements	1,200,000	
Other	4,036,000	
Design for Concourse C Expansion	2,000,000	
Elevators/Escalators Upgrade	4,125,000	
Terminal Curbside Improvements	3,188,000	
Sub-Total Terminal Improvements		**$ 45,677,000**
Airfield Improvements		
Apron Pavement Improvements	2,225,000	
Taxiway Improvements		
Reconstruct Taxiways	13,363,000	
Repair Taxiway B	5,500,000	
Airfield Infrastructure Improvements		
Storm Sewer Interceptor	11,125,000	
Electrical Duct Bank	12,500,000	
Airfield Electrical Vault (seismic upgrade)	836,000	
Other	932,000	
Airfield Maintenance Facilities	3,927,000	
Noise Monitoring System	1,500,000	
Sub-Total Airfield Improvements		**$ 51,908,000**
Other Improvements		
New Communications / Electronics Center Design		**$ 800,000**
Total MII Approved Projects		**$ 98,385,000**
Parking and Roadway Improvements		
Parking Improvements		
New Employee Parking Lot	6,000,000	
Other	5,277,000	
Roadway and Curbside Improvements	5,720,000	
Sub-Total Parking and Roadway Improvements		**$ 16,997,000**
TOTAL		**$ 115,382,000**

Source: Airport estimates from current CIP dated June 3, 1997, and Status of Funds dated June 30, 1997.

SECTION III

AIR SERVICE AREA AND ECONOMIC BASE

The demand for air transportation depends, in part, on the demographic and economic characteristics of an airport's service area. In the current deregulated aviation environment, the character, strength and growth of the economy of an airport's air service area as well as its capacity to generate airline traffic determine the level of airline service at an airport. Local factors such as population, income, employment and economic development contribute to the overall demand for air transportation in a specific region.

Local factors are particularly important in determining the strength of the origin and destination (O&D) component of an airport's passenger traffic. O&D traffic refers to travelers who originate from and terminate their flights at an airport, as opposed to those who use an airport as a connection to another airport. In 1996, O&D traffic constituted approximately 55% of passenger traffic at the Airport.

This section defines the air service area of the Airport, and reviews the demographic and economic trends of the Airport's air service area.

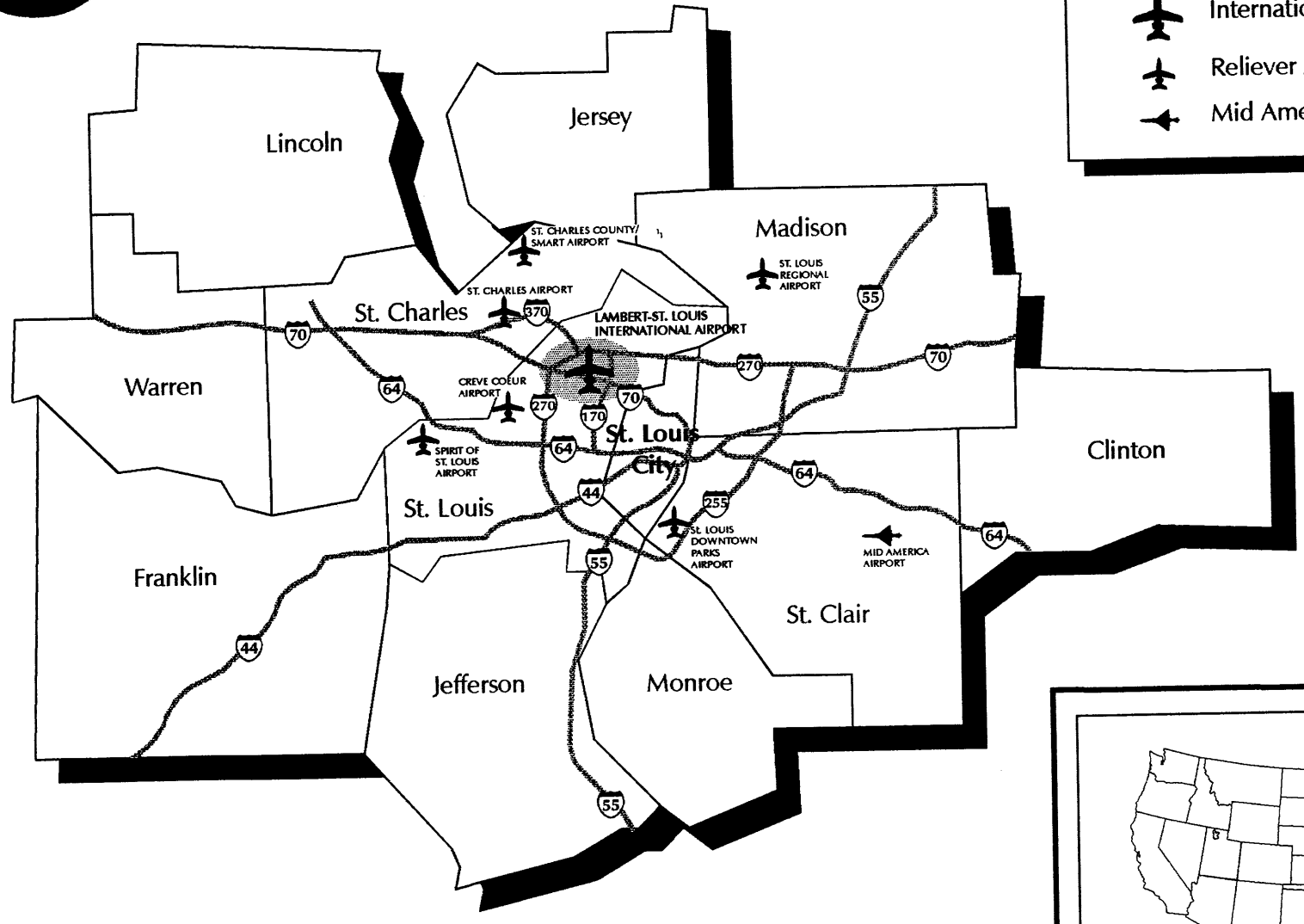
A. AIR SERVICE AREA

The air service area of an airport is determined by the distance passengers travel to reach the airport and the presence of alternative airports within the air service area. In choosing among alternative airports, passengers consider the following factors: (1) proximity, (2) level of service (number of destinations served and frequency of flights), and (3) air fares at each of the airports.

The Airport serves the St. Louis Area as its primary air service area (**Exhibit III-1**). Four interstate highways, I-44, I-55, I-64 and I-70, provide direct access from the St. Louis Area to the Airport. The beltways I-170, I-255, I-270 and I-370 provide access around the City and between other interstate highways. I-70 provides the main access to the Airport from the City's Central Business District (CBD). In addition, the MetroLink System links the Airport to the City and East St. Louis, Illinois. The MetroLink began service to the Airport in April 1994 and is operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan district. In 1995, the MetroLink was voted the best mass transit system in North America by the American Public Transit Association.

The Airport is the only major commercial airport in the St. Louis Area. Six other airports have been identified by the FAA as GA reliever airports: the Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeuer. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

Exhibit III-1
ST. LOUIS AREA



A new airport, Mid America Airport, is currently under construction in St. Clair County, Illinois and scheduled for completion by October 1997. It is intended to be a joint-use facility with Scott Air Force Base. Mid America is designed to have a capacity of 1.25 million enplanements annually – much smaller than the Airport which currently serves 13.6 million enplanements annually. Hence, Mid America is not expected to compete with the Airport and has been designated by the FAA as a potential reliever for demand that cannot be accommodated at the Airport. This issue is discussed in more detail in Section IV.

No other air service areas overlap with the Airport's air service area **(Exhibit III-2)**. The nearest major airports are Kansas City (MCI), Memphis-Shelby (MEM), Chicago O'Hare (ORD), Midway (MDW), Nashville (BNA), Louisville (SDF), and Indianapolis (IND). The location of these airports help delineate a secondary service area for the Airport. The Airport's secondary service area includes surrounding counties in Missouri and Illinois, and could extend to counties that are approximately halfway in distance between the Airport and the nearest other major airports.

B. POPULATION

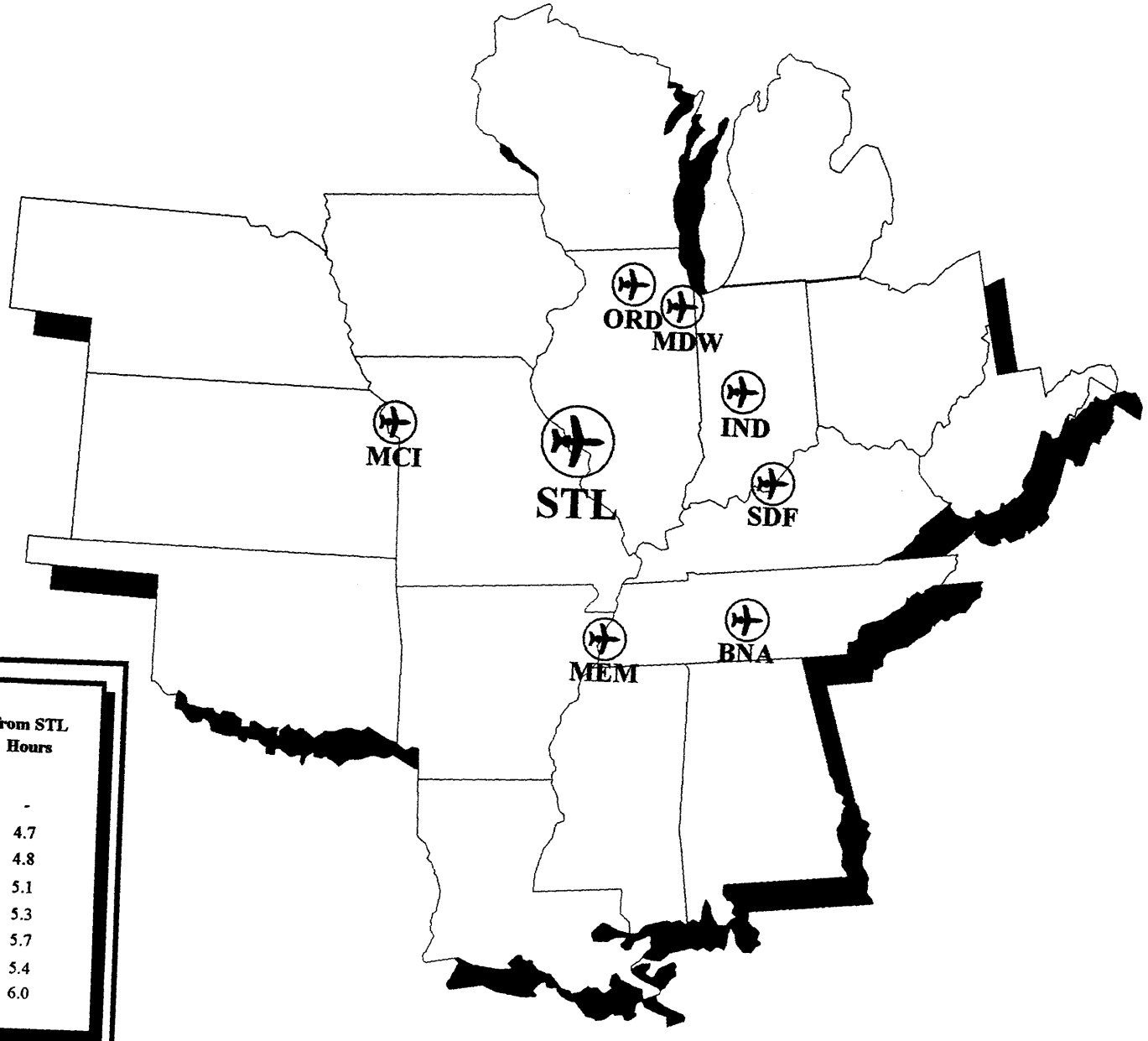
Table III-1 shows the recent population trends in the St. Louis Area, the State of Missouri and the United States. In the past five years, the population of the St. Louis Area has increased by an average of 0.3% annually, about half the growth rate for the State of Missouri (0.7%), and a third of the growth rate for the United States as a whole (0.9%). The low population growth in the St. Louis Area is partly due to outmigration resulting from relatively high unemployment in the manufacturing sector in the late 1980s and early 1990s.[1] After a decline in 1994, the population of the St. Louis Area resumed growth in 1995 and 1996. The population growth in St. Louis is projected to continue at an average annual rate of 0.4% from 1996 to 2001, and this should have a positive effect on O&D travel demand at the Airport.

C. INCOME

Income is an important factor in determining leisure and business travel demand. **Table III-2** shows the trends in income, as measured by the Median Household Effective Buying Income (EBI), in the St. Louis Area, the State of Missouri and the United States. The EBI in the St. Louis Area has consistently exceeded the EBI in the State of Missouri and the United States as a whole. Furthermore, in 1995, the St. Louis Area had a higher proportion of households with incomes over $50,000 (31.0%), as compared to the State of Missouri (23.4%) and the United States (27.6%) (**Table III-3**). The relative affluence of the St. Louis Area suggests relatively higher propensity to use air transportation rather than other modes of long distance travel.

[1] East-West Gateway Coordinating Council, *Population Estimates*, January 1997.

Exhibit III-2
LAMBERT-ST. LOUIS INTERNATIONAL AND OTHER NEARBY MAJOR AIRPORTS



Airport	Primary Service Area	Distance from STL Miles	Distance from STL Hours
Lambert-St. Louis (STL)	St. Louis MSA	-	-
Kansas City (MCI)	Kansas City MSA	253	4.7
Indianapolis (IND)	Indianapolis MSA	253	4.8
Louisville (SDF)	Louisville MSA	273	5.1
Memphis-Shelby (MEM)	Memphis MSA	286	5.3
Chicago O'Hare (ORD)	Chicago Region	306	5.7
Midway (MDW)	Chicago Region	288	5.4
Nashville (BNA)	Nashville MSA	320	6.0

Refers to the practical driving route from STL (Source: PC Miler).

TABLE III-1
POPULATION GROWTH COMPARISON

Year	St. Louis Area [1]	Missouri	United States
Historical			
1986	2,494,600	5,149,300	243,211,700
1991	2,526,700	5,184,800	253,629,100
1992	2,538,200	5,212,400	256,765,600
1993	2,555,300	5,257,300	259,574,200
1994	2,540,100	5,300,500	262,213,300
1995	2,549,600	5,345,200	264,900,900
1996	2,559,000	5,359,000	265,284,000
Projected			
2001	2,610,100	5,573,000	276,918,000
Avg. Annual Growth Rate			
1986 - 1996	0.3%	0.4%	0.9%
1991 - 1996	0.3%	0.7%	0.9%
1996 - 2001	0.4%	0.8%	0.9%

[1] Includes the City of St. Louis; the counties of Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren in Missouri; and the counties of Clinton, Jersey, Madison, Monroe, and St. Clair in Illinois.

Sources: Sales & Marketing Management, Survey of Buying Power, 1986-1996 editions and Sales & Marketing Management, Survey of Media Markets, 1996 edition.

TABLE III-2
MEDIAN EFFECTIVE BUYING INCOME (EBI)

Location	Median Household EBI	
	1985 [1]	1995 [2]
St. Louis Area	$26,667	$35,565
Missouri	$22,415	$29,463
United States	$23,680	$32,238

[1] Refers to personal income which includes wages and salaries, social security and unemployment compensation, rental income, pensions and welfare assistance payments.

[2] Starting 1995, the EBI definition has been changed to money income which is equal to personal income minus rental income, pensions and welfare assistance payments.

Source: Sales & Marketing Management, Survey of Buying Power, 1986 and 1996 .

TABLE III-3
HOUSEHOLD INCOME DISTRIBUTION - 1995

Location	PERCENT OF HOUSEHOLDS BY EBI GROUP				Total Households (000)
	Under $20,000	$20,000 to $34,999	$35,000 to $49,999	$50,000 and Over	
St. Louis Area	26.3%	22.9%	19.8%	31.0%	963.6
Missouri	33.5%	25.0%	18.1%	23.4%	2,052.1
United States	30.2%	23.8%	18.4%	27.6%	97,647.4

Source: Sales & Marketing Management, Survey of Buying Power, 1996 edition.

D. EMPLOYMENT

Recent civilian labor force employment trends for the St. Louis Area, the State of Missouri and the United States are presented in **Table III-4.** During the past five years, the average annual growth rate of the St. Louis Area's civilian labor force (0.9%) was less than that of the State of Missouri (1.5%) and the United States (1.3%). However, significant increases were recorded in 1995 (3.4%) and 1996 (2.2%) due largely to an effort begun in January 1995, **Campaign for a Greater St. Louis**, to create 100,000 new jobs by the year 2000.

As shown on **Table III-5**, the unemployment rate for the St. Louis Area declined from 7.0% in 1986 to 4.4% in 1996 and remains well below the unemployment rate for the United States as a whole. **Table III-6** indicates that the St. Louis Area has a higher percentage of service-oriented labor than the State of Missouri and the United States, attesting to the continuing sectoral shift from traditional agricultural and manufacturing-based industries to service-oriented professions. While service professions typically earn less than manufacturing, the service sector tends to generate more business travel.

Ten St. Louis Area-based companies are listed among the Fortune 500 companies in the United States. Among the top ten, McDonnell-Douglas, Anheuser-Busch, Monsanto, Ralston Purina, TWA, Emerson Electric Co., Graybar Electric Company, Inc., Jefferson Smurfit Corp., and May Department Stores Co. are headquartered in the St. Louis Area.[2] The St. Louis Area ranks seventh in the number of industrial Fortune 500 company headquarters in the United States.[3] **Table III-7** shows the top twenty employers in the St. Louis Area, ranked by the total number of employees. The local and federal governments rank as the top two employers. Among the private companies, ten are headquartered in the City of St. Louis.

E. ECONOMIC DEVELOPMENT

A close synergy exists between an area's overall business climate and aviation activity. A positive business climate generally supports a stable or growing O&D passenger traffic which, in turn, leads to increased air service. Also, frequent air service often supports decisions by companies to locate in a particular area. The following sections discuss historical and projected economic factors which may affect the demand for air transportation at the Airport.

1. Business Climate

The **Campaign for a Greater St. Louis,** sponsored by the Regional Commerce Growth Association (RCGA), has set a goal of 100,000 new jobs for the area by the year 2000. From January 1995 to December 1996, 43,500 new jobs had been created, 34% ahead of the RCGA's goal for the period.[4]

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[2] Regional Commerce Growth Association (RCGA), *St. Louis Regional Profile*, 1996.

[3] Ibid.

[4] RCGA, *Economic Update*, January 1997.

TABLE III-4
HISTORICAL CIVILIAN LABOR FORCE

Year	St. Louis Area	Missouri	United States
1986	1,274,127	2,542,000	117,834,000
1991	1,305,457	2,689,000	125,303,000
1992	1,298,068	2,696,000	126,982,000
1993	1,279,600	2,646,000	128,040,000
1994	1,290,000	2,736,500	131,056,000
1995	1,334,000	2,828,000	132,304,000
1996	1,362,800	2,898,000	133,943,000
Avg. Annual Growth Rate			
1986 - 1996	0.7%	1.3%	1.3%
1991 - 1996	0.9%	1.5%	1.3%

Source: US Department of Labor, Bureau of Labor Statistics, Table I, 1996 State and Regional Averages.

TABLE III-5
UNEMPLOYMENT RATE

Year	St. Louis Area	Missouri	United States
1986	7.0%	6.1%	7.0%
1987	6.6%	6.3%	6.2%
1988	6.0%	5.7%	5.5%
1989	5.5%	5.5%	5.3%
1990	5.9%	5.7%	5.5%
1991	6.8%	6.6%	6.7%
1992	6.0%	5.7%	7.4%
1993	5.9%	6.3%	6.8%
1994	4.1%	4.4%	6.1%
1995	4.7%	4.8%	5.6%
1996	4.4%	4.6%	5.4%

Source: US Department of Labor, Bureau of Labor Statistics, Table 1, State and Regional 1996 averages.

TABLE III-6
EMPLOYMENT BY INDUSTRY GROUP
ST. LOUIS AREA - 1996 [1]

Year	St. Louis Area (000)	% of Total	Missouri (000)	% of Total	United States (000)	% of Total
Construction & Mining	63.3	5.0%	120.3	4.7%	5,974.0	5.0%
Manufacturing	195.9	15.4%	414.0	16.1%	18,457.0	15.4%
Transportation & Utilities	80.1	6.3%	159.7	6.2%	6,261.0	5.2%
Wholesale & Retail Trade	303.8	24.0%	612.8	23.9%	28,108.0	23.5%
F.I.R.E. [2]	77.6	6.1%	149.8	5.8%	6,899.0	5.8%
Services	392.3	30.9%	707.9	27.6%	34,347.0	28.7%
Government	155.4	12.3%	399.7	15.6%	19,477.0	16.3%
Total	1,268.4	100.0%	2,564.2	100.0%	119,523.0	100.0%

[1] Represents annual averages for 1996.

[2] Represents Finance, Insurance and Real Estate.

Source: US Department of Labor, Bureau of Labor Statistics, 1996.

TABLE III-7
ST. LOUIS AREA - TOP 20 EMPLOYERS
1997

	Rank	City	No. of Employees [1]	Type of Business
1	Local Government [2]	St. Louis, MO	99,100	Government
2	Federal Government [2]	St. Louis, MO	33,400	Government
3	BJ Health Systems Inc. [3]	St. Louis, MO	24,512	Health Care
4	McDonnell Douglas Corp.[3]	St. Louis, MO	21,000	Aviation
5	State Government [2]	St. Louis, MO	20,500	Government
6	Unity Health Systems [3]	St. Louis, MO	12,783	Health Care
7	Schnuck Markets Inc. [3]	St. Louis, MO	12,328	Grocery
8	McDonald's Corp	Out of State	9,800	Food Franchise
9	Washington University [3]	St. Louis, MO	9,237	Education
10	SSM Health Care System	St. Louis, MO	9,000	Health care
11	Trans World Airline [3]	St. Louis, MO	8,900	Transportation
12	SBC Communications	St. Louis, MO	8,811	Education
13	May Department Stores [3]	St. Louis, MO	8,200	Retail
14	St. Louis University	St. Louis, MO	7,915	Education
15	Chrysler	Fenton, MO	7,762	Manufacturing
16	Wal-Mart Store	Out of State	6,400	Retail
17	Anheuser - Busch Cos. Inc. [3]	St. Louis, MO	5,498	Manufacturing
18	Nation's Bank	Out of State	5,400	Financial
19	Maritz Inc.[3]	Fenton, MO	5,350	Consulting
20	Monsanto [3]	St. Louis, MO	4,600	Chemicals

[1] Includes part-time employees.

[2] Federal, state and local goverment employment was as of 1996, based on RCGA access to Missouri Unemployment Security.

[3] Firms' headquarters.

Source: *St. Louis Post Dispatch*, May 19, 1997 (based on a survey of local employers taken April 1, 1997).

In addition, the success of the campaign is reflected in the decrease in the area's unemployment rate. The growth in employment is expected to continue in view of the following:

- **Unigroup's** relocation of its Mayflower Division brought 500 new jobs to the area during mid-year 1997.
- The **US Farmers Home Administration/Rural Housing Services** mortgage processing center relocated 600 new jobs to the area during early 1997.
- **General Motors'** $100 million stamping plant, which began operations in the fall of 1996, continues to demonstrate GM's long-term strategy to improve the efficiency of its operations in this area. The expenditures made on the stamping plant are in addition to the $700 million that was spent to convert the Wentville plant to van production during the years 1993-1995.[5]
- **Harrah's and Players Casinos Gaming Complex,** a $250 million project which opened in early 1997, is considered to be the nation's largest gaming complex.[6]
- Infrastructure projects, such as the **Mid America Airport,** the **Airport's East Terminal Expansion,** and the ongoing expansion of **MetroLink** to add approximately 17 miles of track and nine additional stations, should generate employment impacts on the St. Louis Area.[7]

Offsetting the growth in the above sectors, the St. Louis Area is facing the potential loss of jobs due to mergers and spin-offs among five of its largest corporations: Boatmen's Bank, McDonnell-Douglas, Roosevelt, Mark Twain Banks, and Monsanto. Although some short-term job loss is anticipated, the long-term impact should be favorable due to the combined strength of the newly formed corporations.[8]

Other factors which make the St. Louis Area an advantageous business location include the following:

- St. Louis is close to the U.S. population center – one-third of the nation's population is within 500 miles of the City.
- St. Louis is a major rail center and inland port, and has the eighth busiest airport in the United States in terms of aircraft movements.
- St. Louis has reasonable rental rates for commercial space.
- St. Louis maintains one of the nation's lowest tax rates.

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[5] RCGA, "Coming on Strong," *Quarterly Publication*, Vol. 2, No. 1, 1997.

[6] RCGA, *Economic Update* January, 1997.

[7] RCGA, "Coming on Strong," *Quarterly Publication*, Vol. 2, No. 1, 1997.

[8] RCGA, *Economic Update*, March 1997.

- St. Louis has the fifth lowest cost of living in the United States.[9]

2. Industrial and Office Space

As of the end of the first quarter of 1997, the St. Louis Area had an estimated 200 million sq. ft. of industrial space which was 94% occupied.[10] Of the vacant space, approximately 77% is in the manufacturing and warehouse markets. The office market in the St. Louis Area consists of approximately 35.6 million sq. ft. of office space.[11] The market as a whole continued to improve in the first quarter of 1997, with the vacancy rate falling to 12%, down over 1% from the previous quarter.[12] The leasing activity is driven by some of the more notable employers such as Unigroup Inc. (over 75,000 sq. ft).[13]

3. Tourism and Conventions

The City's 1995 annual visitors' expenditures remained unchanged at $1.9 billion in comparison to 1994.[14] However, the City hosted 383 conventions and meetings, 15% more than in 1994. The St. Louis Convention and Visitor Commission projects meetings and conventions to exceed 410 by 1998.

The hospitality industry is a major employer in the St. Louis Area with more than 46,000 workers. The industry generated $1.1 billion in resident income in 1995, up 22% over 1994.[15] The end of 1995 marked the successful completion of another major tourist attraction with the opening of the new sports arena, the Trans World Dome, in late 1995. In addition, the following developments reflect the continued growth in tourism:

- **Forest Park Expansion** - Previously the site of the 1904 World's Fair, this tourist attraction continues to attract visitors at an average rate of 10 million annually.[16] Currently, the City is considering plans for a $100 million expansion which would include:

  - Upgrades to the Zoo exhibits, new nature trails and major landscaping efforts;
  - Installation of new islands, pedestrian bridges and picnic areas; and
  - Extended children's play area, improved public fishing, and redesigned golf course.

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[9] American Chamber of Commerce Researchers Association 1996 survey.

[10] Cushman & Wakefield Industrial Summary, 1st Quarter 1997.

[11] Cushman & Wakefield Office Summary, 1st Quarter 1997.

[12] Ibid.

[13] RCGA, "Coming on Strong", *Quarterly Publication*, Summer, 1996

[14] *St. Louis 1996 Convention and Visitors Annual Report.*

[15] *St. Louis 1996 Convention and Visitors Annual Report.*

[16] Ibid.

- **Gateway International Raceway Expansion** - The raceway expansion is expected to generate approximately 1,250 jobs and have an economic impact on the bi-state metropolitan region of about $70 million annually. The facility opened in May 1997 and hosted two out of three scheduled nationally televised events. The facility is located in St. Clair County, Illinois.[17]

- The Mayor of the City recently announced plans to construct and place in service, a 1,000 room convention hotel by the end of 1999.

The City's new and renovated convention facilities and planned development projects, together with the overall positive trends of the local and regional economy, present opportunities for continued growth in convention and trade show activity. The growth in the visitor industry should help stimulate demand in O&D traffic.

4. Retail Sales

Retail sales are often used to measure the purchasing power of the residents and visitors/tourists in a given market. **Table III-8** shows the amount and annual growth rates of retail sales in the St. Louis Area, the State of Missouri and the United States for the years 1985, 1990 and 1995, and projections for the year 2000. Between 1985 and 1995, retail sales in the St. Louis Area increased at an annual average rate of 4.7%, compared to 5.5% for the State of Missouri and 5.4% for the United States. The lower growth rates in retail sales at the St. Louis Area reflect the relatively slower rate of population growth during the past ten years. In the next ten years, retail sales are projected to grow at 4% per year following nationwide forecasts.

5. Construction

Total construction investment in the St. Louis Area increased by 2.0% between 1995 and 1996, due primarily to the 28% growth in public infrastructure investment. In addition, commercial building investment increased by 16% over 1995, while square footage increased over 41%.[18]

6. Cost of Living

The St. Louis Area remains one of the most affordable places to live, as evidenced by the following:

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[17] "St. Louis region reaps economic benefits of new sports events and venues", RCGA news release , May 23, 1997.

[18] Bureau of Labor Statistics, 1996.

TABLE III-8
TOTAL RETAIL SALES
(In Millions)

Year	St. Louis Area	Missouri	United States
Historical			
1985	$15,528	$30,763	$1,395,243
1990	$18,384	$36,032	$1,807,183
1991	$18,510	$36,428	$1,821,386
1992	$20,828	$41,238	$1,964,022
1993	$22,306	$44,823	$2,079,201
1994	$23,173	$48,783	$2,241,319
1995	$24,684	$52,511	$2,355,242
Projected			
2000	$29,996	$65,483	$2,871,025
Avg. Annual Growth Rate			
1985 - 1995	4.7%	5.5%	5.4%
1990 - 1995	6.1%	7.8%	5.4%
1995 - 2000	4.0%	4.5%	4.0%

Sources: Sales & Marketing Management, Survey of Buying Power and Survey of Media Markets, 1986-1996 editions.

- A recent Fortune Magazine article ranked the St. Louis Area as the sixth most affordable place to live and work.
- In the 1996 Cost of Living Survey, St. Louis had the fifth lowest in cost of living with an index of 98.7 (U.S. average = 100).[19] (See **Exhibit III-3.)**
- The St. Louis Area ranked as the fifth most affordable major metropolitan area in housing, with a median home price of $103,000. [20]
- The inflation rate has remained fairly constant at about 2.7% over the past three years, slightly lower than the US average (2.8%).

F. SUMMARY

A review of socioeconomic trends in the St. Louis Area, both historical and projected, indicates that the economic base of the region and markets served by the Airport will continue to support moderate growth in O&D air transportation demand at the Airport. These trends are summarized below:

- The St. Louis Area's EBI remained higher than those of the State of Missouri and the United States.
- The services sector of the St. Louis economy continues to employ a higher percentage of workers than the State of Missouri and the United States, attesting to the continuing successful transition to a more services-oriented economy.
- Economic indicators such as inflation, housing prices and cost of living attest to the "affordability" of the St. Louis Area, and its continued attractiveness as residential and business location. The City continues to be ranked as one of the "most affordable metropolitan areas" with one of the lowest cost of living indexes among large metropolitan areas.

The combination of these factors indicate that the economy of the St. Louis Area should continue to demonstrate positive growth, which could in turn result in increased O&D passenger activity at the Airport. However, the projected rates of growth in population and civilian labor force at St. Louis are lower than projections for the United States as a whole, suggesting that O&D passenger growth would be somewhat lower than the national average.

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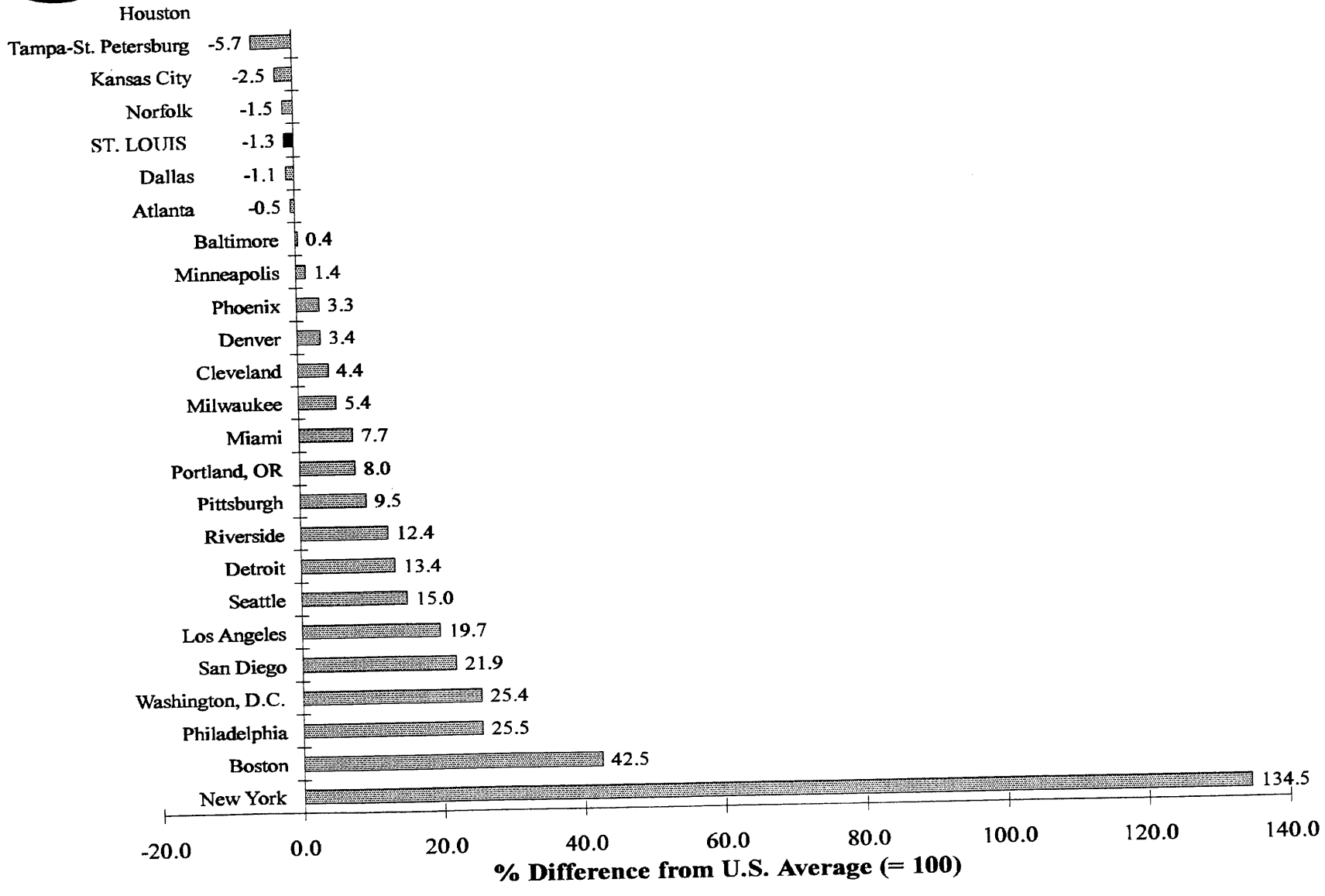
[19] RCGA, *Greater St. Louis Executive Summary*, 1996.

[20] Ibid

Exhibit III-3
COST OF LIVING COMPARISON
Metropolitan Areas Over 1.5M Population



Source: American Chamber of Commerce Researchers' Association (ACCRA), 3rd Quarter 1996.

SECTION IV

AIR TRAFFIC ANALYSIS AND FORECAST

This section reviews historical air traffic activity at the Airport and assesses the factors affecting aviation activity. Forecasts of aviation activity are presented for a six-year period 1997-2002, based on an econometric model developed by Unison Consulting Group, Inc. (Unison) which takes into account historical trends through 1996. The forecasts are compared with the 1994 Master Plan Supplement forecasts[1] and the FAA Terminal Area Forecasts.[2]

A. HISTORICAL AIR TRAFFIC

In 1920, the Airport began operation as a privately-owned airfield on 160 acres of land in Bridgeton, Missouri. It was acquired by the City of St. Louis in 1927 and had since expanded into a 3,400-acre major international airport – one of the nation's busiest – serving over 27 million passengers and processing over 500,000 aircraft operations annually. Today, the following ten major air carriers and six commuter air carriers serve the Airport:

Air Carriers

- America West
- American
- American Trans Air
- Continental
- Delta
- Northwest
- Southwest
- TWA
- USAirways
- United

Commuters

- Conair
- Executive Express
- Frontier
- Skyway
- Trans States (TW Express)
- Air Canada

TWA, the dominant air carrier, operates its largest hub at the Airport. In 1996, TWA carried approximately 68% of passenger traffic at the Airport, and Trans States, operating as TWA's regional partner, carried 5%. Together they held a 73% share of the passenger market at the Airport. At present, TWA operates 348 daily flights from the Airport, and Trans States operates 169 daily flights. Together they account for 75% of total daily departures from the Airport.[3]

Although relatively a newcomer at the Airport, Southwest has emerged as the second dominant air carrier with approximately 14% of the passenger market. Operating 89 daily flights,

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[1] Leigh Fisher Associates, "Phase 1/Task 3 - Forecast Analysis", *Master Plan Supplement Study*, Lambert-St. Louis International Airport, Prepared for the City of St. Louis Airport Authority, September 30, 1994.

[2] FAA, *Terminal Area Forecasts - 1996-2010*, on-line as of May 30, 1997. These are airport-level activity forecasts prepared for the budget and planning needs of the FAA.

[3] BACK/OAG Database, 1997.

Southwest accounts for 13% of total daily departures.[4] In the coming years, this share is expected to increase significantly. Southwest currently leases 8 gates at the Airport and will have a total of 12 gates once the East Terminal Expansion is completed.

1. Enplanements

Enplanement traffic is a common measure of passenger activity at an airport. Enplanements typically represent approximately half of total passengers, with deplanements comprising the remaining half. Enplanements at Lambert-St. Louis grew from only 3 million per year in the early 1970s to nearly 14 million in 1996 (**Table IV-1**). Enplanement growth averaged 6.7% per year in the 1970s, 6.3% in the 1980s and 5.3% in the first half of the 1990s. The enplanement trends at the Airport generally followed national economic trends. Dips in enplanement occurred during recessions, and growth accelerated during subsequent periods of economic recovery. In December 1982, TWA designated the Airport as its major hub, driving much of the enplanement growth in the early 1980s.

The Airport experienced dips in enplanements in 1991 due to a nationwide economic recession, and in 1993 due to TWA's financial difficulties and the transfer of some of its St. Louis service to a "mini-hub" operation at Hartsfield Atlanta International Airport. However, passenger traffic rebounded with enplanements increasing by 17.3% in 1994, 10.1% in 1995, and 6.1% in 1996. The following factors stimulated air traffic:

- TWA's improved financial condition at that time and the consolidation of its domestic hub operations at the Airport;
- the expansion of Southwest Airlines' operations at the Airport;
- a nationwide economic recovery; and
- declining air fares (in real terms).

The positive effect of Southwest on Airport enplanements goes beyond the growth in its own traffic. Southwest has lowered average fares at the Airport by offering low fares and by eliciting a similar competitive response from the other airlines.

a) *Airport Enplanements vs. US Total.* In 1996, the Airport enplaned approximately 2.2% of total US scheduled passengers (**Table IV-2**). Between 1986 and 1991, scheduled enplanements at the Airport decreased by 1.3% per year while the US total scheduled enplanements increased 2.2% per year. However, in the last five years, scheduled enplanements at the Airport increased by 7.6% annually, significantly exceeding the US annual enplanement growth of 4.6%.

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[4] BACK/OAG Database, 1997.

TABLE IV-1
PASSENGER ENPLANEMENTS AND HISTORICAL GROWTH RATES

Year	Enplanements (000)	Annual Growth Rate
1970	2,826	-
1980	5,426	-
1990	10,020	-
1991	9,556	(4.6%)
1992	10,479	9.7%
1993	9,942	(5.1%)
1994	11,667	17.3%
1995	12,848	10.1%
1996	13,631	6.1%
Jan-May 1997[1]	5,396	-
Avg. Annual Growth Rate		
1970-1980		6.7%
1980-1990		6.3%
1990-1996		5.3%

[1]Based on historical monthly distribution of enplanements in the last five years, the period January to May accounts for 38.8% of the full year total. Hence, the above figure translates into a full year estimate of 13.9 million enplanements.

Source: Airport management records.

TABLE IV-2
HISTORICAL SCHEDULED ENPLANEMENTS[1]
THE AIRPORT VS. US TOTAL

Year	STL Enplanements (000)	STL Enplanements % Growth	US Enplanements[2] (000)	US Enplanements[2] % Growth	STL's Share of US Market
1986	10,070	2.5%	439,625	9.0%	2.3%
1987	10,056	(0.1%)	471,825	7.3%	2.1%
1988[3]	10,000	(0.6%)	476,725	1.0%	2.1%
1989	9,892	(1.1%)	484,775	1.7%	2.0%
1990	9,894	0.0%	494,825	2.1%	2.0%
1991	9,418	(4.8%)	490,650	(0.8%)	1.9%
1992	10,338	9.8%	507,775	3.5%	2.0%
1993	9,778	(5.4%)	524,100	3.2%	1.9%
1994	11,495	17.6%	560,575	7.0%	2.1%
1995	12,706	10.5%	583,775	4.1%	2.2%
1996[4]	13,557	6.7%	614,200	5.2%	2.2%
Avg. Annual Growth Rate					
1986-1996		3.0%		3.4%	
1986-1991		(1.3%)		2.2%	
1991-1996		7.6%		4.6%	

[1] Figures include enplanements by scheduled commercial air carriers and commuter/air taxi carriers, and exclude non-scheduled enplanements.

[2] US enplanements for calendar years were estimated from fiscal year figures reported by the FAA. The FAA fiscal year ends in September 30.

[3] The STL figure represents an estimate.

[4] The US enplanement figure represents FAA's estimate.

Sources: FAA Aviation Forecasts, various issues; and Airport management records.

b) *Origin & Destination (O&D) vs. Connecting Traffic.* **Table IV-3** and **Exhibit IV-1** show the breakdown of enplanements between O&D and connecting traffic from 1986 to 1996. In 1986 and 1987, connecting traffic accounted for the majority of passenger activity at the Airport. However, the share of connecting traffic began to decline with the merger of Ozark and TWA in 1986 to a low of 36.9% in 1993. The declining trend reversed in 1994 as TWA consolidated its domestic hub operations at the Airport, and the growth in the share of connecting traffic continued through 1996. During 1996, connecting traffic accounted for 45.2% of total enplanements. TWA accounted for 94.4% of the connecting traffic.

In comparison, O&D enplanements have been increasing relatively more steadily and have constituted the majority of passenger traffic in the last nine years. In 1996, O&D traffic accounted for 54.8% of total enplanements at the Airport. Of the total O&D enplanements, TWA accounted for 45.9% and SWA accounted for 20.3 %.

c) *Domestic and International Traffic.* **Table IV-4** shows historical domestic and international scheduled enplanements. During the period 1986-1996, international enplanements comprised only 1.2% of annual scheduled enplanements. Significant increases occurred between 1986 and 1992 due mainly to TWA, but were offset by a sharp decline in 1993 as TWA's financial difficulties at that time forced a reduction in its international operations. Since then, international enplanements have fluctuated and, in 1996, totaled 149,300, 23.2% lower than the peak level in 1992. TWA currently operates non-stop flights from St. Louis to the five international destinations:

- Montego Bay, Jamaica
- Cancun, Mexico
- Toronto, Canada
- Paris, France
- London, United Kingdom

In addition, Air Canada, which began service in 1996, operates flights between St. Louis and Toronto.

d) *Air Carrier Market Share.* **Table IV-5** shows the breakdown of total enplanements by air carrier from 1991 to 1996. While TWA remains as the dominant airline, its share of Airport enplanements has slipped slightly from 69.9% in 1991 to 67.7% in 1996. In contrast, Southwest has more than doubled its market share from 6.6% in 1991 to 13.6% in 1996. Having the third largest market share of 5.3% in 1996, Trans States operates as a code-sharing partner to TWA and feeds traffic into TWA's St. Louis hub from shorter haul and lower density markets in the Midwest and the South. In total, the air carriers accounted for approximately 93.5% of passenger enplanements at the Airport, commuter airlines accounted for 6.0%, and non-scheduled airlines accounted for 0.5%. **Table IV-6** lists the non-stop markets served by the top three air carriers.

TABLE IV-3
HISTORICAL ENPLANEMENTS
ORIGIN & DESTINATION VS. CONNECTING

Year	O&D			Connecting			Total
	(000)	% Growth	% of Total	(000)	% Growth	% of Total	(000)
1986	4,895	-	48.8%	5,126	-	51.2%	10,021
1987	4,894	(0.0%)	49.0%	5,088	(0.7%)	51.0%	9,982
1988	5,227	6.8%	51.9%	4,837	(4.9%)	48.1%	10,064
1989	5,349	2.3%	53.5%	4,648	(3.9%)	46.5%	9,997
1990	5,575	4.2%	55.6%	4,444	(4.4%)	44.4%	10,020
1991	5,545	(0.5%)	58.0%	4,011	(9.8%)	42.0%	9,556
1992	6,181	11.5%	59.0%	4,297	7.1%	41.0%	10,479
1993	6,271	1.5%	63.1%	3,671	(14.6%)	36.9%	9,942
1994	6,938	10.6%	59.5%	4,728	28.8%	40.5%	11,667
1995	7,316	5.4%	56.9%	5,532	17.0%	43.1%	12,848
1996	7,472	2.1%	54.8%	6,160	11.4%	45.2%	13,631
Jan-May 1997	2,966	-	55.0%	2,430	-	45.0%	5,396
Avg. Annual Growth Rate							
1986-1996		4.3%			1.9%		3.1%
1986-1991		2.5%			(4.8%)		(0.9%)
1991-1996		6.1%			9.0%		7.4%

Source: Airport management records.

EXHIBIT IV-1
HISTORICAL ENPLANEMENTS
O&D VS. CONNECTING

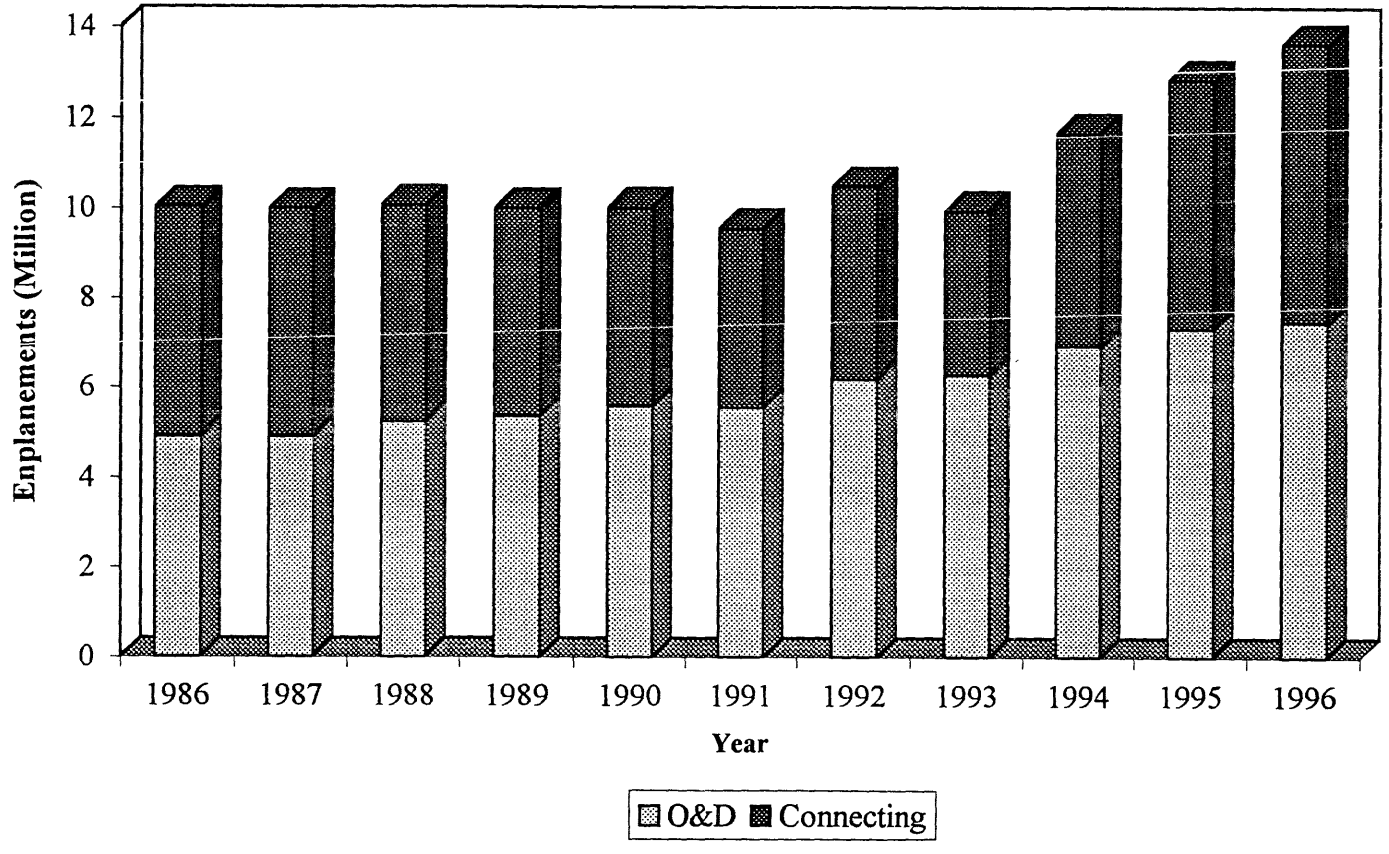

TABLE IV-4
HISTORICAL SCHEDULED ENPLANEMENTS[1]
DOMESTIC VS. INTERNATIONAL

Year	Domestic			International			Total
	(000)	% Growth	% Share	(000)	% Growth	% Share	(000)
1986	10,025		99.6%	45		0.4%	10,070
1987	9,956	(0.7%)	99.0%	100	121.9%	1.0%	10,056
1988	9,908	(0.5%)	99.1%	92	(8.1%)	0.9%	10,000
1989	9,798	(1.1%)	99.0%	94	2.9%	1.0%	9,892
1990	9,805	0.1%	99.1%	89	(5.8%)	0.9%	9,894
1991	9,261	(5.5%)	98.3%	157	76.9%	1.7%	9,418
1992	10,143	9.5%	98.1%	194	23.9%	1.9%	10,338
1993	9,646	(4.9%)	98.7%	132	(32.1%)	1.3%	9,778
1994	11,335	17.5%	98.6%	160	20.9%	1.4%	11,495
1995	12,571	10.9%	98.9%	135	(15.5%)	1.1%	12,706
1996	13,407	6.7%	98.9%	149	10.8%	1.1%	13,557
Avg. Annual Growth Rate							
1986-1996		3.0%			12.8%		3.0%
1986-1991		(1.6%)			28.4%		(1.3%)
1991-1996		7.7%			(1.0%)		7.6%

[1] Figures include enplanements by scheduled commercial air carriers and commuter/air taxi carriers, and exclude non-scheduled enplanements.

Source: Airport management records.

TABLE IV-5
HISTORICAL AIRLINE MARKET SHARE

Airline	ENPLANEMENTS			MARKET SHARE		
	1991	1996	Jan-May 1997	1991	1996	Jan-May 1997
Air Carrier						
America West	66,330	95,268	40,722	0.7%	0.7%	0.8%
American	355,377	303,837	122,620	3.7%	2.2%	2.3%
American Trans Air	-	45,581	22,023	-	0.3%	0.4%
Continental	81,339	183,747	63,046	0.9%	1.4%	1.2%
Delta	220,041	288,747	117,273	2.3%	2.1%	2.2%
Northwest	280,196	311,768	115,630	2.9%	2.3%	2.1%
Southwest	631,531	1,853,673	652,120	6.6%	13.6%	12.1%
TWA	6,680,355	9,232,007	3,713,043	69.9%	67.7%	68.8%
United	284,590	275,354	112,761	3.0%	2.0%	2.1%
USAir	156,914	156,293	59,512	1.6%	1.2%	1.1%
Other	90,870	-	-	1.0%	-	-
Total Air Carriers	8,847,543	12,746,275	5,018,748	92.6%	93.5%	93.0%
Commuters						
Air Midwest	4,508	-	-	0.05%	-	-
Air Canada	-	21,539	7,632	-	0.2%	0.1%
Comair	14,777	36,128	16,821	0.2%	0.3%	0.3%
Continental	-	-	1,826			0.03%
Executive Express	7,258	2,518	807	0.1%	0.02%	0.01%
Frontier	-	21,471	15,845	-	0.2%	0.3%
Flagship	-	-	-	-	-	-
Skyway Airlines	-	5,741	2,199	-	0.04%	0.0%
Trans States	540,589	722,873	310,616	5.7%	5.3%	5.8%
Other	3,404	249	-	0.04%	-	-
Total Commuters	570,536	810,519	355,745	6.0%	6.0%	6.6%
Non-Scheduled						
Total Non-Scheduled	137,551	74,520	21,198	1.4%	0.5%	0.4%
Total Enplanements	9,555,630	13,631,314	5,395,690	100.0%	100.0%	100.0%

Source: Airport management records.

TABLE IV-6

NONSTOP MARKETS SERVED BY THE AIRPORT'S TOP THREE AIR CARRIERS

TWA			
Albuquerque, NM	Ft. Lauderdale, FL	Montego Bay, Jamaica	Salt Lake City, UT
Atlanta, GA	Hartford, CT	New Orleans, LA	San Antonio, TX
Austin, TX	Honolulu, HI	Newark, NJ	San Diego, CA
Baltimore, MD	Houston, TX	New York, NY	San Francisco, CA
Boston, MA	Indianapolis, IN	Norfolk, VA	San Jose, CA
Cancun, Mexico	Jackson, MS	Oklahoma City, OK	San Juan, PR
Cedar Rapids, IA	Jacksonville, FL	Omaha, NE	Sarasota, FL
Charlotte, NC	Kansas City, MO	Ontario, CA	Seattle, WA
Chicago, IL	Knoxville, TN	Orange County, CA	Shreveport, LA
Cincinnati, OH	Las Vegas, NE	Orlando, FL	Sioux Falls, SD
Cleveland, OH	Little Rock, AR	Paris, France	Springfield, MO
Colorado Springs, CO	London, England	Philadelphia, PA	Tampa, FL
Columbus, OH	Los Angeles, CA	Phoenix, AZ	Tulsa, OK
Dallas/Ft. Worth, TX	Louisville, KY	Pittsburgh, PA	Washington, DC
Dayton, OH	Miami, FL	Portland, OR	West Palm Beach, FL
Denver, CO	Milwaukee, WI	Raleigh/Durham, NC	Wichita, KS
Des Moines, IA	Minneapolis/St. Paul, MN	Reno, NV	
Detroit, MI	Moline, IL	Sacramento, CA	
Southwest[5]			
Albuquerque, NM	Columbus, OH	Little Rock, AR	Phoenix, AZ
Baltimore, MD	Detroit, MI	Louisville, KY	Salt Lake City, UT
Birmingham, AL	Houston, TX	Oklahoma City, OK	Tampa, FL
Chicago, IL	Indianapolis, IN	Omaha, NE	Tulsa, OK
Cleveland, OH	Kansas City, MO	Orlando, FL	
Trans States			
Birmingham, AL	Evansville, IN	Marion, IL	Quincy, IL
Bloomington, IL	Fayetteville, AR	Memphis, TN	Sioux City, IA
Burlington, IA	Ft. Wayne, IN	Milwaukee, WI	South Bend, IN
Cape Girardeau, MO	Ft. Leonard Wood, MO	Moline, IL	Springfield, IL
Cedar Rapids, IA	Ft. Smith, AR	Nashville, TN	Springfield, MO
Champaign, IL	Grand Rapids, MI	Paducah, KY	Waterloo, IA
Columbia, MO	Joplin, MO	Peoria, IL	
Decatur, IL	Lexington, KY	Philadelphia, PA	
Des Moines, IA	Madison, WI	Pittsburgh, PA	

Source: BACK/Official Airline Guide (OAG) Database, 1997; and TWA Reservations.

[5] Southwest's operating characteristics as a short-haul, point to point air carrier results in fewer direct and non-stop city-pairs than other airlines with similar numbers of airports served. There are a large number of city-pairs within two or three stops of St. Louis on Southwest's route, and these city-pairs are not reflected above.

2. Aircraft Operations

As of 1996, Lambert-St. Louis International was the 8th busiest airport in the world, in terms of aircraft operations. **Table IV-7** shows aircraft operations by category from 1986 to 1996. Air carrier operations increased at an average of 1.9% annually and accounted for 69.6% of total operations in 1996. Commuter operations increased by 1.3% annually and accounted for 22.8% of 1996 total. GA operations accounted for 6.4%. Over the years, many GA users have transferred their operations to other airports that are more amenable to GA activity – a typical result at large commercial airports in metropolitan areas across the United States. Military operations accounted for 1.1% of total operations in 1996, consisting largely of operations by the Missouri Air National Guard which is based at the Airport. In general, total aircraft operations have been growing at a slower rate than total enplanements due to:

- increasing load factors – a trend that has been prevailing throughout the industry; and
- the substitution of jet service for more frequent commuter service on higher density short haul routes.

3. Landed Weight

As shown on **Table IV-8**, the total landed weight of aircraft operating at the Airport increased at an average annual rate of 5.3%, from 18.4 billion pounds in 1991 to 23.8 billion pounds in 1996. The growth is mainly attributable to signatory airlines whose total landed weight increased by an average of 5.6% per year. The overall growth in landed weight results, in part, from the continued growth of TWA, Southwest, and commuter operations. Between 1991 and 1996, Continental and Southwest showed the largest increases in landed weight at 20.3% per year and 17.6% per year, respectively. TWA and Trans States follow with annual growth rates in landed weight of 4.8% and 4.1%.

4. Air Cargo

Table IV-9 shows air cargo activity at the Airport. In 1996, air cargo consisted of 68.3% freight/express and 31.7% mail. In general, air cargo does not represent a significant component of aviation activity at the Airport. In 1996, air cargo airlines accounted for only 1.6% of Airport operating revenues.

TABLE IV-7
HISTORICAL AIRCRAFT OPERATIONS

Year	Air Carrier	Commuter/ Air Taxi	General Aviation	Military	Total
1986	295,967	102,991	48,455	10,880	458,293
1991	262,371	105,589	35,985	9,267	413,212
1992	273,069	109,268	36,573	8,845	427,755
1993	283,579	115,171	45,508	9,010	453,268
1994	317,576	116,161	38,744	7,462	479,943
1995	351,291	123,123	37,693	7,049	519,156
1996	357,916	117,103	33,083	5,837	513,939
Jan-May 1997	148,276	47,942	11,970	1,914	210,102
Avg. Annual Growth Rate					
1986-1996	1.9%	1.3%	(3.7%)	(6.0%)	1.2%
1986-1991	(2.4%)	0.5%	(5.8%)	(3.2%)	(2.0%)
1991-1996	6.4%	2.1%	(1.7%)	(8.8%)	4.5%

Source: Airport management records.

TABLE IV-8
HISTORICAL AIRLINE LANDED WEIGHT
(In Thousand Pounds)

Airline	1991	1996	Avg. Annual Growth Rate 1991-1996
Signatory			
American	613,667	477,517	(4.9%)
Continental	134,625	338,652	20.3%
Delta	425,675	445,217	0.9%
Northwest	474,036	535,499	2.5%
Southwest	1,512,355	3,397,076	17.6%
Trans States	920,926	1,128,324	4.1%
TWA	12,551,440	15,859,035	4.8%
United	426,277	374,174	(2.6%)
USAir	278,529	239,971	(2.9%)
Total Signatory	**17,337,530**	**22,795,464**	**5.6%**
Nonsignatory	**1,083,884**	**998,248**	**(1.6%)**
TOTAL	**18,421,414**	**23,793,712**	**5.3%**

Source: Airport management records.

TABLE IV-9
MAIL, FREIGHT, AND EXPRESS AIR CARGO (In Tons)

Year	Freight/ Express	Mail	Total
1986	71,319	42,120	113,439
1991	87,675	28,526	116,200
1992	91,185	31,920	123,105
1993	86,835	34,467	121,302
1994	103,210	37,474	140,684
1995	99,648	40,968	140,616
1996	98,956	45,941	144,898
Jan-May 1997	39,298	17,752	57,050
Avg. Annual Growth Rate			
1986-1996	3.3%	0.9%	2.5%
1986-1991	4.2%	(7.5%)	0.5%
1991-1996	2.5%	10.0%	4.5%

Source: Airport management records.

B. AIR SERVICE MARKETS

As determined from the US DOT's 10% Ticket Survey,[6] the top 35 nonstop O&D markets served by the Airport are dispersed throughout the United States (**Table IV-10**). St. Louis is primarily a business destination as evidenced by the fact that most of its top 10 markets are major metropolitan areas. The next 10 destinations are predominantly leisure markets. Chicago and New York ranked as the top two markets in 1996, accounting for 9.7% and 4.3% of the Airport's total market, respectively. The top 10 markets accounted for 41.9% of O&D passengers, the top 20 markets accounted for 61.2%, and the top 35 markets accounted for 78.7%.

C. FACTORS AFFECTING AIR TRAFFIC

The continued viability of the Airport depends, among other things, upon the future level of airline passenger traffic at the Airport. Several key factors have affected passenger traffic at the Airport historically, and some of these will continue to influence future levels of passenger traffic. Section II discussed the local economic base at St. Louis. The following discussion addresses other factors such as national economic conditions, air fares, the availability and cost of aviation fuel, competition with another commercial airport in the area, mergers/consolidations in the airline industry, the continued hub operations of TWA, and the operation of Southwest at the Airport.

1. National Economic Conditions

Historically, airline passenger traffic nationwide has generally followed US economic trends. At Lambert-St. Louis, a hub airport, passenger traffic has also been sensitive to national economic conditions. As discussed above, enplanements at the Airport have decreased during economic recessions and generally increased during subsequent years of economic recovery. In the past three years, the economy has been on the upswing, and this has contributed to double-digit enplanement growth rates – 17.3% and 10.1% – in 1994 and 1995, and a 6.1% enplanement growth rate in 1996. In the past ten years, the economy, as measured by the real Gross Domestic Product (GDP), has grown by 2.3% per year on average, while enplanements at the Airport have grown by 3.1% per year on average. In the next 10 years, the economy is projected to grow by an average of 2.1% per year in real terms.[7] While short-term fluctuations are likely to occur as part of the general business cycle, the projected long-term economic growth should have a positive impact on future passenger traffic at the Airport. **Exhibit IV-2a** shows the historical movements in the Airport's enplanements vis-à-vis movements in the real GDP, while **Exhibit IV-2b** shows the positive correlation between the two variables.

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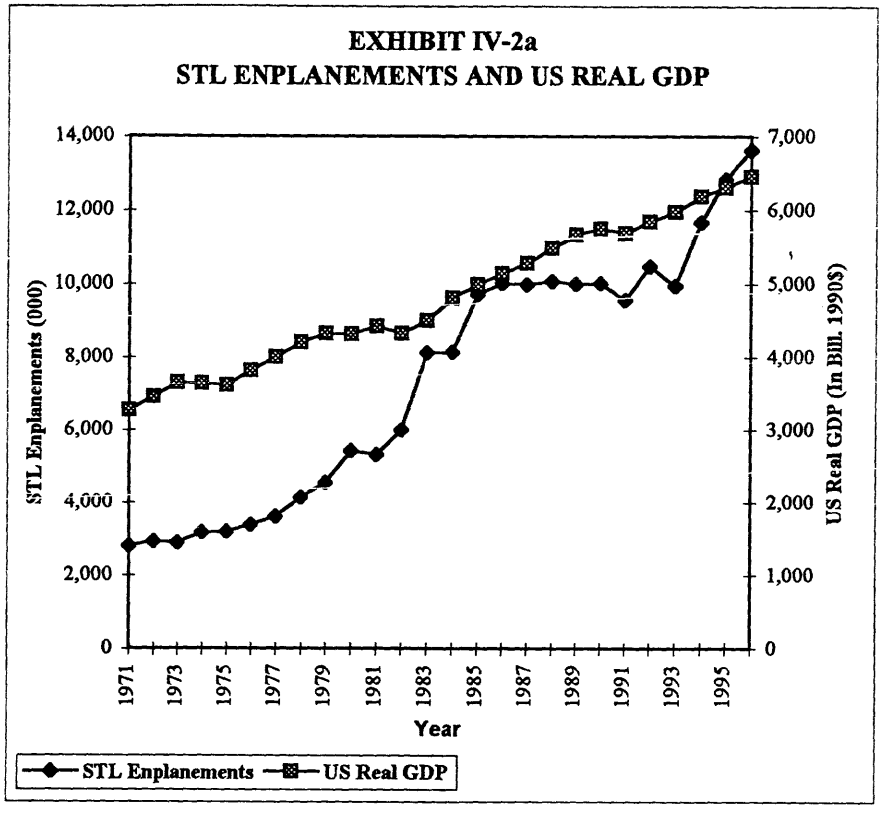
[6] BACK/US DOT OD1A Database, 1996.

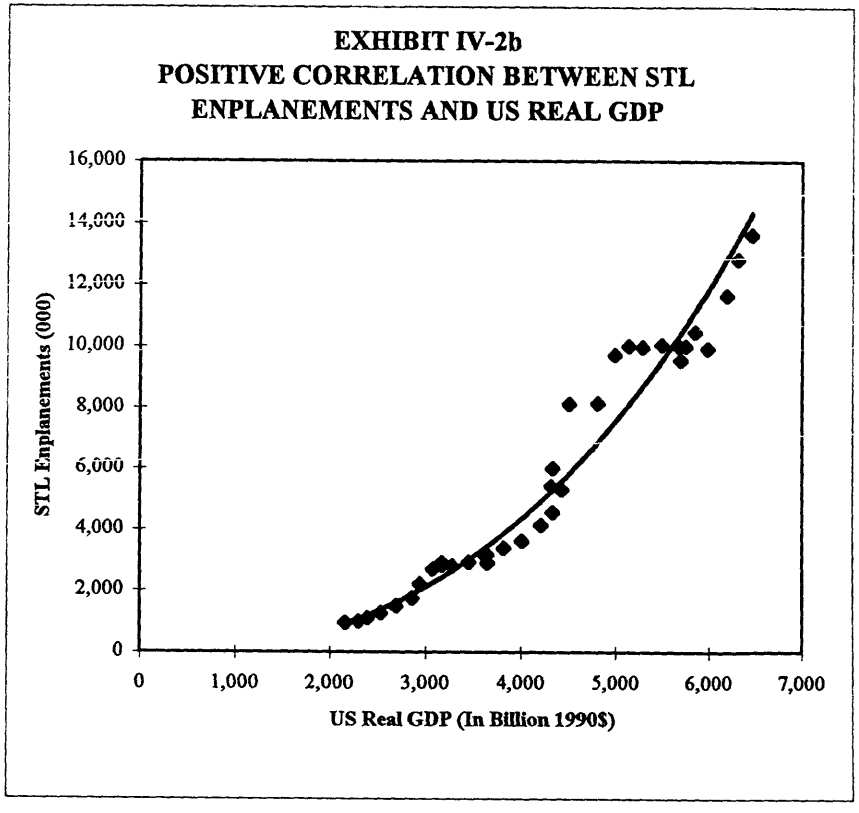
[7] BACK/Data Resources, Inc.,(DRI)/McGraw-Hill Economics Database, 1961-2006.

TABLE IV-10
ST. LOUIS TOP 35 O & D DOMESTIC MARKETS
1996

Rank	City	Market Share
1	Chicago, IL	9.7%
2	New York, NY	4.3%
3	Los Angeles, CA	4.3%
4	Detroit, MI	4.0%
5	Kansas City, MO	3.9%
6	Baltimore, MD	3.9%
7	Houston, TX	3.3%
8	Dallas, TX	3.0%
9	Phoenix, AZ	2.8%
10	San Francisco, CA	2.6%
11	Orlando, FL	2.3%
12	Denver, CO	2.2%
13	Atlanta, GA	2.2%
14	Las Vegas, NV	2.2%
15	Cleveland, OH	2.1%
16	Tampa/St. Petersburg, FL	1.8%
17	Minneapolis/St. Paul, MN	1.8%
18	Washington, D.C.	1.7%
19	Boston, MA	1.6%
20	Little Rock, AR	1.5%
21	Columbus, OH	1.5%
22	Seattle-Tacoma, WA	1.4%
23	San Diego, CA	1.3%
24	Omaha, NE	1.3%
25	Oklahoma City, OK	1.3%
26	Indianapolis, IN	1.3%
27	Tulsa, OK	1.2%
28	Philadelphia, PA	1.2%
29	Salt Lake City, UT	1.2%
30	San Antonio, TX	1.2%
31	New Orleans, LA	1.2%
32	Louisville, KY	1.0%
33	Ft. Lauderdale, FL	1.0%
34	Miami, FL	0.8%
35	Portland, OR	0.7%
Market Share of Top 10 Markets		41.8%
Market Share of Top 20 Markets		61.2%
Market Share of Top 35 Markets		78.8%

Source: BACK/US DOT OD1A Database, 1996.





The solid line in Exhibit III-2b represents a trendline.

Sources: Airport management records; and BACK\DRI\McGraw-Hill Economics database.

2. Air Fares

Experience in the aviation industry since deregulation has shown that airline passenger traffic is sensitive to price. Like other normal goods, air travel demand generally increases with a decrease in fares. In 1992, for example, the airline "fare wars" helped stimulate passenger traffic nationwide from depressed levels in 1991. For the nation's air carriers as a whole, air fares, as measured by passenger yields, have been going down in real terms.[8] The average real domestic passenger yield for the United States has been declining at 1.3% per year between 1986 and 1996. It is projected to decrease further by 1.1% per year in the next ten years, down from 14 cents per passenger mile in 1996 to 12 cents per passenger mile in 2006.[9]

In the 1970s, the decrease in real passenger yields was mainly due to the introduction of large numbers of more efficient jet aircraft into the industry fleet. In the 1980s, the continued decrease was fueled by the deflationary impact deregulation had on the industry. The industry deregulation in 1978 allowed airlines to rationalize their route structures, streamline their operations, lower labor costs, and lower air fares. In the 1990s, financial weakness in the industry, along with excess capacity and the entrance of new carriers in the market, brought about intense fare competition that pushed existing carriers to restructure and increase productivity.[10] In particular, the emergence of "low-cost, no-frills" carriers like Southwest Airlines has lowered average fares in many short-haul markets in recent years.

The average yield at the Airport has tended to be higher than the US average – as is the general case in airports dominated by a single carrier. However, the gap is narrowing with the increasing presence of Southwest Airlines at the Airport. **Table IV-11** compares the average domestic real passenger yield at the Airport and the United States. Figures for the Airport correspond to the O&D market segment only, and the yield for connecting traffic is perhaps best proxied by the national average. In 1991, the average real passenger yield on O&D traffic at the Airport was 18.8 cents, 24% higher than the national average. By 1996, the average real O&D yield has declined to 15.7 cents, only 13% higher than the national average. In view of the increasing presence of Southwest and other low-fare operations by Continental, United, and USAirways, real yields at the Airport should continue to decline and approach the national average.[11]

The econometric analysis below uses the national average as a proxy for the average yield at the Airport. **Exhibit IV-3a** shows the historical trend in the national average domestic passenger yield vis-à-vis enplanements at the Airport. **Exhibit IV-3b** shows the negative correlation between passenger yield and enplanements.

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[8] The real passenger yield is expressed in constant 1996 dollars.

[9] US DOT, *FAA Aviation Forecasts*, FY 1997-2008.

[10] US DOT, *FAA Aviation Forecasts*, FY 1996-2007.

[11] *Master Plan Supplement Study*, September 30, 1997.

TABLE IV-11
AVERAGE DOMESTIC PASSENGER YIELD
THE AIRPORT AND THE UNITED STATES
(In Constant 1996 Cents)

Year	STL[1]	US
1991	18.79	15.11
1992	16.51	14.41
1993	17.77	15.69
1994	16.11	14.14
1995	15.85	13.69
1996	15.69	13.86

[1] Figures correspond to O&D segment only.

Sources: BACK/US DOT OD1A Database; and FAA/APP Statistics and Forecasts.

EXHIBIT IV-3a
STL ENPLANEMENTS AND REAL US DOMESTIC PASSENGER YIELD

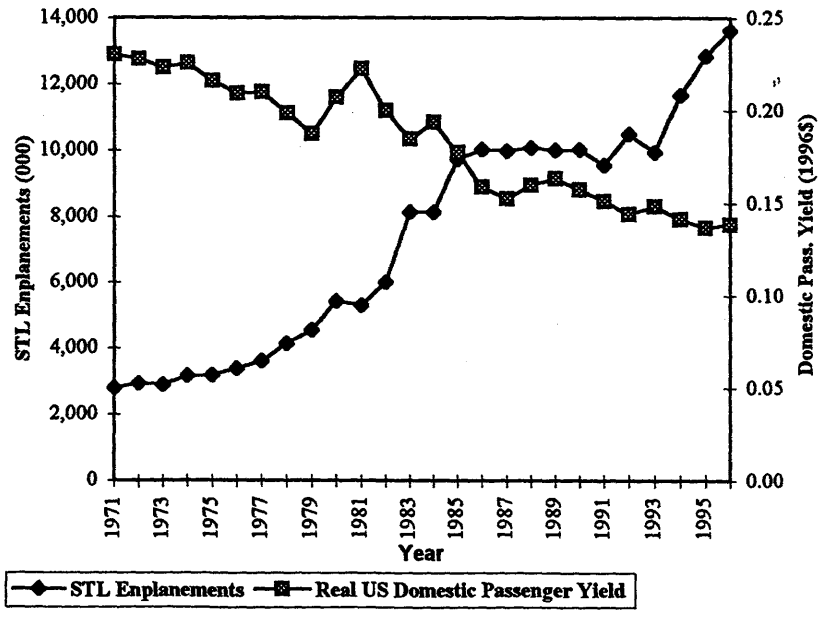
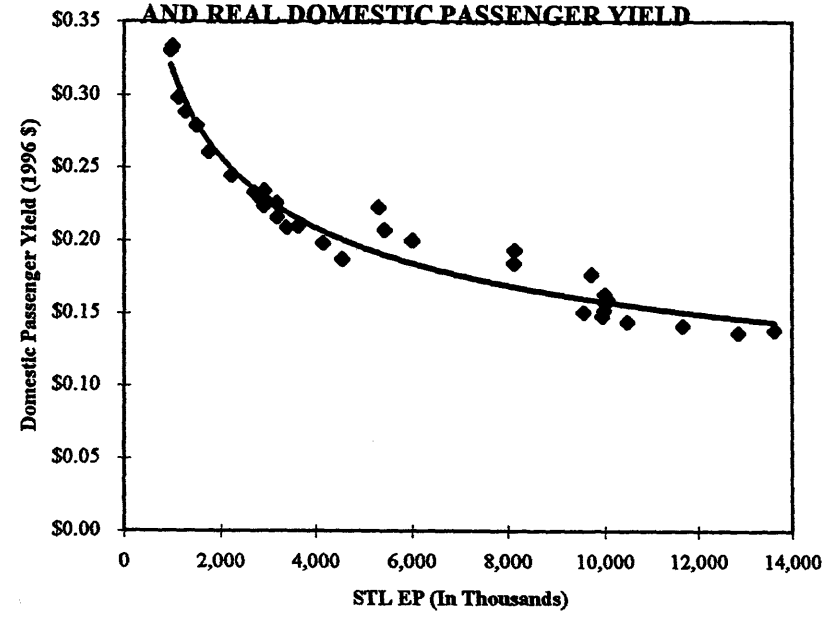


EXHIBIT IV-3b
NEGATIVE CORRELATION BETWEEN STL EPs AND REAL DOMESTIC PASSENGER YIELD



The solid line in Exhibit III-3b represents a trendline.

Sources: Airport management records; and FAA/APP Statistics and Forecasts.

3. Aircraft Fuel Prices

Changes in jet fuel prices can have a significant impact on airline financial performance and on air fares. In the past, fuel shortages have caused major disruptions in aviation activity. These occurred in the mid-1970s when OPEC announced an embargo on oil exported to the United States, and in the early 1990s when oil shipments to the United States were interrupted due to the Persian Gulf War. In response, airlines increased fares and imposed fuel surcharges to cover higher operating costs. The future oil supply situation depends highly on the political situation in the Middle East. Potential conflicts between countries and internal upheavals could affect world oil markets and the price of aircraft fuel.

Since 1992, real jet fuel prices[12] have declined from an average of 90 cents per gallon in 1991 to 62 cents per gallon in 1996, an annual decrease of 7.1% systemwide. Over the next ten years, they are projected to decrease further by 0.9% per year, down to a system average of 57 cents per gallon by 2006.[13]

4. Other Airports

The presence of another airport within the air service area can affect aviation activity at a particular airport, to the extent that the other airport will be competing for limited market demand. In St. Claire County, Illinois, Mid America Airport, a joint-use facility with Scott Air Force Base (AFB) is being constructed. Mid America Airport is being considered as a reliever airport for the Airport by the FAA. A new 10,000-foot runway is being constructed in addition to the existing 10,000-foot runway at Scott AFB. A four aircraft gate terminal building is scheduled for completion by October 1997. Mid America Airport is designed to eventually accommodate 20 aircraft gates and 1.25 million annual enplanements. According to the Scott Joint-Use Airport Revenue Forecasts, Mid America would reach this maximum enplanement design capacity in the year 2013.[14] Given such limited capacity, Mid America Airport should not pose a competitive threat to the Airport, which served approximately 13.6 million enplanements in 1996.

5. Mergers/Consolidation in the Airline Industry

Mergers and consolidations could result in temporary disruptions in the airline industry. For example, overall activity at the Airport was affected by the merger of Ozark and TWA, and the termination of Braniff's, Eastern's, and People's Express' operations, among others. In the long run, mergers effectively reduce competition and weaken checks on air fares. However, they also result in lower operating costs and make lower air fares feasible.

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[12] Real jet fuel prices are expressed in constant 1996 dollars.

[13] US DOT, *FAA Aviation Forecasts, FY 1997-2008.*

[14] Scott Joint-Use Airport Revenue Forecasts, February 8, 1993.

6. TWA Hub Operations at the Airport

Any financial or operational difficulties experienced by TWA could significantly affect Airport traffic. In the past six years, TWA has twice filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Following TWA's first bankruptcy in January 1992, the Airport suffered a 5.1% decline in enplanements in 1993. However, enplanements quickly rebounded and continued to post significant growth even after TWA filed for bankruptcy a second time in June 1995.

TWA's most recent reorganization plan incorporated business strategies that allowed the hub operation at the Airport to be maintained. As of March 1997, TWA operated about 350 departures per day at the Airport.[15] TWA's reorganization resulted in the elimination of more than $1.5 billion of debt and lease obligations. In addition, TWA restructured its operations, reduced its operating costs, reached competitive long-term labor agreements, and completed a refinancing scheme to significantly improve its long-term financial structure. TWA cut its operating costs from 9.03 cents per available seat mile in 1990 to 8.27 cents per available seat mile in 1996, down by 8.4%.[16] TWA's stated goal is to cut operating costs to 7.5 cents per available seat mile, similar to costs incurred by Southwest Airlines and other low-fare carriers.

However, TWA continues to experience financial difficulties due to:

- TWA's inability to boost revenues – an aggressive expansion of TWA's capacity forced TWA to rely on lower-yielding feed traffic and bulk ticket sales to fill increased capacity;
- aircraft delivery and maintenance delays that resulted in many flight cancellations, poor on-time performance, increased pilot training costs and higher maintenance expenditures; and
- the crash of TWA Flight 800 which caused adverse publicity and revenue losses, and distracted management's attention from core operating issues.

As of December 31, 1996, TWA reported an operating loss of $198.5 million and a net loss of $284.8 million. TWA's financial results continue to deteriorate: first and second quarter 1997 results show higher operating and net losses compared to the same period in 1996. In the FY 1996 audit report, TWA's external auditor, KPMG Peat Marwick, has issued a qualified opinion indicating that substantial doubts exist regarding TWA's ability to continue as a going concern.

TWA continues to expand its fleet and awaits the delivery of new jets, including 20 Boeing 757s and 15 MD-80s. The new aircraft will require less maintenance than the older ones they will replace. As a result, TWA is streamlining its maintenance operations

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[15] *Official Airline Guide*, 1997.

[16] BACK/US DOT Form 41 Database.

and plans to eliminate 1,000 positions – more than half of which are currently vacant – by December 1997.

TWA's continuing financial difficulties create uncertainties with respect to its operations at the Airport. Because of this, TWA's use agreement and other lease agreements with the Airport were amended in 1993 to give the City the right to reclaim facilities leased to TWA and reallocate them to other air carriers in the event that TWA fails to maintain certain utilization standards.

For more information on TWA and the extent to which the City's legal, equitable and contractual rights in and to its property interests may be adversely affected if TWA again files for bankruptcy protection, see "THE AIRLINE INDUSTRY - Trans World Airlines, Inc." in the Official Statement.

7. Southwest's Market Entrance

Historically, the entrance of Southwest has caused positive changes in the airline industry. Unlike other major airlines, Southwest does not operate a hub-and-spoke service system and tends to concentrate instead on dense, short-haul markets where it can provide frequent, high passenger load factor service. As a result, Southwest has low operating costs compared to network carriers, allowing it to charge relatively low fares.

At the Airport, Southwest has stimulated passenger traffic by its own low fares and by eliciting a similar competitive response from TWA and other air carriers. With the expansion of the East Terminal, Southwest will have access to 12 gates and the ability to significantly increase its service at the Airport. Southwest's increased presence at the Airport should continue to promote a healthy competition among the air carriers serving the Airport and stimulate overall air transportation demand at the Airport.

D. ENPLANEMENT FORECASTS

This subsection presents enplanement forecasts for the Airport for the period 1997-2002. It provides an overview and critique of various forecasting approaches used in the industry, and discusses an econometric model developed by Unison to forecast air travel demand at the Airport. The econometric model has been used to generate enplanement forecasts for 1997-2002, which are compared to forecasts generated using a market share approach, forecasts developed for the 1994 Master Plan Update and the 1996 FAA Terminal Area Forecasts. In addition, the 1994 Master Plan forecasts are reviewed in comparison with actual enplanements at the Airport in recent years.

1. Overview of Forecasting Approaches

The industry uses various approaches in forecasting air passenger demand: trend analysis and judgmental forecasting, econometric analysis, and market share approach.

a) *Simple Trend Analysis and Judgmental Forecasting.* Future values are extrapolated by applying certain growth rate assumptions, based on historical average annual

growth rates and professional judgment. This approach is simple and easy to implement. However, it assumes that historical growth patterns will continue regardless of the environment. Judgmental forecasting is subjective and cannot be validated statistically.

b) *Econometric Analysis.* Econometric analysis presents a more sophisticated and systematic approach to data analysis and forecasting. In particular, ***multivariate regression analysis*** relates aviation demand to a set of logically relevant economic variables within a causal framework (i.e. a structural model). It establishes a mathematical relationship between travel demand and explanatory variables, providing coefficient estimates which quantify the contribution of each explanatory variable to the variation in demand. Multivariate regression models provide a better understanding of how different factors affect travel demand, and allow sensitivity analyses to be performed more systematically.

c) *Market Share Approach.* The market share approach relies on national or global forecasts developed by an industry authority such as the FAA. Forecasts for an airport or region are generated based on its historical share of the national enplanement total. The market share approach is appropriate when the ratio of an airport or region's enplanements to national levels has remained generally consistent over time.

2. Econometric Demand Model and Forecasts

An econometric demand model has been developed to generate the base enplanement forecasts for this study. The model uses multivariate regression analysis and combines elements of time series modeling techniques. The model includes the following explanatory variables: real passenger yield, real GDP, a variable to capture the increase in connecting traffic due to TWA's hubbing operations at the Airport, and a variable to capture the dip in enplanements in 1993 that resulted from TWA's financial difficulties at that time.[17] Real passenger yields reflect industry trends and represent the cost of travel. Real GDP measures income and reflects national economic trends. Real GDP also reflects local economic trends as they generally follow national business cycles of recession and recovery.

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[17] Various factors were considered such as real passenger yields; national economic indicators such as real GDP and real per capita GDP; and local indicators such as the population, non-agricultural employment, and personal income in the St. Louis Area. Various model specifications - both linear and nonlinear - were tested, and the model determined to best fit the data is as follows:

$$log(enplanements) = f[log(yield), log(GDP), TWA\ hub, TWA\ financial\ difficulties]$$

where *log* denotes the natural log transformation, and *f* reads "function of". The model also included a first-order auto-regressive (AR) term to capture a positive serial correlation between current and previous period enplanements.

Using historical data from 1961 to 1996, the model fits the data very closely, explaining over 99% of the variation in annual enplanements. All the estimated coefficients of the explanatory variables have the expected signs. For example, enplanements are negatively correlated with real passenger yields – passenger demand increases when fares go down. On average, a 1% decrease (increase) in real passenger yields causes a 0.4% increase (decrease) in enplanements.[18] Enplanements are positively correlated with GDP – passenger demand increases with income and economic growth.

The above model was used to generate six-year forecasts of enplanements at the Airport. Future values of real passenger yields were based on forecasts by the FAA,[19] and are assumed to decrease by an average of 1.1% per year until 2006. Future values of real GDP were based on forecasts by DRI/McGraw-Hill and growth is projected to average 2.1% per year.[20] Forecasts were developed under two scenarios:

- *Scenario 1* - TWA's hub operations at the Airport will continue through the forecast period.

- *Scenario 2* - TWA's hub operations will cease after 1997; however, TWA's share of O&D traffic and 50% of its connecting traffic would still be served by other airlines.

The establishment of hub operations at the Airport by TWA (and Ozark, which later merged with TWA) in the early 1980s caused a marked shift in enplanements in 1983. The model specifically measured this upward shift in passenger demand due to TWA's hubbing operation, and allowed Unison to systematically perform a sensitivity analysis of the effect on passenger activity of eliminating hub operations at the Airport. Under Scenario 1, enplanement forecasts were generated assuming that the hub operations will continue so that the enplanement forecasts fall on the shifted demand curve. If TWA's hub operations continue, enplanements are forecasted to increase from 13.6 million in 1996 to 15.7 million in 2002, representing an annual growth rate of 2.3% **(Table IV-12 and Exhibit IV-4)**.

Under Scenario 2, future enplanements are projected as if the demand shift in 1983 did not occur while accounting for the positive effects of declining air fares and economic growth. Hence, the Scenario 2 forecasts are lower by the number of enplanements that can be purely attributed to TWA's hub operations. If TWA's hub operations cease after 1997, enplanements are forecasted to decrease to 12.5 million by 2002 at an annual rate of 1.4% **(Table IV-12 and Exhibit IV-4)**. The annual enplanement forecasts under Scenario 2 are lower by approximately 20% than those under Scenario 1. This result implies that TWA's share of total enplanements at the Airport – averaging approximately 65% in the past five years – would not be lost completely. Specifically, TWA's share of passenger demand –

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[18] This measures the price elasticity of passenger demand at the Airport.

[19] FAA Aviation Forecasts, Fiscal Years 1997-2008.

[20] BACK/DRI Economics Database.

approximately 45% – that existed even prior to its designation of the Airport as a major hub in 1983 would be retained. An important implication is that TWA's O&D enplanements – which currently accounts for 25% of total Airport enplanements – and half of its connecting traffic would be retained.[21] It is likely that another airline would provide some replacement service and may decide to operate a connecting hub at the Airport, given the airfield and terminal facilities that are already in place and the Airport's strategic central location in the United States.

Note that even prior to TWA's designation of the Airport as a major hub in 1983, connecting traffic already constituted a significant component of total enplanement at the Airport. In 1981, connecting traffic constituted approximately 29.8% of total enplanements, and in 1982, the share of connecting traffic was approximately 38.2%.[22] The Scenario 2 forecast, which projects 29.4% connecting traffic in FY 2002, is consistent with connecting traffic percentages at the Airport prior to TWA's hubbing operation.

TABLE IV-12
UNISON ENPLANEMENT FORECASTS
(In Thousands)

Year	Scenario 1 W/ Hub [1]	Scenario 2 No Hub [2]
1996 Actual	13,631	13,631
1997	13,713	13,713
1998	14,191	11,343
1999	14,566	11,643
2000	14,938	11,940
2001	15,300	12,230
2002	15,663	12,520
Avg. Annual Growth Rate 1996-2002	2.3%	(1.4%)

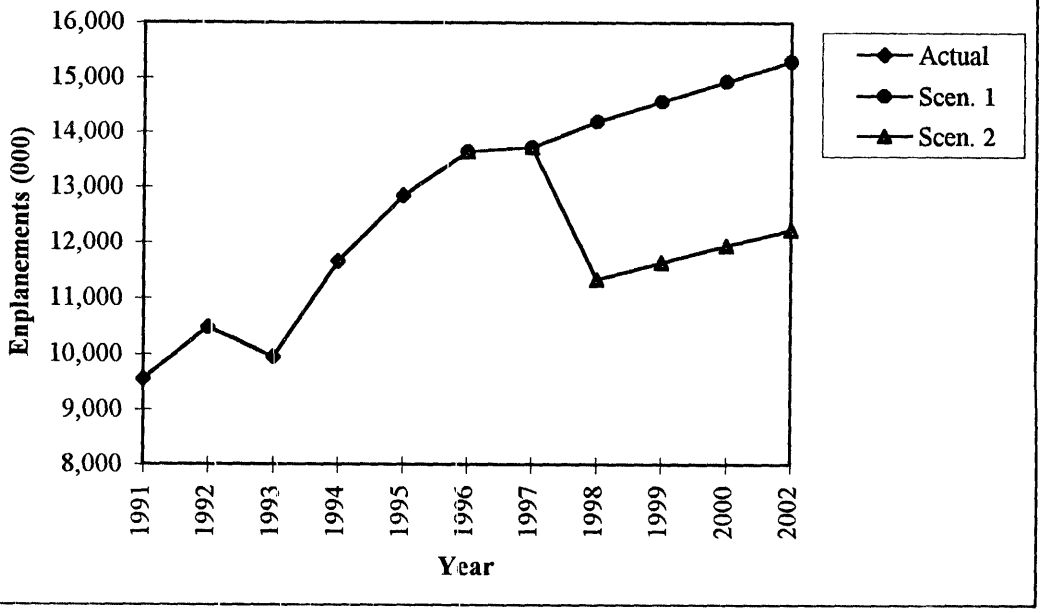
[1] TWA's hub operations will continue in the future.

[2] TWA's hub operations will cease after 1997; however, TWA's O&D traffic and some connecting traffic would continue to be served by other airlines.

21 The Airport's General Advisory Consultant Team conducted an independent assessment of the Master Plan forecasts without TWA and arrived at similar conclusions and projections. Under a "More Likely" scenario, all of TWA's O&D traffic and half of TWA's connecting traffic would be picked up by other airlines that would provide replacement service. The resulting forecasts, contained in such independent assessment, are: 10.9 million in 2000 and 12.2 million in 2002.

22 These estimates are based on data from the U.S. DOT 10% Ticket Survey (BACK/US DOT ODIA Database) and the Airport management

EXHIBIT IV-4
UNISON ENPLANEMENT FORECASTS



a) *Forecast Breakdown of Total Enplanements between O&D and Connecting Traffic* (**Table IV-13**). Historically, O&D traffic has been the more stable component of total passenger traffic at the Airport and, in the past nine years, O&D traffic has constituted the majority of passenger traffic. In projecting the breakdown of total enplanements between O&D and connecting, O&D forecasts were developed by regressing historical O&D on total enplanements and time.[23] Under Scenario 1, O&D enplanements are projected to increase by 2.8% per year over the six-year forecast period, and connecting enplanements are projected to increase by 1.7% per year. O&D traffic would constitute 56.4% of total enplanements over the forecast period. Under Scenario 2, the decrease in forecast enplanements results from less connecting traffic, and O&D share increases to 71%.

b) *Forecast Breakdown of Total Enplanements between Air Carriers and Commuters.* Major air carriers dominate the aviation market both nationally and locally at the Airport. However, the past decade has seen significant growth in the commuter airline industry due to: (1) the growth in the number of code-sharing agreements with the major air carriers, (2) a number of air-carrier acquisitions of their regional code-sharing partners, and (3) the transfer of short-haul, low-density jet routes to regional partners as a result of the route rationalization policies of major air carriers. The market share of commuter airlines at the Airport has been increasing and, in the last five years, has become more aligned with their

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[23] The model specification that best fit the data is also based on a natural log transformation of the variables. While the analysis was limited by a small sample – annual data on the breakdown of total enplanements into O&D and connecting is available only from 1985 to 1996, the model explained over 95% of the historical variation in O&D enplanements.

national share of passenger traffic. Based on the national trend forecasted by the FAA.[24] By 2002, major air carriers are projected to carry 93.2% of enplanements at the Airport, while regional/commuter air carriers are projected to carry 6.8%.

The reasonableness of the results of the model was evaluated using professional judgment. The results were also compared against forecasts resulting from a market share approach and independent forecasts under the Master Plan and the FAA Terminal Area Forecasts. This served to further validate the reasonableness of the model forecasts.

3. Alternative Forecasts

a) *Market Share Forecasts* (**Table IV-13**). The market share forecasts were developed based on the following assumptions: (1) the Airport enplaned 2.2% of total US scheduled *domestic* passengers annually based on a 10 year average for the period 1987 to 1996; (2) the FAA projects total US domestic enplanements at 667.4 million in 2002; and (3) domestic enplanements constitute approximately 99% of total enplanements at the Airport. The resulting forecasts are higher than Scenario 1, and imply an average annual growth rate of 2.9% between 1996 and 2002.

b) *Master Plan Forecasts* (**Table IV-13**). The Master Plan forecasts were developed to aid in Airport planning. The Master Plan forecasts are lower than the Scenario 1 forecasts. They were developed based on: (1) relatively low enplanement levels in the late 1980s and early 1990s; (2) a low base of 11.4 million enplanements estimated for 1994; and (3) projected annual growth rates at 3.4% per year between 1994 and 2000, and 3.3% per year between 2000 and 2005. If the projected growth rates in the Master Plan were applied to actual enplanements in 1996, forecast enplanements would have been 16.6 million in 2002 – higher than the Unison Scenario 1 forecast. The Master Plan projects a lower share for O&D traffic (45% in 2002), contrary to the trend in the past nine years, during which O&D has constituted the majority of passenger traffic at the Airport.

c) *FAA Terminal Area Forecasts* (**Table IV-13**). The FAA Terminal Area Forecasts were developed to aid in the FAA budget planning process. The FAA projects enplanement growth of 3.5%, higher than the Scenario 1 forecast. The FAA Terminal Area Forecasts were developed using historical data only up to 1995. They take into account the rapid growth in 1994 and 1995, but not the relatively slow growth in 1996.

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[24] US DOT, *FAA Aviation Forecasts, FY 2007-2008.*

TABLE IV-13
UNISON AND ALTERNATIVE ENPLANEMENT FORECASTS

Year	O&D		Connecting		Total
	(000)	Share	(000)	Share	(000)
1996 Actual	7,471	54.8%	6,160	45.2%	**13,631**
Scenario 1[1]					
2002	8,834	56.4%	6,829	43.6%	**15,663**
1996-2002[3]	2.8%		1.7%		2.3%
Scenario 2[2]					
2002	8,834	70.6%	3,686	29.4%	**12,520**
1996-2002[3]	2.8%		(8.2%)		(1.4%)
Market Share					
2002	9,151	56.4%	7,075	43.6%	**16,226**
1996-2002[3]	3.4%		2.3%		2.9%
1994 Master Plan					
2002[4]	6,692	45.0%	8,186	55.0%	**14,878**
1996-2002[3]	(1.8%)		4.9%		1.5%
1996 FAA Terminal Area Forecast[5]					
2002	9,434	56.4%	7,293	43.6%	**16,727**
1996-2002[3]	4.0%		2.9%		3.5%

[1] TWA's hub operations will continue in the future.

[2] TWA's hub operations will cease after 1997; however, TWA's O&D traffic and some connecting traffic would continue to be served by other airlines.

[3] Average annual growth rate.

[4] The 1994 Master Plan provided forecasts for the years 2000, 2005 and 2015. The forecast for 2002 was interpolated based on the average annual growth rate forecasted between 2000 and 2005.

[5] The breakdown of FAA TAF enplanements into O&D and connecting was calculated following the methodology used in Unison's forecasts.

Exhibit IV-5 compares the Unison Scenario 1 forecasts with the alternative forecasts. Unison's enplanement forecasts under Scenario 1 are higher than the 1994 Master Plan forecasts in all forecast years. However, the difference narrows over time. Unison's forecasts are consistently lower than the FAA terminal area forecasts, and the two forecasts diverge even further over time. Unison projects enplanements to increase at a decreasing rate over time, while the FAA projects enplanements to increase linearly. When compared to the market share forecasts, the Unison forecasts are higher in the short run, and are lower in the long run.

E. FORECASTS OF AIRCRAFT OPERATIONS

Forecasts of aircraft operations were developed by category: air carrier, commuter, GA, and military (**Table IV-14**).

1. Air Carrier Operations

The average number of passengers per air carrier operation is projected to increase from 71.6 in 1996 to 79.1 in 2002,[25] mostly due to an increase in average aircraft size and some efficiency gains from increased domestic passenger load factors. Forecasts of air carrier operations were developed by dividing the Scenario 1 enplanement forecasts by the projected ratios of passengers per departure and multiplying the result by two. Air carrier operations are projected to increase by 0.5% per year, and account for 68.9% of total operations by 2002.

2. Commuter Operations

The average number of passengers per commuter operation is projected to increase from 13.8 in 1996 to 15.5 in 2002.[26] The number of larger commuter aircraft at the Airport has been growing, and this trend is expected to continue in the future. Based on the Scenario 1 enplanement forecasts, commuter operations are projected to increase at an average annual rate of 2.5% over the six-year forecast period. The share of commuter operations is expected to increase from 22.8% in 1996 to 25.4% in 2002.

3. General Aviation (GA) Operations

GA activity has steadily declined as the Airport's airfield and airspace has become busier with scheduled airline activity. Smaller GA aircraft in particular have chosen to use reliever airports in the St. Louis Area to avoid operational delays and higher costs associated with the Airport. The trend of decline is expected to continue in the future, however, at a decreasing rate. Future GA operations were forecasted by fitting a nonlinear trendline on historical data from 1976 to 1996. GA operations are projected to decrease by 4.0% per year, and account for 4.8% of total aircraft operations in 2002.

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[25] FAA Terminal Area Forecasts, on-line as of May 30, 1997.

[26] FAA Terminal Area Forecasts, on-line as of May 30, 1997.

EXHIBIT IV-5
ALTERNATIVE ENPLANEMENT FORECASTS

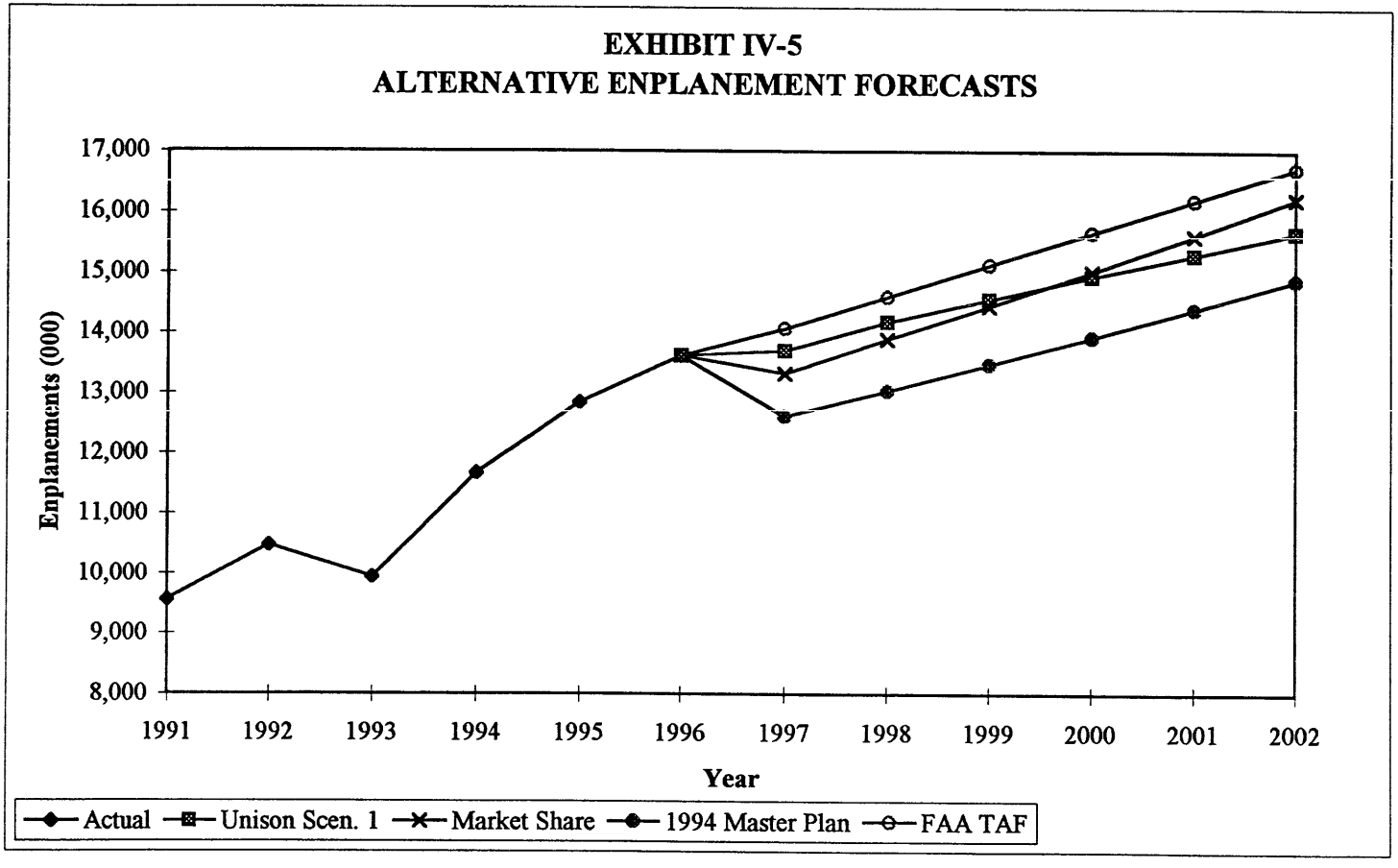


TABLE IV-14
FORECAST AIRCRAFT OPERATIONS

Year	Air Carrier [1]	Commuter/ Air Taxi [1]	General Aviation	Military	Total
1996 Actual	357,916	117,103	33,083	5,837	513,939
1997	358,000	124,000	32,000	4,500	518,500
1998	361,000	130,000	31,000	4,500	526,500
1999	363,000	134,000	30,000	4,500	531,500
2000	363,000	135,000	28,000	4,500	530,500
2001	368,000	136,000	27,000	4,500	535,500
2002	369,000	136,000	26,000	4,500	535,500
Avg. Annual Growth Rate 1996-2002	0.5%	2.5%	(3.9%)	(4.2%)	0.7%

1 Based on the Scenario 1 enplanement forecasts.

4. Military Operations

Military operations at the Airport are primarily due to the Missouri National Guard, and have also been declining over time. The Airport management projects approximately 4,500 military operations for 1997, and this projection is applied throughout the forecast period.

F. LANDED WEIGHT FORECAST

Table IV-15 shows the forecast fleet mix and landed weight of commercial aircraft for 2002. In 2002, the projected total aircraft landed weight is 25.3 billion pounds, about 6.3% greater than the 1996 level. Air carriers are projected to account for 92.0% of total landed weight.

The projected aircraft mix is expected to change over the forecast period as a result of several factors. The current jet fleet consists predominantly of narrowbody aircraft with models of the B727, B737, DC-9 and MD-80 aircraft types accounting for over 80% of the activity. Many of these are older Stage 2 aircraft and must be removed from the fleet, or upgraded to meet Stage 3 noise regulations. Although the fleet is expected to remain predominantly narrowbody, some aircraft types will be replaced by newer aircraft. The current and projected jet aircraft mix has a higher percentage of newer generation aircraft than in the past. These aircraft tend to be lighter than the older aircraft with similar seating capacities. For example, a B727-200 averages 156,000 pounds maximum landing weight, while an A-320 weighs 142,200 pounds, an MD-80 weighs 130,000 pounds, and a B737-400 weighs only 121,000 pounds. As a result, the average aircraft landed weight has decreased over time, from over 130,000 pounds in the early 1990s to 126,000 pounds in 1996. The average aircraft landed weight is projected to remain at 126,000 pounds in 2002.

Commuter aircraft have been increasing in size and weight as carriers acquire larger airplanes. The average commuter aircraft landed weight has increased from approximately 22,000 pounds in the early 1990s to 24,000 pounds in 1996. It is forecasted to further increase to 30,000 pounds in 2002.

TABLE IV-15
AIRCRAFT MIX AND LANDED WEIGHT (In Thousand Pounds)

Aircraft Type	Avg. Landed Weight	1996 Actual		2002 Forecast	
		Fleet Mix	Landed Weight	Fleet Mix	Landed Weight
Air Carrier					
B747	564	0.4%	554,976		
MD-11/B777	440			0.7%	777,700
L-1011/DC10	360	1.6%	1,314,151	0.5%	454,500
B767/A300	318	0.0%	5,087		
B767-200	270	0.6%	379,620	1.6%	1,090,800
DC8	253	0.1%	60,474		
B757	203	0.4%	169,518	1.2%	615,090
B727	150	12.8%	4,461,284	10.0%	3,787,500
A320	142	0.0%	3,555	0.8%	286,840
DC9-80/MD-80	130	15.5%	4,683,820	15.4%	5,055,050
B737-300+/DC9	110	16.4%	4,267,699	21.6%	5,999,400
B737-200/DC9-30/L188	100	24.5%	5,666,107	16.0%	4,040,000
F-100	88	1.4%	287,848	4.2%	933,240
DC9-10/F-28	82	3.6%	688,438	1.1%	227,755
Commuter					
YS-11/CV-640/CL-65	51	0.4%	48,296		
ATR-7S/CRJ	47	1.9%	203,023	4.6%	545,905
F-27/ATR-42	36	3.9%	325,777	8.2%	745,380
DASH-8	34			1.6%	136,956
SAAB	27	0.2%	9,381	1.3%	86,986
DC-3/EM2/J41	23	4.1%	222,320	3.0%	174,225
HFB-320/BE-1	17	0.3%	12,287		
J31/LEAR 25/METRO	16	11.9%	429,279	8.0%	323,200
LEAR 23/BEECH/C-208	12	0.0%	773	0.2%	6,060
Landed Weight					
Total - All Aircraft			23,793,713		25,287,000
Avg. Weight/Landing			103		100
Total - Air Carrier			22,542,577		23,268,000
Avg. Weight/Landing			126		126
Total - Commuter			1,251,136		2,019,000
Avg. Weight/Landing			24		30

Source: Airport management records.

SECTION V
FINANCIAL ANALYSIS

This section of the Report examines the financial impact on Airport cash flow and airline rates and charges resulting from the issuance of the Series 1997 Revenue Bonds. The analysis includes estimates of Airport revenues, maintenance and operating expenses, debt service and debt service coverage.

A. AIRPORT FINANCIAL FRAMEWORK

The City owns, operates, manages, regulates and promotes the Airport; and plans and arranges the financing of Airport projects.

The financial condition of the City is examined annually following the close of the City's fiscal year by independent certified public accountants to determine compliance with generally accepted accounting principles applicable to governmental entities, and the requirements of the various state and federal agencies with which the City has agreements and grants-in-aid. The City's fiscal year ends June 30.

The financial analysis presented in this Report utilized airport accounting practices followed by the City of St. Louis and Airport management.

1. Airport Accounting

The City operates the Airport as an enterprise fund in accordance with generally accepted accounting principles applicable to governmental entities. Financial statements for the Airport are on a fiscal year basis ending June 30th.

For the fiscal year ended June 30, 1996, the audited financial statements show that the Airport had total assets of $818.6 million, liabilities of $341.1 million, and fund equity of $477.5 million. Additional information regarding the financial performance of the Airport may be found in Appendix C of the Official Statement, which contains certain financial statements of the Airport.

Cost/revenue centers are utilized by the City for budgetary purposes, and for producing the detail required to develop cost-based user rates and charges. The cost/revenue centers include:

- Airfield
- Terminal (further divided into specific terminal and concourse areas)
- Cargo
- Hangar and Other Buildings
- Parking
- Roads & Grounds

Historical Airport revenues and expenses were obtained from the City's audited financial statements for FY 1992 through FY 1996 as shown on **Table V-1**.

Together, the audited financial statements and supplemental financial information provided by the Airport were used as the basis for analyzing trends and variances, and developing projections for future years' earnings and cash flow. Airport Operating Revenues and Operating Expenses were projected for the years FY 1997 through FY 2002. Debt Service payments related to those years were obtained from debt service schedules obtained from the Airport (Series 1992, Series 1993, Series 1993A, and Series 1996) and the Airport's Senior Managing Underwriter, Bear, Stearns & Co. Inc. (Series 1997 Bonds).

2. Calculation of Airline Rates and Charges

The primary components of airline rates and charges are landing fees and terminal rents. These fees are charged to the airlines to support the primary activities of the Airport, including operating and maintaining the terminal buildings, concourses and airfield areas. During the period FY 1992 through FY 1996, landing fees and terminal rents, for signatory and non-signatory airlines, accounted for approximately one-half of total Airport operating revenues or averaged approximately $40.0 million per year.

a) *Landing Fees.* Under the terms of the Airport Use Agreements, the Signatory Airlines are responsible for paying landing fees in the amounts necessary to recover total net annual airfield expenses. This type of arrangement is known as a residual form of agreement. Total airfield expenses include airport maintenance and operating expenses, depreciation on capital improvements acquired with City funds (including bond proceeds), and recovery of interest on City funds used to finance land acquisition and capital improvements. The Signatory Airlines pay the difference between the total airfield expenses and the fees and charges paid by other airfield users.

   The landing fees for the Signatory Airlines are established annually at the beginning of each calendar year, based on the Airport's estimates of revenues and expenses related to the airfield. If the actual expenses or the actual landed weights to which the landing fee rate is applied are greater or less than was estimated for any year, adjustments are made to landing fees in the subsequent year. In addition, non-signatory airlines are assessed landing fees which are equal to or greater than the rates charged Signatory Airlines.

b) *Terminal Rents.* Under the terms of the Airport Use Agreements, the Signatory Airlines are charged annual terminal rental rates based upon the recovery of terminal and concourse expenses, including indirect expenses allocated to space occupied by the Signatory Airlines, maintenance and operating expenses, depreciation on capital improvements acquired with City funds (including bond proceeds) and recovery of interest on City funds used to finance capital improvements. The remaining terminal expenses attributed to public space and space occupied by other Airport tenants and unleased space are offset by non-airline tenant revenues, such as concessions. The net deficit/surplus attributed to terminal non-airline space is the

TABLE V-1
TOTAL AIRPORT REVENUES & EXPENSES
FISCAL YEARS 1992 THROUGH 1996

Airport Revenues	ACTUAL [1]					Avg. Annual Growth Rate
	FY '91-'92	FY '92-'93	FY '93-'94	FY '94-'95	FY '95-'96	FY '92-'96
SIGNATORY AIRLINES						
Airfield Landing Fees	$24,991,414	$27,278,787	$25,610,376	$26,799,207	$29,347,556	4.1%
Terminal Rents	$13,110,965	$12,594,476	$13,173,236	$13,742,697	$13,247,713	0.3%
Total	$38,102,379	$39,873,263	$38,783,612	$40,541,904	$42,595,269	2.8%
CONCESSION FEES						
Concessions	$7,406,147	$5,603,425	$5,991,451	$6,731,380	$7,282,960	(0.4%
Public Parking	$7,323,002	$7,685,281	$9,181,469	$11,376,395	$10,875,071	10.4%
Car Rentals	$5,130,133	$5,632,231	$5,999,892	$7,260,137	$7,458,638	9.8%
Space Rental	$740,104	$784,595	$693,677	$694,614	$688,554	(1.8%
In-Flight Catering	$775,524	$666,620	$762,673	$828,147	$885,702	3.4%
Other	$925,829	$1,420,255	$1,884,700	$1,663,327	$1,701,037	16.4%
Total	$22,300,739	$21,792,407	$24,513,862	$28,554,000	$28,891,962	6.7%
OTHER						
Non-Signatory Landing Fees	$1,867,273	$1,582,355	$1,896,244	$2,361,416	$1,969,124	1.3%
Non-Signatory Airlines-Terminal	$372,479	$349,494	$361,840	$426,964	$432,100	3.8%
Total	$2,239,752	$1,931,849	$2,258,084	$2,788,380	$2,401,224	1.8%
Cargo	$2,080,346	$2,184,410	$2,153,203	$1,900,000	$1,586,206	(6.6%
Hangars and Other Buildings	$605,743	$666,818	$636,376	$651,000	$660,552	2.2%
Tenant Improvement Surcharge	$534,373	$534,373	$534,373	$534,373	$534,373	0.0%
Employee Lot	$1,061,404	$1,076,714	$1,117,080	$1,234,347	$1,476,715	8.6%
Gain on Sale of Investment	$994,672	$1,029,786	$173,527	$83,231	$92,378	(44.8%
Other Miscellaneous	$3,901,501	$3,468,578	$4,363,023	$3,253,765	$2,962,800	(6.6%
Total Other-Operating	$11,417,791	$10,892,527	$11,235,666	$10,445,097	$9,714,248	(4.0%
TWA ASSET USE CHARGE	-	-	$4,322,767	$7,829,000	$7,828,588	34.6%
INTEREST INCOME	$5,635,905	$5,335,402	$5,275,716	$7,756,189	$8,289,876	10.1%
TOTAL AIRPORT OPER. REVS. INCLUDING INTEREST INCOME [2]	$77,456,814	$77,893,599	$84,131,623	$95,126,189	$97,319,943	5.9%
PFC INCOME AND OTHER						
PFC Revenue	-	$11,821,644	$28,993,333	$31,358,000	$36,778,064	46.0%
PFC Interest	-	$52,956	$743,459	$2,753,811	$4,471,647	338.7%
Total PFC Income	-	$11,874,600	$29,736,792	$34,111,811	$41,249,711	51.4%
Lambert-St. Louis International Airport Corporation Interest	$6,344,214	$2,214,780	-	-	-	-
Total	$6,344,214	$14,089,380	$29,736,792	$34,111,811	$41,249,711	59.7%
TOTAL AIRPORT REVENUES [3]	$83,801,028	$91,982,980	$113,868,415	$129,238,000	$138,569,654	13.4%

TABLE V-1 (CONT.)
TOTAL AIRPORT REVENUES & EXPENSES
FISCAL YEARS 1992 THROUGH 1996

Airport Expenses	ACTUAL [1] FY '91-'92	FY '92-'93	FY '93-'94	FY '94-'95	FY '95-'96	Avg. Annual Growth Rate FY '92-'96
MAINT. & OPERATING EXPENSES						
Personal Services	$18,793,746	$20,021,984	$20,436,094	$22,230,001	$23,352,841	5.6%
Supplies, Materials & Equipment	$1,886,142	$2,015,749	$2,828,100	$2,710,000	$3,331,653	15.3%
Contractual Services	$8,562,796	$10,027,846	$9,553,115	$10,807,000	$12,978,252	11.0%
Miscellaneous	$5,013,065	$6,383,309	$8,169,758	$9,908,070	$9,854,330	18.4%
Total Maint. & Operating Expenses	$34,255,749	$38,448,888	$40,987,067	$45,655,071	$49,517,076	9.6%
% Annual Increase	0.7%	12.2%	6.6%	11.4%	8.5%	
OTHER EXPENSES, INTEREST & DEPRECIATION						
Other Expenses	$5,612,407	$5,680,440	$3,709,322	$4,102,929	$3,718,684	(9.8%)
Interest Expenses	$23,408,655	$22,873,301	$21,099,128	$23,825,072	$19,798,510	(4.1%)
Depreciation - Non Contributed	$12,262,456	$12,894,905	$14,525,976	$16,301,928	$16,743,752	8.1%
Depreciation - Contributed	$4,424,967	$4,516,918	$4,692,433	$4,710,000	$4,874,423	2.4%
Total Other Expenses & Depreciation	$45,708,485	$45,965,564	$44,026,859	$48,939,929	$45,135,369	(0.3%)
Total Other Expenses Before Extraordinary Items	$79,964,234	$84,414,452	$85,013,926	$94,595,000	$94,652,445	4.3%
Extraordinary Accounting Expense Loss on 1990 Refunding of Lease Revenue Bonds [4]	-	$7,607,602	-	-	-	-
TOTAL AIRPORT EXPENSES [3]	$79,964,234	$92,022,054	$85,013,926	$94,595,000	$94,652,445	4.3%
Operating Income/(Loss)	$3,836,793	($39,074)	$28,854,491	$34,643,000	$43,917,209	83.9%

[1] Audited Financial Statements; FY'92 through FY'96.

Excludes PFC Revenues, PFC Interest Income, and certain other interest income.

Balances to Audited Financial Statements in total, however, the individual accounts/categories comprising total Airport Revenues and Total Airport Expenses may not correspond to the categorization of revenues and expenses in the Audited Financial Statements.

[4] Net present economic benefit of refunding the Series 1990 Lease Revenue Bonds (Noise Mitigation Project) with the Series 1992 Bonds is approximately $7.0 million.

responsibility of the City and is offset by the net revenues generated by other cost/revenue centers (e.g., parking and other concessions). In addition, non-signatory airlines are charged terminal rental rates which are equal to or greater than rates charged Signatory Airlines.

The terminal and concourse expenses are estimated at the beginning of each calendar year, based on the Airport's estimate of expenses for the applicable year. If the actual expenses are greater or less than was estimated for the year, adjustments are made to terminal rental rates in the subsequent year.

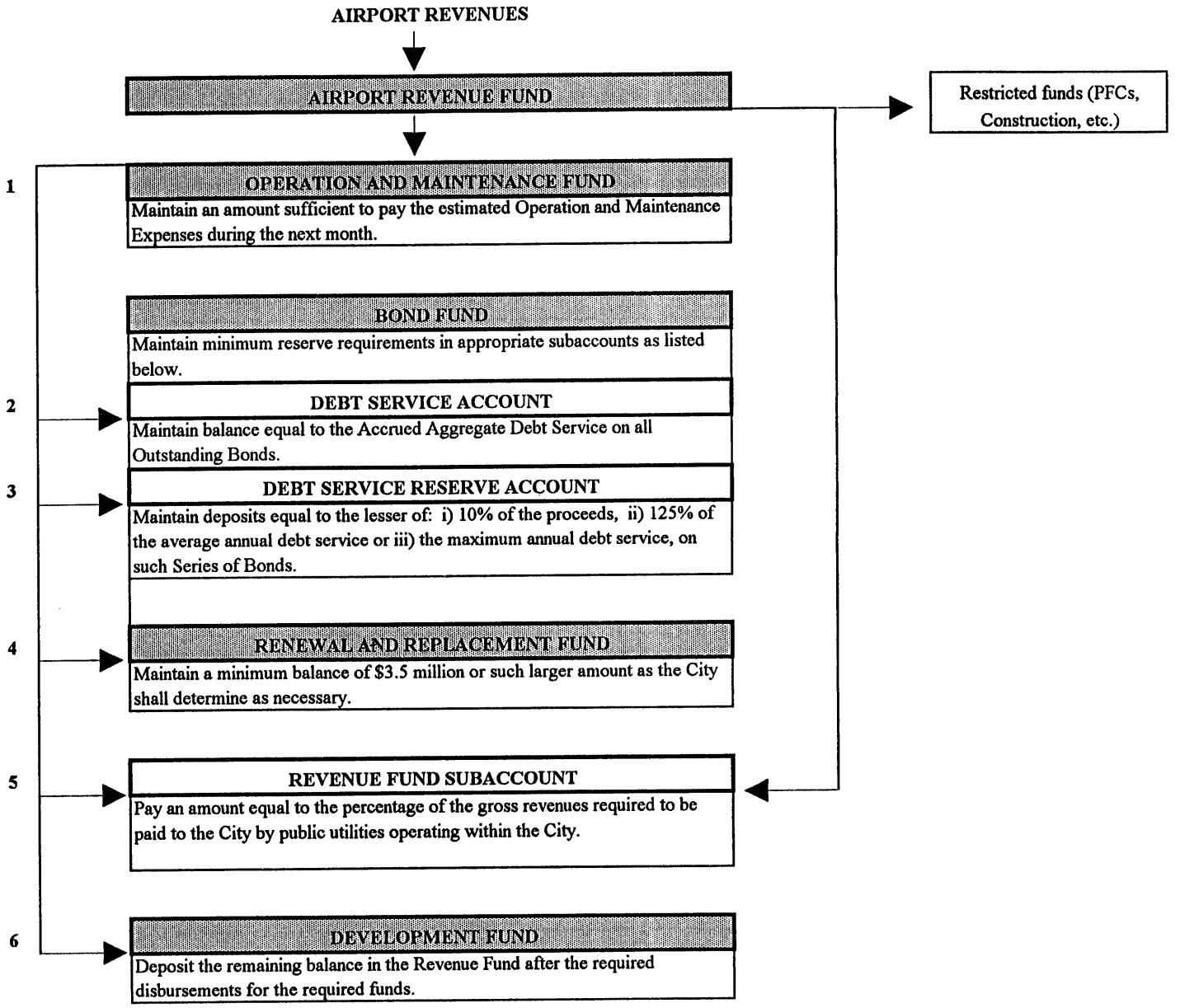
c) *TWA Asset Use Charge.* As a result of the City's purchase of certain assets from TWA in FY 1993, and the agreement allowing TWA to use such assets, TWA is obligated to pay asset use charges for the use of the purchased assets. Under the terms of the use agreement, the asset use charges are established at rates and terms sufficient to recover the City's investment plus interest costs, based on an amortization schedule tied to TWA's remaining lease term. In FY 1996 and continuing through the expiration of the TWA use agreement, TWA's asset use charges will be $7.9 million annually.

3. Application of Revenues

Exhibit V-1, presents the application of Airport Revenues to various funds, accounts and sub-accounts established under the Trust Indenture for the forecast period. Pursuant to the Trust Indenture, Airport Revenues are first deposited to the Airport Revenue Fund and then to the Operation and Maintenance (O&M) Fund to pay Operation and Maintenance (O&M) Expenses. The remaining Airport Revenues are then deposited in the following funds and accounts in the following order of priority: Bond Fund for credit to the Debt Service Account and Debt Service Reserve Account; Renewal and Replacement Fund; Revenue Fund Sub-account, and the Development Fund including the Contingency Fund.

The O&M Fund requires an amount be deposited to pay the estimated O&M expenses during the next month. The Debt Service Account must maintain a balance equal to the Accrued Aggregate Debt Service on all Outstanding Bonds, and the Debt Service Reserve Account requires deposits equal, unless otherwise specified in a Supplemental Indenture for a particular Series of Bonds, to an amount which shall equal the lesser of: (i) 10% of the proceeds of such Series of Bonds, (ii) 125% of average annual debt service on such Series of Bonds or (iii) the maximum annual debt service on such Series of Bonds. The Renewal and Replacement Fund requires a minimum balance of $3.5 million or such larger amount as the City determines necessary. The Revenue Sub-account represents the gross revenues required to be paid to the City by public utilities operating within the City. In general, this amount may be paid in advance by the Airport in monthly installments. The Development Fund receives any residual Airport Revenues after all the required deposits to the various accounts described above have been made.

EXHIBIT V-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
APPLICATION OF AIRPORT REVENUES UNDER
GENERAL AIRPORT REVENUE BONDS [1]



[1] Pursuant to the provisions of the Indenture, no later than 5 days prior to the end of each month, the City is required to allocate amounts in the Revenue Fund to the other funds and accounts created by the Indenture.

B. AIRPORT REVENUES

Airport Revenues consist of Signatory Airline Fees (Airfield Landing Fees and Terminal Rents) Concessions Fees, Other Revenues, TWA Lease Payments, Interest Income, PFC and Other Income. In FY 1992, total Airport Revenues were $83.8 million, as shown on **Table V-1**. In FY 1996, Airport Revenues increased to approximately $138.6 million. The average annual increase over the four-year period was approximately 13.4%. This increase was primarily attributable to the approval to collect PFC fees beginning in FY 1993. Total PFC income, during FY 1993 through FY 1996 increased from $11.9 million to $41.2 million or an average annual increase of 51.4%.

Airport Operating Revenues, defined as total Airport Revenues less PFC Income and Other, was $77.5 million in FY 1992. In FY 1996, Airport Operating Revenues increased to $97.3 million, or an average annual growth of 5.9% over the four-year period. A primary component of this increase was the purchase by the City in 1993 of certain TWA assets and the agreement by TWA to use such assets and pay an Asset Use Charge for the use of such assets under the TWA lease agreement amendment. The asset use charge resulted in increased revenues ranging from $4.3 million in FY 1994 to $7.8 million in FY 1996. During the six-year period FY 1997 through FY 2002, total Airport Operating Revenues are projected to increase to $133.4 million, which represents an average annual growth rate of 5.4 %, as shown on **Table V-2**.

The following sections include a definition of the major revenue accounts, explain historical trends and variances, and describe the underlying assumptions for the projections.

1. Signatory Airlines Fees

Signatory Airline Revenues consist of landing fees and terminal rents received from the airlines serving the Airport who have signed use agreements. **Table V-1** shows Signatory Airline Revenues increasing from approximately $38.1 million in FY 1992 to approximately $42.6 million in FY 1996. Over the four-year period, Signatory Airline Revenues increased at an average annual growth rate of 2.8%, and represented approximately one-half of total Airport Operating Revenues, including Interest Income.

Presently, ten major air carriers have use agreements with the Airport. The Signatory Airlines are American, Continental, Delta, Northwest, USAirways, Southwest, TWA, Trans States, United and America West.

TABLE V-2
PROJECTED AIRPORT OPERATING REVENUES
FISCAL YEARS 1997 THROUGH 2002

AIRPORT REVENUES	Avg. Annual Growth Rate FY '92-'96	Avg. Annual Growth Rate FY '97-2002	PROJECTED FY '96-'97	FY '97-'98	FY '98-'99	FY '99-2000	FY 2000-2001	FY 2001-2002
SIGNATORY AIRLINES	4.1%	4.6%	$30,965,307	$33,089,201	$35,794,268	$36,662,135	$37,500,415	$38,374,239
Airfield Landing Fees	0.3%	8.3%	$15,333,821	$16,293,725	$20,061,603	$20,479,821	$20,911,260	$21,360,185
Terminal Rents	2.8%	5.8%	$46,299,128	$49,382,926	$55,855,872	$57,141,956	$58,411,675	$59,734,424
Total								
CONCESSION FEES	(0.4%)	8.7%	$7,902,280	$8,281,849	$9,545,763	$10,858,726	$11,429,349	$12,019,376
Concessions	10.4%	5.9%	$11,514,781	$11,810,340	$13,751,307	$14,541,692	$14,914,945	$15,297,779
Public Parking	9.8%	4.9%	$7,660,021	$8,068,766	$8,499,322	$8,952,853	$9,430,584	$9,933,808
Car Rentals	(1.8%)	1.5%	$698,882	$709,366	$720,006	$730,806	$741,768	$752,895
Space Rental	3.4%	5.4%	$936,572	$981,559	$1,038,876	$1,094,641	$1,152,164	$1,211,643
In-Flight Catering	16.4%	2.7%	$1,746,965	$1,794,133	$1,842,575	$1,892,324	$1,943,417	$1,995,889
Other	6.7%	6.1%	$30,459,503	$31,646,012	$35,397,849	$38,071,042	$39,612,227	$41,211,389
Total								
OTHER	1.3%	3.7%	$1,845,082	$2,112,077	$2,284,740	$2,340,136	$2,393,643	$2,449,419
Non-Signatory -Airfield	3.8%	2.6%	$443,335	$454,861	$466,688	$478,822	$491,271	$504,044
Non-Signatory Airlines-Terminal	1.8%	3.5%	$2,288,417	$2,566,938	$2,751,428	$2,818,958	$2,884,914	$2,953,463
Total								
Cargo	(6.6%)	1.7%	$1,621,103	$1,656,767	$1,679,962	$1,703,481	$1,727,330	$1,751,512
Hangars and Other Buildings	2.2%	2.2%	$675,084	$689,936	$705,115	$720,627	$736,481	$752,683
Tenant Improvement Surcharge	0.0%	0.0%	$534,373	$534,373	$534,373	$534,373	$534,373	$534,373
Employee Lot	8.6%	2.6%	$1,515,110	$1,554,502	$1,594,920	$1,636,387	$1,678,933	$1,722,586
Gain on Sale of Investment	(44.8%)		-	-	-	-	-	-
Other Miscellaneous	(6.6%)	5.6%	$3,589,933	$3,686,862	$3,786,407	$3,888,640	$3,993,633	$4,101,461
Total Other-Operating	(4.0%)	2.2%	$10,224,020	$10,689,378	$11,052,204	$11,302,466	$11,555,664	$11,816,079
INTEREST INCOME	10.1%	7.6%	$8,915,607	$10,276,196	$11,051,303	$11,854,794	$12,390,377	$12,838,080
AIRPORT OPER. REVENUES [1] INCLUDING INTEREST INCOME	3.7%	5.8%	$95,898,257	$101,994,512	$113,357,227	$118,370,258	$121,969,943	$125,599,971
TWA ASSET USE CHARGE	34.6%	-	$7,828,588	$7,828,588	$7,828,588	$7,828,588	$7,828,588	$7,828,588
TOTAL AIRPORT OPER. REVS. [2]	5.9%	5.4%	$103,726,845	$109,823,100	$121,185,815	$126,198,846	$129,798,531	$133,428,559
Airport Operating Revenues	3.7%	5.4%	$103,726,845	$109,823,100	$121,185,815	$126,198,846	$129,798,531	$133,428,559
Enplanements [3]			13,672,000	13,952,000	14,378,500	14,752,000	15,119,000	15,481,500
$/Enplanement			$7.59	$7.87	$8.43	$8.55	$8.59	$8.62

[1] Excludes PFC Revenues, PFC Interest Income, and Lambert-St. Louis International Airport Corporation interest income; includes all other Interest Income.

[2] Excludes PFC Revenues, PFC Interest Income and Lambert-St. Louis International Airport Corporation interest income; includes TWA Lease Payments, and all other Interest Income.

[3] Enplanements are on a fiscal year basis.

Calendar year 1996 Signatory Airline terminal rents and landing fees were as follows:

Exclusive Use Space	Current Average Rate
Main Terminal:	
Upper Level	$38.60 per square foot
Middle Level	$28.36 per square foot
Lower Level	$30.61 per square foot
Curbside & Conveyer	$ 6.17 per square foot
Baggage Claim	$17.01 per square foot
East Connector	$21.01 per square foot
Concourses A, B, C	$17.20 per square foot
Exclusive Use Space	**Current Average Rate**
Concourse D	$18.97 per square foot
East Terminal	$25.57 per square foot
Concourse C Extension	$25.21 per square foot
Average Terminal/Concourse Rental Rate	$26.02 per square foot
Landing Fee Rate	$1.17 per thousand pounds of maximum gross landed weight

Projected Signatory Airline Revenues are shown on **Table V-2.** In FY 1996 total Signatory Airline Revenues were approximately $42.6 million. Signatory Airline Revenues are projected to increase to $59.7 million by FY 2002. The average annual growth rate over the period FY 1997 to FY 2002 is projected to be 5.8%. This increase is primarily attributed to the increase in the landing and terminal rates resulting from the inclusion of depreciation and interest associated with certain capital improvements, as previously discussed in Section II, in the calculations of the airfield and terminal fees.

The signatory landing fee rate is projected to increase from $1.37 per thousand pounds of landed weight in FY 1997 to $1.62 per thousand pounds of landed weight in FY 2002. Total signatory landing fee revenues are projected to increase from $31.0 million in FY 1997 to $38.4 million in FY 2002. This represents a projected average annual increase of 4.6 %.

Average signatory terminal rental rates are projected to increase from $28.00 per square foot in FY 1997 to $34.03 per square foot in FY 2002. These rates apply to the rental of approximately 547,702 square feet of airline terminal space in FY 1997 through FY 1998. In FY 1999, airline terminal space will increase to 627,681 square feet, resulting from the completion of the East Terminal Expansion Program. The current plan of financing assumes over 20% of the East Terminal Expansion being funded with PFC revenues which has the effect of reducing the average cost of terminal space to all airlines.

Total signatory terminal revenues are projected to increase from $13.2 million in FY 1996 to $21.4 million by FY 2002. This represents a projected average annual growth rate of

8.3 % over the six-year period due largely to the East Terminal Expansion and additional terminal projects that have been approved for construction over the forecast period.

2. Concessions Fees

Concession fees include revenues from the following activities: Food & Beverage, News & Gifts, Coin Devices, Ground Transportation, Public Parking, Car Rentals, Space Rental, In-Flight Catering and Other concession revenues. Other concession revenues include utilities reimbursements and advertising.

In FY 1992, total concession fees were approximately $22.3 million, as shown on **Table V-1**. In FY 1996, concession revenues increased to approximately $28.9 million or an average annual growth rate of 6.7% over the four-year period. Concession fees are projected to increase to approximately $ 41.2 million by FY 2002, which would represent an average annual growth rate of 6.1%.

a) *Concessions.* In FY 1992, concession revenues from Food & Beverage, News & Gifts, Coin Devices, and Ground Transportation were approximately $7.4 million. In FY 1996, these concession revenues decreased slightly to $7.3 million which represents an average annual decrease of 0.4%. The average decline was primarily associated with the closure and staggered renovation of retail concession facilities.

   Host International, Inc. has operated food and beverage concessions at the Airport since 1979. The Airport's lease with Host International was renegotiated effective February 1, 1997 and will expire on January 31, 2013. The food and beverage concessions consist of approximately 52,150 square feet of terminal space and include a full-service restaurant, cocktail lounges, and a variety of branded fast food operations. Branded restaurants include Pizza Hut, Kentucky Fried Chicken, Taco Bell, Mrs. Fields, Dunkin Donuts, Cinnabon, Sam Adams Brewhouse, Manchu Wok, Cheers, and Starbucks.

The new contract with Host results in the minimum guaranteed rent increasing from $203,470 as follows:

- For the two-year period February 1, 1997 through January 31, 1999 the annual minimum guaranteed rent will increase to $1.0 million;

- For the period beginning with February 1, 1999 through January 31, 2013 the annual minimum guaranteed rent will be based on 85% of the previous year's gross receipts or $1.0 million, whichever is greater.

The percent rental fees also increased under the new agreement.

The Paradies Shops, Inc. has operated the News & Gifts concessions at the Airport since April 1, 1992. The Airport's lease with Paradies was renegotiated effective February 1, 1997 and will expire on July 1, 2008. Paradies' News & Gifts concessions consist of approximately 20,549 square feet. Their concessions include theme retail stores such as the Sport Shop, PGA Golf Store, and the Country Store. Paradies' concession fees were revised as follows:

- For the period July 1, 1997 through June 30, 1998, the annual minimum guaranteed rent will remain at the previous year's level of $1.12 million.

- For all years beginning July 1, 1998 through June 30, 2008, the annual minimum guaranteed rent will increases to $1.32 million.

Other specialty concessions include Fannie May Candies and Bookmark Bookstores. Bookmark operates four bookstores and occupies approximately 2,300 square feet, and Fannie May operates one store and occupies approximately 450 square feet.

Summarized below are the assumptions used for projecting concession revenues:

- Food & Beverage, and News & Gifts concession revenues were projected by multiplying historical concession revenues per enplanement, adjusted for higher minimum fees as noted above, along with an inflation increase of 2.7% by the forecasted number of enplanements.

- In FY 1999, concession revenues per enplanement are projected to increase by an additional $0.05 per enplanement, or $0.8 million as a result of the East Terminal expansion being opened for only a half-year. The annual estimated net revenues are expected to be $1.6 million. The additional revenues associated with the East Terminal expansion were derived based on the 17,340 square feet of new terminal space available for concessions. Currently concession net revenues have been averaging around $92 per square foot at the Airport, slightly higher than the industry average of $90 per square foot. This analysis assumes revenues of $90 per square foot.

b) *Public Parking.* Public parking fees are collected by APCOA Parking, which operates the Airport's public parking facilities on a management contract basis. The Airport reports public parking revenues net of expenses and capital improvements incurred by APCOA. APCOA began managing the parking facilities in May 1992. The original contract, which was scheduled to expire April 30, 1997, was renewed for three years expiring April 30, 2000. In FY 1992, public parking fees generated revenues of $7.3 million. In FY 1996, public parking fees generated revenues of approximately $10.9 million, which represented an average annual growth rate of 10.4% over the five-year period. This increase is primarily a result of rate increases in FY 1994 and FY 1995, respectively, and increased enplanements.

Despite increases through FY 1995, one-time expenses resulted in FY 1996 revenues declining by 4.4%. This was due to the Airport implementing a FAA mandated increase in Airport Security to Level 3. The impact of the Level 3 security resulted in

APCOA increasing security expense by $237,000 in FY 1996. In addition, the temporary closing of approximately 200 parking spaces during the year also contributed to the decline in revenues.

Public Parking revenues were projected by multiplying historical public parking revenues per O&D enplaned passenger by projected O&D enplanements. In FY 1996, long-term surface parking capacity increased to 3,779 spaces due to the completion of a 1,250 space surface lot. The increased long term capacity is projected to generate approximately $.7 million in annual revenues. In addition a 10% rate increase is forecasted in FY 1999. Incremental revenues were also forecasted for the additional 500 parking spaces made available as a result of the East Terminal Expansion in FY 1999. In FY 1999, incremental revenues generated by the additional 500 spaces are projected to be approximately $.4 million, which represents revenues for a partial year. The additional spaces are expected to be available for 6 months during FY 1999.

Projected public parking revenues are shown in **Table V-2.** During the period FY 1997 through FY 2002, public parking revenues are projected to increase from $11.5 million to $15.3 million, or an average annual growth rate of 5.9% due to the additional parking spaces, increase in O&D enplanements and the projected rate increase in FY 1999.

c) *Car Rentals.* Six rental car agencies currently operate at the Airport - Alamo, Auto Rental d/b/a National, Avis, Budget, Hertz, Missouri Rental and Leasing d/b/a Dollar Rent-A-Car. In FY 1992, car rentals generated revenues of approximately $5.1 million. In FY 1996, total rental car revenues were approximately $7.5 million, which represents an average annual growth rate of 9.8%. This increase is partially attributable to the addition of Alamo in FY 1994 as an on-airport rental car agency. For years FY 1996 through FY 2002, car rental revenues were projected by multiplying historical car rental revenues per enplanement (increased 2.7% each year) by projected O&D enplanements.

d. *Space Rental.* Space Rental includes revenues from Airport Terminal Services (a Fixed-Base Operator) and other non-airline tenants at the Airport. In FY 1996, space rental revenues were approximately $0.7 million. By FY 2002, space rental revenues are projected to increase to approximately $.8 million.

e. *In-Flight Catering.* In FY 1996, In-Flight Catering revenues were approximately $0.9 million. By FY 2002, In-Flight Catering revenues are projected to increase to approximately $ 1.2 million, or an expected average annual growth rate of 5.4 %. In-Flight Catering revenues were projected by multiplying historical in-flight catering revenues per enplanement, increased by inflation and by forecasted enplanements.

f. *Other Concession Revenues.* Other Concession Revenues include advertising, utility reimbursements, and other miscellaneous concession revenues. In FY 1996, Other Concession Revenues were approximately $1.7 million. By FY 2002, Other Concession Revenues are projected to increase to approximately $ 2.0 million, or an average annual growth rate of 2.7%.

3. Other Revenues

Other revenues include Non-Signatory Airline Fees, Cargo, Hangar, Tenant Improvement Surcharges, Employee Lot, Gain on Sale of Investment, and Other Miscellaneous revenues. Over the period FY1992 through FY1996 other revenues declined from $11.4 million to $9.7 million. This reduction was primarily due to decreases in Cargo and other miscellaneous revenues. By FY 2002, Other Revenues are projected to increase to $11.8 million, or an average annual growth rate of 2.2 % as discussed below.

a. *Non-Signatory Fees.* Non-Signatory Airline revenues (landing fees and terminal rents) were $2.2 million in FY 1992. In FY 1996, Non-Signatory Airline Revenues increased to $2.4 million. During the period FY 1997 through FY 2002, Non-Signatory Airline revenues are projected to increase to approximately $3.0 million.

b. *Cargo.* Cargo revenues include ground rent, building rent, and tenant improvement charges. Cargo revenues were approximately $2.1 million in FY 1992. In FY 1996, Cargo revenues decreased to $1.6 million which was primarily due to lower rates and charges as a result of lower interest costs resulting from the refinancing of Series 1987 Bonds in FY 1996. For the forecast period, Cargo revenues are increased based on forecasted landed weights for the period. FY 2002 revenues are projected to be $1.8 million.

c. *Hangar and Other Buildings Area.* Hangar and Other Buildings Area revenues include ground rent for airlines, triterator revenues, and airlines shop buildings revenue. Hangar and Other Buildings Area revenues were $0.6 million in FY 1992 and increased to $0.7 million in 1996, for an average annual increase of 2.2%. By FY 2002, Hangar and Other Buildings Area revenues are projected to increase to approximately $0.8 million, or an average annual growth rate of 2.2 %.

d. *Tenant Improvement Surcharge.* The Tenant Improvement Surcharge is generated by TWA for space occupied on Concourse D. The Tenant Improvement Surcharge will remain constant at $534,000 annually during the forecast period.

e. *Employee Lot.* Employee Lot revenues were $1.1 million in FY 1992. In FY 1996, Employee Lot revenues increased to $1.5 million. By FY 2002, Employee Lot revenues are projected to increase to approximately $1.7 million, or an average annual growth rate of 2.6 %.

f. *Other Miscellaneous Revenues.* Other Miscellaneous Revenues include US government rental revenues, TWA airfield ramp charges, air cargo services, rent from other tenants in the airfield and terminal area, utility reimbursements, and other miscellaneous revenues. Other Miscellaneous Revenues totaled $3.0 million in FY 1996 a reduction from $3.3 million in FY 1995. By FY 2002, Other Miscellaneous Revenues are projected to increase to approximately $4.1 million, or an average annual growth rate of 5.6 %.

4. **Interest Income**

Interest Income revenues were $5.6 million in FY 1992 and increased to $8.3 million in FY 1996 for an average annual growth rate of 10.1%. Interest Income is projected to increase from $8.9 million in FY 1997 to $12.8 million in FY 2002, which represents an average annual growth rate of 7.6%. Fund account balances are forecast to accumulate interest at the projected average interest rate yield of 6.1% for Construction funds, 5.35% for Debt Service Reserve funds and 5.25% for other invested fund balances.

5. **TWA Asset Use Charges**

TWA is obligated to pay asset use charges for the use of certain assets. Under the terms of an agreement between TWA and the Airport, the asset use charges are established at rates and terms sufficient to recover the City's investment plus interest costs, based on an amortization schedule related to TWA's remaining term of the agreement. In the first year, FY 1994, TWA's asset use charges were $4.3 million which represented a partial year's payment. In subsequent years, FY 1995 through FY 2005 (the expiration of the agreement), the asset use charge will be $7.8 million annually.

6. **PFC Revenues**

The Airport is currently collecting Passenger Facility Charges (PFC) to pay for the Airport Noise Land Acquisition/Relocation Program, East Terminal Expansion Program and other capital improvement projects at the Airport. PFCs are a charge assessed to enplaned passengers which are collected by the airlines and remitted to the Airport. The funds are used to pay for airport capital improvements and major expansion programs. The Airport received approval from the FAA in September 1992 to collect a PFC of $3.00 per enplaned passenger.

A new PFC application was approved on January 31, 1996 for approximately $80.2 million with an expiration of June 30, 1998. Currently, another application is being prepared for submission in late 1997 which includes projects estimated at $136 million.

C. AIRPORT EXPENSES

Total Airport Expenses were approximately $80.0 million in FY 1992. In FY 1996, Airport Expenses increased to $94.7 million, which represented an average annual growth rate of 4.3% over the four-year period, as shown in **Table V-3.** Airport Expenses include Maintenance and Operating Expenses, Other Expenses, Interest Expense, Depreciation and Extraordinary Expenses. Increases in Airport Expenses were primarily attributable to extraordinary expenses resulting from the refunding of the Series 1990 Lease Revenue Bonds, bad debt expenses incurred from TWA's bankruptcy, as well as general inflationary increases. The loss associated with the refunding of the Series 1990 Lease Revenue Bonds (Noise Mitigation Project) was approximately $7.6 million in FY 1993. This loss included the write-off of unamortized bond issue costs, discounts and the call premium. This amount does not include the economic gain associated with the refunding.

TABLE V-3
TOTAL AIRPORT EXPENSES
FISCAL YEARS 1992 THROUGH 1996

AIRPORT EXPENSES	ACTUAL [1]					Avg. Annual Growth Rate
	FY'91-'92	FY'92-'93	FY'93-'94	FY'94-'95	FY'95-'96	FY '92-'96
MAINTENANCE & OPERATING EXPENSES						
Personal Services						
Salaries & Wages	$15,706,780	$16,802,532	$18,084,812	$18,938,544	$19,997,478	6.2%
Fringe Benefits	$2,519,368	$2,744,997	$1,874,522	$2,824,111	$2,548,503	0.3%
Overtime - Regular Employees	$567,598	$474,455	$476,760	$467,346	$806,860	9.2%
Total Personal Services	$18,793,746	$20,021,984	$20,436,094	$22,230,001	$23,352,841	5.6%
Supplies, Materials & Equipment						
Deicing & Misc. Supplies	$403,330	$536,877	$1,049,795	$975,081	$1,006,328	25.7%
Electrical Materials	$213,345	$231,385	$369,082	$276,291	$452,905	20.7%
Other	$1,269,467	$1,247,487	$1,409,223	$1,458,628	$1,872,420	10.2%
Total	$1,886,142	$2,015,749	$2,828,100	$2,710,000	$3,331,653	15.3%
Contractual Services						
Utilities	$4,124,706	$4,217,900	$4,416,271	$4,426,180	$4,707,980	3.4%
Rental & Lease of Equipment	$397,666	$1,720,336	$550,753	$452,646	$2,462,119	57.7%
Cleaning Services	$945,457	$984,687	$1,054,266	$1,136,534	$1,247,191	7.2%
Reimbursement for City Services	$607,997	$649,846	$850,457	$975,606	$1,044,539	14.5%
Repairs to Equipment	$575,833	$627,357	$630,905	$741,067	$711,874	5.4%
Employee Carfare	$584,482	$616,978	$643,942	$798,833	$825,944	9.0%
Other	$1,326,655	$1,210,742	$1,406,521	$2,276,134	$1,978,605	10.5%
Total	$8,562,796	$10,027,846	$9,553,115	$10,807,000	$12,978,252	11.0%
Miscellaneous						
Shuttle, Misc., Accoustical	$1,042,300	$1,934,401	$1,491,073	$1,355,615	$1,433,907	8.3%
Legal	$1,286,297	$1,427,447	$1,263,285	$1,322,514	$937,829	(7.6%)
Security Service	$500,772	$765,701	$654,533	$919,857	$1,172,818	23.7%
Bond Amortization Expense [2]	$597,987	$676,902	$910,597	$996,483	$957,113	12.5%
TWA Asset Amortization	-	-	$1,869,191	$3,076,382	$3,076,382	28.3%
Other	$1,585,709	$1,578,858	$1,981,079	$2,237,219	$2,276,281	9.5%
Total	$5,013,065	$6,383,309	$8,169,758	$9,908,070	$9,854,330	18.4%
Sub-Total Maint. & Operating Exp.	$34,255,749	$38,448,888	$40,987,067	$45,655,071	$49,517,076	9.6%
Other - Gross Receipts Tax	$3,230,158	$3,285,047	$3,709,172	$3,983,311	$3,623,287	2.9%
Total Operating Expenses	$37,485,907	$41,733,935	$44,696,239	$49,638,382	$53,140,363	9.1%

TABLE V-3 (CONT.)
TOTAL AIRPORT EXPENSES
FISCAL YEARS 1992 THROUGH 1996

AIRPORT EXPENSES	ACTUAL [1]					Avg. Annual Growth Rate
	FY'91-'92	FY'92-'93	FY'93-'94	FY'94-'95	FY'95-'96	FY '92-'96
OTHER EXPENSES, INTEREST & DEPRECIATION						
Other Expenses [3]	$2,382,249	$2,395,393	$150	$119,618	$95,397	(55.3%)
Interest Expense [4]	$23,408,655	$22,873,301	$21,099,128	$23,825,072	$19,798,510	(4.1%)
Depreciation - Noncontributed	$12,262,456	$12,894,905	$14,525,976	$16,301,928	$16,743,752	8.1%
Depreciation - Contributed	$4,424,967	$4,516,918	$4,692,433	$4,710,000	$4,874,423	2.4%
Total Other Expenses & Depreciation	$42,478,327	$42,680,517	$40,317,687	$44,956,618	$41,512,082	(0.6%)
Total Airport Expenses Before Extraordinary Expenses	$79,964,234	$84,414,452	$85,013,926	$94,595,000	$94,652,445	4.3%
% Annual Increase/(Decrease)	6.6%	5.6%	0.7%	11.3%	0.1%	-
Extraordinary Accounting Expense Loss on Refunding of 1990 Lease Revenue Bonds [5]	-	$7,607,602	-	-	-	-
Total Airport Expenses [6]	$79,964,234	$92,022,054	$85,013,926	$94,595,000	$94,652,445	4.3%
Total Operating Expenses	$37,485,907	$41,733,935	$44,696,239	$49,638,382	$53,140,363	9.1%
Enplanements [7]	10,348,152	9,866,447	10,595,989	12,555,226	13,278,491	6.4%
$/Enplanement	$3.62	$4.23	$4.22	$3.95	$4.00	2.5%

[1] Audited Financial Statements; FY'92 through FY '96.

[2] In FY'93, the Lambert-St. Louis International Airport Corporation bond amortization expense of $78,768 was included in Other Expenses.

[3] Other Expenses include Bad Debt expenses and St. Louis Corporation expenses.

[4] Interest expenses from Lambert-St. Louis International Airport Corporation were included in Interest Expense in FY'92 through FY '96.

[5] Net present economic benefit of refunding the Series 1990 Lease Revenue Bonds (Noise Mitigation Project) with the Series 1992 Bonds is approximately $7.0 million.

[6] Balances to Audited Financial Statements in total, however, the individual accounts/categories comprising Total Airport Expenses may not correspond to the categorization of expenses in the Audited Financial Statements.

[7] Enplanements are on a fiscal year basis.

Operating Expenses before Depreciation and Interest resulted in an average growth rate of 9.1% during the period FY 1992 through FY 1996. The following section discusses the expense line items that were primarily responsible for this increase.

1. Maintenance and Operating Expenses

Maintenance and Operating Expenses (M&O Expenses) consist of expenditures incurred by the Airport to support its day-to-day operations and include Personal Services; Supplies, Materials, and Equipment; Contractual Services; and Miscellaneous expenses. M&O Expenses represented an average of approximately one half of total Airport expenses from FY 1992 through FY 1996. In FY 1992, M&O Expenses were $34.3 million and increased to $49.5 million in FY 1996. This represented an average annual increase of 9.6% over the four-year period as shown on **Table V-3**.

Projected M&O Expenses are based on any one or a combination of the following factors including: historical trends, an inflation rate of 2.7%, and/or known adjustments to future expenditure levels. For expense items; such as Regular Overtime and Deicing, which showed high volatility in prior years, an average expenditure level (Base year) was calculated based on prior year expenditures. Projected growth rates were applied to the base year for the purpose of forecasting future expenditures. This approach was taken to minimize the impact on the expenditures forecast of abnormal snowfalls which occurred during recent years. In addition, projected M&O Expenses take into account the costs associated with operating the expanded East Terminal, which is forecasted to be completed by December 1998. Total M&O Expenses are projected to increase at an average annual rate of 3.5% between the period FY 1997 to FY 2002, from approximately $48.5 million in FY 1997 to $57.8 million in FY 2002 as shown on **Table V-4**.

a) *Personal Services.* Personal Services represent wages, salaries, and fringe benefits paid to individuals employed by the Airport to maintain and operate the terminal, airfield, roadways and other facilities at the Airport. Historically, Personal Services expenses increased from $18.8 million in FY 1992 to $23.3 million in FY 1996. This represents an average annual increase of approximately 5.6%. Increases in Personal Services expenses were attributed to employee cost of living adjustments and new hires, and the rising cost of employee health insurance. The City has taken steps to limit the cost of employee health insurance by requiring employees to pay the cost to insure their family members. In FY 1994 the City required employees to use a HMO plan which traditionally costs less than other health insurance plans. In addition, Overtime – Regular Employee increased dramatically in FY 1996 by 73%. This was primarily attributed to additional hours required as a result of abnormal snow fall during the last three years.

Personal Services expenses are projected to increase at an average annual growth rate of 4.9 % during the period FY 1997 through FY 2002. This growth rate represents a projected increase in expenses from $24.1 million in FY 1997 to $30.7 million in FY 2002 as depicted in **Table V-4**. This growth rate also assumes the addition of approximately 12 full-time positions in FY 1999, associated with the East Terminal expansion.

TABLE V-4
PROJECTED AIRPORT OPERATING EXPENSES
FISCAL YEARS 1997 THROUGH 2002

MAINTENANCE & OPERATING EXPENSES	Avg. Annual Growth Rate FY'92-'96	Avg. Annual Growth Rate FY'97-2002	PROJECTED FY'96-'97	FY'97-'98	FY'98-'99	FY'99-2000	FY 2000-2001	FY 2001-2002
PERSONAL SERVICES								
Salaries & Wages	6.2%	5.0%	$20,997,352	$22,047,219	$23,149,580	$24,642,976	$25,522,412	$26,798,533
Fringe Benefits	0.3%	4.1%	$2,536,497	$2,663,322	$2,796,488	$2,990,060	$3,083,128	$3,237,285
Overtime - Regular Employees	9.2%	2.7%	$599,414	$615,598	$632,219	$649,289	$666,820	$684,824
Total	5.6%	4.9%	$24,133,263	$25,326,140	$26,578,288	$28,282,325	$29,272,361	$30,720,642
SUPPLIES, MATERIALS & EQUIP.								
Deicing & Misc. Supplies	25.7%	2.7%	$1,037,682	$1,065,700	$1,094,473	$1,189,343	$1,154,373	$1,185,541
Electrical Materials	20.7%	2.7%	$375,977	$386,128	$396,554	$435,412	$418,257	$429,550
Other	10.2%	2.7%	$1,622,753	$1,666,567	$1,711,564	$1,909,553	$1,805,237	$1,853,978
Total	15.3%	2.7%	$3,036,412	$3,118,395	$3,202,592	$3,534,308	$3,377,866	$3,469,069
CONTRACTUAL SERVICES								
Utilities	3.4%	2.7%	$4,638,764	$4,764,011	$4,892,639	$5,589,191	$5,160,409	$5,299,740
Rental & Lease of Equipment	57.7%	2.7%	$1,186,362	$1,218,394	$1,251,291	$1,285,075	$1,319,772	$1,355,406
Cleaning Services	7.2%	4.3%	$1,280,865	$1,315,449	$1,350,966	$1,650,988	$1,560,233	$1,602,360
Reimbursement for City Services	14.5%	2.7%	$1,072,742	$1,101,706	$1,131,452	$1,162,001	$1,193,375	$1,225,596
Repairs to Equipment	5.4%	2.7%	$731,095	$750,834	$771,107	$791,927	$813,309	$835,268
Employee Carfare	9.0%	2.7%	$848,244	$871,147	$894,668	$918,824	$943,632	$969,110
Other	10.5%	2.7%	$2,032,027	$2,086,892	$2,143,238	$2,348,411	$2,260,535	$2,321,570
Total	11.0%	2.9%	$11,790,100	$12,108,432	$12,435,360	$13,746,416	$13,251,266	$13,609,050
MISCELLANEOUS								
Shuttle, Misc., Acoustical	8.3%	2.7%	$1,472,622	$1,512,383	$1,553,218	$1,595,155	$1,638,224	$1,682,456
Legal	(7.6%)	2.7%	$963,150	$989,155	$1,015,863	$1,043,291	$1,071,460	$1,100,389
Security Service	23.7%	2.7%	$824,410	$846,669	$869,529	$893,006	$917,118	$941,880
Bond Amortization Expense	12.5%	(5.5%)	$1,000,521	$927,125	$850,586	$768,143	$681,463	$681,463
TWA Amortization Expense	28.3%	0.0%	$3,076,382	$3,076,382	$3,076,382	$3,076,382	$3,076,382	$3,076,382
Other	9.5%	2.7%	$2,223,311	$2,283,340	$2,344,990	$2,408,306	$2,473,329	$2,540,109
Total	18.4%	0.9%	$9,560,397	$9,635,055	$9,710,568	$9,784,283	$9,857,975	$10,022,679
Sub-Total Maint. & Oper. Expenses	9.6%	3.5%	$48,520,171	$50,188,022	$51,926,807	$55,347,332	$55,759,468	$57,821,439
GROSS RECEIPTS TAX [1]	2.9%	10.7%	$5,186,342	$5,491,155	$6,059,291	$6,309,942	$6,489,927	$6,671,428
Total Operating Expenses	9.1%	4.1%	$53,706,514	$55,679,177	$57,986,098	$61,657,274	$62,249,395	$64,492,867
Total Operating Expenses	7.8%	4.1%	$53,706,514	$55,679,177	$57,986,098	$61,657,274	$62,249,395	$64,492,867
Enplanements [2]			13,672,000	13,952,000	14,378,500	14,752,000	15,119,000	15,481,500
$/Enplanement			$3.93	$3.99	$4.03	$4.18	$4.12	$4.17

[1] Represents the Gross Receipts Tax paid to the City.

[2] Enplanements are on a fiscal year basis.

b) *Supplies, Materials & Equipment.* Supplies, Materials & Equipment expenses consist of deicing fluids, office supplies, laundry and cleaning materials, gasoline, uniforms, tools, and other miscellaneous supplies and materials. Items within this category are used to maintain Airport facilities and to support the operations of the Airport. Historically, Supplies, Materials & Equipment increased from $1.9 million in FY 1992 to approximately $3.3 million in FY 1996. The increase was attributed to work on signage and lighting on the runway, replacement of a taxiway transformer and rewiring of feeder lines, and higher use of deicing fluids associated with the severe weather.

Supplies, materials and equipment expenses are projected to increase from $3.0 million in 1997 to $3.5 million in FY 2002 for an average annual rate of growth of 2.7%

c. *Contractual Services.* Contractual Services expenses represent the cost of services provided by independent vendors, contractors, and consultants. These services include auditing services, large equipment rental, cleaning services, escalator and elevator repairs, telephone charges and miscellaneous consulting services. This account also includes utility charges and fees paid to the City for in-house accounting. FY 1996, utility charges totaled approximately $4.7 million; snow removal equipment approximately $2.4 million; cleaning services approximately $1.2 million; cost of repairing equipment approximately $712,000; and employee carfare allowances approximately $826,000, or in total approximately 80% of Contractual Services. The rental of snow removal equipment increased $2.0 million in FY 1996 due to the severity of the winter. In FY 1996, the other category totaled approximately $2.0 million. Significant expenses in this category included vendor, contractor, and consultant charges of approximately $1.1 million; telephone charges of approximately $564,000; motor vehicle repair of approximately $26,000; and travel expenses of approximately $140,000.

During the period FY 1992 through FY 1996, Contractual Services expenses increased by 11.0%, which was primarily due to the increased expenses associated with snow removal. In future years, weather related expenses were developed based on an average of the historical spending increased by inflation. The projected growth rate for contractual services is 2.9%, resulting in projected expenditures of $13.6 million in FY 2002 compared with $11.8 million in FY 1997 as shown on **Table V-4**.

d. *Miscellaneous.* Miscellaneous expenses include costs of administering the Airport's Noise Mitigation Program, shuttle services to the employee parking lots, security services, bond amortization expenses, lobbying services, and ambulatory emergency services. Historically, miscellaneous expenses increased from approximately $5.0 million in FY 1992 to $9.9 million in FY 1996. This represents an average annual increase of 18.4 %. This increase, as discussed below, is primarily attributable to Shuttle Bus and Noise Mitigation expenses of approximately $1.4 million which began in FY 1992 and the TWA Asset Amortization charge of approximately 2.0 million which began in FY 1994.

Legal fees represented approximately $938,000 or 9.5% of Miscellaneous expenses in FY 1996, compared to $1.3 million in FY 1992. The decreased expenses are attributable to a decline in judgments during FY 1996. Legal fees are forecasted to reach $1.1 million in FY 2002, primarily due to the reduction in TWA litigation.

Security Service expenses increased by approximately $672,000 from FY 1992 to FY 1996. This increase resulted from a new security contract which includes higher rates and the requirement for the surveillance of additional airport-owned properties. In addition, the Airport incurred one-time expenses in FY 1996 of approximately $254,000 as a result of the FAA's mandate of Level 3 security.

In FY 1996, Bond Amortization expenses were $957,000. This account represents the amortized portion of bond issuance costs. Bond Amortization expenses increased as a result of the issuance of the Series 1993 Bonds and write-off of the amortization costs associated with the refunding of the Series 1984 Bonds.

TWA Asset Amortization represents the associated bond issue expenses resulting from the TWA purchase transaction. The Airport is amortizing these expenses over a twelve-year period ending in FY 2002. In FY 1994, TWA's Asset Amortization was approximately $1.9 million and represented a partial year expense. The FY 1996 amount of $3.1 million will remain constant through FY 2002. For further discussion refer to "THE AIRLINE INDUSTRY -- Trans World Airline, Inc." in the Official Statement.

In FY 1996, significant expenses in the Other category included surety bond premiums and insurance of approximately $620,000 and approximately $481,000 in lobbying expense.

Total Miscellaneous expenses are projected to increase from approximately $9.6 million in FY 1997 to $10.0 million in FY 2002, an average annual growth rate of .9%.

2. Gross Receipts Tax

On a monthly basis, pursuant to city ordinance, the Airport pays the City 5% of the Airport's gross revenues, excluding investment income. From FY 1992 through FY 1996, this fee ranged from $3.2 million in FY 1992 to $3.6 million in FY 1996, which represents an average annual growth rate of 2.9%. In future years, the Gross Receipts Tax is projected to increase by an average annual growth rate of 10.7%.

3. Other Expenses, Interest & Depreciation

a) *Other Expenses.* Other Expenses consisted of expenses related to the St. Louis Corporation (leasing corporation dissolved in FY 1993) and bad debt expenses resulting from the first TWA Bankruptcy. Historically, Other Expenses decreased from approximately $2.4 million in FY 1992, to approximately $95,000 in FY 1996, as indicated on **Table V-3**. The higher expenses in FY 1992 and FY 1993 were a result of an increase in bad debt expense of approximately $2.2 and $2.3 million, respectively, attributed to TWA's pre-petition debt. In future years, no provisions

have been made for this expense, the Airport is planning a contingency to deal with any potential future costs involving TWA as discussed in Section II

b) *Interest Expense.* Interest Expense represents the cost of borrowing funds to support airport development projects. In FY 1996, Interest Expense totaled approximately $19.8 million compared to $23.4 million in FY 1992. The weighted average annual decrease of (4.1)% is primarily due to the interest savings from the 1996 Series Refunding Bonds. The Interest Expense consists of outstanding 1987, 1992, 1993, 1993A and 1996 Series Bonds. Prior to 1996, Interest Expense grew at an average annual rate of 2.4%, from approximately $21.6 million in FY 1991 to $23.8 million in FY 1995.

c) *Depreciation.* Depreciation represents the amortization of capital assets, other than land, which were acquired by the Airport. Non-contributed depreciation represents the depreciation of capital assets purchased with Airport funds. Contributed depreciation represents the depreciation of capital assets purchased with Airport Improvement Program (AIP) and Passenger Facility Charge (PFC) funds. From FY 1992 through FY 1996, non-contributed depreciation increased at an average annual rate of 8.1% as depicted on **Table V-3**, from $12.2 million to $16.7 million. Contributed depreciation during the same period grew at an annual average rate of 2.4%, from $4.4 million to $4.9 million.

D. SUMMARY OF PROJECTS AND USE OF BOND PROCEEDS

The proceeds of the Series 1997 Bonds will be used to reimburse certain costs associated with the East Terminal Expansion, which were funded with the PFC and Development Fund resources. Such proceeds will also provide new money financing for additional projects defined as the 1997 Projects at the Airport, including certain projects which have already been funded with appropriation of Development Fund resources, but have only recently been started or are not yet started. The East Terminal Expansion is estimated to cost $97.6 million. As indicated on **Table II-2,** $54.3 million of the cost of the East Terminal Expansion will be funded from Series 1997 Bonds proceeds.

The proceeds from the Series 1997 Bonds will be used to fund the cost of the 1997 Projects in total. As indicated on **Table II-3**, the estimated cost of the 1997 Projects is $115.4 million. In total, the City plans to use $169.7 million of Series 1997 Bond proceeds to fund construction and related costs of the East Terminal Expansion and the 1997 Projects.

The City will issue approximately $199.6 million PAR value of Series 1997 Bonds with a maturity of 30 years. For the purposes of this Report, it is assumed that the bonds will have an average interest cost of 5.46%.

The estimated sources and uses of the Series 1997 Bonds are shown below (in millions):

SOURCES OF FUNDS[1]	
PAR Amount of Series 1997 Bonds	$ 199.6
Interest Earnings	$ 6.2
Less: Bond Discount	$ (2.5)
Total Source of Funds	$ 203.3
USE OF FUNDS[2]	
1997 Projects	$ 115.4
East Terminal Expansion Reimbursement	$ 54.3
Deposit to Debt Service Reserve Fund	$ 14.9
Capitalized Interest	$ 15.5
Cost of Issuance[3]	$ 3.2
Total Use of Funds	$ 203.3

E. DEBT SERVICE PAYMENTS

The debt service payments are associated with the Series 1992, 1993, 1993A, 1996 (Refunding of Series 1987) Bonds and the Series 1997 Bonds, (collectively the "Bonds"). Debt service payments in FY 1995 were $36.8 million. In subsequent years, debt service payments range from $37.1 million in FY 1997 to $48.6 million in FY 2002. The debt service coverage test is met in all years during the forecast period.

F. FINANCIAL ANALYSIS SUMMARY

An important component of the financial feasibility report is an assessment of the impact of the debt service on the Series 1997 Bonds on airline rates and charges. The following section presents an overview of the impact of increases in Airport operating revenues and expenses, debt service, traffic projections, and capital improvements on Signatory Airline rates and charges, debt service coverage, and the Airport's discretionary cash flow.

[1] Preliminary, subject to change.
[2] ibid.
[3] Includes legal, accounting, printing, insurance premium , and other expenses associated with the issuance of the Series 1997 Bonds.

1. Signatory Landing Fee Rates

Table V-5 shows that the Airport's projected signatory landing fee rate for FY 1997 is $1.37 per thousand pounds of landed weight and is projected to increase to $1.62 by FY 2002, or an average annual increase of 3.2% per year for the period FY 1997 to FY 2002. According to the American Association of Airport Executives (AAAE) 1995-96 Survey of Airport Rates and Charges, the average landing fee rate for signatory air carriers for 1995-96 at large hub airports such as the Airport was $1.79, with a low of $0.64 and a high of $4.90. According to the survey, the Airport's landing fee rate is below average. The forecast of landing fee rates shown on **Table V-5** is believed to be reasonable in comparison with other large hub airports.

2. Terminal Rental Rates

The Airport's upper level terminal building rental rate (which contains ticket counter and ticketing office space) for FY 1996 is $38.60 per square foot. According to the AAAE 1995-96 Survey of Airport Rates and Charges, the average ticket counter rental rate for large hub airports was $57.90. Therefore, the Airport's rate is below the average for large hub airports. The Airport's average terminal building rental rate for FY 1997 was $28.00 per square foot and is projected to increase to $34.03 by FY 2002, an average increase of 3.9% per year.

3. Airline Cost Per Enplaned Passenger

The average annual airline cost per enplaned passenger in FY 1996 was $3.39. **Table V-5** shows the projected average airline cost per enplaned passenger to increase to $4.03 by FY 2002, an average increase of 2.9% per year. According to the AAAE 1995-96 Survey of Airport Rates and Charges, the average total air carrier revenue per passenger at large hub airports for 1995-96 was $4.37, which is equivalent to $8.74 per enplaned passenger. Based on these projections the Airport's projected average airline costs per enplaned passenger shown on **Table V-5** would probably continue to be less than the average for other large hub airports. However, these average airline costs per enplaned passenger does not include major capital improvements associated with the master plan.

4. Net Discretionary Cash

Table V-6 shows that the Airport will have net discretionary cash flow of $12.9 million in FY 1997, and in subsequent years annual cash flow is expected to increase to $20.1 million in FY 2002. The cumulative amount of this discretionary cash flow is approximately $106.9 million. This discretionary cash can be used to fund capital projects to compensate for any shortfalls in future operating revenues and overages in future operating expenses, or as an emergency reserve.

TABLE V-5
PROJECTED CASH FLOW FY 1997 THROUGH 2002
SIGNATORY AIRLINES' PAYMENTS

SIGNATORY AIRLINES' PAYMENTS	PROJECTED					
	FY '96-'97	FY '97-'98	FY '98-'99	FY '99-2000	FY 2000-2001	FY 2001-2002
AIRFIELD EXPENSES	$21,514,760	$22,273,738	$23,065,033	$23,920,657	$24,812,444	$25,742,044
Add: Interest	$6,759,923	$7,336,271	$8,073,145	$8,097,033	$8,097,033	$8,097,033
Add: Depreciation	$4,435,206	$5,490,769	$6,840,331	$6,884,081	$6,884,081	$6,884,081
Add: Deferred Maintenance Charge	$100,500	$100,500	$100,500	$100,500	$100,500	$100,500
Less: Non-Signatory Airfield Revenues	($1,845,082)	($2,112,077)	($2,284,740)	($2,340,136)	($2,393,643)	($2,449,419)
Net Airfield Expenses (Landing Fees)	$30,965,307	$33,089,201	$35,794,268	$36,662,135	$37,500,415	$38,374,239
Signatory Landing Fees	$30,965,307	$33,089,201	$35,794,268	$36,662,135	$37,500,415	$38,374,239
Non-Signatory Landing Fees	$1,845,082	$2,112,077	$2,284,740	$2,340,136	$2,393,643	$2,449,419
Total Landing Fees	$32,810,389	$35,201,278	$38,079,009	$39,002,271	$39,894,058	$40,823,658
Landed Weight per 1,000 lbs. [1]	23,877,474	24,091,226	24,426,752	24,737,086	25,028,987	25,251,339
Landing Fee per 1,000 lbs. of landed weight	$1.37	$1.46	$1.56	$1.58	$1.59	$1.62
TERMINAL EXPENSES	$23,116,964	$23,857,163	$26,106,256	$27,000,093	$27,930,007	$28,897,611
Add: Interest	$4,295,800	$4,916,231	$6,957,608	$6,961,020	$6,961,020	$6,961,020
Add: Depreciation	$6,378,525	$7,136,058	$9,628,535	$9,632,702	$9,632,702	$9,632,702
Add: Deferred Maintenance Charge	$44,959	$44,959	$44,959	$44,959	$44,959	$44,959
Sub-Total Terminal Expenses	$33,836,248	$35,954,411	$42,737,358	$43,638,774	$44,568,688	$45,536,292
Airline Share (45.3%/46.4%) [2] (Terminal Rent)	$15,333,821	$16,293,725	$19,828,239	$20,246,457	$20,677,896	$21,126,821
SOUTHWEST EAST TERMINAL EXPENSES: [3]						
Add: Interest	$0	$0	$103,964	$103,964	$103,964	$103,964
Add: Depreciation	$0	$0	$129,400	$129,400	$129,400	$129,400
Add: Deferred Maintenance Charge	$0	$0	$0	$0	$0	$0
Sub-Total EastTerminal Expenses	$0	$0	$233,364	$233,364	$233,364	$233,364
Total Terminal Expense	$15,333,821	$16,293,725	$20,061,603	$20,479,821	$20,911,260	$21,360,185
Airline Terminal Square Footage	547,702	547,702	627,681	627,681	627,681	627,681
Average Terminal Rental Rate	$28.00	$29.75	$31.96	$32.63	$33.32	$34.03
Total Signatory Airline Payments (Airfield & Terminal)	$46,299,128	$49,382,926	$55,622,508	$56,908,592	$58,178,311	$59,501,060
Non-Signatory Landing Fees	$1,845,082	$2,112,077	$2,284,740	$2,340,136	$2,393,643	$2,449,419
Non-Signatory Airlines - Terminal	$443,335	$454,861	$466,688	$478,822	$491,271	$504,044
TOTAL AIRLINE REVENUES	$48,587,545	$51,949,864	$58,373,936	$59,727,549	$61,063,224	$62,454,522
FY Enplanements	13,672,000	13,952,000	14,378,500	14,752,000	15,119,000	15,481,500
Airline Cost/Enplanement	$3.55	$3.72	$4.06	$4.05	$4.04	$4.03

[1] Landed weights are on a fiscal year basis.

[2] For FY '96 through FY '98, the airlines are expected to occupy 45.3% of total terminal space, this is projected to be 46.5% with the East Terminal Expansion in FY '99.

[3] This represents charges applicable to Southwest only, for special terminal improvements approximating $3,887,000.

TABLE V-6
PROJECTED CASH FLOW FY 1997 THROUGH 2002
"NET DISCRETIONARY CASH" TO AIRPORT/CITY

AIRPORT'S/CITY'S DISCRETIONARY CASH FLOW	PROJECTED					
	FY '96-'97	FY '97-'98	FY '98-'99	FY '99-2000	FY 2000-2001	FY 2001-2002
AIRPORT OPERATING REVENUES						
Signatory Airline Revenues	$46,299,128	$49,382,926	$55,622,508	$56,908,592	$58,178,311	$59,501,060
Non-Signatory Airline Revenues	$2,288,417	$2,566,938	$2,751,428	$2,818,958	$2,884,914	$2,953,463
All Other Airport Revenues	$47,310,712	$50,044,648	$54,749,928	$58,409,345	$60,673,355	$62,912,084
TWA Asset Use Charge	$7,828,588	$7,828,588	$7,828,588	$7,828,588	$7,828,588	$7,828,588
Total Airport Operating Revenues	$103,726,845	$109,823,100	$120,952,451	$125,965,482	$129,565,167	$133,195,195
AIRPORT OPERATING EXPENSES & OTHER						
Maintenance & Operating Expenses	$48,520,171	$50,188,022	$51,926,807	$55,347,332	$55,759,468	$57,821,439
Other Expenses	$5,186,342	$5,491,155	$6,059,291	$6,309,942	$6,489,927	$6,671,428
Total Operating & Other Expenses	$53,706,514	$55,679,177	$57,986,098	$61,657,274	$62,249,395	$64,492,867
DEBT SERVICE						
Total Debt Service	$37,112,908	$37,169,107	$40,829,863	$47,941,021	$48,950,700	$48,579,877
Net Discretionary Cash Flow to Airport	$12,907,424	$16,974,816	$22,136,491	$16,367,187	$18,365,073	$20,122,451
Cumulative Cash Flow to Airport	$12,907,424	$29,882,240	$52,018,730	$68,385,917	$86,750,991	$106,873,442

Source: Airport management records.

5. Debt Service Coverage

Table V-7 shows the actual debt service coverage for FY 1992 through FY 1996, and projections for FY 1997 to FY 2002. The table shows that the coverage factor is above the Indenture's requirement of 1.25 in all years.

In summary, the estimated debt service coverage shown on **Table V-7** provide reasonable assurance that net revenues should be sufficient to pay the debt service on the Series 1997 Bonds. In addition, the City can control operating expenses through its budgeting processes, and limit operating expenses to compensate for lower revenues if they fail to reach expected or needed levels.

G. SENSITIVITY ANALYSIS

The analysis presented below estimates the financial impact of the cessation of TWA's hubbing operation at the Airport. In Section IV of this report, enplanement forecasts were developed for two separate scenarios as presented below:

Scenario 1 – TWA's hub operation at the Airport will continue in the future.

Scenario 2 –TWA's hub operation will cease after 1997; however, TWA's share of O&D traffic and 50% of its connecting traffic would still be served by other airlines.

This analysis considers the impact of Scenario 2 on the airline rates and charges, airline cost per enplanement and the Airport's ability to meet the coverage requirements under the Trust Indenture.

The following assumptions were adopted in conducting the analysis:

- The number of operations and corresponding landing weights were reduced in relation to the reduction in the number of forecasted enplanements.

- The number of gates leased and occupied were based on an average of 7.3 turns per day/per gate for carriers at the Airport with the exception of Southwest Airlines (SWA) which is assumed to continue to utilize its gates at its current level of 12.7 turns per day/ per gate.

- SWA will use the additional gates made available by the East Terminal Expansion at levels equal to its current gate utilization of 12.7 turns per day/ per gate.

- Corresponding reductions in the amount of leased space were made in relation to the estimated reduction in the number of gates occupied.

TABLE V-7
DEBT SERVICE COVERAGE
HISTORICAL AND PROJECTED - FISCAL YEARS 1992 THROUGH 2002

Fiscal Year	Airport Operating Revenues [1]	Maintenance & Operating Expenses	Net Revenues	Debt Service	Debt Service Coverage
Actual					
1992	$77,456,814	$34,255,749	$43,201,065	$24,618,438	1.75
1993	$77,893,599	$38,448,888	$39,444,711	$28,614,106	1.38
1994 [2]	$84,131,623	$40,987,067	$43,144,556	$25,525,497	1.69
1995	$95,126,189	$45,655,071	$49,471,118	$36,783,128	1.34
1996	$97,319,943	$49,517,076	$47,802,867	$33,838,461	1.41
Forecast					
1997	$103,726,845	$48,520,171	$55,206,674	$37,112,908	1.49
1998	$109,823,100	$50,188,022	$59,635,078	$37,169,107	1.60
1999	$121,185,815	$51,926,807	$69,259,008	$40,829,863	1.70
2000	$126,198,846	$55,347,332	$70,851,515	$47,941,021	1.48
2001	$129,798,531	$55,759,468	$74,039,063	$48,950,700	1.51
2002	$133,428,559	$57,821,439	$75,607,119	$48,579,877	1.56

[1] Excludes PFC Revenues, PFC Interest Income, and Lambert-St. Louis International Airport Corporation interest income.

[2] The high debt service coverage in FY 1994 is attributed to lower debt service payments associated with the financing structure of the Series 1992 and Series 1993A Bonds.

Source: Airport management records.

- Maintenance and operation expenses associated with the space which is estimated to no longer be leased was reduced by 40%. This reflects the need to continue to operate current HVAC and other systems even though the space will no longer be occupied. The 40% was an estimate provided by the Airport's Assistant Director of Engineering.

- The TWA Asset Use Charge will be charged to a substitute carrier in proportion to the amount of leased space occupied.

- Parking revenues were not impacted because of their relationship to O&D passengers.

- All other revenues and expenditures were reduced based on the forecasted reduction in enplanements.

Table V-8 shows that the Airport's projected signatory landing fee rate under Scenario 2 ranges from a low of $1.37 in FY 1998 to a high of $1.95 in FY 2001. This compares with the average landing fee at large hub airports of $1.79 for the period 1995 – 96. If escalated using the 2.7% projected inflation rate, the average landing fee at large hub airports would be estimated to equal $2.10 in FY 2002. Therefore the projected landing fee under Scenario 2 should continue to be below the average landing fee at large hub airports. The average cost per enplaned passenger ranges from a low of $3.59 in FY 1998 to a high of $4.45 in FY 2000. During 1995 – 96 the average cost per passenger at large hub airports was $4.37, which is equivalent to $8.74 per enplaned passenger. Therefore the cost per enplaned passenger under Scenario 2 is projected to remain below the average cost at large hub airports during the forecast period.

Table V-9 shows the estimated debt service coverage assuming Scenario 2. Debt service coverage is expected to remain above the Indenture's requirement of 1.25 in all years during the forecast period.

As indicated in Section IV of this report, it is our belief that if TWA ceases its hub operation at the Airport, that Scenario 2 is the likely outcome.

In the event that TWA ceases it hub operation at the Airport as in Scenario 2, the estimated debt service coverage shown on **Table V-9** will provide reasonable assurance that net revenues should be sufficient to pay the debt service on the Series 1997 Bonds. In addition, as with Scenario 1, the City has the ability to control the costs at the Airport through budgeting and other management practices.

TABLE V-8
PROJECTED CASH FLOW FY 1997 THROUGH 2002
SIGNATORY AIRLINES' PAYMENTS
Scenario 2 - w/o TWA Hub

SIGNATORY AIRLINES' PAYMENTS	PROJECTED					
	FY '96-'97	FY '97-'98	FY '98-'99	FY '99-2000	FY 2000-2001	FY 2001-2002
AIRFIELD EXPENSES	$21,498,963	$22,091,827	$22,703,007	$23,333,928	$23,984,500	$24,655,370
Add: Interest	$6,759,923	$7,336,271	$8,073,145	$8,097,033	$8,097,033	$8,097,033
Add: Depreciation	$4,435,206	$5,490,769	$6,840,331	$6,884,081	$6,884,081	$6,884,081
Add: Deferred Maintenance Charge	$100,500	$100,500	$100,500	$100,500	$100,500	$100,500
Less: Non-Signatory Airfield Revenues	($1,844,194)	($2,101,161)	($2,263,019)	($2,304,932)	($2,343,966)	($2,384,220)
Net Airfield Expenses (Landing Fees)	$30,950,398	$32,918,206	$35,453,964	$36,110,611	$36,722,148	$37,352,764
Signatory Landing Fees	$30,950,398	$32,918,206	$35,453,964	$36,110,611	$36,722,148	$37,352,764
Non-Signatory Landing Fees	$1,844,194	$2,101,161	$2,263,019	$2,304,932	$2,343,966	$2,384,220
Total Landing Fees	$32,794,592	$35,019,367	$37,716,983	$38,415,542	$39,066,114	$39,736,984
Landed Weight per 1,000 lbs. [1]	23,877,474	21,654,905	19,529,039	19,777,196	19,985,029	21,086,994
Landing Fee per 1,000 lbs. of landed weight	$1.37	$1.62	$1.93	$1.94	$1.95	$1.88
TERMINAL EXPENSES	$23,116,490	$21,663,968	$23,566,684	$24,162,215	$24,775,509	$25,407,143
Add: Interest	$4,295,800	$4,916,231	$6,957,608	$6,961,020	$6,961,020	$6,961,020
Add: Depreciation	$6,378,525	$7,136,058	$9,628,535	$9,632,702	$9,632,702	$9,632,702
Add: Deferred Maintenance Charge	$44,959	$44,959	$44,959	$44,959	$44,959	$44,959
Sub-Total Terminal Expenses	$33,835,774	$33,761,216	$40,197,786	$40,800,896	$41,414,190	$42,045,824
Airline Share [2] (Terminal Rent)	$15,333,607	$11,551,363	$14,080,743	$14,292,004	$14,506,833	$14,728,086
SOUTHWEST EAST TERMINAL EXPENSES: [3]						
Add: Interest	$0	$0	$103,964	$103,964	$103,964	$103,964
Add: Depreciation	$0	$0	$129,400	$129,400	$129,400	$129,400
Add: Deferred Maintenance Charge	$0	$0	$0	$0	$0	$0
Sub-Total EastTerminal Expenses	$0	$0	$233,364	$233,364	$233,364	$233,364
Total Terminal Expense	$15,333,607	$11,551,363	$14,314,107	$14,525,368	$14,740,197	$14,961,450
Airline Terminal Square Footage	547,702	413,515	473,899	473,899	473,899	473,899
Average Terminal Rental Rate	$28.00	$27.93	$30.20	$30.65	$31.10	$31.57
Total Signatory Airline Payments (Airfield & Terminal)	$46,284,004	$44,469,569	$49,534,707	$50,402,615	$51,228,981	$52,080,850
Non-Signatory Landing Fees	$1,844,194	$2,101,161	$2,263,019	$2,304,932	$2,343,966	$2,384,220
Non-Signatory Airlines - Terminal	$443,335	$454,861	$466,688	$478,822	$491,271	$504,044
TOTAL AIRLINE REVENUES	$48,571,533	$47,025,592	$52,264,414	$53,186,368	$54,064,218	$54,969,113
FY Enplanements	13,672,000	12,528,000	11,493,000	11,791,500	12,085,000	12,375,000
Airline Cost/Enplanement	$3.55	$3.75	$4.55	$4.51	$4.47	$4.44

1. Landed weights are on a fiscal year basis.

2. For FY 1998 the Airlines are expected to occupy 34.2% of total terminal space. This is projected to increase to 35.0% with the East Terminal Expansion in FY 1999.

3. This represents charges applicable to Southwest only, for special terminal improvements approximating $3,887,000.

TABLE V-9
DEBT SERVICE COVERAGE
HISTORICAL AND PROJECTED - FISCAL YEARS 1992 THROUGH 2002
Scenario 2 - w/o TWA Hub

Fiscal Year	Airport Operating Revenues (1)	Maintenance & Operating Expenses	Net Revenues	Debt Service	Debt Service Coverage
Actual					
1992	$77,456,814	$34,255,749	$43,201,065	$24,618,438	1.75
1993	$77,893,599	$38,448,888	$39,444,711	$28,614,106	1.38
1994 (2)	$84,131,623	$40,987,067	$43,144,556	$25,525,497	1.69
1995	$95,126,189	$45,655,071	$49,471,118	$36,783,128	1.34
1996	$97,319,943	$49,517,076	$47,802,867	$33,838,461	1.41
Forecast					
1997	$103,709,898	$48,520,171	$55,189,727	$37,112,908	1.49
1998	$101,919,445	$47,061,862	$54,857,584	$37,169,107	1.48
1999	$110,908,287	$48,509,370	$62,398,916	$40,829,863	1.53
2000	$115,181,179	$52,605,609	$62,575,570	$47,941,021	1.31
2001	$118,014,059	$52,187,800	$65,826,258	$48,950,700	1.34
2002	$120,826,815	$54,169,488	$66,657,327	$48,579,877	1.37

1. Excludes PFC Revenues, PFC Interest Income, and Lambert-St. Louis International Airport Corporation interest income.
2. The high debt service coverage in FY 1994 is attributed to lower debt service payments associated with the financing structure of the Series 1992 and Series 1993A Bonds.

Source: Airport management records.

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APPENDIX C

FINANCIAL STATEMENTS OF THE AIRPORT

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri

We have reviewed the accompanying balance sheet of Lambert - St. Louis International Airport (Airport), an enterprise fund of the City of St. Louis, Missouri (City), as of December 31, 1996, and the related statements of revenues and expenses, changes in fund equity and cash flows for the six month periods ended December 31, 1996 and 1995, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have previously audited, in accordance with generally accepted auditing standards, the financial statements of the Airport as of June 30, 1996, and, in our report dated September 30, 1996, we expressed an unqualified opinion on the statements. All information included in these financial statements is the representation of the Airport's management.

A review consists principally of inquiries of Airport personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are now aware of any material modifications that should be made to the financial statements referred to above in order for them to be in conformity with generally accepted accounting principles.

Arthur Andersen LLP

St. Louis, Missouri,
August 4, 1997

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

BALANCE SHEETS -- AS OF DECEMBER 31 AND JUNE 30, 1996
(Dollars in thousands)

ASSETS

	December (Reviewed)	June (Audited)
CURRENT ASSETS:		
Unrestricted assets-		
Cash and cash equivalents	$ 11,128	$ 14,267
Accounts receivable, net	11,296	9,599
Inventories	1,898	2,094
Due from City of St. Louis	12	12
Other current assets	3,158	1,000
	27,492	26,972
Restricted assets-		
Cash and cash equivalents	152,377	92,724
Accrued interest receivable	1,158	248
Passenger facility charge receivable	5,061	5,891
Government grants receivable	2,442	2,679
	161,038	101,542
Total current assets	188,530	128,514
RESTRICTED INVESTMENTS, at cost	93,076	160,748
PROPERTY, PLANT AND EQUIPMENT, net	509,764	488,896
DEFERRED BOND ISSUE COSTS	5,735	6,184
INTANGIBLE ASSETS	30,910	32,496
OTHER ASSETS	1,468	1,741
Total assets	$ 829,483	$ 818,579

(Continued on following page)

LIABILITIES AND FUND EQUITY

	December (Reviewed)	June (Audited)
CURRENT LIABILITIES:		
Payable from unrestricted assets-		
Accounts payable and accrued expenses	$ 6,751	$ 6,703
Due to City of St. Louis	2,279	1,667
	9,030	8,370
Payable from restricted assets-		
Current maturities of revenue bonds payable	19,850	17,205
Accrued interest payable	8,631	8,554
Contracts and retainage payable	7,029	8,755
Deferred revenue - passenger facility charge	5,150	5,980
	40,660	40,494
Total current liabilities	49,690	48,864
LONG-TERM LIABILITIES:		
Revenue bonds payable	266,688	285,601
Other long-term liabilities	6,538	6,698
	273,226	292,299
Total liabilities	322,916	341,163
FUND EQUITY:		
Contributed capital-		
Government grants and other aid	173,439	167,725
City of St. Louis	24,045	24,045
	197,484	191,770
Retained earnings-		
Reserved for revenue bond requirements	60,115	66,000
Unreserved	248,968	219,646
	309,083	285,646
Total fund equity	506,567	477,416
Total liabilities and fund equity	$ 829,483	$ 818,579

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these balance sheets.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES AND EXPENSES

FOR THE SIX MONTHS ENDED DECEMBER 31, 1996 AND 1995
(Dollars in thousands)

	1996 (Reviewed)	1995 (Reviewed)
OPERATING REVENUES:		
Aviation revenue-		
Airfield	$ 14,920	$ 15,684
Terminal and concourses	7,204	7,467
Hangars and other buildings	328	322
Cargo buildings	796	790
Concessions	14,366	14,553
Parking and miscellaneous	964	975
Lease revenue	3,914	3,914
Total operating revenues	42,492	43,705
OPERATING EXPENSES:		
Personal services	12,364	11,745
Supplies	1,136	745
Materials	520	426
Equipment	168	91
Contractual services	5,225	5,314
Miscellaneous and fixed charges	5,506	4,587
Amortization	1,586	1,586
Depreciation-		
Noncontributed assets	8,467	8,196
Contributed assets	2,460	2,414
Total operating expenses	37,432	35,104
Income from operations	5,060	8,601
NONOPERATING INCOME (EXPENSES):		
Interest income	6,778	6,336
Interest expense	(10,396)	(11,211)
Passenger facility charges	19,148	18,501
Other, net	387	213
Total nonoperating income, net	15,917	13,839
Net income	$ 20,977	$ 22,440

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these statements.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF CHANGES IN FUND EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 1996 AND 1995
(Dollars in thousands)

	Contributed Capital			Retained Earnings			
	Government Grants and Other Aid	City of St. Louis	Total	Reserve for Revenue Bond Requirements	Unreserved	Total	Total Fund Equity
BALANCE AT JUNE 30, 1995	$ 165,705	$ 24,045	$ 189,750	$ 76,167	$ 160,688	$ 236,855	$ 426,605
Net income	-	-	-	-	22,440	22,440	22,440
Depreciation on contributed assets	(2,414)	-	(2,414)	-	2,414	2,414	-
Government grants	4,831	-	4,831	-	-	-	4,831
Decrease in reserve for revenue bond requirements	-	-	-	(15,566)	-	(15,566)	(15,566)
BALANCE AT DECEMBER 31, 1995	$ 168,122	$ 24,045	$ 192,167	$ 60,601	$ 198,695	$ 259,296	$ 451,463
BALANCE AT JUNE 30, 1996	$ 167,725	$ 24,045	$ 191,770	$ 66,000	$ 219,646	$ 285,646	$ 477,416
Net income	-	-	-	-	20,977	20,977	20,977
Depreciation on contributed assets	(2,460)	-	(2,460)	-	2,460	2,460	-
Government grants	8,174	-	8,174	-	-	-	8,174
Decrease in reserve for revenue bond requirements	-	-	-	(5,885)	5,885	-	-
BALANCE AT DECEMBER 31, 1996	$ 173,439	$ 24,045	$ 197,484	$ 60,115	$ 248,968	$ 309,083	$ 506,567

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these statements.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED DECEMBER 31, 1996 AND 1995
(Dollars in thousands)

	1996 (Reviewed)	1995 (Reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	$ 5,060	$ 8,601
Adjustments to reconcile income from operations to net cash provided by operating activities-		
Depreciation and amortization	12,513	12,196
Changes in assets and liabilities-		
Accounts receivable, net	(1,697)	(1,083)
Inventories	196	214
Due from City of St. Louis	-	65
Other current assets	(128)	(273)
Due from Revenue Fund	-	115
Other assets	273	(295)
Accounts payable and accrued expenses	48	(2,803)
Due to City of St. Louis	612	382
Due to Debt Service Fund	-	(115)
Contracts and retainage payable	(1,726)	(1,293)
Other long-term liabilities	(160)	(2)
Total adjustments	9,931	7,108
Net cash provided by operating activities	14,991	15,709
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash collections from passenger facility charges	19,148	18,501
Receipts from FAA	8,411	10,715
Acquisition and construction of capital assets	(31,795)	(16,634)
Principal paid on revenue bond maturities	(17,205)	(16,590)
Interest paid on revenue bonds	(10,473)	(10,534)
Net cash used in capital and related financing activities	(31,914)	(14,542)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(67,526)	(286,672)
Proceeds from sales and maturities of investments	135,198	358,967
Interest and dividends on investments	5,765	3,567
Net cash provided by (used in) investing activities	73,437	75,862
Net increase in cash and cash equivalents	56,514	77,029

(Continued on following page)

	1996 (Reviewed)	1995 (Reviewed)
CASH AND CASH EQUIVALENTS:		
Beginning of period-		
Unrestricted	$ 14,267	$ 9,878
Restricted	92,724	63,564
	106,991	73,442
End of period-		
Unrestricted	11,128	8,729
Restricted	152,377	141,741
	$ 163,505	$ 150,471

The accompanying accountants' review report and the notes to financial statements should be read in conjunction with these statements.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31 AND JUNE 30, 1996
(Dollars in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Lambert - St. Louis International Airport (Airport) is owned and operated by the City of St. Louis, Missouri (City). The Airport is an enterprise fund of the City and, therefore, the financial statements of the Airport are not intended to present the financial position and results of operations of the City as a whole in conformity with generally accepted accounting principles.

Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The accompanying unaudited financial statements include all of the information and disclosures required by generally accepted accounting principles for interim reporting, which are less than those required for annual reporting. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for the six-month period ended December 31, 1996, are not necessarily indicative of the results to be expected for the full fiscal year.

These financial statements should be read in conjunction with the audited financial statements and related notes of the Airport for the fiscal years ended June 30, 1996 and 1995.

2. FINANCIAL CONDITION OF AND TRANSACTIONS WITH MAJOR USER:

Trans World Airlines, Inc. (TWA) represents the major air carrier providing air passenger service at the Airport.

For the three months ended June 30, 1997, TWA reported operating income of $5.9 million and a net loss of $14.4 million, compared with operating income of $62.0 million and a net profit of $25.3 million for the second quarter of 1996.

TWA's Form 10-Q for the quarter ended March 31, 1997, states that TWA's operating loss for that quarter was $99.4 million. TWA's net loss for that period was $71.6 million. This compares to an operating loss of $54.2 million and a net loss of $37.1 million for the quarter ended March 31, 1996. TWA reported operating revenue of $762.3 million for the first quarter of 1997, which represented a $20.1 million (2.6%) decrease from the first quarter of 1996, when TWA's reported operating revenue totaled $782.4 million. TWA's operating expenses for the first quarter of 1997 were $861.8 million, which reflects an increase of $25.2 million over operating expenses of $836.6 million reported during the first quarter of 1996.

TWA's external auditor, KPMG Peat Marwick, has issued a qualified opinion with respect to TWA's 1996 financial statements to the effect that substantial doubt exists regarding TWA's ability to continue as a going concern due to TWA's recurring losses from operations and its limited sources of additional liquidity.

The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996, and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. In addition to the crash, TWA faces difficulties related to ongoing employee contract negotiations, an aging fleet of aircraft and pending litigation posed by Karabu Corporation and Carl C. Icahn over financing arrangements and other agreements with them that could result in financial defaults that could put TWA in default under its other credit agreements. Any or all of these factors could result in a material adverse effect on TWA's operations or financial condition and adversely affect its financial viability.

Should the Airport incur a substantial loss of revenue from TWA and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on the outstanding bonds is insured by a bond insurance policy.

3. COMMITMENTS AND CONTINGENCIES:

In connection with federal grant programs, the Airport is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program monies.

Additionally, certain lawsuits were pending against the City that involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or the results of operations of the Airport.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri:

We have audited the accompanying financial statements of Lambert - St. Louis International Airport (Airport), an enterprise fund of the City of St. Louis, Missouri (City), as of June 30, 1996 and 1995, and for the years then ended, as listed in the accompanying table of contents. These financial statements and schedules are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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.

As discussed in Note 1, the financial statements present only the Lambert - St. Louis International Airport, and are not intended to present fairly the financial position of the City, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert - St. Louis International Airport as of June 30, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules I through VI is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

St. Louis, Missouri,
September 30, 1996

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

BALANCE SHEETS AS OF JUNE 30, 1996 AND 1995
(Dollars in thousands)

Assets	1996	1995
CURRENT ASSETS:		
Unrestricted assets-		
Cash and cash equivalents	$ 14,267	$ 9,878
Accounts receivable, net	9,599	5,702
Inventories	2,094	2,092
Due from City of St. Louis	12	65
Other current assets	1,000	448
	26,972	18,185
Restricted assets-		
Cash and cash equivalents	92,724	63,564
Accrued interest receivable	248	15
Passenger facility charge receivable	5,891	6,027
Government grants receivable	2,679	8,692
Due from Revenue Fund	-	115
	101,542	78,413
Total current assets	128,514	96,598
RESTRICTED INVESTMENTS, at cost	160,748	170,884
PROPERTY, PLANT AND EQUIPMENT, net	488,896	476,328
DEFERRED BOND ISSUE COSTS	6,184	6,758
INTANGIBLE ASSETS	32,496	35,668
OTHER ASSETS	1,741	1,718
Total assets	$ 818,579	$ 787,954

(Continued on following page)

Liabilities and Fund Equity	1996	1995
CURRENT LIABILITIES:		
Payable from unrestricted assets-		
Accounts payable and accrued expenses	$ 6,703	$ 9,468
Due to City of St. Louis	1,667	1,918
Due to Debt Service Fund	-	115
	8,370	11,501
Payable from restricted assets-		
Current maturities of revenue bonds payable	17,205	16,590
Accrued interest payable	8,554	10,097
Contracts and retainage payable	8,755	5,914
Deferred revenue - passenger facility charge	5,980	6,116
	40,494	38,717
Total current liabilities	48,864	50,218
LONG-TERM LIABILITIES:		
Revenue bonds payable	285,601	303,539
Other long-term liabilities	6,698	7,592
	292,299	311,131
Total liabilities	341,163	361,349
FUND EQUITY:		
Contributed capital-		
Government grants and other aid	167,725	165,705
City of St. Louis	24,045	24,045
	191,770	189,750
Retained earnings-		
Reserved for revenue bond requirements	66,000	76,167
Unreserved	219,646	160,688
	285,646	236,855
Total fund equity	477,416	426,605
Total liabilities and fund equity	$ 818,579	$ 787,954

The accompanying notes are an integral part of these balance sheets.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF REVENUES AND EXPENSES

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995
(Dollars in thousands)

	1996	1995
OPERATING REVENUES:		
Aviation revenue-	$ 32,593	$ 30,376
Airfield	15,365	16,056
Terminal and concourses	661	651
Hangars and other buildings	1,586	1,900
Cargo buildings	28,892	28,554
Concessions	1,729	1,571
Parking and miscellaneous	7,829	7,829
Lease revenue		
Total operating revenues	88,655	86,937
OPERATING EXPENSES:		
Personal services	23,641	22,230
Supplies	2,178	1,827
Materials	956	679
Equipment	197	204
Contractual services	12,772	10,807
Miscellaneous and fixed charges	10,319	10,815
Amortization	3,172	3,196
Depreciation-		
Noncontributed assets	16,745	16,302
Contributed assets	4,874	4,710
Total operating expenses	74,854	70,770
Income from operations	13,801	16,167
NONOPERATING INCOME (EXPENSES):		
Interest income	13,719	10,510
Interest expense	(20,756)	(23,825)
Passenger facility charges	36,778	31,358
Other, net	375	433
Total nonoperating income (expenses), net	30,116	18,476
Net income	$ 43,917	$ 34,643

The accompanying notes are an integral part of these statements.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF CHANGES IN FUND EQUITY

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995
(Dollars in thousands)

	Contributed Capital			Retained Earnings			
	Government Grants and Other Aid	City of St. Louis	Total	Reserved for Revenue Bond Requirements	Unreserved	Total	Total Fund Equity
BALANCE AT JUNE 30, 1994	$ 153,334	$ 24,045	$ 177,379	$ 60,529	$ 136,973	$ 197,502	$ 374,881
Net income	-	-	-	-	34,643	34,643	34,643
Depreciation on contributed assets	(4,710)	-	(4,710)	-	4,710	4,710	-
Government grants	17,081	-	17,081	-	-	-	17,081
Increase in reserve for revenue bond requirements	-	-	-	15,638	(15,638)	-	-
BALANCE AT JUNE 30, 1995	165,705	24,045	189,750	76,167	160,688	236,855	426,605
Net income	-	-	-	-	43,917	43,917	43,917
Depreciation on contributed assets	(4,874)	-	(4,874)	-	4,874	4,874	-
Government grants	6,894	-	6,894	-	-	-	6,894
Decrease in reserve for revenue bond requirements	-	-	-	(10,167)	10,167	-	-
BALANCE AT JUNE 30, 1996	$ 167,725	$ 24,045	$ 191,770	$ 66,000	$ 219,646	$ 285,646	$ 477,416

The accompanying notes are an integral part of these statements.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 1996 AND 1995
(Dollars in thousands)

	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from operations	$ 13,801	$ 16,167
Adjustments to reconcile income from operations to net cash provided by operating activities-		
Depreciation and amortization	24,791	24,208
Changes in assets and liabilities-		
Accounts receivable, net	(3,897)	152
Inventories	(2)	377
Due from City of St. Louis	53	48
Other current assets	(552)	(82)
Due from Revenue Fund	115	(115)
Other assets	(23)	(818)
Accounts payable and accrued expenses	(2,765)	2,956
Due to City of St. Louis	(251)	369
Due to Debt Service Fund	(115)	115
Due to the Federal Aviation Administration (FAA)	-	(736)
Contracts and retainage payable	2,841	613
Other long-term liabilities	(894)	7,169
Total adjustments	19,301	34,256
Net cash provided by operating activities	33,102	50,423
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash collections from passenger facility charges	36,778	31,342
Receipts from FAA	6,013	11,329
Acquisition and construction of capital assets	(22,416)	(27,732)
Proceeds from issuance of revenue bonds	33,885	-
Principal paid on revenue bond maturities	(16,590)	(7,110)
Cash paid for retirement of revenue bonds	(37,721)	-
Interest paid on revenue bonds	(20,597)	(20,710)
Net cash used in capital and related financing activities	(20,648)	(12,881)

(Continued on following page)

	1996	1995
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	$(529,225)	$(173,380)
Proceeds from sales and maturities of investments	539,358	158,524
Interest and dividends on investments	10,962	5,610
Net cash provided by (used in) investing activities	21,095	(9,246)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents	33,549	28,296
CASH AND CASH EQUIVALENTS:		
Beginning of year-		
Unrestricted	9,878	7,015
Restricted	63,564	38,131
	73,442	45,146
End of year-		
Unrestricted	14,267	9,878
Restricted	92,724	63,564
	$ 106,991	$ 73,442

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Lambert - St. Louis International Airport (Airport) is owned and operated by the City of St. Louis, Missouri (City). The Airport is an enterprise fund of the City and, therefore, the financial statements of the Airport are not intended to present the financial position and results of operations of the City as a whole in conformity with generally accepted accounting principles.

Basis of Accounting

Governmental enterprise funds are used to account for operations of governmental entities that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Airport prepares its financial statements in accordance with generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

Accounts Receivable/Accounts Payable

Accounts receivable is comprised primarily of amounts due from air carriers and concessionaires with operations at the Airport. Such amounts are net of allowances for uncollectible accounts of $528 and $293 at June 30, 1996 and 1995, respectively.

In addition, accounts receivable includes unbilled airfield revenue for the period from January through June amounting to $3,516 and $1,139 at June 30, 1996 and 1995, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers (commonly referred to as Signatory Airlines). Amounts due or payable under the use agreements are settled annually with Signatory Airlines on a calendar-year basis (see Note 7).

As a result of the settlement process, as described in the preceding paragraph, made during fiscal year 1996 for the calendar year 1995, the airlines, at June 30, 1996, owe the Airport $101. These amounts will be paid from July through December 1996 and are included in accounts receivable at June 30, 1996.

In the prior year, the Airport owed the airlines $1,356 as a result of this settlement process. This amount was included in accounts payable at June 30, 1995.

Inventories

Inventories represent supplies and materials used in support of operations and maintenance of the Airport. Inventory amounts are recorded at cost using a method which approximates the first-in, first-out method.

Government Grants Receivable

Government grants receivable represents amounts expected to be received from the Federal Aviation Administration (FAA) in connection with the Airport's participation in the FAA's noise mitigation and various airport improvement programs.

Passenger Facility Charges (PFCs)

The Airport collects a $3 facility charge per enplaned passenger to fund approved FAA projects. The PFC is withheld by the respective airlines for each ticket purchased and transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less a $.08 per ticket operating fee retained by the airlines. PFC revenue is recognized at the time the related ticket is used and is classified as nonoperating revenue.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets.

Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs. Construction in progress represents costs incurred by the Airport for plant and equipment designed to expand, replace or extend useful lives of existing Airport facilities that have not yet been placed in service.

Net interest costs on funds borrowed to finance the construction of property, plant and equipment are capitalized and amortized over the life of the related asset. During the years ended June 30, 1996 and 1995, respectively, $1,044 and $-0- interest costs were capitalized.

Deferred Bond Issue Costs

Deferred bond issue costs represent costs related to the issuance of the Airport's outstanding revenue bonds. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

Other Long-Term Liabilities

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of $7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bond Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bond Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bond Series 1993A). In exchange, the Airport has contracted to buy qualified eligible (as defined in the agreement) securities from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions, is recorded as a net adjustment to interest income. In April 1996, this agreement was amended to replace the Bond Series 1987 with the Airport Revenue Refunding Bonds, Series 1996 (Bond Series 1996). A $95 termination payment was made in consideration for the amendment.

The Airport's obligation under the forward purchase agreement of $6,277 and $7,170, at June 30, 1996 and 1995, respectively, is recorded in other long-term liabilities.

Capital Leases

Lease revenue during 1996 and 1995 represents income from Trans World Airlines, Inc. (TWA) relating to equipment leases (see Note 8).

Vacation and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. No accrual is established for sick leave benefits as such amounts do not vest and expire upon termination from employment. However, unused sick leave may be rolled into credited years of service for purposes of determining an employee's monthly pension allowance upon retirement.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled $1,669 and $1,514 as of June 30, 1996 and 1995, respectively, and is included in accounts payable and accrued expenses.

Contributed Capital

Contributed capital represents government grants and other aid and contributions from the City used to fund capital projects. Such amounts are generally recognized as contributed capital when the expenditure is made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant and equipment acquired through government grants is charged to operations and reclassified to the related contributed capital account.

Statements of Cash Flows

For purposes of the statements of cash flows, cash and cash equivalents is defined as all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Accounting Pronouncements

In 1993, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards Board No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This statement provides interim guidance on business-type accounting and financial reporting for proprietary activities (that is, proprietary funds and governmental entities that use proprietary fund accounting). The Airport adopted this statement for the year ended June 30, 1995. The adoption had no significant impact on the financial statements.

The Airport elected to apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretation of the Financial Accounting Standards Board, Accounting Principle Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

In 1994, the GASB issued Statement of Governmental Accounting Standards Board No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" (GASB 25). This statement will result in the recording of investments at their fair value at the reporting date and is required to be adopted in the 1997 fiscal year of the retirement plans (see Note 12).

Additionally, in 1994, the GASB issued Statement of Governmental Accounting Standards Board No. 27, "Accounting for Pensions by State and Local Governmental Employees" (GASB 27). This statement establishes standards for the measurement, recognition and display of pension expense and related liabilities, assets, note disclosures and required supplementary information for defined benefit pension plans and is required to be adopted in the 1998 fiscal year of the retirement plans (see Note 12).

The Airport does not believe that either GASB 25 or GASB 27 will have a material effect on the financial statements.

2. RECLASSIFICATIONS:

Certain reclassifications have been made to the prior year balances to conform to current year presentation.

3. CASH AND INVESTMENTS:

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport.

Investments are stated at amortized cost. Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes, for risk disclosure, however, they are described below as cash and cash equivalents. In addition, money market mutual funds are classified as cash deposits on the balance sheet but as investments for risk disclosure.

At June 30, 1996 and 1995, the carrying amount of the Airport cash deposits was $43,312 and $50,661 and the bank balances were $44,918 and $49,933, respectively. Of the bank balances at June 30, 1996 and 1995, $200 and $200, respectively, were insured by the Federal Depository Insurance Corporation or collateralized by securities held by the City or its agent in the City's name, $44,634 and $49,649, respectively, were covered by collateral held in the pledging bank's trust department or agent in the City's name, and $84 and $84, respectively, were uninsured and uncollateralized.

The City does not have written collateral agreements with all of the respective banks and, under the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), the absence of such written agreements could jeopardize the City's rights to the pledged collateral. The City is in the process of obtaining the necessary written agreements to fully comply with the provisions of FIRREA.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. Investments may be made in obligations of the United States Government or any agency or instrumentality thereof; bonds of the State of Missouri, the City of St. Louis, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by United States Treasury obligations or obligations of the United States Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Investment decisions are made by the City Treasurer and the City's agents.

The Airport's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

	June 30, 1996				
	Category				
	1	2	3	Carrying Value	Market Value
Investments-					
U.S. Government agency securities	$ -	$ -	$ 188,409	$ 188,409	$ 187,745
Money market mutual funds				36,018	36,018
				$ 224,427	$ 223,763

	June 30, 1995				
	Category			Carrying	Market
	1	2	3	Value	Value
Investments-					
U.S. Government agency securities	$ -	$ -	$ 160,615	$ 160,615	$ 159,356
Money market mutual funds				33,050	33,050
				$ 193,665	$ 192,406

4. RESTRICTED ASSETS:

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 1996 and 1995:

	1996	1995
Airport Bond Fund:		
Debt Service Account	$ 27,559	$ 32,287
Debt Service Reserve Account	38,441	40,380
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	26,849	18,829
Airport Development Fund	21,117	19,239
Airport Construction Fund	118,646	101,587
Airport Contingency Fund	17,360	18,626
	$ 253,472	$ 234,448

City ordinances require that revenues derived from the operation of the Airport be deposited into the Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

a. Unrestricted Airport Operation and Maintenance Fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

b. Airport Bond Fund for credit to the Debt Service Account: if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.

c. Airport Bond Fund for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the Debt Service Account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.

d. Airport Renewal and Replacement Fund: an amount equal to $57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than $3,500 or such larger amount as the City shall determine as necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

e. A subaccount in the Revenue Fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund trustee.

f. Airport Contingency Fund: an amount, determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of an interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.

g. The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that in the event the sums on deposit in the Airport Bond Fund - Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal, or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

5. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at June 30, 1996 and 1995, consist of the following:

	1996	1995
Pavings	$ 194,487	$ 187,368
Buildings and facilities	236,950	231,149
Equipment	39,782	36,685
	471,219	455,202
Less- Accumulated depreciation	254,873	233,510
	216,346	221,692
Land	230,564	220,762
Construction in progress	41,986	33,874
	$ 488,896	$ 476,328

The estimated useful lives of property, plant and equipment are as follows:

	Years
Pavings	18-25
Buildings and facilities	20-30
Equipment	2-20

6. REVENUE BONDS PAYABLE:

Bonds outstanding at June 30, 1996 and 1995, are summarized as follows:

	1996	1995
Bond Series 1987, interest rates ranging from 6.5% to 8.1%, payable in varying amounts through 2007	$ -	$ 41,145
Bond Series 1992, interest rates ranging from 4.75% to 6.125%, payable in varying amounts beginning 1996 through 2016	109,125	109,125
Bond Series 1993, interest rates ranging from 4.6% to 6.2%, payable in varying amounts through 2006	108,040	118,285
Bond Series 1993A, interest rates ranging from 3.75% to 6.65%, payable in varying amounts through 2006	59,185	63,570
Bond Series 1996, interest rates ranging from 3.5% to 6%, payable in varying amounts through 2007	37,760	-
	314,110	332,125
Less:		
Current maturities	17,205	16,590
Unamortized discount and premium	1,910	2,430
Deferred amount on refunding	9,394	9,566
	28,509	28,586
	$ 285,601	$ 303,539

On April 1, 1996, the Airport issued $37,760 in revenue refunding and improvement bonds with an average interest rate of 5.24% to advance refund Bond Series 1987. Bond Series 1987 had an outstanding par value of $39,185 and an average interest rate of 7.79%. All bond series are secured by the net revenues from the operations of the Airport.

The net proceeds of $38,682 (including an original issue premium of $196, $1,550 of funds released from the Debt Service Reserve Account relating to the Bond Series 1987 and payment of $824 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Treasury securities. Those securities were deposited in an irrevocable trust with an escrow agent and all principal and interest income will be used to provide for all future debt service payments on Bond Series 1987. As a result, Bond Series 1987 is considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 1996, $39,185 of Bond Series 1987 remain outstanding.

The Airport advance refunded Bond Series 1987 to reduce its total debt service payments over the next 12 years by approximately $6,039 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $4,087. The Airport deferred a loss of $1,526 related to the defeasance of Bond Series 1987.

The deferred amount related to Bond Series 1984 and Bond Series 1987 of $9,394 is included in revenue bonds payable on the balance sheet and is amortized using the bonds outstanding method over the life of the new bonds.

Interest payments on the above issues are due semiannually on January 1 and July 1.

The Airport was in compliance with all bond covenants with respect to the above issues at June 30, 1996 and 1995.

As of June 30, 1996, aggregate debt service requirements for the next five years and thereafter of the above issues are as follows:

Year ending June 30:	Principal	Interest	Total
1997	$ 17,205	$ 17,186	$ 34,391
1998	19,850	16,779	36,629
1999	20,875	15,754	36,629
2000	21,990	14,620	36,610
2001	23,300	14,484	37,784
Thereafter	210,890	67,257	278,147
	$ 314,110	$ 146,080	$ 460,190

In prior years, the Airport defeased $154,900 of Airport Revenue Bonds by placing the proceeds from the Airport Revenue Bonds, Series 1984 (Bond Series 1984) in an irrevocable trust to provide for all future debt service payments on the prior bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements. At June 30, 1996 and 1995, $82,260 and $91,520 of bonds remain outstanding and are considered defeased, respectively.

7. USE AGREEMENTS AND LEASES WITH SIGNATORY AIR CARRIERS:

The Airport has long-term use agreements and leases with signatory air carriers which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

a. Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, including depreciation and interest expense, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue - airfield.

b. Rentals are calculated based on estimated operating and maintenance expenses, including depreciation and interest, of the terminal and concourse areas and hangars, cargo and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue - terminal and concourses, hangars and other buildings, or cargo buildings, respectively.

c. Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal years 1996 and 1995, revenues from signatory air carriers accounted for 52% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 1996 and 1995:

	1996		
	Signatory	Nonsignatory	Total
Airfield	$ 29,554	$ 3,039	$ 32,593
Terminal and concourses	14,587	778	15,365
Hangars and other buildings	612	49	661
Cargo buildings	1,586	-	1,586
	$ 46,339	$ 3,866	$ 50,205

	1995		
	Signatory	Nonsignatory	Total
Airfield	$ 27,006	$ 3,370	$ 30,376
Terminal and concourses	15,283	773	16,056
Hangars and other buildings	603	48	651
Cargo buildings	1,900	-	1,900
	$ 44,792	$ 4,191	$ 48,983

8. FINANCIAL CONDITION OF AND TRANSACTIONS WITH MAJOR USER:

Trans World Airlines, Inc. (TWA) represents the major air carrier providing air passenger service at the Airport. TWA provided 43% and 44% of the Airport's total operating revenues and 66% and 69% of total revenues from signatory air carriers for the fiscal years ended June 30, 1996 and 1995, respectively.

During the period from 1992 through 1995, TWA underwent two separate Chapter 11 reorganizations, the first in 1992-93 and the second in 1995.

The City purchased from TWA, all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets).

TWA has a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. If during any month TWA has an average of less than 190 regularly scheduled departures, the City has the right to reclaim and redesignate the use of gates and terminal support facilities and equipment to other airlines so that TWA would retain only that number of gates which represents an average of 3.33 daily flight departures per gate. Also under the lease agreements, if TWA fails to make a payment of any rents, fees or charges, the City may terminate all of TWA's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue from TWA was $7,829 for the years ended June 30, 1996 and 1995.

TWA (reorganized company) had an operating profit for the three months ended September 30, 1996, of $33.8 million. TWA (predecessor company) incurred losses for the same three month period in 1995 of $24 million. However, TWA (reorganized company) incurred a net loss of $26.2 million and TWA (predecessor company) incurred a net loss of $212 million for the nine months ended September 30, 1996 and 1995, respectively. TWA's current business strategy has improved its financial condition and operating performance by, among other things, reducing labor and other operating and financing costs, rescheduling debt payments, recapitalizing their equity securities and certain of its debt, revising their route structure to capitalize further on its strength in St. Louis and developing enhanced marketing systems. TWA is projecting an operating profit for the years 1996 and 1997. Although TWA has adopted various strategies designed to increase revenues and improve its results of operations, there can be no assurance that TWA will meet its projections.

As discussed in TWA's June 30, 1996, Form 10-Q Quarterly Report, on July 17, 1996, TWA Flight 800 crashed shortly after departure from JFK enroute to Paris, France. There were no survivors among the 230 passengers and crew members aboard the Boeing 747 aircraft. TWA in unable to predict the amount of claims, if any, relating to the crash which might ultimately be made against them and how those claims might be resolved. TWA maintains substantial insurance coverage and, at this time, management has no reason to believe that such insurance coverage will not be sufficient to cover any claims arising from the crash. Therefore, TWA believes that the resolution of any claims will not have a material adverse effect on its financial condition or results of operations. TWA is unable to predict the extent of any adverse effect on its revenues, yields or results of operations which may result from the public perception of the crash of Flight 800.

Should the Airport incur a substantial loss of revenue from TWA and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on the outstanding bonds is insured by a bond insurance policy.

9. OPERATING LEASES:

The Airport leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires and others. These leases are for periods ranging from 1 to 38 years and require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancelable operating leases, other than leases with signatory airlines pursuant to long-term use agreements:

Year ending June 30:	
1997	$ 8,627
1998	7,602
1999	4,286
2000	1,394
2001	1,043
Thereafter	16,298
Total minimum future rentals	$ 39,250

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $22,507 and $22,907 for the years ended June 30, 1996 and 1995, respectively.

The Airport leases computer and other equipment and has service agreements under noncancellable arrangements which expire at various dates through 1999. Expense for operating leases and service agreements was $1,033 and $596 for the years ended June 30, 1996 and 1995, respectively. Future minimum payments are as follows:

Year ended June 30:	
1997	$ 1,052
1998	988
1999	192
Total future minimum payments	$ 2,232

10. CONCESSIONAIRE REVENUES:

During fiscal years 1996 and 1995, revenues from concessionaires accounted for 33% of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 1996 and 1995:

	1996	1995
Advertising	$ 506	$ 487
Transportation services	292	305
Automobile rental	6,868	6,392
General merchandise sales	1,745	1,686
Parking services	10,875	11,508
Food and catering services	4,727	4,413
Other	3,879	3,763
	$ 28,892	$ 28,554

11. RELATED-PARTY TRANSACTIONS:

During the years ended June 30, 1996 and 1995, the City charged the Airport $1,411 and $1,357, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses. Charges for such services will be recurring and are not necessarily related to the actual time spent by the employees of these City departments or to materials furnished in providing such services.

Each year the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the years ended June 30, 1996 and 1995, gross receipts tax expense of the Airport was $3,995 and $4,366, respectively. As of June 30, 1996 and 1995, $1,157 and $1,558, respectively, remain unpaid.

12. RETIREMENT PLANS:

All employees of the Airport are covered by one of two City-wide employee retirement plans. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (Firemen's System), a single-employer defined benefit retirement plan. All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer defined benefit retirement plan. The retirement plans are administered by separate Boards of Trustees as provided by Missouri state statutes and implemented by applicable City ordinances.

Plan Descriptions

Firemen's Retirement System of St. Louis

All firemen qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire. The City's payroll for firemen covered by the Firemen's System for the plan year ended August 31, 1995, was $25,811.

Firemen may elect voluntary retirement after 20 or more years of service. Compulsory retirement is at age 60 with 30 years of service. The monthly retirement benefit is calculated at 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service (50% of final average compensation after 25 years of service), plus 4% of such final average compensation for each additional year of service over 25 years but, with a maximum of 30 years (70% of final average compensation after 30 years of service). Any unused accrued sick leave is to be added to the years of service used to determine the monthly pension allowance. If the total years of service is limited to 30 years as described above, the unused accrued sick leave will be added to 30.

Any retired fireman may also act as a special adviser to the Firemen's System and, thereby, be entitled to a minimum pension of 350 dollars per month.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by state statutes and adopted by City ordinance.

Firemen are required to contribute 8% of their compensation to the Firemen's System, as mandated per state statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution, without interest, upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

The Firemen's system, in accordance with Ordinance 62994 of the City of St. Louis, initiated during the fiscal year ended August 31, 1994, a deferred retirement option plan (DROP). The DROP plan is available to members of the system who have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to one percent from the normal eight percent. During participation in the DROP plan the member will not receive credit for City contributions or credit for service. A member may participate in the DROP plan only once for any period up to five years. At retirement the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

Employees' Retirement System of the City of St. Louis

All nonuniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60. The City's payroll for employees covered by the Employees' System for the plan year ended September 30, 1995, was $161,158.

The Employees' System provides for defined benefit payments for retirement, death or disability benefits to eligible employees or their beneficiaries based upon creditable service, final average compensation and a benefit compensation base. Benefits vest to employees covered by the Employees' System after attaining five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees' System assets. Normal retirement age is at age 65 or if the total of the employee's age and creditable service equal or exceed 85. Early retirement is age 60, with no minimum years of creditable service; age 55, with 20 years of creditable service; or at any age, after 30 years of creditable service.

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. In May 1987, and in each successive fiscal year through 1995, the Board of Trustees elected to reduce the required employer contribution rate to zero as a result of the Employees' System's overfunded status.

Employees who became members of the Employees' System prior to October 14, 1977, may make voluntary contributions to the Employees' System equal to 3% of compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Thereafter, voluntary contributions may be made equal to 6% of compensation. These voluntary contributions vest immediately.

Inducement Bonuses

In June 1990, the Board of Aldermen passed Ordinance 61976 (the Ordinance) which provided for a cash supplement of 500 dollars multiplied by creditable service years for members of the Employees' System meeting certain minimum conditions who applied for retirement within 90 days of the Ordinance's effective date. To be eligible for the cash supplement, the sum of the member's age and years of creditable service had to total 80 or more at the time of application or the member was otherwise eligible for early retirement. The member had the option of receiving the cash supplement in a lump sum or in monthly installments for a designated period of up to 120 months. The aggregate cash supplement for the plan as a whole for members who selected to retire under the provisions of this Ordinance was $2,613. As of September 30, 1995, $2,544 of this amount had been paid from the plan assets. Members who elect to retire under the provisions of the Ordinance and later return to work for the City will have their subsequent retirement benefit reduced by the actuarial value of any cash supplement payment received.

Related-Party Transactions

During the retirement plans' 1995 fiscal years, the retirement plans held no securities issued by the City or any other related parties.

Funding Status and Progress

The amount shown as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the funding status of the Firemen's and Employee's Systems on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the Systems.

The pension benefit obligation was computed as a part of the actuarial valuation performed as of September 1, 1995, for the Firemen's System and as of October 1, 1995, for the Employees' System.

Significant actuarial assumptions used in the valuations for the retirement plans are as follows:

Firemen's System

- The rate of return on present and future investments is 8-1/8% compounded annually.
- Projected salary increases due to merit of 5% annually to retirement age.
- A 5% per year cost of living increase.

Employees' System

- The rate of return on present and future investments is 7-3/4%, compounded annually, net of administrative expenses.
- Projected salary increases due to merit, dependent on age, range from 5-3/4% to 8%, annually.
- A 5% per year cost of living increase with a maximum cumulative increase of 25%.

The Systems do not make separate measurements of assets and pension benefit obligations for individual funds of the City. Accordingly, assets and pension benefit obligations specifically related to the Airport cannot be determined. Total unfunded pension benefit obligation amounts for the Systems as a whole as determined through actuarial valuations are as follows:

	Firemen's System September 1, 1995	Employees' System October 1, 1995
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 212,623	$ 181,266
Current employees-		
Accumulated employee contributions, including allocated investment income	30,512	1,651
Employer-financed-		
Vested	43,879	153,340
Nonvested	57,070	4,005
Total pension benefit obligation	344,084	340,262
Net assets available for benefits, at cost (market value: Firemen's System, $310,824; Employees' System, $367,768)	(261,902)	(330,057)
Unfunded pension benefit obligation	$ 82,182	$ 10,205

For the Firemen's and Employees' Systems', actuarial assumptions, benefit provisions, actuarial funding methods, and other significant factors used to determine the pension benefit obligations are the same as the previous year.

Contributions Required and Contributions Made

The Firemen's and Employees' Systems' funding policies provide for actuarially determined periodic contributions at rates that increase gradually over time so that sufficient assets will be available to pay benefits when due. Periodic employer contributions to the pension plans are determined on an actuarial basis using the Entry Age Normal Cost - Frozen Initial Liability Method for the Firemen's System and the Projected Unit Credit Actuarial Cost Method for the Employees' System. The Systems do not make separate

measurements of contribution requirements for individual funds of the City. The City's required contribution for the Firemen's System's fiscal year ended August 31, 1995, is payable during the City's fiscal year ended June 30, 1996. Any shortfall between the required contribution and the aggregate contribution actually made is included as an unfunded pension cost in the City's general long-term debt account group.

For the Firemen's System, it is the City's policy to make annual contributions, which together with member contributions, are sufficient to approximate normal cost and amortization. This contribution assumes that the unfunded accrued liability is amortized over 30 years from August 31, 1977, with increases in the unfunded accrued liability subsequent to that date funded over 30-year periods from the date the liability is added.

Pursuant to Revised Missouri State Statute and as authorized by City ordinance, 50% of the Firemen's System's prior fiscal year annual surplus (excess of annual revenues over 150% of annual expenses), if any, shall be transferred from the Firemen's System's surplus reserve fund - city credit fund to the general funds of the Firemen's System to be credited against the current fiscal year required contribution.

For the Employees' System, it is the City's policy to make contributions as needed for the normal cost and to provide for the benefits payable by the Employees' System. The Employees' System's Board of Trustees has elected to reduce the current year required employer contribution to zero by offsetting the assets (at actuarial value) in excess of the actuarial accrued liability against the current year normal cost contribution requirement.

City and employee contributions, for the systems as a whole, made during the retirement plans' respective fiscal years are as follows:

	Firemen's System August 31, 1995		Employees' System September 30, 1995	
	Contribution Amount	As a Percentage of Covered Payroll	Contribution Amount	As a Percentage of Covered Payroll
Contributions to the System:				
By the City	$ 10,709	41.5%	$ 354	0.2%
By the employees	1,691	6.5	15	0.0
Total current contributions	$ 12,400	48.0%	$ 369	0.2%

During the year ended June 30, 1996, the Airport made contributions to the Firemen's System and the Employees' System of $1,097 and $160, respectively.

The actuarially determined contribution requirements for the Firemen's and Employees' Systems, as a whole, were as follows:

	Firemen's System August 31, 1995		Employees' System September 30, 1995	
	Contribution Amount	As a Percentage of Covered Payroll	Contribution Amount	As a Percentage of Covered Payroll
Contribution requirement from prior year	$ 10,709	41.5%	$ -	- %
Current year contribution requirement:				
Normal cost	7,653	29.6	8,980	5.6
Amortization of unfunded/ (overfunded) actuarial accrued liability	3,325	12.9	(8,626)	(5.4)
Offset of assets in excess of actuarially accrued liability	-	-	-	-
Employee contributions	1,691	6.5	15	-
Contribution shortage	(10,978)	(42.5)	-	-
Total current contributions	$ 12,400	48.0%	$ 369	0.2%

For the Firemen's System, all actuarial assumptions, benefit provisions, actuarial funding method and other significant factors used to determine the pension contribution requirement were the same as those used in the previous year.

For the Employees' System, other actuarial assumptions, benefit provisions, actuarial funding method, and other significant factors used to determine the pension contribution requirement were the same as those used in the previous year, except changes made in conjunction with the settlement agreement with the EEOC regarding age discrimination.

Trend Information

Ten-year historical trend information for the Firemen's System and the Employees' System, as a whole, is presented in the City's June 30, 1996, Comprehensive Annual Financial Report to help readers assess the retirement plans' funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due. Historical trend information for the Firemen's and the Employee's Systems for the 1995, 1994 and 1993 plan fiscal years follows:

	Firemen's System, Year Ended August 31		
	1995	1994	1993
Net assets available for benefits, at cost (market value of $310,824, $270,203 and $270,113, respectively)	$ 261,902	$ 253,143	$ 219,322
Pension benefit obligation	344,084	327,901	316,988
Net assets available for benefits as a percentage of pension benefit obligation	76.1%	77.2%	69.2%
Unfunded pension benefit obligation	(82,182)	(74,758)	(97,666)
Unfunded pension benefit obligation as a percentage of current covered payroll	(318.4)%	(301.9)%	(411.0)%
Employer contributions	10,709	5,999	8,998
Employer contributions as a percentage of current covered payroll	41.5%	24.2%	37.9%
Current covered payroll	25,811	24,764	23,761

	Employees' System, Year Ended September 30		
	1995	1994	1993
Net assets available for benefits, at cost (market value of $367,768, $323,000 and $352,513, respectively)	$ 330,057	$ 319,953	$ 319,791
Pension benefit obligation	340,262	324,644	307,751
Net assets available for benefits as a percentage of pension benefit obligation	97.0%	98.6%	103.9%
Assets in excess of (unfunded) pension benefit obligation	(10,205)	(4,691)	12,040
Assets in excess of (unfunded) pension benefit obligation as a percentage of current covered payroll	(6.3)%	(3.1)%	8.4%
Employer contributions	354	-	-
Employer contributions as a percentage of current covered payroll	0.2%	- %	- %
Current covered payroll	161,158	153,577	143,240

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation and unfunded or overfunded pension benefit obligation in isolation can be misleading. Expressing net assets available for benefits as a percentage of pension benefit obligation provides one indication of the plans' funded status on a going-concern basis. Analysis of the percentage over time indicates whether the Systems are becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded or overfunded pension benefit obligation and current covered payroll are both affected by inflation. Expressing the overfunded (unfunded) pension benefit obligation as a percentage of current covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

13. COMMITMENTS AND CONTINGENCIES:

At June 30, 1996, the Airport had outstanding commitments amounting to approximately $69,429, resulting primarily from contracts for construction projects. In addition, the Airport has $12,347 in outstanding commitments resulting from service agreements.

In connection with Federal grant programs, the Airport is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program monies.

Additionally, certain lawsuits were pending against the City which involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or the results of operations of the Airport.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

ANALYSIS OF CASH AND INVESTMENT ACCOUNTS REQUIRED BY REVENUE BOND ORDINANCES

FOR THE YEAR ENDED JUNE 30, 1996
(Dollars in thousands)

	Unrestricted			Restricted								
				Held by Trustee Bond Fund		Other Restricted Funds						
	Revenue Fund	Revenue Fund Subaccount	Operation and Maintenance Fund	Debt Service Account	Debt Service Reserve Account	Renewal and Replacement Fund	Passenger Facility Charge Fund	Development Fund	Construction Fund: Appropriated	Construction Fund: Unappropriated	Contingency Fund	Total
BALANCE AT JUNE 30, 1995	$ 3,823	$ 1,559	$ 4,496	$ 32,287	$ 40,380	$ 3,500	$ 18,829	$ 19,239	$ 98,409	$ 3,178	$ 18,626	$ 244,326
Cash deposited with City Treasurer	96,144	-	-	-	-	-	41,901	-	-	-	-	138,045
Cash receipts	-	-	145	1,102	158	-	-	(142)	-	48	-	1,311
Transfers in accordance with ordinances	(85,181)	4,210	44,800	33,643	-	-	(33,007)	11,271	25,235	-	(971)	-
Vouchers and requisitions paid	(5,872)	-	(45,461)	-	(354)	-	(874)	-	-	(2)	(295)	(52,858)
Payments:												
Interest	-	-	-	(20,597)	(193)	-	-	-	-	-	-	(20,790)
Redemption of bonds	-	-	-	(18,876)	(1,550)	-	-	-	-	-	-	(20,426)
Payments to the City of 5% of gross receipts	-	(4,396)	-	-	-	-	-	-	-	-	-	(4,396)
Receipts from FAA	-	-	-	-	-	-	-	13,048	-	-	-	13,048
Capital appropriation	-	-	-	-	-	-	-	(22,299)	25,464	(3,165)	-	-
Capital expenditures	-	-	-	-	-	-	-	-	(30,521)	-	-	(30,521)
BALANCE AT JUNE 30, 1996	$ 8,914	$ 1,373	$ 3,980	$ 27,559	$ 38,441	$ 3,500	$ 26,849	$ 21,117	$ 118,587	$ 59	$ 17,360	$ 267,739

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

SCHEDULE OF 1992 REVENUE REFUNDING AND IMPROVEMENT BONDS PAYABLE

JUNE 30, 1996
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1996	4.750%	$ 3,095
1997	5.000	3,240
1998	5.100	3,405
1999	5.250	3,575
2000	5.400	3,765
2001	5.625	3,970
2002	5.800	4,190
2003	5.900	4,435
2004	6.000	4,695
2005	6.000	4,980
2006	6.000	5,280
2007	6.000	5,595
2008	6.000	5,930
2009	6.125	6,290
2010	6.125	6,670
2011	6.125	7,080
2012	6.125	7,515
2013	6.125	7,975
2014	6.125	8,460
2015	6.125	8,980
		$ 109,125

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

SCHEDULE OF 1993 TAXABLE REVENUE REFUNDING BONDS PAYABLE

JUNE 30, 1996
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1996	4.60%	$ 8,725
1997	4.95	9,185
1998	5.30	9,690
1999	5.50	10,245
2000	5.70	10,925
2001	5.90	11,555
2002	6.00	10,920
2003	6.10	11,560
2004	6.15	12,245
2005	6.20	12,990
		$ 108,040

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

SCHEDULE OF 1993A TAXABLE REVENUE BONDS PAYABLE

JUNE 30, 1996
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1996	4.80%	$ 4,575
1997	5.15	4,795
1998	5.50	5,040
1999	5.75	5,320
2000	6.00	5,625
2001	6.20	5,965
2002	6.35	6,330
2003	6.40	6,735
2004	6.55	7,165
2005	6.65	7,635
		$ 59,185

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

SCHEDULE OF 1996 REVENUE REFUNDING BONDS PAYABLE

JUNE 30, 1996
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
1996	3.50%	$ 810
1997	4.00	2,630
1998	4.25	2,740
1999	4.55	2,850
2000	4.75	2,985
2001	4.75	3,125
2002	6.00	3,270
2003	6.00	3,465
2004	5.05	3,680
2005	5.15	3,865
2006	5.25	4,065
2007	5.35	4,275
		$ 37,760

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT

SCHEDULE OF INSURANCE

JUNE 30, 1996
(Dollars in thousands)

Insurer	Amount	Expiration Date	Character of Coverage
American Eagle Insurance Company	$250,000	October 1, 1996	Liability insurance
National Union Fire Insurance Company	5,000	October 1, 1996	Public official's liability self-insurance fund
American Protection Insurance Company	405,013	October 1, 1997	Comprehensive property damage
Fidelity and Deposit Company of Maryland	100	October 1, 1996	Employee honesty bond
ITT Hartford	2,560	October 1, 1996	Insurance on fine arts

Note- All of the above coverages expiring as of October 1, 1996, have been extended as of that date.

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APPENDIX D

FORM OF BOND INSURANCE POLICY

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

SPECIMEN

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date:

Authorized Representative

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

Form 9000 (10 93)

Financial Guaranty Insurance
Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

FGIC is a registered service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation.

APPENDIX E

FORMS OF OPINIONS OF CO-BOND COUNSEL

FORM OF OPINION OF CO-BOND COUNSEL

The City of St. Louis, Missouri
St. Louis, Missouri

Ladies and Gentlemen:

We have examined a certified transcript of proceedings and other papers relating to the issuance and sale by The City of St. Louis, Missouri (the "City") of its Airport Revenue Bonds, Series 1997A (1997 Capital Improvement Program), Lambert-St. Louis International Airport (the "Series 1997A Bonds") in the aggregate principal amount of $40,420,000. The Series 1997A Bonds have been issued pursuant to the terms of, and are equally and ratably secured under, an Indenture of Trust, dated as of October 15, 1984 (the "1984 Indenture"), as supplemented by the Second Supplemental Indenture of Trust, dated as of November 15, 1992 (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust dated as of November 1, 1993 (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust, dated as of April 1, 1996 (the "Fifth Supplemental Indenture"), and the Sixth Supplemental Indenture of Trust, dated as of August 1, 1997 (the "Sixth Supplemental Indenture and, collectively with the 1984 Indenture, as previously amended, the "Indenture") between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank and Trust Company of Missouri, N.A., as successor to Mercantile Bank of St. Louis National Association, formerly Mercantile Trust Company National Association), as successor Trustee.

The Series 1997A Bonds are issued pursuant to Article VI, Section 27 of the Constitution of the State of Missouri and pursuant to Ordinance No. 64120 duly adopted by the Board of Aldermen of the City and approved by the Mayor on July 23, 1997 (the "Ordinance"), for the purpose of providing funds to pay the costs of construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport property as more fully described in the Sixth Supplemental Indenture (the "1997 Project"), to provide for the reimbursement of certain Airport funds for a portion of certain costs relating to the East Terminal Expansion, to fund the Debt Service Reserve Account for the Series 1997 Bonds, to provide for the payment of capitalized interest on the Series 1997B Bonds during the construction of the 1997 Project and to pay a portion of the costs of issuance on the Series 1997A Bonds.

The Series 1997A Bonds are issued in the form of fully registered bonds in the denomination of $5,000 or any integral multiple thereof, are dated August 15, 1997, mature, subject to prior redemption on July 1 of each of the years and in the amounts and bear interest, payable semi-annually on January 1 and July 1, commencing January 1, 1998, at the rates per annum as set forth in the Sixth Supplemental Indenture.

The Series 1997A Bonds are subject to mandatory and optional redemption prior to maturity on such dates, in such amounts and at such prices, all in the manner and upon the terms and conditions set forth in the Series 1997A Bonds and in the Indenture.

There have previously been issued by the City under the Indenture $167,095,000 principal amount of Airport Revenue Bonds, Series 1984, Lambert-St. Louis International Airport (the "Series 1984 Bonds"). The Series 1984 Bonds were issued for the purpose of providing funds to advance refund outstanding and unpaid airport revenue bonds of the City (the "Outstanding Obligations"). A portion of

the proceeds of the Series 1984 Bonds were used to purchase United States government obligations and such government obligations were deposited in escrow and pledged by the City to the holders of the Outstanding Obligations. The Series 1997A Bonds are being issued on a parity with the City's (i) outstanding principal amount of Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport (the "Series 1992 Bonds"); (ii) outstanding principal amount of Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport (the "Series 1993 Refunding Bonds"); (iii) outstanding principal amount of Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport (the "Series 1993A Bonds"); (iv) outstanding principal amount of Airport Revenue Refunding Bonds, Series 1996 Lambert-St. Louis International Airport (the "Series 1996 Refunding Bonds"); and (v) Airport Revenue Bonds, Series 1997B (1997 Capital Improvement Program), Lambert-St. Louis International Airport issued on the date hereof (the "Series 1997B Bonds"). The City may, subject to the terms and conditions of the Indenture, issue additional Airport Revenue Bonds which will be equally and ratably secured under the Indenture with the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997A Bonds and the Series 1997B Bonds. The Outstanding Obligations maintain a prior lien on Airport Revenues.

In rendering this opinion we have assumed that the proceeds of the Series 1997A Bonds will be disbursed in accordance with the Indenture and have relied on certificates of the City with respect to certain material facts which are solely within the City's knowledge in concluding that the Series 1997A Bonds satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

As to questions of fact material to our opinion, we have relied upon representations contained in all public records, documents and proceedings examined by us which have been executed or certified by public officials as well as in other documents furnished to us and executed or certified by advisors or consultants employed by the City, and we have not undertaken to verify the same by independent investigation. We have also assumed the genuineness of the signatures appearing on such records, documents and proceedings and the certificates thereof.

Based on the foregoing, we are of the opinion that:

(1) The City has the right and power under the Constitution of the State of Missouri, the laws of the State of Missouri and the Charter of the City, all as amended, to adopt the Ordinance and execute, deliver and perform its obligations under the Indenture.

(2) The Ordinance has been duly and lawfully adopted by the City, is in full force and effect and constitutes a valid and binding obligation of the City.

(3) The Indenture has been duly and lawfully executed and delivered by the City, is in full force and effect, is valid and binding upon the City and is enforceable in accordance with its terms and no other authorization for the Indenture is required.

(4) The Indenture creates the valid pledge which it purports to create of the moneys, securities and fund held or set aside under the Indenture and of all Revenues (as defined in the Indenture), subject to the application thereof to the purposes and on the conditions permitted by the Indenture and subject to the rights of the holders of the Outstanding Obligations to the revenues of the Airport.

(5) The Series 1997A Bonds are valid and binding limited obligations of the City payable solely from the revenues and funds pledged therefor as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture, and such Series 1997A Bonds have been duly and validly authorized and issued in accordance

with the Constitution of the State of Missouri, the laws of the State of Missouri and the Charter of the City, all as amended, and in accordance with the Indenture.

(6) The offering, sale and delivery of the Series 1997A Bonds do not require registration of the Series 1997A Bonds under the Securities Act of 1933, as amended, or the Missouri Securities Act, as amended, and do not require qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(7) Under existing statutes, regulations, rulings and court decisions, interest on the Series 1997A Bonds (including any original issue discount properly allocable to the owners thereof) (i) is excluded from gross income for federal income tax purposes and is not included in the computation of the federal alternative minimum tax imposed on individuals, trusts, estates and, except as provided in the following sentence, corporations. For corporations only, interest on the Series 1997A Bonds is taken into account in determining adjusted current earnings for purposes of the adjustment to alternative minimum taxable income used in computing the alternative minimum tax on corporations (as defined for alternative minimum tax purposes). In addition, interest on the Series 1997A Bonds is exempt from income taxation imposed by the State of Missouri under Chapter 143 of the Missouri Revised Statutes, as amended. The interest on the Series 1997A Bonds (including any original issue discount properly allocable to the owners thereof) will be included in gross income retroactive to the date of issuance if the City fails to comply, as covenanted in various Series 1997A Bond documents which it executed in connection with the issuance of the Series 1997A Bonds, with certain requirements of the Code which must be satisfied subsequent to the issuance of the Series 1997A Bonds. Such requirements include, among others, (i) the use, expenditure and investment of Bond proceeds, (ii) the use of the project and (iii) the timely payment of certain investment earnings to the United States. The City has covenanted to comply with all such requirements. We express no opinion as to the applicability of taxes imposed on financial institutions by the State of Missouri by Chapter 148 of the Revised Statutes of Missouri.

(8) Treasury Regulations require certain S corporations to include interest on the Series 1997A Bonds (including any original issue discount properly allocable to the owners thereof) in determining their excess net passive income subject to the regular corporate income tax under Section 1375 of the Code. Moreover, interest on the Series 1997A Bonds (including any original issue discount properly allocable to the owners thereof) may be subject to a branch profits tax of up to 30% when held by certain foreign corporations.

(9) Ownership of tax-exempt obligations such as the Series 1997A Bonds may result in other tax consequences to certain owners, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who may be eligible for the earned income credit, taxpayers who have incurred or continued indebtedness to purchase or carry tax-exempt obligations, owners who dispose of any Series 1997A Bond prior to its related maturity (whether by sale or otherwise) and owners who purchase any Series 1997A Bond at a price different from its initial offering price.

It is to be understood that the rights of the holders of the Series 1997A Bonds and the enforceability of the Series 1997A Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, the valid exercise of the sovereign police powers of the City and the State of Missouri and the constitutional powers of the United States of America.

We express no opinion with respect to matters that may come to our attention subsequent to the date hereof that may affect the conclusions expressed herein; and we bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of results.

McKENZIE, McGHEE, & PRYCE, L.L.P.

GREENBERG TRAURIG HOFFMAN LIPOFF ROSEN & QUENTEL

FORM OF OPINION OF CO-BOND COUNSEL

The City of St. Louis, Missouri
St. Louis, Missouri

Ladies and Gentlemen:

We have examined a certified transcript of proceedings and other papers relating to the issuance and sale by The City of St. Louis, Missouri (the "City") of its Airport Revenue Bonds, Series 1997B (1997 Capital Improvement Program), Lambert-St. Louis International Airport (the "Series 1997B Bonds") in the aggregate principal amount of $159,185,000. The Series 1997B Bonds have been issued pursuant to the terms of, and are equally and ratably secured under, an Indenture of Trust, dated as of October 15, 1984 (the "1984 Indenture"), as supplemented by the Second Supplemental Indenture of Trust, dated as of November 15, 1992 (the "Second Supplemental Indenture"), the Third Supplemental Indenture of Trust dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust dated as of November 1, 1993 (the "Fourth Supplemental Indenture"), the Fifth Supplemental Indenture of Trust, dated as of April 1, 1996 (the "Fifth Supplemental Indenture"), and the Sixth Supplemental Indenture of Trust, dated as of August 1, 1997 (the "Sixth Supplemental Indenture and, collectively with the 1984 Indenture, as previously amended, the "Indenture") between the City and UMB Bank of St. Louis, N.A. (as successor to State Street Bank and Trust Company of Missouri, N.A., as successor to Mercantile Bank of St. Louis National Association, formerly Mercantile Trust Company National Association), as successor Trustee.

The Series 1997B Bonds are issued pursuant to Article VI, Section 27 of the Constitution of the State of Missouri and pursuant to Ordinance No. 64120 duly adopted by the Board of Aldermen of the City and approved by the Mayor on July 23, 1997 (the "Ordinance"), for the purpose of providing funds to pay a portion of the costs of construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport property as more fully described in the Sixth Supplemental Indenture (the "1997 Project"), to provide for the reimbursement of certain Airport funds for a portion of certain costs relating to the East Terminal Expansion, to fund the Debt Service Reserve Account for the Series 1997 Bonds, to provide for the payment of capitalized interest on the Series 1997B Bonds during the construction of the 1997 Project and to pay a portion of the costs of issuance of the Series 1997B Bonds.

The Series 1997B Bonds are issued in the form of fully registered bonds in the denomination of $5,000 or any integral multiple thereof, are dated August 15, 1997, mature, subject to prior redemption on July 1 of each of the years and in the amounts and bear interest, payable semi-annually on January 1 and July 1, commencing January 1, 1998, at the rates per annum as set forth in the Sixth Supplemental Indenture.

The Series 1997B Bonds are subject to mandatory and optional redemption prior to maturity on such dates, in such amounts and at such prices, all in the manner and upon the terms and conditions set forth in the Series 1997B Bonds and in the Indenture.

There have previously been issued by the City under the Indenture $167,095,000 principal amount of Airport Revenue Bonds, Series 1984, Lambert-St. Louis International Airport (the "Series 1984 Bonds"). The Series 1984 Bonds were issued for the purpose of providing funds to advance refund outstanding and unpaid airport revenue bonds of the City (the "Outstanding Obligations"). A portion of

the proceeds of the Series 1984 Bonds were used to purchase United States government obligations and such government obligations were deposited in escrow and pledged by the City to the holders of the Outstanding Obligations. The Series 1997B Bonds are being issued on a parity with the City's (i) outstanding principal amount of Airport Revenue Improvement and Refunding Bonds, Series 1992, Lambert-St. Louis International Airport (the "Series 1992 Bonds"); (ii) outstanding principal amount of Taxable Airport Revenue Refunding Bonds, Series 1993, Lambert-St. Louis International Airport (the "Series 1993 Refunding Bonds"); (iii) outstanding principal amount of Taxable Airport Revenue Bonds, Series 1993A, Lambert-St. Louis International Airport (the "Series 1993A Bonds"); (iv) outstanding principal amount of Airport Revenue Refunding Bonds, Series 1996 Lambert-St. Louis International Airport (the "Series 1996 Refunding Bonds"); and (v) Airport Revenue Bonds, Series 1997A (1997 Capital Improvement Program), Lambert-St. Louis International Airport issued on the date hereof (the "Series 1997A Bonds"). The City may, subject to the terms and conditions of the Indenture, issue additional Airport Revenue Bonds which will be equally and ratably secured under the Indenture with the Series 1992 Bonds, the Series 1993 Refunding Bonds, the Series 1993A Bonds, the Series 1996 Refunding Bonds, the Series 1997A Bonds and the Series 1997B Bonds. The Outstanding Obligations maintain a prior lien on Airport Revenues.

In rendering this opinion we have assumed that the proceeds of the Series 1997B Bonds will be disbursed in accordance with the Indenture and have relied on certificates of the City with respect to certain material facts which are solely within the City's knowledge in concluding that the Series 1997B Bonds satisfy the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

As to questions of fact material to our opinion, we have relied upon representations contained in all public records, documents and proceedings examined by us which have been executed or certified by public officials as well as in other documents furnished to us and executed or certified by advisors or consultants employed by the City, and we have not undertaken to verify the same by independent investigation. We have also assumed the genuineness of the signatures appearing on such records, documents and proceedings and the certificates thereof.

Based on the foregoing, we are of the opinion that:

(1) The City has the right and power under the Constitution of the State of Missouri, the laws of the State of Missouri and the Charter of the City, all as amended, to adopt the Ordinance and execute, deliver and perform its obligations under the Indenture.

(2) The Ordinance has been duly and lawfully adopted by the City, is in full force and effect and constitutes a valid and binding obligation of the City.

(3) The Indenture has been duly and lawfully executed and delivered by the City, is in full force and effect, is valid and binding upon the City and is enforceable in accordance with its terms and no other authorization for the Indenture is required.

(4) The Indenture creates the valid pledge which it purports to create of the moneys, securities and fund held or set aside under the Indenture and of all Revenues (as defined in the Indenture), subject to the application thereof to the purposes and on the conditions permitted by the Indenture and subject to the rights of the holders of the Outstanding Obligations to the revenues of the Airport.

(5) The Series 1997B Bonds are valid and binding limited obligations of the City payable solely from the revenues and funds pledged therefor as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Indenture, and such Series 1997B Bonds have been duly and validly authorized and issued in accordance

with the Constitution of the State of Missouri, the laws of the State of Missouri and the Charter of the City, all as amended, and in accordance with the Indenture.

(6) The offering, sale and delivery of the Series 1997B Bonds do not require registration of the Series 1997B Bonds under the Securities Act of 1933, as amended, or the Missouri Securities Act, as amended, and do not require qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

(7) Under existing statutes, regulations, rulings and court decisions, interest on the Series 1997B Bonds (including any original issue discount properly allocable to the owners thereof) (i) is excluded from gross income for federal income tax purposes except for interest on any Series 1997B Bond during any period in which such Bond is held by a person who is a "substantial user" or "related person" as defined in Section 147(a) of the Code and (ii) is exempt from income taxation imposed by the State of Missouri under Chapter 143 of the Missouri Revised Statutes, as amended. The interest on the Series 1997B Bonds (including any original issue discount properly allocable to the owners thereof) will be included in gross income retroactive to the date of issuance if the City fails to comply, as covenanted in various Series 1997B Bond documents which it executed in connection with the issuance of the Series 1997B Bonds, with certain requirements of the Code which must be satisfied subsequent to the issuance of the Series 1997B Bonds. Such requirements include, among others, (i) the use, expenditure and investment of Bond proceeds, (ii) the use of the project and (iii) the timely payment of certain investment earnings to the United States. The City has covenanted to comply with all such requirements. We express no opinion as to the applicability of taxes imposed on financial institutions by the State of Missouri by Chapter 148 of the Revised Statutes of Missouri.

(8) Interest on the Series 1997B Bonds (including any original issue discount properly allocable to the owners thereof) is an item of tax preference for purposes of determining alternative minimum taxable income for individuals and corporations under the Code. Additionally, Treasury Regulations require certain S corporations to include interest on the Series 1997B Bonds (including any original issue discount properly allocable to the owners thereof) in determining their excess net passive income subject to the regular corporate income tax under Section 1375 of the Code. Moreover, interest on the Series 1997B Bonds (including any original issue discount properly allocable to the owners thereof) may be subject to a branch profits tax of up to 30% when held by certain foreign corporations.

(9) Ownership of tax-exempt obligations such as the Series 1997B Bonds may result in other tax consequences to certain owners, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals who may be eligible for the earned income credit, taxpayers who have incurred or continued indebtedness to purchase or carry tax-exempt obligations, owners who dispose of any Series 1997B Bond prior to its related maturity (whether by sale or otherwise) and owners who purchase any Series 1997B Bond at a price different from its initial offering price.

It is to be understood that the rights of the holders of the Series 1997B Bonds and the enforceability of the Series 1997B Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, the valid exercise of the sovereign police powers of the City and the State of Missouri and the constitutional powers of the United States of America.

We express no opinion with respect to matters that may come to our attention subsequent to the date hereof that may affect the conclusions expressed herein; and we bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of results.

McKENZIE, McGHEE, & PRYCE, L.L.P.

GREENBERG TRAURIG HOFFMAN LIPOFF ROSEN & QUENTEL

APPENDIX F

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

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APPENDIX F

INFORMATION REGARDING THE CITY OF ST. LOUIS

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the "City"). The delivery of this Official Statement will not create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL, PREMIUM (IF ANY) OR INTEREST.

ORGANIZATION AND GOVERNMENT

General

The City is located on the Mississippi River, the eastern boundary of the State of Missouri, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and the laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

The City's system of government is provided for in its Charter, which first became effective in 1914 and has subsequently been amended from time to time by the City's voters.

The Mayor, elected for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City's boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

The Comptroller is the City's chief fiscal officer, and is elected at large for a four-year term. The Comptroller is, by Charter, Chairman of the Department of Finance for the City and also has broad investigative audit powers over all City departments and agencies. The Comptroller also has administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elect Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor's veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment. See **"FINANCIAL MANAGEMENT AND EXPENDITURES CONTROLS -- Budget Process"** herein.

While most governmental functions of the City are controlled by the Mayor, the Comptroller, the Board of Estimate and Apportionment, and the Board of Aldermen, the appointment of certain officials, including the members of the Board of Police Commissioners (the "Police Board"), and the Board of Election Commissioners, is made by the Governor of the State of Missouri. The Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney and Recorder of Deeds of the City are elected independently for four-year terms.

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreation facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

The City operates a water utility and Lambert-St. Louis International Airport, both of which are self-supporting enterprises. All of the airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the "Bi-State Development Agency").

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions which provide services within the City.

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor of the State of Missouri, with the advice and consent of the State Senate. The Board has many duties and powers, including the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by state statute. The Board may provide itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The state statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, a decision of the Supreme Court of Missouri, in *State ex. rel Sayad v. Zych*, 642 S.W 2d 907 (Mo. banc 1982), held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Board is not permitted to transfer appropriated funds for one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

The Bi-State Development Agency is a body corporate and politic established by a compact between Missouri and Illinois creating the Bi-State Development Agency and approved by an Act of Congress. The Bi-State

Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, St. Louis County and Illinois counties within the St. Louis Metropolitan Area. At present there is a special 1/2 cent sales tax authorized by the State which is assessed by the City and St. Louis County and is primarily used to pay a portion of the costs of the bus transportation system of the Bi-State Development Agency. In August 1994 an additional 1/4 cent sales tax was approved by the voters for the expansion of the Metro-Link System, a transportation system within the City, St. Louis County and East St. Louis, Illinois. The Bi-State Development Agency operates the Metro-Link System between East St. Louis, Illinois and Lambert-St. Louis International Airport. Construction of the Metro-Link System began in April 1990, operation in late 1993 and extended service to the Airport in 1994.

The City exchanged its MacArthur Bridge over the Mississippi River for the older Eads Bridge owned by a railroad. The City conveyed title to the bridge to the Bi-State Development Agency to be used in the Metro-Link System. Other capital costs were federally financed. If the Metro-Link System should operate a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. However, the City presently has no legal obligation or no present plans to increase its level of funding to the Bi-State Development Agency.

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 89 staff including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration divisions. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; and Operation Impact.

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, St. Louis Regional Commerce and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority, Downtown St. Louis, Inc. and Technical Assistance Corporation.

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ECONOMIC AND DEMOGRAPHIC DATA

Population and Other Statistics

The City is a part of a St. Louis Consolidated Standard Metropolitan Statistical Area (the "Metropolitan Area") made up of the City and Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair Counties in Illinois. During the past 25 years, there has been a strong population growth in the outermost counties surrounding the City. At the same time, the City has experienced a substantial population loss. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years:

Calendar Year	City of St. Louis	Metropolitan Area
1960	750,026	2,185,000
1970	622,200	2,456,300
1980	453,100	2,414,000
1990	396,700	2,492,400
1995[1]	372,000	2,532,800
1996[1]	362,000	2,549,700
1997[2]	355,600	2,562,600

[1]Estimate developed by the St. Louis Chapter of the American Statistical Association.

[2]1997 Estimate as of January 1, 1997, Source: St. Louis chapter of the American Statistical Association.

Source: U.S. Bureau of Census.

Much of the downtown area has undergone a coordinated improvement and development program. This development program has included two expansions of the America's Center convention center, including the completion of the 65,000-seat Trans World Dome (which is home to the St. Louis Rams National Football League team), that create the nation's largest second tier convention center, and the completion of the 20,000 seat Kiel Center arena (which is home to the St. Louis Blues National Hockey League team). In addition, $300 million was spent on the construction of the Metro-Link light rail system linking downtown St. Louis to Lambert-St. Louis International Airport. Ridership on the Metro-Link System has exceeded all pre-opening projections. In August 1994, voters passed a 1/4 cent sales tax to be used for further expansion of the Metro-Link System. Downtown St. Louis has the single largest concentration of employment in the region with approximately 109,000 employees, or 8.15% of total non-agricultural jobs in the Metropolitan Area. It is the office center in a region of more than 2.5 million residents with approximately 38% of its office space and 5,500 hotel rooms.

According to a report published by *Fortune Magazine* on November 11, 1996, the St. Louis Metropolitan Area ranks sixth among America's largest cities as a place to live and work. Quality of life issues such as reasonably priced housing, short commuting times, quality public transportation, private and parochial schools, low crime rate and the availability of cultural activities are among its major assets. Additionally, according to *Fortune Magazine's* November 11, 1996 issue, the region ranks as the nation's seventh largest corporate headquarters market with 21 Fortune 1000 corporations located there. The June 2, 1997 issue of the *St. Louis Business Journal* reports a study indicating that the City ranks as the tenth most affordable place to live in the United States, and *Entrepreneur* magazine's October 1996 issue ranks the City second in the country in automobile manufacturing.

In terms of weight shipped or carried through the area, the City ranks as the second largest inland port in the United States. In 1996 Lambert-St. Louis International Airport (the "Airport") was the eighth busiest airport in the

nation and ninth in the world for aircraft operations and fourteenth in the nation and twenty second in the world in total passengers according to the Airport Council International. In 1996 there were approximately 514,000 aircraft operations and approximately 27 million passengers at the Airport, with approximately 1,407 average daily arrivals and departures. St. Louis based Trans World Airlines, Inc. ("TWA") is a major domestic and international airline that flies to 76 North American and Caribbean destinations and provides service to 10 destinations in Europe and the Middle East. TWA also provides direct air service to Toronto, Canada and Cancun, Mexico. Much of the Airport's activity is attributed to its status as a hub for TWA. TWA's share of enplaned passengers at the Airport was approximately 68% in 1996. Effectively, TWA's plan of reorganization confirmed by the U.S. Bankruptcy Court for the Eastern District of Missouri (the "Bankruptcy Court") on August 12, 1993 incorporated business strategies that allow the hub operation at the Airport to be maintained. At that time, TWA projected departures at the Airport to grow to 250 flights per day by September 1993. By December 1995 TWA had over 350 flights per day at the Airport and is currently operating 348 flights per day.

In a subsequent bankruptcy proceeding, the Bankruptcy Court confirmed TWA's prepackaged plan of reorganization on August 23, 1995 that decreased the company's outstanding debt by $500 million and reduced the company's interest expense by $50 million per year. The City understands that TWA was operationally restructured. Subsequently, TWA reached long-term labor agreements and completed a refinancing with the goal of reducing operating costs to improve its long-term financial structure.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri-Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the Missouri Division of Employment Security, in 1982 manufacturing represented 22.1% or 217,600 of the total 986,300 non-agricultural jobs in the Metropolitan Area. At the end of 1996, there were approximately 195,900 manufacturing jobs in the Metropolitan Area, representing 15.4% of 1,268,500 total non-agricultural jobs in the Metropolitan Area. Although manufacturing jobs as a percentage of total jobs in the Metropolitan Area have decreased, there has been an overall increase in total jobs in the Metropolitan Area.

The following table reflects the City's employment by industry group at the end of 1996:

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON-FARM)

Industry Group	Employees
Manufacturing	40,250
Services	83,228
Government	45,553
Retail Trade	28,704
Transportation, Communication and Public Utility	20,940
Finance	21,170
Wholesale Trade	14,851
Construction	6,612
Other	187
Total	**261,495**

Source: Missouri Department of Labor and Industrial Relations.

Since 1982 total non-farm jobs within the City declined from 308,099 to 261,495 at the end of 1996, reducing its percentage of the region's job base by 10.2%, from 31.2% to 21%. Manufacturing decreased from 68,626 jobs in

1982 to 40,250 by the end of 1996 in the City. Although the City has experienced a decline in the number of jobs and its share of total jobs in the Metropolitan Area, the City has remained a significant source of employment for the region. The City's share of total regional jobs has taken a climb of 1.4% over the last year. Job growth in the City is concentrated in the service sector, since the City is growing as a service center and anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education and the tourism and convention business. In addition, in 1995 TWA added a total of approximately 1,700 employees to its St. Louis operations.

Relocations to the City have added jobs. The St. Louis Regional Commerce and Growth Association ("RCGA") was successful in arranging the relocation of 600 Union Pacific Railroad jobs from Denver to downtown St. Louis. The May Company headquarters for its retail division also moved 500 employees to the City over the last several years. In a similar fashion, the recent relocation of TWA's corporate headquarters to the City brought approximately 600 jobs in to the downtown area, and an additional 1,100 jobs were gained as a result of TWA's moving its reservations center from St. Louis County to the City. In addition, consolidation of departments resulting from Southwestern Bell Communications Corporation's ("SBC") buy-out of Pacific Telesis will effect the move of several St. Louis jobs to cities in California and Texas. Yet, other positions in California and Texas will relocated to the City. Accordingly, to SBC officials, this influx of jobs to the City will cause little net change to employment numbers in the City.

According to the RCGA, with the relocation of the Rams football team to St. Louis, total gains in business revenues to the Metropolitan Area are projected to be $100 million per year. Of that overall economic projection, the Metropolitan Area has realized an estimated direct economic impact of $49 million over the course of eight home games played in 1995 with 65,000 persons attending each event. Contributing to this impact are ticket sales, parking, concessions, and after-game food and beverage consumption. The economic analysis projects gains in personal incomes of $40 million and 1,700 additional jobs. Admissions, restaurant and earning taxes will bring an estimated $5 million to the City annually.

The Department of Defense announced February 28, 1995 it had recommended to the Base Realignment and Closure Commission ("BRAC") that the Army Aviation and Troop Command ("ATCOM") be segmented and moved to four different states, with most St. Louis-based ATCOM jobs transferring to Huntsville, Alabama. In September 1995 Congress approved the BRAC initiatives, thus approximately all of the nearly 3,500 civilians employed at the St. Louis location will be affected. Relocation activities are planned to begin in July of 1997 and completed by the end of 1997. In order to counter the impact on the St. Louis labor force, the Clinton Administration approved a $5.85 million grant to assist ATCOM workers with job placement. It is predicted that at least 75% of ATCOM workers served by this initiative will secure jobs in the Metropolitan Area paying at least 90% of their governmental wages. Based on preliminary placement interviews and activities, approximately 50% of St. Louis employees are expected to remain in the area by choice. In addition, the General Service Administration has committed to relocate other federal agencies to the ATCOM site in order to restore employment levels in the near term to at least 80% of prior employment at the site. As part of this commitment, the United States Department of Agriculture has made plans to move approximately 600 employees to the ATCOM site during 1997.

The following table indicates average employment levels for City residents between the calendar years set forth below:

	Actual 1997[1]	Average 1996	Average 1995	Average 1994	Average 1993	Average 1992
Labor Force	171,684	172,178	167,843	165,273	168,725	175,128
Number Employed	159,807	159,307	154,773	152,923	153,489	160,525
% Unemployed	6.9%	7.5%	7.8%	7.5%	9.0%	8.3%
% State Unemployed	4.1%	4.6%	4.8%	4.9%	6.5%	5.7%
% U.S. Unemployed	5.2%	5.4%	5.6%	6.1%	6.9%	7.5%

[1] Six Months

Source: Missouri Department of Labor and Industrial Relations.

Major Employers

The following lists information relating to the top twenty private employers in the City based on the average of the fourth quarter payroll tax reports of 1996:

TOP TWENTY NON-GOVERNMENTAL EMPLOYERS - 1996

Company	Employees
St. Louis University	9,835
Washington University	9,788
Barnes Hospital	7,789
May Department Stores	5,732
Southwestern Bell	5,665
Anheuser Busch, Inc.	5,629
Boatmen's Bank[1]	4,172
Jewish Hospital	3,292
A.G. Edwards & Sons, Inc.	3,127
Deaconess Hospital[2]	3,046
Union Electric	2,537
St. Louis Children's Hospital	2,497
Mercantile Bank	2,229
Laclede Gas Co.	2,035
Incarnate Word Hospital[2]	1,913
President Riverboat Casino	1,911
Trans World Airlines	1,896
Ralston Purina Co.	1,831
Edison Brothers	1,764
Sigma Chemical	1,742

[1]Boatmen's Bank has been purchased by, and is now known as, NationsBank.

[2]These businesses have been purchased by Tenet Healthcare.

Source: City Collector of Revenue.

According to the Collector of Revenue of the City of St. Louis, the top ten public and governmental employers employing in excess of 2,500 employees include the City of St. Louis, the United States Post Office, the Board of Education of the City of St. Louis, and the State of Missouri.

Economic Development

Since 1991 there has been more than $1.6 billion of development completed in and around downtown St. Louis. Just a five minute drive from downtown St. Louis in Madison, Illinois, is the Gateway International Raceway which celebrated its grand opening in the spring of 1997. Three planned races this summer are expected to generate over $100,000,000 for the regional economy through the sale of goods and services, income sales and excise taxes and the employment of over 1,200 people. The City is also planning a number of other major new projects to continue development initiatives, including the construction of a new convention headquarters hotel to anchor the America's Center and the development of the site of the St. Louis Arena vacated after the completion of Kiel Center downtown. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on over $1.5 billion of additional developments.

The following table lists information regarding major development projects completed since 1991, totaling over $1.6 billion:

Completed	Project Type	Estimated Cost Of Project	Completion Date
Art Loft Associates	Rehabilitation	$ 5,000,000	1997
Concordia Publishing Co.	Renovation	2,500,000	1997
3 Public Schools	New Construction	22,950,000	1996
AFT Inc. Nursing Home	New Construction	4,500,000	1996
American Cancer Society	New Construction	6,000,000	1996
Clinton-Peabody Phase II	Rehabilitation	8,770,676	1996
Landry's Restaurant	New Construction	2,500,000	1996
Mark Twain Hotel	Rehabilitation	3,000,000	1996
Medium Security Institution	Expansion	11,000,000	1996
St. Louis University	Renovation/New Construction	200,000,000	1996
18th Street Garage	Rehabilitation	3,500,000	1995
A.G. Edwards Parking Garage	New Construction	5,000,000	1995
Jewish Hospital Garage	New Construction	12,000,000	1995
Stadium/Convention Center	New Construction	298,000,000	1995
A.G. Edwards Trust Co.	New Construction	4,000,000	1994
Admiral Casino	Rehabilitation	5,000,000	1994
Kiel Center & Parking Garage	New Construction	135,000,000	1994
Merck AG. Vet.	New Construction	3,000,000	1994
Pepsi Cola Building (Old GM Plant Area)	New Construction	25,000,000	1994
Veterans Administration Bldg.	New Construction	7,400,000	1994
Blue Cross/Blue Shield	Rehabilitation	15,800,000	1993
Convention Center So. Expansion	New Construction	142,000,000	1993
Equitable Building	Renovation	3,000,000	1993
Hampden Hall	Rehabilitation	8,000,000	1993
Metro-Link Light Rail	New Construction	300,000,000	1993
Regal Hotel	Rehabilitation	15,000,000	1993
Senate/Congress West	Rehabilitation	3,100,000	1993
CPI Corporate Headquarters	Renovation	14,700,000	1992
Sextro Plaza/Ralston	Rehabilitation	3,500,000	1992
Southwestern Bell Info. Ctr.	New Construction	135,000,000	1992
Southwestern Bell Plaza	Renovation	145,000,000	1992
Union Electric Corp. Hdqrs.	Renovation/New Construction	56,000,000	1992
Grand Central Office Building (Union Station)	New Construction	8,500,000	1991

Source: St. Louis Development Corporation.

The following table lists information regarding major development projects totaling over $1.5 billion currently planned or under construction in the City:

Planned or Under Development	Project Type	Estimated Cost Of Project	Completion Date
1 Public School	New Construction	$ 7,650,000	1997
515 Olive Office Building	Rehabilitation	10,400,000	1997
A.G. Edwards Office Building	New Construction	30,000,000	1997
Affordable City Homes - West End	New - Apartments	4,500,000	1997
Blumeyer Housing Improvements	Rehabilitation	15,041,268	1997
Carr Square Phase I Comp. Mod.	New Construction	6,861,768	1997
Carr Square Village	New Construction and Rehabilitation	36,000,000	1997
Clinton-Peabody Phase III Housing	Rehabilitation	8,243,615	1997
Cochran Improvements	Rehabilitation	4,179,738	1997
Elderly Public Housing ADA Improvements (System Wide)	Rehabilitation	3,120,635	1997
Hilton Pointe Apts.	New Construction	4,250,000	1997
International Building	Rehabilitation	3,500,000	1997
KETC Channel Nine	New Construction	6,000,000	1997
Kiel Triangle Park	New Construction	3,000,000	1997
LaSalle Park Apartments	Rehabilitation	3,609,464	1997
Malcolm Bliss State Hospital	New Construction	20,000,000	1997
Missouri Botanical Gardens Resource Center	New Construction	5,000,000	1997
Northview Village	Rehabilitation	3,000,000	1997
Small Business Technology Incubator	Rehabilitation	6,000,000	1997
Southtown Home Quarters	New Construction	10,500,000	1997
State Psychiatric Hospital	Rehabilitation	27,500,000	1997
Sverdrup Plaza	Renovation	6,000,000	1997
Terminal Railroad Trestle Reconstruction	New Construction	13,000,000	1997
A.G. Edwards Annex	New Construction	2,000,000	1998
Blumeyer Elderly Apts.	Rehabilitation	3,088,125	1998
Boxes Inc.	Renovation	7,000,000	1998
Darst-Webbe Apartments	New Construction	46,771,000	1998
Federal Courthouse	New Construction	180,000,000	1998
Garage Improvements St. Louis Centre North & East Garages	Renovation	2,000,000	1998
Greater Ville Homes	New - Single Family	3,325,000	1998
Harris Stowe State College Library	New Construction	2,000,000	1998
Lone Star Industries	Expansion	4,500,000	1998
Martin Luther King Dr and Sarah Shopping Center	New	3,500,000	1998
Northside Preservation Homes	New - Single Family	9,000,000	1998
Northside Shopping Center	New Construction	6,000,000	1998
Planet Hollywood	Renovation	4,000,000	1998
President Casino Complex	Renovation	45,000,000	1998
Renaissance Homes	New - Single Family	6,500,000	1998
Sigma Chemical Co.	New Construction	13,000,000	1998
Sigma Chemical World Headquarters	New Construction	11,500,000	1998
St. Louis Entertainment Ventures, Inc. Casino	New Construction	90,000,000	1998

(continued)

Planned or Underway	Project Type	Estimated Cost Of Project	Completion Date
Vaughn Apartments	New Construction	$ 17,000,000	1998
Betty's Walk Homes	New - Single Family	11,000,000	1999
Chain of Rocks/Carnival Casino	New Construction	65,000,000	1999
Drug Enforcement Administration	New Construction	10,000,000	1999
FBI Headquarters	New Construction	10,000,000	1999
Mullanphy Place Homes	New - Single Family	4,000,000	1999
Multi-Modal Station	New Construction	25,000,000	1999
Spring Foundation Museum	New Construction	5,000,000	1999
City Justice Center	New Construction	80,000,000	2000
History Museum	Renovation	24,000,000	2000
St. Louis University Expansion	New Construction	80,000,000	2000
Lemp Brewery	Renovation	10,000,000	2001
BJC Health Systems Phase I	New/Rehabilitation	225,000,000	2002
Forest Park Restoration	Renovation	86,000,000	2004
Harris Stowe State College Expansion	New Construction	16,000,000	2005

Source: St. Louis Development Corporation.

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Major Taxpayers

The following tables set forth information regarding the top payers of earnings tax, payroll tax, real estate tax and personal property tax to the Collector of Revenue for the indicated period:

TOP TWENTY TAXPAYERS
EARNINGS TAX - 1996 CALENDAR YEAR

Anheuser Busch, Inc.	$3,962,093
Southwestern Bell	3,003,711
Washington University	2,893,691
Boatmen's Bank[1]	2,390,360
BJC Health Systems	3,368,220
St. Louis University	2,240,652
A.G. Edwards	1,817,791
Mercantile Bank	1,726,437
Union Electric	1,639,543
Ralston Purina	1,288,464
May Department Stores	1,197,154
Sigma Chemical	1,113,478
Mallinckrodt Chemical	627,338
Deaconess Hospital	627,254
Union Pacific	609,620
St. Louis Children's Hospital	561,629
Right Choice Managed Care	478,913
Laclede Gas	451,792
Monsanto	441,112
Pulitzer Publishing	430,173

[1]Boatmen's Bank has been purchased by, and is now known as, NationsBank.

Source: City Collector of Revenue.

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TOP TWENTY TAXPAYERS
PAYROLL EXPENSE TAX - 1996 CALENDAR YEAR

Anheuser Busch, Inc.	$1,380,509
Southwestern Bell	1,278,794
A.G. Edwards & Sons, Inc.	666,578
Boatmen's Bank[1]	651,075
Union Electric	423,861
Mercantile Bank	374,662
Sigma Chemical	314,158
Union Pacific Railroad	304,849
Ralston Purina Co.	288,264
Mallinckrodt Chemical	275,873
Edison Paymaster	184,670
RightChoice Managed Care	181,612
Bryan Cave LLP	175,744
Laclede Gas Co.	167,315
Thompson Coburn	158,384
Pulitzer Publishing	154,150
Trans World Airlines	149,060
St. Louis Cardinals	139,342
Nooter Corporation	135,540
Monsanto Company	110,214

[1] Boatmen's Bank has been purchased by, and is now known as, NationsBank.

Source: City Collector of Revenue.

TOP TWENTY TAXPAYERS
REAL ESTATE TAX - 1996 CALENDAR YEAR

Union Electric	$5,598,494
Anheuser Busch, Inc.	5,262,166
Laclede Gas Co.	3,853,650
Southwestern Bell Telephone	3,004,131
717 HB Redevelopment Corp.	873,374
Mercantile Bank	823,358
A.G. Edwards & Sons, Inc.	651,781
Mallinckrodt Inc.	634,910
St. Louis Centre	619,080
Oscar Woesterman, et al.	552,258
Boatmen's Bank[1]	545,996
Union Center Redevelopment	544,611
Equitable Broadway	506,304
Edison Brothers Redevelopment	487,256
Mansion House - Dale Frey et al	481,903
Gateway One Office Venture	451,876
Civic Center Redevelopment	423,098
Centerre Equitable - Joint Venture	405,052
Heitman Properties	395,787
Ralston Purina Co.	395,334

[1] Boatmen's Bank has been purchased by, and is now known as, NationsBank.

Source: City Collector of Revenue.

TOP TWENTY TAXPAYERS
PERSONAL PROPERTY TAX - 1996 CALENDAR YEAR

Southwestern Bell	$4,098,904
President Riverboat Casino	1,368,804
Union Electric Co.	1,267,257
Laclede Gas Co.	1,185,049
Ralston Purina Co.	985,729
A.G. Edwards & Sons, Inc.	964,828
Anheuser Busch, Inc.	780,785
Cybertel Corp.	621,943
May Department Stores Co., Inc.	563,549
Ford Motor Credit Co.	490,340
Transport International	458,241
Enterprise Leasing Co.	456,281
International Business	385,110
Xtra Lease Inc.	357,620
Comdisco Inc.	340,436
Mallinckrodt, Inc.	325,833
Healthy Alliance Life	304,079
Boatmen's Service Co. Inc.[1]	265,395
Pulitzer Publishing Co. Inc.	247,796
Xerox Corporation	244,350

[1] Boatmen's Bank has been purchased by, and is now known as, NationsBank.

Source: City Collector of Revenue.

Budget and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years set forth below:

Calendar Year	Value of Housing		Value of Commercial, Industrial or other Non-Housing	Total	
	New	Rehabilitation		Number of Permits	Total Value
1986	$10,065,010	$27,166,764	$303,445,329	2,953	$340,677,103
1987	28,182,834	15,316,081	205,943,156	3,029	249,442,071
1988	20,493,745	11,668,038	237,750,538	2,638	269,912,321
1989	8,697,000	9,203,278	272,527,597	2,641	290,427,875
1990	2,672,800	9,235,034	265,476,027	3,226	277,383,861
1991	5,545,348	11,820,524	268,654,733	3,220	286,020,605
1992	3,332,250	14,692,551	221,234,011	3,858	239,258,812
1993	4,364,650	8,500,254	326,531,135	3,201	339,396,039
1994	6,827,000	10,803,927	274,220,690	3,397	291,851,617
1995	12,584,500	12,235,408	263,294,393	3,284	297,114,301
1996	29,105,066	20,792,165	217,504,830	2,968	267,402,061

Source: City Building Division.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds and account group.

Governmental-Type Funds - Governmental-Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The following are the City's governmental-type funds:

General Revenue Fund - The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest and related costs.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for acquisition or construction of major facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds - Proprietary Funds are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following describes the City's proprietary fund types:

> *Enterprise Funds* - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily though user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.
>
> *Internal Service Funds* - Internal Service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The following describes the City's fiduciary fund:

> *Trust and Agency Funds* - Trust and Agency Funds are used to account for assets held in trust or as an agent by the City for others. Expendable funds are accounted for and reported in essentially the same manner as governmental funds. Agency funds are custodial in nature and are

used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Account Groups - Account Groups are used to establish accounting control and accountability for the City's General Fixed Assets and General Long-Term Debt. The following describes the City's Account Groups:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term debt of the City except that accounted for in the proprietary funds.

The financial statements of the various funds of the City, other than the Enterprise Funds, are presented, generally, on a modified accrual basis of accounting. An annual audit is made of the accounts and the records of the City. This examination is conducted by an independent certified public accountant, engaged by the Mayor for this purpose.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

Under a City Charter Amendment adopted in 1987, the Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1.

The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and then considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing City real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- The Hancock Amendment"** herein.

Should the Board of Estimate and Apportionment not timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and

no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System") which was initiated in 1981. The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides: (1) integrated general and subsidiary accounting of all funds: (2) appropriation/encumbrance accounting and controls and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personal services, supplies, materials, contractual services and equipment.

Encumbrances are recorded by the Control Section through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Departments' appropriations are allowed to be adjusted by transfers with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM system.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and property control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. All investments held by the Treasurer as of June 30, 1997 totaled $287,653,035 at cost. Consistent with state law, all investments held by the Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

Cash Management Investment Policy

The City is in the process of adopting its revised Public Funds Investment Policy, which is in its final draft stage awaiting review and adoption by the Funds Committee of the City. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit and (e) social policy. The policy applies a prudent man standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State of Missouri or the City, certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Consultants, LLC serves as investment consultant to the Treasurer's office.

General Revenue Fund

In accordance with generally established accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

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Table I which follows is the City's combined Statement of Revenues, Expenditures and Changes in Fund Balances for the indicated Fiscal Years.

Table I

CITY OF ST. LOUIS
General Revenue Fund
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Accrual Basis - Fiscal Years Ended June 30
(In Thousands)

	1996	1995	1994	1993	1992
Revenues					
Taxes	$ 281,237	$ 281,745	$ 269,293	$ 249,555	$ 240,783
Licenses & Permits	13,498	13,584	14,952	19,592	16,954
Intergovernmental Aid	4,826	3,035	6,317	7,640	7,870
Charges for Services	11,791	11,592	11,681	11,629	11,199
Court Fines & Forfeitures	6,435	6,365	5,850	6,055	6,500
Interest	6,037	3,984	2,845	2,848	3,181
Miscellaneous	2,917	2,976	2,963	2,757	2,276
Total Revenues	$ 326,741	$ 323,281	$ 313,901	$ 300,076	$ 288,763
Expenditures					
General Government	$ 31,392	$ 37,215	$ 29,342	$ 30,786	$ 27,667
Convention & Tourism	4,758	1,044	1,360	1,942	923
Parks and Recreation	13,833	13,628	12,403	12,112	10,799
Judicial	28,918	28,179	26,329	24,879	24,187
Streets	29,341	28,471	26,112	24,524	24,011
Public Safety	62,534	57,398	52,199	51,322	51,137
Health and Welfare	16,496	16,353	16,297	32,101	32,569
Public Services	18,413	16,928	17,050	15,728	15,387
Police[1]	0	0	0	84,796	85,296
Capital Outlay	4	4	1,221	3,636	1,041
Debt Service Principal	3,783	10,336	10,818	6,611	7,639
Interest & Fiscal Charge	14,817	13,473	10,840	14,031	12,671
Total Expenditures	$ 224,289	$ 223,029	$ 203,971	$ 302,468	$ 293,327

[1]The Police Department became a discretely presented component unit (per Governmental Accounting Standards Board Statement No. 14) beginning in Fiscal Year 1994.

Source: Audited Financial Statements.

(Continued on Next Page)

Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Accrual Basis - Fiscal Years Ended June 30 (Continued)
(In Thousands)

	1996	1995	1994	1993	1992
Excess of Revenues Over (Under) Expenditures	$ 102,452	$ 100,252	$ 109,930	$ (2,392)	$ (4,564)
Other Finance Sources/(Uses)					
Proceeds From Capital Leases	0	0	0	329	4,706
Proceeds From Convention Center Refinancing	0	0	154,063	0	0
Proceeds From Notes Payable	0	0	0	127	0
Operating Transfers From Component Units	125	125	125	0	0
Operating Transfers In	14,381	13,221	7,310	6,686	7,301
Operating Transfers Out	(11,782)	(9,520)	(4,287)	(5,273)	(2,550)
Proceeds From Joint Ventures	0	0	0	4,988	0
Payments To Bond Escrow Agent	0	0	(150,973)	0	(1,454)
Sales of General Fixed Assets	0	0	0	20	79
Contract Settlement with Airport	0	0	0	(435)	0
Operating Transfers To Component Units	(99,499)	(98,082)	(90,661)	0	0
Other Finance Sources/Uses	0	0	0	0	(1,525)
Total Other Financing Sources (Uses)	$(96,775)	$(94,256)	$(84,423)	$6,442	$6,557
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	5,677	5,996	25,507	4,050	1,993
Fund Balances (Beginning of Fiscal Year)[1]	60,802	54,806	29,581	25,897	25,392
Equity Transfers In	0	0	0	108	90
Equity Transfers Out	0	0	0	0	(1,578)
Fund Balances (End of Fiscal Year)	$66,479	$60,802	$55,088	$30,055	$25,897

[1]Fund Balances (Beginning of Fiscal Year) at June 30, 1996, 1995 and 1994 differ from Fund Balances (End of Fiscal Year) of the preceding Fiscal Year due to the adoption of GASB No. 14 and other accounting matters.

Source: Audited Financial Statements.

The table which follows shows General Revenue Fund results on a budgetary (cash) basis for the Fiscal Years set forth below:

Table II

CITY OF ST. LOUIS
General Revenue Fund
Summary of Operations
Cash Basis - Fiscal Years Ended June 30
(In Thousands)

	1997[2]	1996[1]	1995
Revenues			
Taxes	$ 290,786	$ 281,894	$ 277,656
Licenses	14,034	13,654	13,733
Intergovernmental Aid	4,301	4,903	5,420
Charges for Services	11,985	12,139	11,313
Court Fines & Forfeitures	4,327	4,017	3,529
Interest	2,023	2,556	410
Miscellaneous	4,914	3,183	2,872
Total Revenues	$ 332,370	$ 322,346	$ 314,933
Expenditures[1]			
General Government	$ 30,713	$ 31,239	$ 30,466
Convention & Tourism	1,034	2,017	2,389
Parks & Recreation	15,196	13,890	14,154
Judicial	29,898	30,183	28,919
Streets	29,955	29,780	28,365
Public Safety	63,945	63,365	61,767
Health & Welfare	18,746	17,945	17,214
Public Services	19,705	18,853	17,129
Police	101,344	97,623	97,705
Debt Service	18,120	16,837	21,276
Total Expenditures	$ 328,656	$ 321,732	$ 319,384
Excess of Revenues Over (Under) Expenditures	$ 3,714	$ 614	$ (4,451)
Other Financial Sources (Uses):			
Operating Transfers In	$ 11,669	15,776	19,210
Operating Transfers Out	(6,750)	(5,514)	(2,582)
Total Other Finance Sources (Uses)	$ 4,919	$ 10,262	$ 16,628
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Finance Uses	8,633	10,876	12,177
Fund Balances (Beginning of Fiscal Year)	8,443	17,200	11,112
Use Tax Reserve	--	(14,250)	--
1/2 Operating Surplus to Capital Improvement Funds	(4,384)	(5,383)	(6,089)
Fund Balances (End of Fiscal Year)	$ 12,692	$ 8,443	$ 17,200

[1]Fiscal Year 1996 expenditures include encumbrances as of the end of the Fiscal Year which affect the operating surplus.
[2]Preliminary.

Source: City Comptroller's Office.

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years set forth below:

	1997	1996	1995	1994	1993
TAXES:					
Earnings	31.58%	30.35%	30.43%	31.74%	32.10%
Franchise	14.47	14.88	13.98	15.39	15.79
Sales	13.45	13.45	13.73	11.90	10.35
Gross Receipts	2.31	1.92	1.83	2.20	2.26
Motor Vehicle Sales Tax	1.01	0.97	0.97	0.97	0.88
Motor Fuel	2.81	2.69	2.69	2.58	2.48
Real Estate	7.38	6.78	7.35	7.44	7.50
Personal Property	3.00	3.05	2.75	2.68	2.66
Payroll	8.17	7.77	7.70	7.87	8.08
Local Use Tax	0.00	1.22	1.56	1.23	0.80
Other Taxes	0.34	0.36	0.10	0.12	0.10
Total Taxes	84.52%	83.44%	83.09%	84.12%	83.00%
LICENSE FEES	4.08%	4.04%	4.11%	4.67%	6.40%
DEPARTMENTAL RECEIPTS	7.98%	7.81%	7.80%	8.02%	8.43%
27TH PAY RESERVE	.03%	0.04%	1.75%	0.05%	0.07%
TRANSFERS	3.39%	4.67%	3.25%	3.14%	2.10%
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 1997. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and was initially set at the rate of one-half of one percent of the gross income of individuals and of net profits of businesses within the City. The current rate of one percent has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than $1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's Earnings Tax revenue for the Fiscal Years set forth below was as follows:

Year	Earnings Tax
1993	$ 97,753,707
1994	99,270,129
1995	101,685,365
1996	102,519,126
1997	108,662,508

Source: City Comptroller's Office

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and Union Electric Company is 10% of the gross receipts from their commercial customers and 4% from their residential customers. Saint Louis Telecommunications, Inc. is taxed on 5% of gross revenues for its City cable franchise. The Southwestern Bell Telephone Company, Trigen Energy Corp. and the Water Division of the City are taxed 10% of their gross receipts from all users and the Lambert-St. Louis International Airport pays to the General Revenue Fund 5% of its gross revenues. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's Franchise Tax revenue for the Fiscal Years set forth below was as follows:

Year	Franchise Tax
1993	$ 48,093,967
1994	48,141,501
1995	46,713,618
1996	50,279,555
1997	49,784,243

Source: City Comptroller's Office

Sales Tax

A City Sales Tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, became effective in 1970 at a rate of one percent of sales within the City. This tax is collected on a monthly basis by the State along with the State sales tax and remitted to the City by the 10th of the following month. In the 1984-1985 Fiscal Years, voters approved an additional three-eighths of one percent sales tax on certain type of sales. In an opinion issued February 17, 1987, the Missouri Supreme Court held the three-eighths of one percent Sales Tax to be invalid because of the form of the ballot used to submit the tax to the voters and enjoined further collection. The City secured emergency legislation from the State of Missouri, authorizing an immediate election to resubmit the issue to the voters. On March 24, 1987, the voters reapproved the tax, which became effective April 1, 1987, and expired March 31, 1990. On February 6, 1990 voters rejected for the second time an attempt to make the three-eighths tax permanent.

The Director of Revenue of the State of Missouri notified the Comptroller of the City on February 5, 1990 that the State would place in escrow the full amount of the three-eighths of one percent sales tax normally paid March 10, 1990. On March 13, 1990, the City was advised that the State would place in escrow additional distribution of the tax up to a total of $3,025,433.68. The purpose of the escrow was to provide funds necessary to pay refund claims and interest thereon arising from the collection of the tax as originally enacted on June 5, 1984, and ruled invalid February 17, 1987. The lawsuit styled Kroger Co. v Director of Revenue, which had been pending before the Missouri Supreme Court, was settled by the City Counselor of the City. To date, all claims have been settled and the statute of limitations has expired for new filings. On May 29, 1992, the City received a check from the State Director of Revenue for $1,309,762.43, which represents the final payment to the City of all escrowed amounts.

On August 3, 1993, voters approved a 3/8 cent sales tax increase for general operations and a 1/2 cent sales tax increase for capital improvements. Collection began January 1994. Both approvals were unchallenged and permanent.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Year set forth below were as follows:

Year	Sales Tax
1993	$31,533,285
1994	37,230,389
1995	45,886,571
1996	45,453,050
1997	46,275,033

Source: City Comptroller's Office

Gross Receipts Tax

The City's Gross Receipts Tax is comprised of four components: (1) public garage and parking lots; (2) amusements admission tax; (3) one-half cent restaurant tax; and (4) natural gas tax which began May 1, 1991.

The City's Gross Receipts Tax revenue for the Fiscal Years set forth below was as follows:

Year	Gross Receipts Tax
1993	$6,573,506
1994	6,540,037
1995	5,790,157
1996	6,503,344
1997	7,940,351

Source: City Comptroller's Office

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. A constitutionally-mandated portion of the proceeds of the State sales tax is distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's Motor Vehicle Sales Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Vehicle Sales Tax
1993	$2,689,995
1994	3,030,454
1995	3,230,730
1996	3,273,919
1997	3,467,986

Source: City Comptroller's Office

Motor Fuel Tax

The City receives a share of the State motor fuel tax based upon population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly.

The City's Motor Fuel Tax revenue for the Fiscal Years set forth below was as follows:

Year	Motor Fuel Tax
1993	$7,534,839
1994	8,069,981
1995	8,975,884
1996	9,082,358
1997	9,656,919

Source: City Comptroller's Office

Real and Personal Property Taxes

Taxes are levied on all real and personal property owned as of January 1 in each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Reassessments are reflected in the value below for the indicated years. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City as a result of the reassessment. During 1995, House Bill 211 changed the assessment of large apartment buildings from commercial to residential classification. The estimated loss of assessment for the City was $40 million.

	Real Property		Personal Property			
Calendar Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Merchants & Manufacturers Inventory	Total Assessed Value
1992	$1,801,414,487	$7,495,500,221	$673,523,190	$2,040,979,364	$143,215,035	$2,618,152,712
1993	1,826,336,388	7,576,616,315	678,512,680	2,056,090,030	226,155,183	2,731,004,251
1994	1,836,918,398	7,610,241,195	770,925,863	2,315,092,681	229,034,027	2,836,878,288
1995	1,791,104,076	7,543,672,762	766,624,918	2,302,176,931	242,496,811	2,800,225,805
1996	1,765,203,352	7,457,159,339	784,576,338	2,356,085,099	294,413,111	2,794,192,801

Source: City Assessor's Office.

The estimated market value of real property in the City for calendar years set forth below was as follows:

Calendar Year	Commercial	Residential	Total Real Property
1992	$2,902,072,653	$4,593,427,568	$7,495,500,221
1993	2,975,225,294	4,601,391,021	7,576,616,315
1994	3,007,481,316	4,602,759,879	7,610,241,195
1995	2,752,355,778	4,791,316,984	7,543,672,762
1996	2,679,562,134	4,777,597,205	7,457,159,339

Source: City Assessor's Office.

The tax rate levied on real and personal property for the General Revenue Fund of the City during Fiscal Year 1996 was $1.36 per $100 of assessed valuations. The collection rate for the Fiscal Years 1996 was 86.0% compared to a rate of 89.1% for the Fiscal Year 1995. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated.

The City's Real and Personal Property Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
1993	$22,220,009	$ 8,104,026
1994	22,691,370	8,381,257
1995	23,926,761	9,204,677
1996	22,886,867	10,302,884
1997	25,398,335	10,324,072

Source: City Comptroller's Office

Payroll Tax

In an election held in 1988, voters approved a Payroll Tax. The Payroll Tax is one-half of one percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to not-for-profit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter.

The City's Payroll Tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Payroll Tax
1993	$24,603,211
1994	24,602,768
1995	25,724,069
1996	26,238,336
1997	28,098,389

Source: City Comptroller's Office

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's other tax revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Other Taxes
1993	$1,298,149
1994	1,324,493
1995	1,296,038
1996	1,239,282
1997	1,178,702

Source: City Comptroller's Office

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. (Prior to Fiscal Year 1991, amusements and public parking were included in the License Fees.) A variety of business license and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of St. Louis employees in the previous calendar year. The tax ranges from $150 for employers with two or fewer employees to $25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new License Fees is administered by the License Collector's Office. The first collection of the Graduated Business License Tax was due on July 1, 1989. The license covers the period from July 1 through June 30. An ordinance was passed in 1993 to change the period covered to June 1 through May 31, becoming delinquent by June 30. The increase of License Fees in Fiscal Years 1993 is largely due to this date change.

The City's License Fee revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	License Fees
1993	$19,495,347
1994	14,602,910
1995	13,732,682
1996	13,653,290
1997	14,033,888

Source: City Comptroller's Office

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts.

The City's Departmental Receipts revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
1993	$25,689,618
1994	22,804,017
1995	23,544,003
1996	26,798,596
1997	27,452,870

Source: City Comptroller's Office

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of Child Support Unit-Circuit Attorney Fund and Columbia Bottoms Fund. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by

the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund. The City's Operating Transfers for Fiscal Years set forth below, on a cash basis, was as follows:

Fiscal Year	Operating Transfers[1]
1993	$ 6,343,332
1994	12,270,554
1995	13,609,398
1996	15,776,408
1997	11,669,013

[1]Figures do not include transfers related to certain employment reserves.

Source: City Comptroller's Office

General Revenue Fund Expenditures

General Revenue Fund Revenues, Expenditures and Changes in Fund Balances are shown on an accrual basis for the past five Fiscal Years in **Table I** above. **Table II** above shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years ended June 30, 1997 and June 30, 1996.

The City provides funding for several significant municipal services which are not subject to direct City management and control. These are the St. Louis Regional Health Care Corporation and the Police Department. Each is discussed below.

St. Louis Regional Health Care Corporation

Effective September 30, 1985, the City entered into an agreement with St. Louis Regional Health Care Corporation ("RHCC") to provide hospital services to medically indigent inhabitants of the City over a period of ten years. Under the terms of the agreement, the City was obligated to make periodic payments to RHCC for services provided to certified City patients according to a formula. At expiration of the agreement, all debt of RHCC had been retired.

Pursuant to the terms of an agreement reached on July 15, 1997, in connection with litigation relating to RHCC, the City has agreed to pay for transition costs of up to $8.3 million incurred by RHCC during a ninety-day transition period whereby the provision of health care services to the indigent citizens of the City would be provided by RHCC. After such period, indigent health care services would be provided by a nonprofit corporation created to provide such services. The costs to the City are not expected to exceed $3.2 million, and the Comptroller of the City has the authority to audit all costs during the transition period. See **"Litigation"** herein.

The Board of Police Commissioners

The Board of Police Commissioners of the City of St. Louis, Missouri (the "Police Board") was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment of the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and

meet the expenses of the police department and to certify the amount to the Board of Aldermen of the City. See the caption **"The Hancock Amendment"** herein.

The Board of Aldermen of the City is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount necessary to make the City's indebtedness payments, and to pay City hospital, health department and lighting expenses, but it has been held that the Board of Aldermen is not required under the statute to appropriate for the Board for any Fiscal Year a sum in excess of $66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the "Hancock Amendment," which became effective on December 4, 1980. See the caption **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- The Hancock Amendment"** herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of $66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past ten Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget as approved by the Board of Aldermen for Fiscal Year 1995 was $96,861,042, for Fiscal Year 1996 was $97,485,189 and for Fiscal Year 1997 was $101,926,606. The Police Board entered into a lease agreement in August 1988 in connection with the $12,890,000 Missouri Industrial Development Board's Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). The proceeds of the financing were used to purchase, construct and equip three new police stations. The lease was refinanced in June 1994 for $13,725,000. The additional proceeds generated were used for further capital improvements. The lease obligation will be financed by a portion of the 1/4 cent sales tax earmarked for this purpose. The payments under the lease average $1,423,000 per annum and have been herein included in the section **"DEBT OF THE CITY-- Capital Leases."**

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City's General Revenue Fund. See **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- Budget Process"** herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are returned to the City.

The Hancock Amendment

An amendment of the Missouri Constitution limiting taxation and government spending was approved by Missouri voters on November 4, 1980. The amendment (popularly known as the Hancock Amendment) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any "tax, license or fee." The precise meaning and application of the phrase "tax, license or fee" is unclear, but recent decisions of the Supreme Court have indicated that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City's ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters

approved an amendment to the Missouri Constitution. The amendment reduced the majority vote required for the incurring of debt for various public purposes by local government and other political subdivisions from two-thirds (2/3) to four-sevenths (4/7), at elections on the general municipal election days or the state primary or general election days. Because the City Charter presently requires a two-thirds (2/3) vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. Such a Charter amendment was submitted to City voters in August and November 1988; at each election the proposal received more than a majority of the votes cast, but less that the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City is also authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is financed from the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

Likewise, the City is authorized by statute to issue "Tax Increment Financing" obligations pertaining to development projects. In July 1991, the City issued $15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. Such obligations are secured by increments of revenues attributable to property and other taxes generated by improvements to the project area, and may also be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the aforementioned incremental revenues are at least equal to 150% of the annual debt service payments on said bonds for five consecutive years. According to the Comptroller's office, the City has not covered any shortfalls to date, however there can be no assurances that they will not be called to do so in the future.

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes ("TRANs") during the Fiscal Year 1984. The following table sets forth certain information concerning the issuance of such TRANs:

Fiscal Year[1]	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[2]
1984	$ 30,000,000	9.07%
1985	30,000,000	11.26
1986	35,000,000	13.10
1987	40,000,000	14.84
1988	30,000,000	11.77
1989	20,800,000	6.99
1990	20,000,000	6.88
1991	24,700,000	8.59
1992	35,000,000	12.11
1993	40,320,000	13.24
1994	52,000,000	16.62
1995	56,000,000	16.76
1996	41,000,000	12.14
1997	37,000,000	10.76
1998	32,000,000	9.35[3]

[1]In 1988, the City changed its Fiscal Year-end from April 30 to June 30.

[2]The percent is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

[3]Based on Estimated General Fund Revenues.

Source: City Comptroller's Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than the above mentioned Tax Increment Financing obligations, issued by the City which were outstanding as of August 16, 1997:

Bonds	Amount Outstanding
General Obligation Bonds	$ 7,200,000
Water Revenue Bonds	46,950,000
Parking Revenue Bonds	25,820,000
Airport Revenue Bonds	277,055,000
	$357,025,000

Source: City Comptroller's Office.

Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below:

Description	Amount Outstanding August 16, 1997	Remaining Term In Years	Issue Date
Convention and Sports Facility Project and Refunding Bonds[1]	$ 60,760,000	22.0	Feb-97
Convention Center-1993	144,217,205	18.0	Jun-93
East Station (Kiel Auditorium)-1990	9,500,000	24.0	Dec-90
East Station (Kiel Auditorium)-1992	2,275,000	24.0	Dec-92
Police Board Lease	11,470,000	10.0	Jun-94
Justice Center	110,040,000	22.0	Aug-96
Civil Courts Improvements	29,155,000	16.0	Jun-94
Forest Park Revenue Improvement	19,270,000	25.0	Mar-97
	$ 386,687,205		

[1]This pertains to the lease financing by the City, St. Louis County, and the State of Missouri, of an east expansion of the Convention Center. The Bonds for the east expansion were issued by the Regional Convention and Sports Complex Authority, an entity created by State law. In addition to lease payments to pay debt service on the Bonds, the City has agreed to pay the Authority $1,000,000/year during the term of the Bonds to pay for renovations and repairs to the facility.

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of August 16, 1997 is set forth below:

	Outstanding Bonds	Percent Applicable To St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 7,200,000	100.00%	$ 7,200,000
The Junior College District	--	17.00	--
The Metropolitan St. Louis Sewer District-Mississippi River Subdistrict	10,645,000	35.00	3,725,750
School District of the City of St. Louis	110,530,000	100.00	110,530,000
Total	$ 128,375,000		$ 121,455,750

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of August 16, 1997. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 7,200,000	$ 18.15	.26%
Total Direct and Overlapping Debt	$121,455,750	$306.18	4.35%

[1]Based on Population from U.S. Census, 1990 (396,685)

Source: City Comptroller's Office

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of August 16, 1997.

	City Purposes Basic Limit	Streets and Sewers Additional Limit
1996 Assessed Value	$2,794,192,801	$2,794,192,801
Debt limit - 10% of assessed value	279,419,280	279,419,280
Less: General Obligation Bonds	7,200,000	----
Legal Debt Margin	$ 272,219,280	$ 279,419,280

Source: Office of the Comptroller, City of St. Louis

Principal and Interest Requirements on Direct Debt

The following table sets forth the principal and interest requirements on the City's general obligation indebtedness as of August 16, 1997:

Fiscal Year	Principal	Interest	Total
1997-1998	$ 5,200,000	$ 439,200	$5,639,200
1998-1999	2,000,000	122,000	2,122,000
	$ 7,200,000	$ 561,200	$7,761,200

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employees approximately 6,100 persons who are paid from the City's General Revenue Fund, approximately 2,300 of whom are employees of the police department.

Under State law, employees of the City, including those of the police department, do not have the authority to bargain collectively. The salaries of employees of the police department are established by the Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. Section 84.160 R.S.Mo. (1994, as amended). All employees, other than the commissioned employees of the police department, have "meet and confer" rights which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees although the discussions are not binding. City police officers and school teachers have no such rights. No City employee has the right to strike. The City considers its employee relations to be excellent.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employee's Retirement System, The Firemen's Retirement System, and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions to all plans for the Fiscal Year ended June 30, 1996, totaled $10,895,015 from the City's General Revenue Fund.

	Plan Benefits	Plan Assets	(In Thousands) Plan Assets In Excess of (Unfunded) Plan Benefits
Employee's Retirement System	$ 340,262	$ 330,057	$(10,205)
Police Retirement System	422,892	467,109	44,217
Firemen's Retirement System	344,084	261,902	(82,182)

Source: City Comptroller's Office.

INSURANCE AND LITIGATION

During the past three years, the City has utilized a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. In the case of possible damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly bond funds. All liability claims not covered by insurance are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims which may be made. Each year as appropriation is made to a judgment account which is segregated and reserved in a non-profit corporation from which all judgments or settlements are paid. Expenditures during the last five Fiscal Years were:

Fiscal Year	Expenditures
1992	$ 2,652,664
1993	2,021,079
1994	2,086,672
1995	2,826,285
1996	1,963,802

Source: City Comptroller's Office.

During Fiscal Year 1992, the City turned the administration of all workers' compensation responsibilities over to the Public Facilities Protection Corporation. A third party administrator was contracted with to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction of numbers and severity of workers' compensation claims. This has also enabled the City to more timely process claims and payments as well as provide more timely and accurate statistical data.

In its budget request for Fiscal Year 1992, the 22nd Judicial Circuit Court for the State of Missouri located in the City requested the City to fund approximately $61,000,000 in capital improvements for judicial facilities, which request was refused by the City. The Circuit Court thereafter asked the Missouri Court of Appeals to order the City to comply with the Circuit Court's request for capital improvement funds. The Court of Appeals denied the request. The case was transferred to the Missouri Supreme Court.

On January 28, 1992, the Missouri Supreme Court ordered the City's Board of Estimate and Apportionment to reinstate five-twelfths of the Circuit Court's capital improvement request (approximately $35,000,000), but authorized the City to file a petition for review with the state Judicial Finance Commission (the "Commission"). In its petition, the City requested the Commission to find the appropriation "unreasonable." The Commission entered a consent judgment on February 28, 1992, which was affirmed April 21, 1992, by the Missouri Supreme Court, which requires the City to appropriate $35,000,000 over seven years for improvements to the Civil Courts Building. The Circuit Court stipulated that, absent extraordinary circumstances, the Circuit Court would not make further requests for improvements in that building during the seven year period and that, absent extraordinary circumstances, the Circuit Court would not submit any further requests for capital improvements to any other buildings before the Fiscal Year beginning July 1, 1994. A portion of the proceeds of the $42,645,000 St. Louis Municipal Finance Corporation Leasehold Revenue Improvement and Refunding Bonds, Series 1992, in the amount of $7,000,000 are being used for renovations of the Civil Court Building in partial satisfaction of the consent judgment.

In May 1991, the City with voter approval imposed a natural gas transportation license tax upon consumers of 11% upon the purchase price of natural gas and methane purchased from suppliers outside the City and transported into the City for commercial and industrial use. The annual proceeds from this tax are now estimated to be $1,450,000. Two lawsuits, *Alumax Foils, Inc. et al. vs. City of St. Louis, et al.*, which is a proceeding involving eight consolidated cases, and *Warner-Jenkinson, Inc. vs. City of St. Louis*, are presently pending and were filed by certain large volume gas consumers challenging this tax. (Another lawsuit, *Brouk Co. vs. City of St. Louis, et al.*, was also filed to contest the

validity of the tax, but the court dismissed this claim without prejudice on December 26, 1995.) Approximately $4,825,000 in tax payments that have been made under protest by the plaintiffs through April 30, 1997 are presently held in escrow accounts pending the resolution of these cases. On March 21, 1995, the Circuit Court of the City of St. Louis upheld the validity of the tax in the *Alumax* consolidated matter. On January 25, 1996, the court entered its order on the remaining side issues of the *Alumax* proceeding, ruling that the statutory procedures for protesting tax payments under Section 139.031 RSMo. apply to this tax and that refunds of tax payments made by the charitable plaintiffs that did not comply with the protest procedures are therefore denied. The plaintiffs filed an appeal of the Circuit Court's decision to the Supreme Court. After oral argument on the case, the Supreme Court transferred the appeal to the Missouri Court of Appeals, Eastern District, holding that the case did not fall within the Supreme Court's exclusive jurisdiction. The appeal will now be heard by the Court of Appeals and will be under submission on September 10, 1997. There is a reasonably good prospect that the Circuit Court's ruling on the validity of the tax will be upheld.

On October 15, 1993, the City was ordered by the Circuit Court of the City of St. Louis in the case of *Lett v. Bailey*, to cease collecting the 1% earnings tax on amounts placed in deferred compensation plans. This has resulted in a net loss of revenue on an annual basis of approximately $1.5-2.0 million. In December 1994, the Circuit Court issued its final decision in the case, ordering that the City make refunds of earnings tax collected or deferred compensation since December 1989. The City had voluntarily ceased collecting earnings on Section 457 Plans in January 1990. The City appealed both of these decisions. On February 27, 1996, the Missouri Court of Appeals reversed the decision of the Circuit Court, holding that the City was authorized to impose its earnings tax on non-Section 457 Plans. Based upon the Court of Appeals' decision in *Lett v. Bailey*, the City was authorized to again collect earnings tax on non-Section 457 Plans retroactively to the date of the Circuit Court's injunction in October 1993. There is presently pending a motion for rehearing/transfer of the *Lett* decision. However, the City has since adopted a new ordinance exempting deferred compensation from the earnings tax effective July 1, 1996.

In a decision handed down on March 26, 1996, *Associated Industries of Missouri v. Director of Revenue*, the Missouri Supreme Court held that the Missouri Local Use Tax is invalid. Based upon this decision, it is possible that the State of Missouri will be likely to refund the amount of local use tax collected for the past three years, assuming its receives refund requests from taxpayers. The City received a distribution of approximately $14 million of collections over the three-year period. The State of Missouri has taken the position that it will deduct from future distributions to local governments presumably including the City, any amounts that it is required to refund to taxpayers. The estimated effect of these deductions on the City's General Fund would be approximately $4.6 million annually over a three-year period. The City initiated litigation to test whether the State of Missouri can do so, and the Circuit Court entered a temporary restraining order preventing the State of Missouri from withholding any portion of the City's distribution of other taxes.

In a companion case, in which the City intervened, the Circuit Court of Cole County in *St. Charles County vs. Lohman*, held that taxpayers were entitled to refunds of local use taxes previously paid and that the Director of Revenue had the authority to withhold funds from local government distributions amounts necessary to provide funds for such refunds. The City and the other local government entities included in this suit as well as the Director of Revenue have appealed the decision to the Missouri Supreme Court. In the meantime, the temporary restraining order that was entered in the litigation filed by the City remains in effect, so that it is not anticipated that any amounts would be withheld from the City's local tax distributions pending a final decision by the Missouri Supreme Court, which will probably not rule on the case until late summer or fall of 1997.

On February 7, 1997, the City adopted an ordinance authorizing a lease of four acres in Forest Park adjacent to the existing Art Museum. The Museum Subdistrict plans to use a portion of the lease area to expand the existing museum facilities. In the lease, the Museum Subdistrict agrees to make funds available to the City for certain public works in Forest Park, and to make certain improvements in Forest Park, both outside the leased area, with an anticipated aggregate value of $7,000,000. A portion of the $7,000,000 is included in the funding projections of the *Forest Park Master Plan.*

In *Murray et al. v. City of St. Louis et al.*, certain individuals asserted in the St. Louis Circuit Court that the emergency clause in the ordinance authorizing the lease was invalid. The plaintiffs also asserted that the ordinance has

more than one subject matter, which renders the ordinance invalid. On February 7, 1997, the St. Louis Circuit Court denied preliminary injunctive relief and scheduled a hearing on the matter for February 14, 1997. On February 7, the Court allowed intervention by the Land Clearance for Redevelopment Authority (the "LCRA"), which at the time was about to enter into an agreement with the Art Museum concerning a 26-acre parcel known as the Arena site, owned by LCRA. Under that agreement, which expired April 1, 1997, the Museum would make $750,000 available to LCRA for debt service on the property, $250,000 for a planning process and $3,000,000 payment to a to-be-selected developer if the Museum deems the development beneficial to Forest Park and the Museum. That agreement was contingent on the Forest Park lease.

On February 18, 1997, the St. Louis Circuit Court rendered its decision holding that the ordinance was valid, but that it was improperly declared to be an emergency measure. By its ruling, the court has created the possibility that the ordinance will be subject to a referendum, which could result in the ordinance being disapproved by the voters. The City filed a Notice of Appeal to the Missouri Court of Appeals on February 20, 1997, argued the case on May 12, 1997, and the Court of Appeals unanimously reversed the lower court decision on June 3, 1997, upholding the validity of the emergency clause. The plaintiffs' application for rehearing or in the alternative for transfer to the Missouri Supreme Court was denied by the Court of Appeals on June 24, 1997. The plaintiffs then filed an application for transfer directly in the Missouri Supreme Court on July 9, 1997. The City believes that it is unlikely that the Missouri Supreme Court will assent transfer of this case, so that the ordinance will remain a valid emergency measure.

In an action in which the City intervened as a plaintiff to require that the defendant RHCC continue to provide health care services to indigent citizens of the City, the defendant has filed a counterclaim seeking an unspecified amount of damages. The case is styled *State ex rel Nixon v. St. Louis Regional Health Care Corporation* in the Circuit Court of the City and was originally brought by the Missouri Attorney General. The City formerly had a written contract with RHCC under which RHCC provided indigent health care services, but that contract expired in December 1995. Since that time, RHCC continued to provide health care services to the poor. On July 15, 1997, the City and RHCC reached an agreement whereby the parties would mutually dismiss all claims and counterclaims filed in connection with the case. Pursuant to the terms of the agreement, the City would pay for transition costs of up to $8.3 million incurred by RHCC during a ninety-day transition period whereby the provision of health care services to its citizens who are uninsured or underinsured and have little or no ability to obtain adequate insurance coverage would be provided by RHCC. After such period, indigent health care services would be provided by a nonprofit corporation created to provide such services. The costs to the City are not expected to exceed $3.2 million, and the Comptroller of the City has the authority to audit all costs during the transition period. See **"FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS -- St. Louis Regional Health Care Corporation"** herein.