NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:	Insured Ratings:	Underlying Ratings:
Moody's:	Aaa	Baa1
S&P:	AAA	BBB+
Fitch:	AAA	BBB+

See "RATINGS" herein.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2005 Refunding Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel are further of the opinion that, under existing law and assuming that interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the Series 2005 Refunding Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$263,695,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds
Series 2005 (Non-AMT)
(Lambert-St. Louis International Airport)

Dated: Date of Delivery **Due: July 1, as shown below**

The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2005 (Non-AMT) (Lambert-St. Louis International Airport) (the "Series 2005 Refunding Bonds") will be issued by The City of St. Louis, Missouri (the "City"), under and pursuant to the Amended and Restated Indenture of Trust dated as of October 15, 1984, as amended and restated as of September 10, 1997, as amended and supplemented, including by the Thirteenth Supplemental Indenture of Trust, dated as of June 1, 2005 (collectively, the "Indenture"), between the City and UMB Bank, N.A., as Trustee (the "Trustee").

The Series 2005 Refunding Bonds are limited obligations of the City, payable solely from Revenues, as defined herein, to be derived by the City from the operation of Lambert-St. Louis International Airport (the "Airport") and certain other funds pledged under the Indenture. The Series 2005 Refunding 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 2005 Refunding Bonds, either as to principal, premium (if any) or interest. The Series 2005 Refunding Bonds will be secured on a parity basis with the City's Outstanding Bonds, as defined in the Indenture, and any additional bonds issued under the Indenture (the "Bonds") as more fully described herein.

The proceeds of the Series 2005 Refunding Bonds, together with other available funds, will be used: (i) to refund all or a portion of the principal and/or interest components of certain prior Bonds issued under the Indenture (as more fully described herein); (ii) fund, and to acquire a surety bond to fund, the reserve account for the Series 2005 Refunding Bonds; and (iii) to pay costs of issuing the Series 2005 Refunding Bonds.

Interest on the Series 2005 Refunding Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2006, until maturity or prior redemption. The Series 2005 Refunding Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership may be acquired in denominations of $5,000 or any integral multiples thereof. No physical delivery of the Series 2005 Refunding Bonds will be made to the purchasers. Principal of and interest on the Series 2005 Refunding Bonds will be payable at the principal corporate trust office of the Trustee. See "THE SERIES 2005 REFUNDING BONDS - Book-Entry-Only System."

Certain Series 2005 Refunding Bonds are subject to mandatory sinking fund redemption and optional redemption prior to maturity as described herein. See "THE SERIES 2005 REFUNDING BONDS - Redemption Provisions."

The regularly scheduled payment of principal of and interest on the Series 2005 Refunding Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Bond Insurer") with respect to the Series 2005 Refunding Bonds simultaneously with the delivery of the Series 2005 Refunding Bonds.

MBIA

See **"BOND INSURANCE POLICY"** and *Appendix H* herein.

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

The purchase of the Series 2005 Refunding Bonds is subject to certain risks and may not be a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of investing in the Series 2005 Refunding Bonds. See "CERTAIN INVESTMENT CONSIDERATIONS."

The Series 2005 Refunding 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 2005 Refunding Bonds by Nixon Peabody LLP, New York, New York, and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by the Hardwick Law Firm, LLC, and Cochran, Cherry, Givens, Smith, Caldwell & Singleton, LLC, St. Louis, Missouri, Co-Underwriters' Counsel. It is expected that the Series 2005 Refunding Bonds in book-entry-only form will be available for delivery through the facilities of DTC in New York, New York, on or about July 7, 2005.

UBS Financial Services Inc.	**JPMorgan**	**Raymond James & Associates, Inc.**
Berean Capital, Inc.	**George K. Baum & Company**	**Melvin Securities, L.L.C.**
Merrill Lynch		**M.R. Beal & Company**

This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to making of an informed investment decision.

The date of this Official Statement is June 14, 2005.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

SERIES 2005 REFUNDING BONDS

Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers[1] **BASE CUSIP: 791638**
2013	$ 630,000	4.000%	3.620%	UT4
2014	650,000	4.000	3.700	UU1
2015	15,880,000	5.500	3.830	UV9
2016	18,915,000	5.500	3.890	UW7
2017	20,075,000	5.500	3.960	UX5
2018	21,955,000	5.500	4.030	UY3
2019	21,705,000	5.500	4.080	UZ0
2020	6,910,000	5.000	4.100 c	VA4
2021	4,765,000	5.000	4.150 c	VB2
2022	3,820,000	5.000	4.190 c	VC0
2023	2,395,000	5.000	4.230 c	VD8
2027	24,545,000	5.500	4.350	VF3
2028	26,135,000	5.500	4.370	VG1
2029	27,570,000	5.500	4.390	VH9
2030	29,090,000	5.500	4.400	VJ5
2031	30,690,000	5.500	4.410	VK2

$7,965,000 5.500% Term Bonds Due July 1, 2026 Yield 4.350% CUSIP Number VE6

c Priced at the stated yield to the July 1, 2015 optional redemption date at a redemption price of 100%.

[1] CUSIP numbers shown above have been assigned by an organization not affiliated with the City. The City was not responsible for the selection of CUSIP numbers nor does it make any representation as to the correctness of such numbers on the Series 2005 Refunding Bonds or as indicated herein.

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

Charles Quincy Troupe - Ward 1
Dionne Flowers - Ward 2
Freeman Bosley, Sr.-Ward 3
O. L. Shelton - Ward 4
April Ford-Griffin - Ward 5
Lewis E. Reed - Ward 6
Phyllis Young - Ward 7
Stephen J. Conway - Ward 8
Kenneth Ortmann - Ward 9
Joseph Vollmer - Ward 10
Matt Villa - Ward 11
Fred Heitert - Ward 12
Alfred J. Wessels, Jr. - Ward 13
Stephen Gregali - Ward 14
Jennifer Florida - Ward 15
Donna Baringer - Ward 16
Joseph D. Roddy -Ward 17
Terry Kennedy - Ward 18
Michael McMillan - Ward 19
Craig Schmid - Ward 20
Bennice Jones King - Ward 21
Jeffery Boyd - Ward 22
Kathleen Hanarahan - Ward 23
Tom Bauer - Ward 24
Dorothy Kirner - Ward 25
Frank Williamson - Ward 26
Gregory J. Carter - Ward 27
Lyda Krewson - Ward 28

OTHER CITY OFFICIALS

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development
Kenneth L. Below, Assistant Airport Director of Finance
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Thomas J. Ray, Deputy City Counselor
Joseph R. Niemann, Airport Counsel
Patricia A. Hageman, City Counselor

CITY AIRPORT COMMISSION

Kevin C. Dolliole, Director and Chairman

Kenneth A. Behlmann
James H. Buford
William J. Esterline
Darlene Green
Richard E. Hrabko
Courtney A. Jones
John Krekeler
Lee M. Liberman
Lewis L. McKinney, Jr.
Thomas R. Nash
Richard A. Sauget
Frank D. Schembre
James F. Shrewsbury
Michael C. Williams
Phyllis Young
Robert A. Young

BOARD OF ESTIMATE AND APPORTIONMENT

Francis G. Slay, Mayor
Darlene Green, Comptroller
James F. Shrewsbury, President of the Board of Aldermen

CO-FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC
Detroit, Michigan

Gardner, Underwood & Bacon
Chicago, Illinois

INVESTMENT ADVISOR

Columbia Capital Management LLC
Mission, Kansas

AIRPORT CONSULTANT

Unison-Maximus, Inc.
Chicago, Illinois

This Official Statement is provided in connection with the initial offering and sale of the Series 2005 Refunding Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the City, the Airport, the Bond Insurer (as hereinafter defined) and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the City, the Airport, the Bond Insurer 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 2005 Refunding Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. 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, the Airport or the Bond Insurer since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2005 Refunding Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") 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, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2005 Refunding Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2005 Refunding 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 2005 Refunding Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning the Bond Insurer contained in "THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment - Bond Insurance" and APPENDIX H - "Form of Municipal Bond Insurance Policy," none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2005 Refunding Bonds; or (iii) the tax-exempt status of the interest on the Series 2005 Refunding Bonds.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 REFUNDING BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the City's current expectations, hopes, intentions, or strategies regarding the future. Such statements may be identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend" or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Included in such risks and uncertainties are (i) those relating to the possible invalidity of the underlying assumptions and estimates, (ii) possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances, and (iii) conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately. For these reasons, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "continuing disclosure."

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OFFICIAL STATEMENT

Relating to

$263,695,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds
Series 2005 (Non-AMT)
(Lambert-St. Louis International Airport)

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover pages and appendices (collectively, the "Official Statement") and the documents summarized or described herein. Unless otherwise defined herein, certain capitalized words and terms used in this Official Statement have the meanings given to them in **APPENDIX C - "Summary of Certain Provisions of the Indenture."**

This Official Statement is furnished in connection with the offering by the City of St. Louis, Missouri (the "City") of its $263,695,000 aggregate principal amount of Airport Revenue Refunding Bonds, Series 2005 (Non-AMT) (Lambert-St. Louis International Airport) (the "Series 2005 Refunding Bonds"). **Investors must read the entire Official Statement, including the cover page and appendices, to obtain information essential to making an informed investment decision.**

The Series 2005 Refunding Bonds are issued under authority of the constitution and laws of the State of Missouri, including Article VI, Section 27 of the Missouri Constitution, as amended, Section 108.140 of the Revised Statutes of Missouri (2000), as amended, two referenda approved by the City's voters on November 5, 1991, and on April 8, 2003, respectively (collectively, the "Voter Approval"), which authorize the City to issue up to $3.5 billion to finance capital projects at Lambert-St. Louis International Airport (the "Airport"), and Ordinance No. 66700, adopted by the Board of Aldermen on May 27, 2005, and approved by the Mayor on June 6, 2005. The Series 2005 Refunding Bonds are issued pursuant to the Amended and Restated Indenture of Trust, dated as of October 15, 1984, as amended and restated as of September 10, 1997 (the "Restated Indenture"), as amended and supplemented, including by the Thirteenth Supplemental Indenture of Trust, dated as of June 1, 2005 (collectively, the "Indenture"), between the City and UMB Bank, N.A., as Trustee (the "Trustee"). For a summary of the Indenture, see **APPENDIX C - "Summary of Certain Provisions of the Indenture."**

The Indenture authorizes the issuance of bonds (the "Bonds") subject to requirements specified in the Indenture. Under the Indenture, the Series 2005 Refunding Bonds constitute an issue of Refunding Bonds, as defined in the Indenture. Following the issuance of the Series 2005 Refunding Bonds, there will be 10 series of Bonds outstanding under the Indenture in the aggregate principal amount of $884,475,000. Such outstanding Bonds, together with any Additional Bonds and Refunding Bonds hereafter issued are referred to herein as the "Outstanding Bonds." See **"THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment - Outstanding Bonds, Additional Bonds and Refunding Bonds."**

The City is a constitutional charter city and political subdivision of the State of Missouri. 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's Chief Executive Officer (the "Director of Airports") and other managers and personnel required to operate the Airport. The Commission is responsible for the planning, development, management and operation of the Airport. See **"AIRPORT MANAGEMENT - Introduction."**

Use of Proceeds

The proceeds of the Series 2005 Refunding Bonds, together with other available funds, will be used (i) to advance refund a portion (hereinafter described) of the City's outstanding Bonds (a) for the purpose of achieving interest cost savings and (b) for the purpose of restructuring debt service payments from Fiscal Year 2006 through Fiscal Year 2011; (ii) to fund, and acquire a surety bond to fund, the required reserve account for the Series 2005 Refunding Bonds; and (iii) to pay costs of issuing the Series 2005 Refunding Bonds.

For further information regarding the use of proceeds of, and the plan of finance for, the Series 2005 Refunding Bonds, see "**PLAN OF FINANCE**."

Security and Sources of Payment

The Series 2005 Refunding Bonds are limited obligations of the City payable on a parity with the Outstanding Bonds solely from the Revenues derived from the operation of the Airport and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture, including the Debt Service Stabilization Fund and the Debt Service Reserve Fund, all as more fully described in **"THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment."** Also see **"INTRODUCTION - Bond Insurance."**

The Series 2005 Refunding Bonds do not constitute 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 2005 Refunding Bonds, either as to principal or interest.

The Series 2005 Refunding Bonds will be issued on a parity with the Outstanding Bonds. In addition, the City may issue from time to time subordinate debt, including subordinate commercial paper, which is currently authorized in a maximum principal amount outstanding at any time of not to exceed $125,000,000, of which $1,000,000 is currently outstanding. See "**THE SERIES 2005 REFUNDING BONDS – Security and Sources of Payment – Subordinated Indebtedness and Special Facilities Indebtedness.**"

Bond Insurance

MBIA Insurance Corporation (the "Bond Insurer") has committed to issue, effective on the date of initial delivery of the Series 2005 Refunding Bonds, its municipal bond new issue insurance policy (the "Bond Insurance Policy") which will guarantee the payment, when due, of the principal of and interest on the Series 2005 Refunding Bonds at the stated maturity thereof or upon mandatory sinking fund redemption. The Bond Insurance Policy extends for the term of the Series 2005 Refunding Bonds and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is subject to the conditions described under the caption **"BOND INSURANCE POLICY."** No representation is made by the City or the Underwriters as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or its policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof. See **"THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment - Bond Insurance"** and **APPENDIX H - "Form of Bond Insurance Policy."**

Amendments to Indenture

In addition to authorizing the Series 2005 Refunding Bonds, the Thirteenth Supplemental Indenture amends the Indenture to create a Debt Service Stabilization Fund and to provide for the deposit of Revenues therein in order to establish and maintain such Fund in an amount equal to the Debt Service Stabilization Fund Requirement (defined below). See "**THE SERIES 2005 REFUNDING BONDS – Security and Sources of Payment – Debt Service Stabilization Fund.**"

Additional Bonds and Refunding Bonds

Subject to certain terms and conditions, the City may issue Additional Bonds from time to time to finance capital improvements at the Airport. The City may issue Refunding Bonds for the purpose of refunding principal and/or interest components of any Outstanding Bonds, any Subordinated Indebtedness or any other obligations issued to finance improvements at the Airport.

Additional Bonds and Refunding Bonds will be equally and ratably secured on a parity with the Series 2005 Refunding Bonds and other Outstanding Bonds.

The City may issue Additional Bonds if (i) sufficient bonding authority remains pursuant to the Voter Approval and (ii) the requirements for the issuance of Additional Bonds under the Indenture (the "Additional Bonds Test") are met. The City may issue Refunding Bonds if (i) the Aggregate Debt Service after the refunding is no greater than the corresponding amounts in each Airport Fiscal Year than the Aggregate Debt Service prior to such refunding or (ii) such Refunding Bonds satisfy certain portions of the Additional Bonds Test.

On November 5, 1991, City voters authorized the City to issue up to $1.5 billion of bonds (the "1991 Voter Approval") to finance capital projects at Lambert-St. Louis International Airport. Following the issuance of the Series 2005 Refunding Bonds, the City will have issued $924,170,871.85 principal amount of bonds pursuant to the 1991 Voter Approval, leaving $575,829,128.15 of authorization provided by the 1991 Voter Approval. In addition, on April 8, 2003, City voters authorized the City to issue up to an additional $2 billion (the "2003 Voter Approval") to finance capital projects at Lambert-St. Louis International Airport. To date, no bonds have been issued pursuant to the 2003 Voter Approval. Under state law and the City Charter refunding bonds do not require Voter Approval. See **"THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment - Additional Bonds."**

Redemption

Certain Series 2005 Refunding Bonds are subject to mandatory sinking fund redemption and will be subject to optional redemption prior to maturity as described under **"THE SERIES 2005 REFUNDING BONDS - Redemption Provisions."**

Financial Feasibility Report

The City has retained Unison-Maximus, Inc. to serve as the airport consultant (the "Airport Consultant") in connection with the issuance of the Series 2005 Refunding Bonds. The Airport Consultant has analyzed the ability of the City to meet its financial obligations related to the Series 2005 Refunding Bonds through the Fiscal Year[1] ending June 30, 2011, and has prepared the Financial Feasibility Report (the "Financial Feasibility Report"). The Financial Feasibility Report is based on a number of assumptions and projections. The Financial Feasibility Report of the Airport Consultant has been included in reliance upon the knowledge and experience of the Airport Consultant. As noted in the Financial Feasibility Report, any forecast is subject to uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See **"APPENDIX A - Financial Feasibility Report."**

Reduction in American Airlines Operations

On November 1, 2003, American Airlines ("American Airlines" or "American"), which is the dominant airline at the Airport, reduced the number of flights in and out of the Airport by more than half from approximately 386 daily departures in November 2002 to 190 daily departures in November 2003, with most of

[1] The City and the Airport operate on a basis of a fiscal year ending June 30. Unless otherwise indicated, references to a "Fiscal Year" or "FY" herein mean a fiscal year of the City and the Airport ending June 30, and "CY" means a calendar year.

the cuts coming from connecting flights. The number of destinations that can be reached through direct flights from the Airport was reduced from 93 to 68. See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations**" for a more comprehensive discussion of the impacts of this action.

Certain Investment Considerations

The Series 2005 Refunding Bonds may not be suitable for all investors. Prospective purchasers of the Series 2005 Refunding Bonds should give careful consideration to the information set forth in this Official Statement including, in particular, the matters discussed or referred to under "**CERTAIN INVESTMENT CONSIDERATIONS**." These considerations include, among others, the following: (1) the impact on airline activity at the Airport and on Airport Revenues of the substantial reduction by American Airlines, a subsidiary of AMR Corporation ("AMR"), and the dominant carrier at the Airport, of its operations at the Airport (See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations**"), (2) events adversely affecting the air transportation system and the Airport, and specifically the terrorist events that occurred on September 11, 2001 (the "September 11 Events"); (3) the scheduled expiration and possible termination of the Use Agreements and the Cargo Leases (see **"THE SERIES 2005 REFUNDING BONDS - Security and Sources of Payment - Air Carrier Rates and Charges")** governing the use of the Airport by certain Signatory Air Carriers and the rentals, fees and charges required to be paid for such use; (4) the possible effect of bankruptcy on the Use Agreements; (5) the financial health of the airline industry and certain airlines serving the Airport; and (6) the limitations inherent in the Financial Feasibility Report of the Airport Consultant as a result of numerous assumptions and projections in the report, including the likelihood that the actual results during the forecast period will vary and that the variations may be material. See also **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY,"** for a more comprehensive discussion of certain investment considerations.

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the Indenture, the Series 2005 Refunding Bonds, the City, the Airport, the Use Agreements, the Cargo Leases, the Continuing Disclosure Agreement, the Financial Feasibility Report, the Audited Financial Statements of the Airport, the Airport's capital improvement programs, the Airport Development Program, and the Bond Insurance Policy. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to any documents are qualified in their entirety by reference to such documents, and references to the Series 2005 Refunding Bonds are qualified in their entirety by reference to the form of the Series 2005 Refunding Bonds included in the Thirteenth Supplemental Indenture. The Indenture, the Continuing Disclosure Agreement and the Bond Insurance Policy are available for inspection at the offices of the Trustee. All other documents referenced above are attached as appendices or available for inspection at the offices of the Airport.

The Financial Feasibility Report is included in **APPENDIX A.** Certain financial statements of the City are included as **APPENDIX B**. Definitions and a summary of certain provisions of the Indenture are included as **APPENDIX C**, and all capitalized terms used in this Official Statement and not otherwise defined in the Official Statement shall have the meanings set forth in **APPENDIX C** or, with respect to terms defined under the Use Agreements and the Cargo Leases, in **APPENDIX D**. A summary of certain provisions of the Use Agreements and the Cargo Leases is included as **APPENDIX D**. A description of the book-entry system maintained by DTC is set forth in **APPENDIX E**. The substantially final text of the opinion to be delivered by Co-Bond Counsel, Nixon Peabody LLP, New York, New York, and White Coleman & Associates, LLC, St. Louis, Missouri is included as **APPENDIX F**. The City has executed a Continuing Disclosure Agreement (the "Disclosure Agreement") with UMB Bank, N.A., a summary of which is attached as **APPENDIX G**, to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the SEC under the Exchange Act, by providing annual financial and operating data and material event notices required by the Rule. See "**CONTINUING DISCLOSURE**" and **APPENDIX G - "Summary of Continuing Disclosure Agreement**." A specimen of the Bond Insurance Policy and surety bond are included as **APPENDIX H**. A description of the PFC Program, as defined herein, is included as **APPENDIX I**.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances, create an implication that there has been no change in the affairs of the City or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and purchasers or owners of any of the Series 2005 Refunding Bonds.

THE SERIES 2005 REFUNDING BONDS

The Series 2005 Refunding Bonds are being issued under the Indenture. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to the Series 2005 Refunding Bonds.

General

The Series 2005 Refunding Bonds will be dated their date of original delivery and will mature and bear interest as set forth on the inside cover page of this Official Statement. The Series 2005 Refunding Bonds are issued as fully registered bonds in denominations of $5,000 or integral multiples thereof.

The principal of and redemption premium, if any, on the Series 2005 Refunding Bonds will be payable at maturity or upon earlier redemption to the persons in whose name such Series 2005 Refunding Bonds are registered upon presentation and surrender of such Series 2005 Refunding Bonds at the principal corporate trust office of the Trustee in St. Louis, Missouri. Interest on the Series 2005 Refunding Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2006. Registered owners of Series 2005 Refunding Bonds of a principal amount of at least $1,000,000 may receive payments of interest by electronic transfer upon written request from the registered owner to the Trustee providing relevant instructions not later than five days prior to the Record Date for such interest payment date.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2005 Refunding Bonds. The Series 2005 Refunding Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Series 2005 Refunding Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC's book-entry-only system, see **APPENDIX E - "DTC Information."**

*In reading this Official Statement, it should be understood that while the Series 2005 Refunding Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2005 Refunding Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described in "**APPENDIX E,**" notices that are to be given to registered owners under the Indenture shall be given only to DTC.*

Redemption Provisions

The Series 2005 Refunding Bonds are not subject to mandatory sinking fund redemption but will be subject to optional redemption as described below.

Optional Redemption. The Series 2005 Refunding Bonds maturing on July 1, 2020, through July 1, 2023, inclusive, are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by Trustee in such equitable manner as it shall determine), on and after July 1, 2015, at the Redemption Price of 100% of the principal amount of the Series 2005 Refunding Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2005 Refunding Bonds maturing July 1, 2026, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:

July 1	Principal Amount
2024	2,515,000
2025	2,655,000
2026*	2,795,000

* Final Maturity

With respect to the mandatory sinking fund redemption of the Series 2005 Refunding Bonds maturing July 1, 2026, amounts accumulated in the Debt Service Account for such purpose may be applied prior to the 60th day preceding a sinking fund payment date to purchase Series 2005 Refunding Bonds. After the 60th day but on or prior to the 40th day preceding a sinking fund payment date, amounts on deposit in the Debt Service Account may be applied to purchase Series 2005 Refunding Bonds in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of the payment requirement for such sinking fund payment date. All such purchases of Series 2005 Refunding Bonds shall be at prices not exceeding the applicable sinking fund payment price plus accrued interest.

Method of Selecting Series 2005 Refunding Bonds for Redemption

If less than all of the Series 2005 Refunding Bonds of like maturity shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Bonds of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof, and that, in selecting portions of such Bonds for redemption the Trustee shall treat each such Bond as representing that number of Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by $5,000.

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 Owners of the Series 2005 Refunding Bonds that are to be redeemed. Each such notice will identify the Series 2005 Refunding Bonds to be redeemed (and, in the case of Series 2005 Refunding 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 2005 Refunding Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Series 2005 Refunding Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the redemption price for such optional redemption will not be due and payable unless such moneys are so deposited.

Upon the sending of notice as provided in the Indenture and the deposit with the Trustee of legally available moneys sufficient to pay the principal of and interest accrued to the redemption date on the Series 2005 Refunding Bonds called for redemption, the Series 2005 Refunding Bonds or portions thereof thus called for redemption will cease to bear interest from and after the redemption date, will no longer be entitled to the benefits provided by the Indenture and will not be deemed to be Outstanding under the provisions of the Indenture.

Security and Sources of Payment

General

The Series 2005 Refunding 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 2005 Refunding Bonds, either as to principal or interest.

The Series 2005 Refunding Bonds are limited obligations of the City, payable solely from and secured, on a parity with the Outstanding Bonds, by a pledge of (1) the Revenues, subject to the prior 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 any prior lien on the Revenues given as security for the Bonds. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the Series 2005 Refunding Bonds.

The Series 2005 Refunding Bonds are being issued as, and are subject to the requirements applicable to, Refunding Bonds under the Indenture.

Revenues

Under the Indenture, "Revenues" means collectively, the "GARB Revenues," the "Pledged PFC Revenues" (each defined below) and any other available moneys deposited in the Revenue Fund. The Indenture defines *Net Revenues* as Revenues less Operation and Maintenance Expenses.

GARB Revenues. The Indenture defines "GARB Revenues" as 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. GARB Revenues do not include: (a) any revenue or income from any Special Facilities, except ground rentals thereof 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 the Indenture; (e) any consideration received by the City upon transfer of the Airport pursuant to the 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 GARB 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 (1) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

Pledged PFC Revenues. Under the Indenture, a portion of the revenues from the Passenger Facility Charges (the "PFCs" or the "PFC Revenues") has been pledged to the payment of Bonds. See **APPENDIX I - "The PFC Program**" attached hereto.

For a summary of the application of Revenues under the Indenture, see **APPENDIX C - "Summary of Certain Provisions of the Indenture."**

Bond Insurance

The Bond Insurer has committed to issue, effective on the date of initial delivery of the Series 2005 Refunding Bonds, its Bond Insurance Policy which will guarantee the payment, when due, of the principal of and interest on the Series 2005 Refunding Bonds at the stated maturity thereof or upon mandatory sinking fund redemption. The Bond Insurance Policy extends for the term of the Series 2005 Refunding Bonds and cannot be canceled by the Bond Insurer. Payment under the Bond Insurance Policy is subject to the conditions described under the caption **"BOND INSURANCE POLICY."** No representation is made by the City or the Underwriters as to the accuracy, completeness or adequacy of the information respecting the Bond Insurer or its policy contained herein or as to the absence of material adverse changes in such information or in the condition of the Bond Insurer subsequent to the date hereof.

Neither the City nor the Underwriters take any responsibility for the accuracy or completeness of any information provided by or available from the Bond Insurer or its affiliates.

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 Fiscal Year an amount so that Revenues will be sufficient to (i) pay Aggregate Debt Service for such Fiscal Year, (ii) provide funds necessary to make the required deposits in and maintain the several funds and accounts established under the Indenture, and (iii) pay or discharge all indebtedness, charges and liens payable out of the Revenues under the Indenture. For further discussion, see **"*Air Carrier Rates and Charges*"** below**.**

Air Carrier Rates and Charges

Use Agreements, Cargo Leases and Certain Other Agreements. The City has entered into substantially identical Use Agreements (individually with respect to each air carrier, a "Use Agreement" and, collectively, the "Use Agreements") and, in some instances, Cargo Leases (individually with respect to each air carrier, a "Cargo Lease", and collectively, the "Cargo Leases") with all major and regional air carriers serving the Airport (the "Signatory Air Carriers"). Each of the Use Agreements and Cargo Leases with the Signatory Air Carriers, except AMR Sub ("AMR Sub"), a subsidiary of American Airlines, expires December 31, 2005, unless earlier terminated or extended in accordance with its terms. The AMR Sub Use Agreement and the AMR Sub Cargo Lease have month-to-month terms which renew automatically until December 31, 2005, unless the City exercises its right to terminate either or both of such agreements in accordance with their respective terms. The City has the right to terminate such agreements for non-payment of amounts due 30 days after notice that such amounts have not been paid, or upon cessation of services by AMR Sub for more than 20 days. The City also is a party to various agreements with AMR Sub regarding its operations at the Airport that were entered into in connection with AMR Sub's purchase of substantially all of the assets of TWA, including the AMR Sub Asset Lease pursuant to which the City leases to AMR Sub certain property purchased from TWA and necessary for American Airlines operations at the Airport. See "**FACTORS AFFECTING THE AIR CARRIER INDUSTRY - Financial Condition of Certain Airlines Serving the Airport - AMR Sub's Acquisition of TWA's Assets."**

The Use Agreements and the Cargo Leases grant the Signatory Air Carriers the right to use, as applicable, the airfield, the terminal building, the concourses, cargo facilities, maintenance facilities and related facilities for the business of air transportation with respect to persons, property, cargo and mail and provide for the payment of rentals, fees and charges by the Signatory Air Carriers, while such Use Agreements and Cargo Leases are in effect. Rentals, fees and charges are assessed to the Signatory Air Carriers and the other air carriers using the Airport to support the primary activities of the Airport - the airfield and the terminal complex (including the Main Terminal, the East Terminal, and the concourses). The Use Agreements and Cargo Leases permit the City to adjust rental rates for each rate period to reflect overpayments and underpayments that occurred during the preceding rate period. Notwithstanding these provisions, the City is not permitted to make rental adjustments based on deficiencies resulting from air carrier bankruptcies, vacancies of airport facilities or the failure of any air carrier to pay lease charges.

Under the Use Agreements and the Cargo Leases, certain capital expenditures by the City affecting the terminal building and concourse rental rates for the Airport and certain capital expenditures by the City in the airfield area require the prior approval of a majority-in-interest ("MII") of the Signatory Air Carriers, subject to certain exceptions. MII is defined as Signatory Air Carriers that had more than 50% of the aggregate aircraft weight that landed during the preceding year, but in no event less than 50% of the number of Signatory Air Carriers that are parties to the Use Agreements. Failure to receive such MII approval precludes the use of such expenditures in the calculation of rental fees and landing fees payable under the Use Agreements and the Cargo Leases. In general, MII-approved expenditures are included in fees and charges upon completion of the related project. The City has received MII approval for substantially all of its current Airport improvement programs, other than Phase 1 of the ADP, which is not scheduled for completion until after the first calendar quarter of 2006, which is after the expiration of the term of the existing Use Agreements and Cargo Leases. For additional information regarding the Airport's current Airport improvement programs, including the status of MII approval for such programs, see "**CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT.**"

The City also receives various rentals, fees and charges from non-signatory airlines. It is the City's current policy to charge non-signatory airlines 125% of the Signatory Air Carrier landing fee rate.

The enforcement of the Use Agreements, Cargo Leases, AMR Sub Asset Lease and any other agreements and leases between the City and users of the Airport may be limited by, and subject to, the provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

The City's Use Agreements and Cargo Leases permit the City to adjust rental rates for each rate period to reflect overpayments or underpayments that occurred during the preceding rate period. The City is not permitted to adjust any air carrier rental rates for deficiencies resulting from the failure of any air carrier, including AMR Sub, to pay lease charges. In connection with any deficiencies in landing fees, the City anticipates allocating such deficiencies in current calendar year airfield operations to the air carriers in subsequent calendar year adjustments.

No assurance is given that a bankruptcy filing by or against any air carrier will not result in delay in enforcing the City's legal, equitable and contractual rights with respect to the Airport.

Proposed Airline Agreement. The City and the airlines are currently negotiating a new use and lease agreement (the "**Proposed Airline Agreement**") to become effective January 1, 2006, with a term of five-and-one-half years expiring June 30, 2011. The Proposed Airline Agreement, as currently drafted by the City, modifies certain aspects of the rate-making procedures of the existing Use Agreements and Cargo Leases but preserves the underlying rate-making concepts (compensatory terminal rentals and cost center residual landing fees), as further described in Section V of the Financial Feasibility Report. See **APPENDIX A - "Financial Feasibility Report - Section V**."

Negotiations between the City and the airlines are progressing amicably and constructively. Nonetheless, it is possible that certain aspects of the rate-making procedures of the Proposed Airline Agreement will be modified as a result of the negotiating process. The extent and financial effects of such modifications cannot be determined at this time. Also, it is uncertain as of the date of this Official Statement whether the parties will be able to conclude negotiations and execute the Proposed Airline Agreement by December 31, 2005. No assurance can be given that the negotiations will be successfully concluded or that the parties will execute the Proposed Airline Agreement. According to the City's legal counsel, in the absence of new use and lease agreements the City has the authority to establish, charge and collect Airport rates and charges by ordinance, subject to the requirements of federal law. Under federal law, without air carrier approval, the City is prohibited from assessing the air carriers for debt service attributable to projects that have not been completed and placed into service.

For additional information regarding air carrier rates and charges, including the methodology and requirements for calculating landing fees and rents and other fees and for obtaining MII approval, see **APPENDIX D - "Summary of Certain Provisions of the Use Agreements and the Cargo Leases**" and **APPENDIX A - "Financial Feasibility Report - Section V**."

Landing Fee Mitigation. The significant reduction in air traffic activity at the Airport — caused in large part by the reduction in American Airlines operations — has resulted in a significant reduction in total aircraft landed weight and placed considerable upward pressure on landing fee rates. In order to mitigate future increases in landing fee rates and to provide a more cost-effective operating environment for airlines serving the Airport, the City plans, subject to the availability of funds and annual appropriations by the Board of Aldermen, to provide up to $40 million from internal resources of the Airport, including Airport Development Fund ("ADF") funds, for landing fee rate mitigation under the Proposed Airline Agreement over the five-year period, FY 2007 through FY 2011, as follows:

FY 2007	$12,000,000
FY 2008	10,000,000
FY 2009	8,000,000
FY 2010	6,000,000
FY 2011	4,000,000
Total	$40,000,000

To provide an incentive for airlines to execute the Proposed Airline Agreement, the annual amounts available for landing fee rate mitigation would be reduced by the percentage obtained by dividing the FY 2005 landed weight attributable to those scheduled passenger and cargo airlines that fail to become a Signatory Airline or an affiliate by a certain date (currently, September 30, 2005) by the aggregate FY 2005 landed weight of all scheduled passenger and cargo airlines servicing the Airport. The landing fee rate mitigation program also has been structured to provide a continuing incentive for growth in air service at the Airport. Fifty percent of the total annual amounts to be provided for rate mitigation (after any reduction as described in the preceding sentence) would be made available so long as the Signatory Airlines maintain the current (FY 2005) level of air service at the Airport (as measured by total aggregate landed weight) and fifty percent would be made available in increments as additional thresholds of air service growth are realized. See "**APPENDIX A – Financial Feasibility Report, Section V**."

Federal Policy on Air Carrier Rates and Charges. On August 23, 1994, the President of the United States signed into law the Federal Aviation Administration (the "FAA") Authorization Act of 1994 (the "1994 Act"). Section 113 of the 1994 Act ("Section 113") requires that airport fees be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. Section 113 specifically states that its provisions do not apply to (1) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (2) a fee imposed pursuant to a financing agreement or covenant entered into prior to the date of enactment of Section 113, or (3) any other existing fee not in dispute as of August 23, 1994.

In January 1995, the U.S. Department of Transportation (the "DOT") issued its final rule outlining the procedures to be followed in determining the reasonableness of new fees or fee increases imposed on air carriers and, in June 1996, issued a policy statement (the "Policy Statement") setting forth the standards that the DOT would use in determining the reasonableness of the fees charged to air carriers and other aeronautical users. In 1997, the U.S. Court of Appeals for the District of Columbia Circuit, in a case brought by the Air Transport Association, vacated and remanded certain portions of the Policy Statement relating to valuation of the airfield, permissible components of the airfield rate base, use of any "reasonable methodology" for valuation of non-airfield assets and recovery of imputed interest on the airfield rate base to the Secretary of Transportation for reconsideration. The DOT requested and received comments and suggestions with respect to its proposed revisions to the Policy Statement but has not yet taken final action on these proposed revisions.

There is currently no dispute between the City and any of the air carriers operating at the Airport over any existing or proposed rates and charges. There is no assurance, however, that such disputes will not arise in the future.

Debt Service Reserve Account

The Indenture authorizes the establishment of the 2005 Debt Service Reserve Sub-Account of the Airport Debt Service Reserve Account, which is to be held by the Trustee, is to be applied solely for the purposes specified in the Indenture and is pledged to secure the payment of the accrued Aggregate Debt Service on the Series 2005 Refunding Bonds. All of the sub-accounts within the Debt Service Reserve Account are held on a parity basis for the equal and ratable benefit of the Holders of all of the Outstanding Bonds. The Indenture requires that the Debt Service Reserve Account be maintained, as of any date of calculation for the then-Outstanding Bonds, unless otherwise provided in a Supplemental Indenture for a particular Series of Bonds, at an amount which equals the least of: (i) 10% of the proceeds of the Bonds; (ii) 125% of the average annual debt service on the Bonds; or (iii) the maximum annual debt service on the Bonds. Deposits into the Debt Service Reserve Account 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 pursuant to the requirements of the Indenture.

Pursuant to the Thirteenth Supplemental Indenture, the Debt Service Reserve Requirement with respect to the Series 2005 Refunding Bonds will be $25,782,893.63, which is to be satisfied by the deposit of $2,943,335 of excess funds from the debt service reserve accounts for the Refunded Bonds and the purchase of a Surety Bond in the amount of $22,839,558.63 (the "Debt Service Reserve Fund Surety Bond") from MBIA Insurance Corporation (the "Surety Provider").

Moneys in the Debt Service Reserve Account are to be withdrawn or amounts available under the Surety may be drawn and deposited in the Debt Service Account to the extent of a deficiency whenever the amount in the Debt Service Account each month is less than the amount of the accrued Aggregate Debt Service after all required transfers pursuant to the Indenture and any transfer from the Debt Service Stabilization Fund. In the event amounts in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement, the Indenture requires that the Debt Service Reserve Account be restored to its requirement from amounts held in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund and to the extent amounts held in such funds shall be insufficient, from the first available Revenues after required deposits into the Operation and Maintenance Fund and Debt Service Fund pursuant to the Indenture. Moneys in the Debt Service Reserve Account in excess of the requirement may be withdrawn and applied in accordance with the Indenture. See **APPENDIX C - "Summary of Certain Provisions of the Indenture."**

The following information has been furnished by the Surety Provider for use in this Official Statement. Reference is made to ***APPENDIX H*** *for a specimen of the Debt Service Reserve Fund Surety Bond.*

The Surety Provider has issued its commitment to issue the Debt Service Reserve Fund Surety Bond. The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the Surety

Provider to the effect that insufficient amounts are on deposit in the Bond Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Series 2005 Refunding Bonds, the Surety Provider will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Series 2005 Refunding Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Surety Provider of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Series 2005 Refunding Bonds as specified in the Demand for Payment presented by the Trustee to the Surety Provider, the Surety Provider will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Surety Provider with the Trustee which have not been reimbursed by the City. The City and the Surety Provider will enter into a Financial Guaranty Agreement dated July 7, 2005 (the "Surety Agreement). Pursuant to the Surety Agreement, the City is required to reimburse the Surety Provider, within one year of any deposit, the amount of such deposit made by the Surety Provider with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Airport Operation and Maintenance Fund and the Bond Fund have been made.

Under the terms of the Surety Agreement, the Trustee is required to reimburse the Surety Provider, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Revenue Fund. No optional redemption of the Series 2005 Refunding Bonds may be made until the Surety Provider's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the City depositing funds equal to the Debt Service Reserve Requirement for the Series 2005 Refunding Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount of $22,839,558.63, which together with a deposit of excess funds from the debt service reserve accounts of the Refunded Bonds of $2,943,335 will equal Debt Service Reserve Requirement for the Series 2005 Refunding Bonds, and the premium therefor will be fully paid by the City at the time of delivery of the Series 2005 Refunding Bonds.

Debt Service Stabilization Fund

The Thirteenth Supplemental Indenture amends the Indenture to create a Debt Service Stabilization Fund and makes certain related changes to the Indenture. The Thirteenth Supplemental Indenture provides that after making all required deposits to or for the Operation and Maintenance Fund, the Debt Service Account, the Debt Service Reserve Account, the Arbitrage Rebate Fund, any required payments with regard to Subordinated Indebtedness and the Renewal and Replacement Fund, and certain required transfers to the City, the remaining Revenues in the Revenue Fund will be deposited (i) into the Debt Service Stabilization Fund and the ADF (or the PFC Account to the extent such Revenues are PFC Revenues) in increments, in Fiscal Years 2006 through 2011, up to specified amounts and (ii) in each Fiscal Year thereafter, to the Debt Service Stabilization Fund in an amount sufficient to cause the amount on deposit therein to equal the Debt Service Stabilization Fund Requirement. The Debt Service Stabilization Fund Requirement is an amount equal to 35 percent of the maximum annual Debt Service on the Bonds due in the then-current or any future Airport Fiscal Year, subject to change as described below. After such deposits, any remaining Revenues will be deposited in the ADF, except that unused Pledged PFC Revenues will be deposited in the PFC Account. For additional information regarding the Debt Service Stabilization Fund, including amounts and percentages of such deposits, see "**APPENDIX C -- Summary of Certain Provisions of the Indenture**."

Amounts in the Debt Service Stabilization Fund may be withdrawn and used for (1) monthly transfers to the Trustee for deposit to the Debt Service Account to the extent necessary to replenish any deficiency or deficiencies therein, (2) emergency debt service needs with respect to Bonds, Subordinated Indebtedness or other indebtedness used for Airport purposes and (3) Airport operational emergencies.

Notwithstanding the foregoing, after the Net Revenues for three consecutive Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Authority, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund.

Outstanding Bonds, Additional Bonds and Refunding Bonds

Outstanding Bonds

The following series of Bonds constituted the Outstanding Bonds under the Indenture as of June 1, 2005.

Title	Dated Date	Original Amount of Issue	Amount Outstanding
Airport Revenue Refunding Bonds, Series 1996	April 1, 1996	$ 37,760,000	$12,205,000
Airport Revenue Bonds, Series 1997A	August 15, 1997	40,420,000	38,330,000 *
Airport Revenue Bonds, Series 1997B	August 15, 1997	159,185,000	152,170,000
Airport Revenue Refunding Bonds, Series 1998	December 1, 1998	69,260,000	63,620,000
Airport Revenue Bonds, Airport Development Program, Series 2001A	May 1, 2001	435,185,000	435,185,000 *
Airport Revenue Bonds, Series 2002A (Capital Improvement Program) (NON-AMT)	December 19, 2002	69,195,000	69,195,000 *
Airport Revenue Bonds, Series 2002B (Capital Improvement Program) (AMT)	December 19, 2002	31,755,000	31,755,000
Airport Revenue Refunding Bonds, Series 2002C (NON-AMT)	December 19, 2002	17,035,000	11,235,000
Airport Revenue Refunding Bonds, Series 2003A	February 25, 2003	70,340,000	70,340,000
Taxable Airport Revenue Refunding Bonds, Series 2003B	May 29, 2003	29,520,000	10,700,000
Total		$959,655,000	$894,735,000

* Following the issuance of the Series 2005 Refunding Bonds, these series of Bonds will be outstanding in the principal amounts: Series 1997A $0; Series 2001A $209,205,000 and Series 2002A Bonds $58,795,000.

Escrow Account for Outstanding Obligations, Prior to 1984, the City issued Airport Revenue Bonds in the aggregate principal amount of $178,000,000, secured by Airport Revenues. In 1984 the City issued its Airport Refunding Revenue Bonds, Series 1984, the proceeds of which were used to establish an Escrow Account to economically defease outstanding obligations of the City under seven prior bond ordinances which authorized the issuance of these obligations (the "Outstanding Obligations").

The bond ordinances pursuant to which the Outstanding Obligations were issued (the "Outstanding Obligations Ordinances") do not contain provisions for the defeasance of the lien on certain Revenues securing the Outstanding Obligations, and, 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 $11,385,000 as of June 1, 2005, which amount is scheduled to be repaid from the Escrow Account on July 1, 2005. The Escrow Account is irrevocably pledged to the full payment when due of the principal of and interest on the Outstanding Obligations, with such amounts deposited therein having been verified as sufficient to pay in full when due the principal, interest and redemption premium, if any, on the Outstanding Obligations.

The Series 2005 Refunding Bonds will not be entitled to a lien on monies in the Escrow Account for the Outstanding Obligations. Further, under the Indenture and pursuant to and in accordance with the

Outstanding Obligations Ordinances, the City has agreed not to issue any additional obligations with a lien on the Revenues senior to the Bonds.

Additional Bonds

Additional Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2005 Refunding Bonds, 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.

The City may issue Additional Bonds only if (i) sufficient bonding authority remains pursuant to the Voter Approval and (ii) the Additional Bonds Test under the Indenture is met, including receipt by the Trustee of certain certificates, reports and information, including the following:

1. A certificate of the independent certified public 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 equaled 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 Fiscal Years following the 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 Fiscal Years.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test for any Fiscal Year shall not exceed 125% of the sum of the outstanding and proposed PFC--Eligible Debt Service for such Fiscal Year.

Refunding Bonds

Refunding Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2005 Refunding Bonds, may be authorized and issued by the City upon satisfaction of certain conditions, for the purpose of refunding all or a portion of the principal and/or interest components of Outstanding Bonds, Subordinated Indebtedness (described below) or Special Facilities Indebtedness (described below) or any other indebtedness issued for Airport purposes.

Refunding Bonds may be issued only upon receipt by the Trustee of certain certificates, reports and information, including either of the following: (1) a certificate of an Authorized Officer of the City setting forth (a) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then-current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (i) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds and (ii) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (b) that the Aggregate Adjusted Debt Service and the Aggregate Debt Service set forth for each Fiscal Year pursuant to (ii) above are not greater than the corresponding amounts set forth for such Fiscal Year pursuant to (i) above; or (2) the certificates required by the Indenture evidencing that the Additional Bonds Test has been met, considering, for all purposes of such test, that such Refunding Bonds are Additional Bonds.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the City to issue or refund bonds, notes, commercial paper, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Net Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account and the Debt

Service Reserve Account, or to secure such bonds, notes, commercial paper, 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 under the Indenture for the payment of and security on the Bonds (the "Subordinated Indebtedness").

At any time after authorization, but prior to the issuance of Subordinated Indebtedness, the City must furnish to the Trustee a certificate of the City with respect to the specific principal amount of Subordinated Indebtedness proposed to be issued (the "Certified Amount"), that provides as follows: annual estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Airport has beneficial occupancy of the Airport project to be financed or refinanced (in whole or in part) from the proceeds of such Certified Amount, will be at least equal to 1.10 times the sum of (1) estimated debt service on the Certified Amount proposed to be issued, (2) debt service on all outstanding Subordinate Indebtedness, and (3) estimated debt service on any other previously Certified Amounts to the extent that such Certified Amounts are not outstanding but are still authorized and available to be issued.

In May 2004, the City authorized the issuance of not to exceed $125,000,000 Airport Revenue Commercial Paper Notes, Lambert-St. Louis International Airport, 2004 Program in three series (the "CP Notes"), $50,000,000 of which has been certified as described above. JPMorgan Chase Bank has issued its direct-pay letter of credit to secure up to $50,000,000 principal amount of CP Notes. The indenture authorizing the CP Notes provides that CP Notes may not be issued if the principal amount of the CP Notes outstanding, together with interest to accrue to maturity thereon, would exceed the amount available to be drawn on the Letter of Credit. CP Notes in the amount of $1,000,000 are outstanding as of June 1, 2005. The Airport expects to issue up to $50,000,000 of CP Notes under the existing certification prior to June 1, 2006.

The Indenture permits the issuance of obligations other than Bonds 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.

Matters Relating to Enforceability

The practical realization of any rights upon any default will depend upon the exercise of various remedies specified in the Indenture. These remedies, in certain respects, may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the Indenture may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in these documents. The security interest in the Revenues granted pursuant to the Indenture may be subordinated to the interest and claims of others in several instances. Examples of cases of subordination or prior claims are described under **"THE SERIES 2005 REFUNDING BONDS - Matters Relating to Security for the Series 2005 Refunding Bonds."** The application of federal bankruptcy laws may have an adverse effect on the ability of the Trustee and the Bondholders to enforce their claim to the Revenues. Federal bankruptcy law permits adoption of a reorganization plan, even if such plan has not been accepted by the holders of a majority in aggregate principal amount of the Bonds, if the Bondholders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if a bankruptcy court concludes that the Bondholders have "adequate protection," it may under certain circumstances (a) substitute other security for the security provided by the Indenture for the benefit of the Bondholders and (b) subordinate the lien for the security interest of the Trustee to (1) claims by persons supplying goods and services to the bankrupt after the bankruptcy and (2) the administrative expenses of the bankruptcy proceeding. In the event of the bankruptcy of the City or any of its Signatory Air Carriers, the amount realized by the Bondholders might depend, among other factors, on the bankruptcy court's interpretation of various legal doctrines under the then-existing circumstances.

All legal opinions with respect to the enforceability of the Indenture will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity.

Matters Relating to Security for the Series 2005 Refunding Bonds

The amount of Revenues to be received by the City is subject to a number of factors, including: (a) the Revenues may be commingled with other moneys of the City and, therefore, are not sufficiently identifiable to enforce the City's covenants with respect to any required transfers; (b) statutory liens; (c) rights arising in favor of the United States of America or any agency thereof, (d) constructive trusts, equitable or other rights impressed or conferred by a federal or state court in the exercise of its equitable jurisdiction; (e) federal bankruptcy laws that may affect the enforceability of such security interest or certain federal statutes, regulations and judicial decisions that have cast doubt upon the right of the Trustee, in the event of the City's default, to collect and retain accounts receivable from the Revenues and other governmental programs; (f) rights of third parties in certain types of Revenues, such as instruments and cash not in the possession of the Trustee; and (g) requirements for filing Uniform Commercial Code continuation statements.

Acceleration

Upon the occurrence of certain events set forth in the Indenture, including a default in the payment of principal of, premium, if any, or interest on the 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 interest to be due and immediately payable. The Series 2005 Refunding Bonds may not be accelerated without the consent of the Bond Insurer. See **APPENDIX C - "Summary of Certain Provisions of the Indenture - The Indenture - Provisions Relating to the Series 2005 Refunding Bond Insurance."**

Remedies

For a description of the events of default under the Indenture and the remedies available to holders of the Bonds, See **APPENDIX C - "Summary of Certain Provisions of the Indenture - The Indenture-Events of Default and Remedies," "-Restrictions on Bondholders' Actions" and "-Waiver of Events of Default."**

BOND INSURANCE POLICY

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix H for a specimen of MBIA's policy (the "Bond Insurance Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurance Policy and MBIA set forth under the heading "**BOND INSURANCE POLICY**". Additionally, MBIA makes no representation regarding the Series 2005 Refunding Bonds or the advisability of investing in the Series 2005 Refunding Bonds.

The Bond Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City of St. Louis, Missouri to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Series 2005 Refunding Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Series 2005 Refunding Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's Bond Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2005 Refunding Bonds. MBIA's Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series 2005 Refunding Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Series 2005 Refunding Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2005 Refunding Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2005 Refunding Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2005 Refunding Bonds or presentment of such other proof of ownership of the Series 2005 Refunding Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2005 Refunding Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2005 Refunding Bonds in any legal proceeding related to payment of insured amounts on the Series 2005 Refunding Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2005 Refunding Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

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

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2005 Refunding Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2005 Refunding Bonds. MBIA does not guaranty the market price of the Series 2005 Refunding Bonds nor does it guaranty that the ratings on the Series 2005 Refunding Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of $10.4 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005 MBIA had admitted assets of $10.6 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC are incorporated by reference into this Official Statement:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Series 2005 Refunding Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2005) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

PLAN OF FINANCE

General

The proceeds of the Series 2005 Refunding Bonds, together with other available funds, will be used (i) to refund the Refunded Bonds (defined below), (ii) to fund, and acquire a surety bond to fund, the required reserve account for the Series 2005 Refunding Bonds and (iii) to pay costs of issuing the Series 2005 Refunding Bonds.

Plan of Refunding

The Series 2005 Refunding Bonds are being issued to advance refund a portion of the City's Series 1997A Bonds, Series 2001A Bonds and Series 2002A Bonds to (i) realize net present value savings on a portion of its Outstanding Bonds, and (ii) improve the Airport's near-term cash flow during fiscal years 2006 – 2011 and establish a Debt Service Stabilization Fund to provide the Airport with additional financial flexibility. See "**THE SERIES 2005 REFUNDING BONDS – Security and Sources of Payment – Debt Service Stabilization Fund.**" A portion of the savings on this transaction will be passed on to the Airlines through an adjustment made to the interest rate component of the Airlines rates and charges over the remaining life of the underlying projects.

The following table shows the Bonds or portions thereof which will be refunded with the proceeds of the Series 2005 Refunding Bonds (hereinafter, the "Refunded Bonds"):

Series Designation	Amount Refunded
Series 1997A	$37,575,000 *
Series 2001A	225,980,000 **
Series 2002A	10,400,000 ***

* All of series
** Series 2001A Bonds maturing July 1, 2007, through July 1, 2011, are only being partially refunded.
*** Series 2002A Bonds maturing July 1, 2007, through July 1, 2011, and July 1, 2020, are being refunded.

The restructuring will increase debt service on Outstanding Bonds in Fiscal Year 2012 and thereafter. See "**DEBT SERVICE REQUIREMENTS**" herein.

The City will enter into an Escrow Deposit Agreement with UMB Bank, N.A., as Escrow Agent, dated as of June 1, 2005, pursuant to which a portion of the proceeds of the Bonds will be deposited into an Escrow Fund and administered in accordance with the terms of the Escrow Agreement. The Escrow Fund deposit will provide funds to pay the principal of, interest on and redemption price of the Refunded Bonds on the dates described in the Escrow Agreement. Amounts deposited in the Escrow Fund will be used to pay principal and interest on the refunded Series 1997A, Series 2001A and Series 2002A Bonds at their scheduled maturity prior to their respective redemption dates. The remaining Series 1997A Bonds will be redeemed at a redemption price equal to 101% of the outstanding aggregate principal amount on July 1, 2007. The remaining refunded Series 2001A Bonds will be redeemed at par on July 1, 2011. The remaining refunded Series 2002A Bonds will be redeemed at par on July 1, 2012. See "**VERIFICATION AGENT**" herein.

SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of the proceeds of the Series 2005 Refunding Bonds and other available funds:

Sources:		
	Par Amount	$ 263,695,000.00
	Plus Original Issue Premium	39,521,547.50
	Other Sources*	6,094,910.00
Total:		$ 309,311,457.50
Uses:		
	Escrow Fund Deposit	$293,635,700.00
	Deposit to Capitalized Interest Accout	2,846,575.00
	Costs of Issuance**	9,885,847.50
	Deposit to Debt Service Reserve Account	2,943,335.00
Total:		$309,311,457.50

* Transfers from various funds and accounts relating to the Refunded Bonds.
** Includes underwriters' discount and premiums for the Bond Insurance Policy and the Surety as well as other fees and expenses.

DEBT SERVICE REQUIREMENTS

The following table summarizes the annual debt service requirements for all Outstanding Bonds (excluding the Refunded Bonds) and the Series 2005 Refunding Bonds.

Fiscal Year Ending June 30	Outstanding Bonds	Series 2005 Refunding Bonds Principal	Series 2005 Refunding Bonds Interest[1]	Total Bonds[1]
2006	$ 44,622,868	-	$11,308,090	$55,930,958
2007	55,083,030	-	14,394,575	69,477,605
2008	50,562,574	-	14,394,575	64,957,149
2009	49,378,038	-	14,394,575	63,772,613
2010	50,577,948	-	14,394,575	64,972,523
2011	51,246,335	-	14,394,575	65,640,910
2012	57,353,468	-	14,394,575	71,748,043
2013	57,287,608	$ 630,000	14,394,575	72,312,183
2014	57,268,833	650,000	14,369,375	72,288,208
2015	44,143,434	15,880,000	14,343,375	74,366,809
2016	33,741,734	18,915,000	13,469,975	66,126,709
2017	33,663,555	20,075,000	12,429,650	66,168,205
2018	32,863,709	21,955,000	11,325,525	66,144,234
2019	24,938,731	21,705,000	10,118,000	56,761,731
2020	40,933,394	6,910,000	8,924,225	56,767,619
2021	43,522,250	4,765,000	8,578,725	56,865,975
2022	44,597,038	3,820,000	8,340,475	56,757,513
2023	39,916,375	2,395,000	8,149,475	50,460,850
2024	39,916,925	2,515,000	8,029,725	50,461,650
2025	39,918,075	2,655,000	7,891,400	50,464,475
2026	39,910,763	2,795,000	7,745,375	50,451,138
2027	18,236,175	24,545,000	7,591,650	50,372,825
2028	6,898,250	26,135,000	6,241,675	39,274,925
2029	6,898,000	27,570,000	4,804,250	39,272,250
2030	6,899,250	29,090,000	3,287,900	39,277,150
2031	6,896,250	30,690,000	1,687,950	39,274,200
2032	6,898,500			6,898,500
Total	$ 984,173,105	$ 263,695,000	$ 269,398,840	$ 1,517,266,945

(1) Net of Capitalized Interest

THE CITY OF ST. LOUIS

General

The City of St. Louis, Missouri, 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 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.

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 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 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, and Aldermen are elected for one-half of the wards every two years. 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, Public Administrator and Recorder of Deeds of the City are elected independently for four-year terms.

The Series 2005 Refunding 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 2005 Refunding Bonds, either as to principal or interest.

THE AIRPORT

General

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 "FAA"), as it enplaned more than 1% of the total passengers in the U.S. in 2004.

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 2,100 acres. Upon completion of the first phase of the ADP (as defined herein) the Airport will comprise 3,600 acres.

According to calendar year 2003 worldwide traffic data reported by Airports Council International ("ACI"), the Airport ranked as the 22nd busiest airport nationwide and 41st worldwide in terms of total passengers. Total enplanements at the Airport for fiscal year 2004 were approximately 8.0 million of which 5.1 million (64%) were originating passengers and 2.9 million (36%) were connecting passengers. Total enplanements for the nine months ended March 31, 2005, were 5.1 million, 18.3% lower than total enplanements during the same period of the prior year. American Airlines is the dominant carrier at the Airport followed by Southwest Airlines based on enplanements. See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations.**"

Service Area

The Airport's primary service area consists of the St. Louis Metropolitan Statistical Area (the "St. Louis Area"), which includes the City, Crawford, Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington counties in Missouri and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only major commercial airport in the St. Louis Area. The FAA identifies six reliever airports in the St. Louis Area. They are Spirit of St. Louis Airport in west St. Louis County, Missouri; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport and St. Charles Count/Smart Airport, St. Charles County, Missouri; and Creve Coeur Airport in St. Louis County, Missouri. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

In addition, MidAmerica Airport in St. Clair County, Illinois started operations in November 1997. MidAmerica Airport is a joint-use facility in connection with nearby Scott Air Force Base. The passenger terminal at MidAmerica Airport opened in April 1998 with four gates, but has the space to increase to 85 gates. Currently, MidAmerica Airport is used by the Air National Guard's 126th Refueling Wing. In April 1998, Langa Air, an aircraft and maintenance company, became MidAmerica's first commercial tenant. See **APPENDIX A** – "Financial Feasibility Report."

Existing Airport Facilities

Currently, the Airport's airfield includes three runways. The primary runway may be used by the largest types of commercial aircraft without restrictions. The two remaining runways are sufficient in length to handle safely most types of aircraft now serving the Airport.

In addition to the runways, there are more than 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. Aircraft parking, servicing and refueling space is provided by 88 acres of concrete apron used by scheduled commercial air carriers and 18 acres of concrete apron leased to two fixed-base operators and used by general aviation aircraft.

Terminal Facilities

Terminal facilities include the Main Terminal, the East Terminal and the International Area. The Main Terminal, including the East Connector, contains 544,079 square feet of space on three levels in the terminal building and an additional 590,641 square feet of space in four concourses (Concourses A, B, C and D) with 76 aircraft gates in a mixed configuration. The East Terminal has 234,000 square feet of building space and 12 narrowbody aircraft gates all of which are leased to Southwest. The International Area consist of 69,959 square feet and is situated between the Main Terminal and the East Terminal and includes the Federal Inspection Services (FIS) area and a common boarding area serving 3 narrowbody (or 2 widebody) aircraft gates.

As a result of its reduction in operations in November 2003, American Airlines consolidated its operations into Concourse C, leaving all the Concourse D gates vacant, although remaining liable for the lease rentals until the end of the existing lease term, which is December 31, 2005. See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations**." American has announced its intention to vacate and release a significant portion of its space in Concourse C and almost all of its space in Concourse D when the Existing Airline Agreements expire on December 31, 2005, which will result in a significant number of unused gates and a significant amount of vacant airline space. To date, Frontier Airlines is using two of the Concourse D gates. The City plans to adjust to this reduction in rented space by closing off portions of Concourses C and D.

Public Parking

Currently, public parking consists of a 1,965-car parking structure adjacent to the Main Terminal and a 980-car parking structure at the East Terminal, which provide a total of 2,945 short-term parking spaces. An additional 993 spaces are available for intermediate-term parking in a surface lot immediately behind the parking structure at the Main Terminal. The Airport also has long-term parking available totaling 5,895 spaces, which includes the new 3,200-space Cypress parking lot that opened in October 2003. The new Cypress parking lot replaced long-term lots A and B, and results in a net increase of 1,250 spaces.

Other Facilities

The other principal structures owned by the City at the Airport are five cargo buildings and 18 related shop and service buildings. In addition, there are other structures at the Airport not owned by the City which include maintenance facilities for AMR Sub, general aviation hangars, a Missouri Air National Guard (the "MoANG") hangar and certain other cargo facilities.

There are also two fixed lease operators, Midcoast Aviation Services, Inc., which leases its premises from the City, and Sabreliner Corporation, which has a ground lease with the City and owns its building. They occupy various hangars and storage facilities at the Airport. The Boeing Company and the MoANG, both of which adjoin the Airport, use the Airport's runways and taxiways.

In December 2001, the City, The Boeing Company and McDonnell Douglas Corporation ("MDC") closed on a transaction whereby the City acquired from MDC a 76-acre parcel of land adjacent to the northern boundary of the Airport (the "MDC Facilities"). The City paid $50 million for the MDC Facilities, which was funded from the proceeds of Airport Revenue Bonds, Airport Development Program Fund, Series 2001A (the

"Series 2001A ADP Bonds"). The City then leased the MDC Facilities back to MDC at $5 million per year, for an interim period of three years while MDC constructs replacement facilities on another parcel of land it will be leasing from the City at the Airport. The rental amount for the three-year term was $15 million, which was paid to the City at the closing for a lease term which was to expire June 30, 2004. The City and MDC agreed to a one-year extension to June 30, 2005, at which time the MDC Facilities will be available for redevelopment by the City.

A cargo facility leased from the City by St Louis Air Cargo Services, which in turn subleases facilities to Federal Express, United Parcel Service ("UPS"), Emery Freight and BAX Global, sits on a 31.1 acre site and contains a 100,000 square-foot cargo building and a 448,000 square-foot aircraft parking apron. In addition, UPS leases an 18,000-square-foot cargo warehouse facility adjacent to a 200,000 square foot parking apron.

AIRPORT OPERATIONS

Air Carrier Service

The following Section describes the current Air Carrier Service at the Airport. For further information, see **APPENDIX A - "Financial Feasibility Report."**

Scheduled air carrier service between the Airport and 68 domestic and international locations is provided by the air carriers shown below.

Major (Signatory) Air Carriers*	Regional Air Carriers*	Air Cargo Carriers
America West	Air Canada	Airborne Express
American Airlines	American Eagle	American Trans International
Continental	Atlantic Southwest	ASTAR
Delta	Chautauqua	Menlo Worldwide
Frontier	Comair	Federal Express
Northwest	Expressjet	Mountain Air
Southwest	Mesa	United Parcel Service
United	Mesaba	
US Airways	Pinnacle	
USA 3000	PSA	
	RegionsAir (formerly Corporate Air)	
	Skyway	
	Skywest	
	Trans States	

* All scheduled passenger airlines, with the exception of Air Canada, Atlantic Southeast, Comair, Expressjet, Mesa, Skyway and Skywest, are Signatory Air Carriers.

Airline Market Shares

The table below shows enplanements and market share by airline from CY 2000 through 2004.

TABLE IV-5
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRLINE MARKET SHARE
CY 2000 - 2004

	Enplanements					Share				
Airline	**2000**	**2001**	**2002**	**2003**	**2004**	**2000**	**2001**	**2002**	**2003**	**2004**
Mainline air carrier										
America West	70,156	84,567	66,449	88,402	123,939	0.5%	0.6%	0.5%	0.9%	1.8%
American[1]	11,394,205	9,441,611	8,761,934	6,056,451	2,107,436	74.4%	70.6%	68.2%	59.4%	31.4%
Continental	96,169	58,682	42,135	11,960	43,154	0.6%	0.4%	0.3%	0.1%	0.6%
Delta	229,404	188,579	181,187	185,013	229,355	1.5%	1.4%	1.4%	1.8%	3.4%
Frontier			13,445	11,045	97,028			0.1%	0.1%	1.4%
Northwest	260,308	267,145	230,328	231,115	338,006	1.7%	2.0%	1.8%	2.3%	5.0%
Southwest	1,788,794	1,670,497	1,450,562	1,342,119	1,584,019	11.7%	12.5%	11.3%	13.2%	23.6%
United	226,383	246,272	260,555	223,180	228,406	1.5%	1.8%	2.0%	2.2%	3.4%
US Airways	177,539	172,046	139,358	5,087	25,701	1.2%	1.3%	1.1%	0.0%	0.4%
USA 3000					3,336					0.0%
Subtotal-Mainline	**14,242,958**	**12,129,399**	**11,145,953**	**8,154,372**	**4,780,380**	**93.0%**	**90.8%**	**86.8%**	**80.0%**	**71.3%**
Regional air carrier										
Air Canada	22,774	21,107	19,504	13,333	17,647	0.1%	0.2%	0.2%	0.1%	0.3%
AA Connection/American Eagle				4,832	29,430				0.0%	0.4%
AA Connection/Chautauqua	101,000	299,283	560,274	495,595	401,248	0.7%	2.2%	4.4%	4.9%	6.0%
AA Connection/RegionsAir	29,862	67,512	83,919	76,255	63,612	0.2%	0.5%	0.7%	0.7%	0.9%
AA Connection/Trans States	538,254	456,122	553,623	810,943	668,337	3.5%	3.4%	4.3%	8.0%	10.0%
Continental Express/Expressjet	53,808	114,196	111,803	135,230	149,617	0.4%	0.9%	0.9%	1.3%	2.2%
Delta Connection/Atlantic Coast					5,506					0.1%
Delta Connection/Comair	74,572	48,209	78,893	98,439	135,909	0.5%	0.4%	0.6%	1.0%	2.0%
Midwest Connect/Skyway	4,434	5,141	4,814	4,782	7,929	0.0%	0.0%	0.0%	0.0%	0.1%
Northwest Airlink/Mesaba	64,174	62,420	56,976	73,173	44,571	0.4%	0.5%	0.4%	0.7%	0.7%
Northwest Airlink/Pinnacle					5,441					0.1%
United Express/Atlantic Coast	12546	16569				0.1%	0.1%			
United Express/Skywest			39,078	30,247	16,931			0.3%	0.3%	0.3%
United Express/Trans States				32,657	87,211				0.3%	1.3%
United Express/Mesa				8,951	30,401				0.1%	0.5%
US Airways Express/Chautauqua		6,884	29,767	14,144	3,069		0.1%	0.2%	0.1%	0.0%
US Airways Express/Mesa	8,836	11,349	6,608	72,310	76,842	0.1%	0.1%	0.1%	0.7%	1.1%
US Airways Express/PSA					23,550					0.4%
US Airways Express/Trans States	12,054	7534	23420	34,110	40,402	0.1%	0.1%	0.2%	0.3%	0.6%
Subtotal-Regional	**922,314**	**1,116,326**	**1,568,679**	**1,905,001**	**1,807,653**	**6.0%**	**8.4%**	**12.2%**	**18.7%**	**26.9%**
Subtotal-Charter	**148,852**	**119,784**	**131,402**	**137,149**	**119,687**	**1.0%**	**0.9%**	**1.0%**	**1.3%**	**1.8%**
Total Enplanements	**15,314,124**	**13,365,509**	**12,846,034**	**10,196,522**	**6,707,720**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Includes TWA enplanements in CY 2000 and CY 2001.

Source: Airport management records.

Together, American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 78.8 percent in CY 2000 to 48.8 percent in CY 2004. The reduction in mainline operations by American Airlines is mainly responsible for the decline in enplanement share. The number of annual enplanements and corresponding shares of American Airlines and its American Connection operators are as follows:

	Calendar Year				
	2000	2001	2002	2003	2004
Enplanements					
American Airlines[1]	11,394,205	9,441,611	8,761,934	6,056,451	2,107,436
American Connection	669,116	822,917	1,197,816	1,387,625	1,162,627
Total Enplanements	**12,063,321**	**10,264,528**	**9,959,750**	**7,444,076**	**3,270,063**
Market Share					
American Airlines[1]	74.4%	70.6%	68.2%	59.4%	31.4%
American Connection	4.4%	6.2%	9.3%	13.6%	17.3%
Total Market Share	**78.8%**	**76.8%**	**77.5%**	**73.0%**	**48.8%**

[1] Includes Trans World Airways in CY 2000 and CY 2001.

Southwest Airlines has the second largest share of enplanements, which increased from 11.7 percent in CY 2000 to 23.6 percent in CY 2004.

As a group, mainline air carriers accounted for the majority of enplanements; however, their combined share decreased from 93.0 percent in CY 2000 to 71.3 percent in CY 2004. Frontier Airlines began service at the Airport in CY 2002 and USA 3000 began service at the Airport in CY 2004.

Prior to the September 11 Events, mainline air carriers had been increasingly using regional airlines to serve short-haul and low-density markets. The fall in air travel demand, the deterioration of airline finances after the September 11 Events, and the relaxation of scope clauses[2] accelerated the transfer of routes – now including longer-haul routes – from mainline to regional operators. As a result, the market share of regional operators increased significantly in recent years. At the Airport, the combined market share of regional operators increased from 6.0 percent in CY 2000 to 26.9 percent in CY 2004. The following regional airlines began service at the Airport in the last four years: American Eagle for American Connection, Atlantic Coast Airlines for Delta Connection, Pinnacle Airlines for Northwest Airlink, Skywest Airlines for United Express, Trans States Airlines for United Express, Mesa Airlines for United Express, Chautauqua for US Airways Express, and PSA for US Airways Express.

Air Canada is the only foreign-flag carrier that operates at the Airport. Its market share increased from 0.1 percent in CY 2000 to 0.3 percent in CY 2004.

[2] Scope clauses are agreements between mainline carriers and their regional affiliates that define the size and number of regional jets an affiliate may have and/or the amount of flying that the affiliate can undertake. Source: FAA Aerospace Forecasts, Fiscal Years 2005-2015, March 2005, page IV-1.

Reduction in American Airlines Operations

On November 1, 2003, American Airlines, which is the dominant airline at the Airport, reduced the number of flights in and out of the Airport by more than half, from approximately 386 daily departures in November 2002 to 190 daily departures in November 2003, with most of the cuts coming from mainline flights. These reductions resulted in the discontinuation of direct flights to 25 cities. American Airlines had been gradually reducing its mainline jet activity at the Airport over a two-and-one-half-year period leading up to November 2003 – in part in response to the national economic slowdown and decline in air travel demand that followed the September 11 Events, and in part as an effort to improve the profitability of the St. Louis hub. Beginning in FY 2003, however, American Airlines began a major increase in regional jet service – replacing mainline jets it flew previously with regional jets flown by regional affiliates operating as American Connection – a trend seen at many other major hub airports around the country in recent years. From May 2002 to May 2003, the number of American Connection flights increased by 115% and the number of American Airlines flights decreased by 28%, while the total number of flights remained relatively constant. Total enplanements by American Airlines and American Connection have declined from approximately 12.1 million in 2000 to approximately 3.3 million in 2004. American also shifted its hub to the Dallas-Fort Worth Airport and reduced the Airport to a secondary hub.

The reductions that occurred in November 2003 were largely of American Airlines' mainline jet activity although regional jet activity was reduced somewhat as well. Since then, however, the St. Louis' operations have been profitable, according to American Airlines' management, and the airline has steadily added back flights. For the month of May 2005, American Airlines has scheduled 1,693 mainline jet flights, an 11% increase over November 2003, and 4,774 regional and commuter flights, a 44% increase over November 2003.

American Airlines, together with its American Connection partners, currently has the largest market share at the Airport, accounting for 50.9% of enplanements and 56.6% of passenger departures in March 2005, compared to 75.6% and 73.5%, respectively, in March 2003. American Airlines' March 2005 aircraft departures were 1,743, representing a 5.6% year-over-year increase.

As a result of its reduction in operations in November 2003, American Airlines consolidated its operations into Concourse C, leaving all the Concourse D gates vacant, although remaining liable for the lease rentals until the end of the existing lease term, which is December 31, 2005. American has announced its intention to vacate and release a significant portion of its space in Concourse C and almost all of its space in Concourse D when the Existing Airline Agreements expire on December 31, 2005, which will result in a significant number of unused gates and a significant amount of vacant airline space. The City plans to adjust to this reduction in rented space by closing off portions of Concourses C and D.

Passenger Enplanements

Passenger enplanements at the Airport are categorized as either O&D Activity or Connecting Activity. The table which follows shows, for the periods indicated, the O&D Activity and Connecting Activity. O&D traffic is influenced by local market factors and tends to track economic and demographic trends. Connecting traffic is determined primarily by airlines' network strategies. At the Airport, the significant decline in connecting traffic was due largely to American Airlines reduction in its hub operations at the Airport. See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations**."

TABLE IV-3
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
1995-2004

	O&D[1]		Connecting		Total
Year	**Actual**	**Share**	**Actual**	**Share**	**Enplanements**
CY 1995	6,967,981	54.2%	5,879,099	45.8%	12,847,080
1996	7,122,202	52.2%	6,509,252	47.8%	13,631,454
1997	7,144,372	51.7%	6,676,207	48.3%	13,820,579
1998	7,107,768	49.6%	7,226,561	50.4%	14,334,329
1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,253,816	47.4%	8,060,308	52.6%	15,314,124
2001	6,323,229	47.3%	7,042,280	52.7%	13,365,509
2002	5,750,948	44.8%	7,095,086	55.2%	12,846,034
2003	5,229,015	51.3%	4,967,507	48.7%	10,196,522
2004	5,263,363	78.5%	1,444,357	21.5%	6,707,720
FY 1999	7,156,835	49.1%	7,422,499	51.0%	14,563,422
2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
2001	7,057,885	47.0%	7,949,293	53.0%	15,007,178
2002	5,779,692	45.8%	6,839,748	54.2%	12,619,440
2003	5,510,858	46.6%	6,317,177	53.4%	11,828,035
2004	5,159,761	64.4%	2,857,858	35.6%	8,017,619
Average Annual Growth Rate					
CY 1995-2000	0.8%		6.5%		3.6%
CY 2000-2004	-7.7%		-34.9%		-18.6%
FY 1999-2001	-0.7%		3.5%		1.5%
FY 2001-2004	-9.9%		-28.9%		-18.9%

Source: Airport management records.

Risk Management

The Airport is exposed to various risks of loss related to torts, such as theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Airport participates in the Public Facilities Protection Corporation ("PFPC"), an internal service fund of the City of St Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, which are primarily workers' compensation, certain general liability claims, and various other claims and legal actions. All self-insured claims, liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis.

The Airport purchases commercial insurance for risks that are significant and which are not covered by the City's self-insurance program. These coverages include commercial liability, property damage, business interruption, public officials' liability, employment liability, employee dishonesty, business auto, and insurance on the fine arts collection.

After the September 11 Events, terrorism coverage was excluded from the Airport's commercial liability, property damage and business interruption coverages. On November 26, 2002, President Bush signed into law the "terror insurance bill" to shield the insurance industry from catastrophic costs of future terrorist attacks. The passage of this law has improved the ability of the Airport to obtain terrorism coverage.

The Airport has been able to procure property, automobile and public official insurance which includes coverage for terrorist events. However, policies which include terrorist coverage for commercial liability remains unavailable on reasonable financial terms and with meaningful coverage amounts.

The Airport has in force a commercial liability insurance policy with a limit of $50 million and excess liability policy with a limit of $300 million, with coverage through October 1, 2007, and October 1, 2005 respectively. The Airport's property insurance has a limit of $753 million. This policy provides coverages through October 1, 2005. The Airport also has an automobile policy and excess automobile with totally coverage of $5 million, in force through October 1, 2006, and public official and employee liability coverage of $7 million in force through October 1, 2007.

In addition to the coverages stated above, the City created a Rolling Owner Controlled Insurance Program ("ROCIP") to provide workers' compensation, general and special liability insurance to protect all enrolled contractors and their subcontractors. The ROCIP is designed to reduce conflicts among contractors and insurance providers, increase liability protection for all participants and reduce the total cost of the insurance in the runway expansion project.

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 Airport 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 Airport Commission is responsible for the planning, development, management and operation of the Airport. The Airport Commission currently consists of the Director of Airports, who serves as Chairman of the Airport Commission, 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, five members appointed by the St. Louis County Executive, one member appointed by St. Charles County, Missouri, and one member appointed by St. Clair County, Illinois. The present members of the Airport Commission are set forth in this Official Statement.

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 and four Assistant Directors.

Kevin Dolliole was recently appointed as the Director of Airports effective May 2005. Prior to joining the Airport he was Aviation Director for the San Antonio International Airport from 1999 to 2005. Prior to that position, he held several management level positions at the New Orleans International Airport from 1989 to 1999, including Acting Airport Director. Mr. Dolliole replaces Colonel Leonard Griggs who retired December 31, 2004. Colonel Griggs was the Airport Director and Chairman of the Airport Commission during years 1977 through 1987 and 1993 through 2004.

Gerard Slay, the Deputy Director of Airports, is responsible for airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as the Airport Maintenance Manager and was promoted to his present position in February 2000.

Kenneth L. Below, the Assistant Director for Finance and Accounting, is the chief fiscal officer and has responsibility for the financial planning, management and contract administration 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.

Rich Bradley, the Chief Engineer for Planning and Engineering, is currently performing the duties of the Assistant Director for Engineering, and is responsible for the planning and design of the Airport's capital improvement projects. Mr. Bradley has held the position of Chief Engineer for Planning and Engineering since joining the Airport in July 2001. Prior to joining the Airport, he held several engineering positions in the City's Department of Board of Public Service from 1988 to 2001.

Donald Ruble, the Assistant Director for Planning and Development, is responsible for managing the construction of Airport improvements and noise mitigation programs. He began his career at the Airport in 1977 as an architect and was promoted to various other positions until leaving the Airport in 1984 to work in private industry. Mr. Ruble returned to the Airport in 1994 and was promoted to his current position in 1996.

Jack Thomas is the Assistant Director for the Disadvantaged Business Enterprise (D.B.E.) Program. Mr. Thomas' responsibilities include the certification of minority and women-owned entities, monitoring compliance with City business utilization goals, and enforcing the City's Living Wage Ordinance on all contracts. Mr. Thomas has held a variety of management posts during his 26-year tenure with the City of St. Louis.

Airport Employees

The Airport has 543 allocated full-time employee positions for the current Fiscal Year and an additional 79 City firefighter personnel are assigned to the Airport. Approximately 54% of these employees are represented by employee groups. These employee groups are not entitled to strike under Missouri law since the Airport, as a department of the City, is not subject to collective bargaining. Airport employees are covered by the City's pension plan. See **APPENDIX B – "Audited Financial Statements of the Airport**" Note 14 for additional information on the pension plan.

CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT

General

The Airport engages on an on-going basis in various programs to improve the facilities and operations of the Airport. The Airport's current improvement programs consist of (i) the Airport Development Program, (ii) the FY2006-FY2010 Capital Improvement Program (the "FY2006-FY2010 CIP"), (iii) the Part 150 Noise Mitigation Program and (iv) certain Ongoing Capital Improvement Programs. Such Airport improvement programs and the expected sources of financing for those programs are described below and in Sections I and II of the Financial Feasibility Report included in **APPENDIX A**.

The ability of the City to finance the improvement programs at the Airport is subject to various factors, including, among others, the amount of Revenues generated by the Airport (including the ability of the Airport to include appropriate amounts of its capital expenditures in the rates and charges of airlines using the Airport), the availability of funds under federal and state programs and the ability of the City to issue

Additional Bonds or other indebtedness for Airport purposes (including the City's ability to meet the test for the issuance of Additional Bonds under the Indenture and to comply with legal requirements relating to its incurrence of indebtedness, including the $3.5 billion limitation set forth in the Voter Approval).

The Airport Development Program

The City is in the process of completing Phase I of the Airport's current development program (herein referred to as the "Airport Development Program" or the "ADP") The ADP includes plans for airport development over a 20-year planning period, to be accomplished in phases. The major element of the first phase of the ADP (herein referred to as "Phase 1 of the ADP") is the construction of a new parallel runway, approximately 9,000 feet in length and 150 feet in width, southwest of the existing airfield. The Airport's two existing air carrier runways, runways 12R-30L and 12L-30R, are separated by 1,300 feet. As a result, the Airport is reduced to one precision instrument approach during adverse weather conditions because of the minimal separation of the parallel runways. With the use of a precision runway monitor, the separation of the new runway from the existing runways will be of sufficient distance to allow the Airport to accommodate simultaneous independent precision instrument approaches. This will allow the Airport to reduce delay times, improve the Airport's operations capability during adverse weather conditions, enhance capacity and continue to accommodate hubbing operations at the Airport. All of the major construction contracts for the new runway project have been let, all of the required funding is in place, and the project is within budget and on schedule for opening during the second calendar quarter of 2006.

Phase 1 of the ADP includes the acquisition of certain land adjacent to the Airport for the purpose of constructing the new runway and constructing certain improvements relating to Phase 1 of the ADP and any additional capital projects for which the City has received approval for the use of Letter or Intent Grant Payments.

Phase 1 of the ADP currently is expected to cost approximately $1.1 billion and is being implemented over the eight-year period from FY 1999 through FY 2006. The City is funding a portion of the costs of Phase 1 of the ADP from (1) the proceeds of Bonds, (2) AIP grants under a Letter of Intent that was awarded to the City by the FAA in November 1998, (3) PFCs and (4) available funds in the ADF. AIP grants, PFCs, available funds in the ADF and future Bonds are expected to be used to fund the remaining unfunded costs of the ADP (approximately $45,000,000).

The City has not sought MII approval for Phase 1 of the ADP because Phase 1 of the ADP is not scheduled for completion until the second calendar quarter of 2006, which is after the expiration of the existing Use Agreements and Cargo Leases on December 31, 2005. The City is in the process of negotiating new Use Agreements and Cargo Leases. See "**THE SERIES 2005 REFUNDING BONDS – Security and Sources of Payment --** ***Air Carrier Rates and Charges --Use Agreements, Cargo Leases and Certain Other Agreements."***

For more information about the funding sources of the ADP, see **APPENDIX A – "Financial Feasibility Report**), including Table I-2 which summarizes the estimated costs and anticipated sources of funding for Phase 1 of the ADP.

FY 2006-FY 2010 CIP

The City prepares a rolling five-year capital improvement program. The Airport's current program, the FY 2006-FY2010 CIP, consists largely of reconstruction and modernization of existing Airport facilities and infrastructure. Many of the projects in the CIP will be undertaken only if and when federal funding becomes available. The total estimated cost of the new CIP is $288 million and is expected by the City to be financed largely with equity resources—AIP grants, Transportation Security Administration ("TSA") grants, PFC resources, and ADF moneys. The City has put in place a commercial paper program for the Airport which may be used to provide interim financing of certain projects in the FY 2006-FY2010 CIP. In addition, up to $58 million of new money Bonds may be required to complete the funding of the FY 2006-FY2010 CIP.

The proposed FY 2006 – FY 2010 CIP consists of projects programmed for Fiscal Years 2006-2010. The City has proposed to include the FY 2006-FY2010 CIP as an exhibit to the Proposed Airline Agreement currently being negotiated and to have such CIP pre-approved by the airlines coincident with the execution of the Proposed Airline Agreement. The FY 2006-FY2010 CIP is under review by the airlines at this time and changes may be made to the scope, cost and timing of such CIP as a result of that review and further negotiations with the airlines.

The FY 2006-FY 2010 CIP also anticipates approximately $44 million of funding from the ADF, to be provided in part from the existing ADF balance and in part from anticipated flows into the ADF from future Net Revenues and other sources.

Two major security projects — an airfield Surveillance Detection System ($35 million) and terminal EDS Long-Term Baggage Screening ($95 million) together account for nearly half (45%) of the total cost of the proposed CIP. The balance of the CIP consists largely of projects required for the ongoing major maintenance, refurbishment and upgrading of existing Airport facilities and infrastructure. Many of these projects are eligible for 75% AIP funding, and the CIP reflects that the City anticipates that it will receive the total eligible AIP funding for all such projects.

The FY 2006-FY 2010 CIP indicates a potential requirement for the issuance of approximately $58 million of new bonds during the forecast period. This requirement could be reduced or eliminated depending upon (1) the actual cost and timing of projects in such CIP and (2) the potential for programming additional PFC and ADF resources for such CIP if and as such funds are available. If additional bond financing is required, it is the City's intent to finance those projects initially through its commercial paper and refund the commercial paper with a single series of Bonds once bids have been taken and actual project costs are known.

Part 150 Noise Mitigation Program

The City has been undertaking a Part 150 Noise Mitigation Program (the Part 150 Program) for the past 18 years. The program is based on recommendations set forth in a Part 150 Study that was completed in 1987 and a subsequent Part 150 Update that was completed in 1997. Through December 31, 2004, the City had expended, encumbered or committed approximately $259 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) a pilot sound insulation program, (5) procurement of a noise management (monitoring) system, and (6) the relocation of Berkeley High School Complex from the northeast quadrant of the Airport to an off-airport site. The City expects to commit an additional $30 million for the residential sound insulation over the next several years, bringing the total cost of the program to $289 million.

The Part 150 Program has been funded with prior (pre-1997) Bonds, AIP grants-in-aid, PFC resources, and the ADF. The City expects to complete the Part 150 Program with anticipated future AIP discretionary grants, matching funds to be provided from currently approved PFC resources and, if necessary, moneys in the ADF. The timing of the balance of the program will depend, in part, on the availability of such grants. No Bond proceeds are currently anticipated to be used to complete the Part 150 Program.

The City plans to undertake a new Part 150 Study in FY 2007 after the new runway opens and may undertake additional noise mitigation measures based on the recommendations of that study.

Ongoing Capital Improvement Programs

The Ongoing Capital Improvement Programs include (a) the 1997 Projects, (b) the 2001/2002 Projects, (c) the 2003/2004 Projects, and (d) certain new security projects.

1997 Projects. In 1997, the City issued Bonds in the principal amount of $199.6 million to (1) provide bond financing for $115.4 million of project costs for projects in the Airport's 1997-2001 capital improvement program, and (2) reimburse the City for $54.3 million of project costs of the East Terminal Expansion project — costs originally funded with PFC resources. (The CIP projects financed with the Bonds issued in 1997 are referred to as the "1997 Projects"). The PFC reimbursement element of the 1997 financing allowed the City to redirect PFC resources to fund initial land acquisition and other critical path elements of the ADP.

In 1999, the City and the airlines agreed to defer indefinitely projects in the aggregate of approximately $11.6 million, and the budget for the 1997 Projects was revised to $103.8 million. The current estimate of the total cost of the 1997 Projects is $111.9 million, approximately $8.1 million over budget; however, the City has received $8.2 million of AIP grants for the 1997 Projects — grants that were not anticipated when the Bonds were issued in 1997. Only one project—Fiber Optic, at an estimated cost of $2.7 million--remains to be bid.

2001/2002 Projects. In 2001, the City obtained airline Majority-in-Interest (MII) approval to undertake certain capital improvement projects originally planned to be undertaken during 2001 and 2002. The 2001/2002 Projects are being financed with AIP grants, PFC resources, ADF moneys and the remaining $11.6 million of proceeds of the Bonds issued in 1997. No other Bond proceeds have been used for the FY 2002 Projects.

The current estimate of the cost of the 2001/2002 Projects is approximately $38 million, compared to an original budget of $35 million. Projects accounting for 96% of the total estimate have been bid and are either completed or in process.

2003/2004 Projects. In 2002, the City began a $116 million capital program (referred to as the "2003/2004 Projects"), which was financed in large part ($90 million) with the Bonds issued in 2002. With the reduction by American Airlines of its operations at the Airport, certain elements of the 2003/2004 Projects were deferred indefinitely or deleted. The current estimate of the total cost of the 2003/2004 Projects is $85 million. Most of the major projects in the 2003/2004 Projects have been completed or are in process.

Security Projects. Since 2002, the City has received three AIP grants in the amount of $16.2 million to fund the costs of certain critical security projects at the Airport — projects intended to allow the Airport to respond to federal security directives enacted in the wake of the September 11 Events. The projects include:

- Blast analysis and structural modifications to the Main Terminal and East Terminal garages and terminal buildings

- Planning and design of improvements to accommodate in-line explosives detection equipment (EDS) into the terminal buildings and interim EDS improvements in the East Terminal

- Upgrading of the Airport's Part 107 access control system
- Upgrading of the security checkpoints in the West Terminal and the East Terminal
- Relocation of the Airport's canine facility
- Perimeter fence improvements

The estimated total cost of these various projects is $22.2 million. The Concourse C security checkpoint improvements and planning/design of EDS improvements are complete; the remaining projects are in design or under construction.

FINANCIAL INFORMATION

Revenues and Expenses

The financial statements of the Airport for the Fiscal Years ended June 30, 2004 and June 30, 2003 included in **APPENDIX B - "Audited Financial Statements of the Airport"** to this Official Statement have been audited by KPMG LLP, independent auditors.

The following table sets forth the historical revenues and expenses and certain Bond-related data of the Airport for the five Fiscal Years ended June 30, 2004, based primarily upon the audited financial statements of the Airport for such Fiscal Years. For more detailed information regarding the revenues and expenses of the Airport, see **APPENDIX A - "Financial Feasibility Report."** Certain interim unaudited financial information of the Airport as of December 31, 2004, is set forth in **"Certain Unaudited Interim Financial Information"** below.

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LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
Airport Revenues and Expenses and Certain Bond-Related Data
(in thousands)
(Fiscal Years Ended June 30)

	2000	2001	2002	2003	2004
GARB Revenues					
Air Carrier Fees	$65,631	$68,177	$70,479	$74,482	$67,963
Concession Fees	37,126	39,532	33,318	32,335	33,533
Cargo/Other Revenues	5,157	4,866	7,663	13,477	13,071
TWA Lease Charges	7,829	7,829	7,829	7,829	7,773
Interest Income	6,533	8,170	7,372	6,248	5,443
Total GARB Revenues	$122,276	$128,574	$126,661	$134,371	$124,783
Pledged PFC Revenues	0	0	21,894	18,766	18,766
Total Revenues	$122,276	$128,574	$148,555	$153,138	$143,549
Operation and Maintenance Expenses	56,688	63,860	68,387	75,576	67,612
Net Revenues	$65,588	$64,714	$80,168	$77,562	$75,937
Aggregate Annual Debt Service on Outstanding Bonds	47,603	46,946	62,228	59,801	59,427
Debt Service Coverage	1.38x	1.38x	1.29x	1.30x	1.28x

Management Discussion of Financial Information

GARB Revenues. GARB Revenues for the Fiscal Year ended June 30, 2004 were $124.8 million, which represents a decrease of $9.6 million or 7.1% compared to the Fiscal Year ended June 30, 2003. The decrease is attributed to a decline in airline landing fee revenues and lower concession revenues. The decrease in airline landing fee revenues is primarily the result of a reduction in operation and maintenance expenses following the American Airlines reductions in operations which occurred in November 2003. See **"THE SERIES 2005 REFUNDING BONDS – Security and Sources of Payment -- *Air Carrier Rates and Charges --Use Agreements, Cargo Leases and Certain Other Agreements.*"** The lower concessions revenues resulted from slightly lower fees from terminal concession and car rentals resulting from the decline in enplanements.

PFC Revenues, including Pledged PFC Revenues. The Airport collected a total of $32.2 million in PFC Revenues (including interest earnings) during the Fiscal Year ended June 30, 2004, of which $18.7 million constituted Pledged PFC Revenues, and are therefore included in Revenues.

The Airport has FAA approval to collect and use approximately $1.3 billion in PFC Revenues through 2017. In December 2001, the PFC rate was increased from $3.00 per passenger to $4.50. In February 2003, the Airport submitted three amendment applications to reduce PFC funding for eight approved projects by approximately $37.4 million and a new application for approximately $14.5 million for three new projects. Together, these applications will reduce PFC collection authority by approximately $22.9 million, which will shorten the collection end date to approximately March 2017. As described above, only a portion of the PFC Revenues constitutes Revenues and is pledged under the Indenture. The portion of PFC Revenues that are pledged and therefore constitute Pledged PFCs is an amount equal to 125% of the Debt Service allocable to projects approved for PFC funding.

Total Revenues. The total amount of Revenues pledged pursuant to the Indenture for Fiscal Year ended June 30, 2004 is $143.5 million, consisting of $124.8 million in GARB Revenues and $18.7 million in Pledged PFC Revenues.

Operation and Maintenance Expenses. Operation and maintenance expenses for the Fiscal Year ended June 30, 2004 were $67.6 million, which represents a decrease of $8.0 million or approximately 10.5% compared to the Fiscal Year ended June 30, 2003. The decrease is primarily due to a reduction in personnel service resulting from layoffs following the American Airlines operations reductions; and reduced spending for non-essential supplies materials, equipment and other contractual services.

Net Revenues. The Airport's Net Revenues for the Fiscal Year ended June 30, 2004 were $75.9 million, which represents a decrease of $1.6 million or approximately 2.1% compared to Fiscal Year ended June 30, 2003. The lower net revenues are the net result of the decreases in Revenues and operation and maintenance expenses following the American Airlines reductions in November 2003. During the FY 2000-FY 2004 period, concession fees (food and beverage, news and gifts and coin devices) decreased by $6.6 million or an average annual rate of decline of 4.8%. The decline was due to lower public parking and car rental concession fees, which was primarily due to the decline in passenger traffic beginning in FY 2002 following the September 11 Events and further erosion in FY 2003 and 2004 following the American Airlines operations reductions.

Certain Unaudited Interim Financial Information

The following information has been prepared by management of the Airport and is unaudited. It does not reflect year-end adjustments.

GARB Revenues. For the nine months ended March 31, 2005, estimated GARB Revenues were $86.2 million, which represents a decrease of $3.6 million or approximately 4.0% lower than the nine months ended March 31, 2004. The decrease was primarily due to the expiration of the Boeing lease revenues (ended June 30, 2004) and lower terminal concession revenues following the American Airlines service reduction in November 2003.

PFC Revenues and Pledged PFC Revenues. For the nine months ended March 31, 2005 the Airport collected a total of $20.0 million in PFC Revenues (including interest earnings) in comparison to $24.4 million collected during the nine months ended March 31, 2004. Of this amount, $14.1 million constitutes Pledged PFC Revenues. The reduction in PFC revenues is attributed to the American Airlines service reductions initiated in November 2003.

Total Revenues. For the nine months ended March 31, 2005, estimated total Revenues pledged pursuant to the Indenture was $100.3 million, including $86.2 million in GARB Revenues and $14.1 million in Pledged PFC Revenues.

Operation and Maintenance Expenses. For the nine months ended March 31, 2005, estimated Operation and Maintenance Expenses were $49.7 million, which represents a decrease of $1.3 million or approximately 2.5% lower than the nine months ended March 31, 2004. The decrease is primarily due to lower spending in the personnel service and contractual services categories resulting from Airport management's action to reduce non-essential spending following the American Airlines service reductions in November 2003.

Net Revenues. For the nine months ended March 31, 2005, estimated Net Revenues were $50.6 million, which represents a decrease of $2.2 million or approximately 4.2% lower than the nine months ended March 31, 2004. The estimated lower Net Revenues were due to the change in Revenues and Operation and Maintenance Expenses resulting from the American Airlines service reductions in November 2003.

The following tables from **APPENDIX A - "Financial Feasibility Report"** summarize the calculation of Signatory Air Carrier landing fees and terminal rents for FY 2004 and for the Fiscal Years 2005 through 2011 forecast period and shows the calculation of average Signatory Air Carrier cost per enplaned passenger. Although the Use Agreements and the Cargo Leases expire December 31, 2005, the calculations in the table are based on the existing Use Agreements and Cargo Leases for both FY 2005 and FY 2006 and on the rates being negotiated under the Proposed Airline Agreement for FY 2007 through 2011. The average Signatory Air Carrier cost per enplaned passenger is forecast to increase from $8.09 in FY 2004 to $11.04 in FY 2007 when Phase 1 of the ADP is projected to be fully rate based. The Signatory Air Carrier landing fee rate is forecast to increase from $3.44 in FY 2004 to $5.36 in FY 2007.

Table V-4
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Actual	Projected [2]	
	2004	2005	2006
SIGNATORY AIRLINE REVENUES			
Landing Fees	$36,585	$35,940	$42,676
Terminal Building Rentals			
Main terminal	$5,196	$7,193	$7,509
Concourses A, B & C	6,182	5,565	6,168
Concourse C extension	3,279	3,819	1,962
Concourse D	1,929	2,371	1,224
East connector	572	466	489
East terminal	3,688	4,374	4,517
	$20,846	$23,788	$21,869
Terminal Tenant Improvement Surcharges			
Concourse D (AA)	290	290	290
Concourse C (AA)	626	626	626
	$916	$916	$916
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$58,347	$60,643	$65,461
Signatory airline enplaned passengers	7,211	5,935	6,774
Cost per enplaned passenger - (Gross)	$8.09	$10.22	$9.66
Cost per enplaned passenger - (Net) [1]	$7.96	$10.06	$9.53
SIGNATORY AIRLINE RATES			
Landing Fee Rate (per 1,000 pounds)	$3.44	$4.55	$4.67
Average Terminal Building Rental Rates			
Main Terminal	$37.79	$41.69	$43.78
Concourses A, B, and C	$29.15	$31.23	$34.61
Concourse C Extension	$37.34	$46.05	$47.33
Concourse D	$32.15	$43.16	$44.58
East Connector	$24.01	$29.51	$30.95
East Terminal	$40.77	$41.11	$42.75

(1) Excludes Tenant Improvement Surcharges.
(2) Based on the Existing Airline Agreement as discussed in the report.

Table V-4a
SUMMARY OF SIGNATORY AIRLINE REVENUES, COST PER ENPLANED PASSENGER, AND RATES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Projected[2]				
	2007	2008	2009	2010	2011
SIGNATORY AIRLINE REVENUES					
Landing Fees	$56,873	$60,804	$62,812	$66,103	$70,243
Terminal Building Rentals					
West Terminal	$20,093	$20,663	$21,437	$23,176	$23,866
East Terminal	6,471	6,592	6,830	7,099	7,227
	$26,564	$27,255	$28,267	$30,275	$31,093
Terminal Tenant Improvement Surcharges					
Concourse D (AA)	$0	$0	$0	$0	$0
Concourse C (AA)	$1,151	$1,408	$1,408	$1,408	$1,408
	$1,151	$1,408	$1,408	$1,408	$1,408
Loading Bridge Charges					
West Terminal					
East Terminal					
	$0	$0	$0	$0	$0
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$84,588	$89,467	$92,487	$97,786	$102,743
Signatory airline enplaned passengers	7,656	7,961	8,222	8,456	8,683
Cost per enplaned passenger - (Gross)	$11.05	$11.24	$11.25	$11.56	$11.83
Cost per enplaned passenger - (Net)[1]	$10.90	$11.06	$11.08	$11.40	$11.67
SIGNATORY AIRLINE RATES					
Landing Fee Rate (per 1,000 pounds)	**$5.36**	**$5.53**	**$5.54**	**$5.69**	**$5.90**
Terminal Building Rental Rates					
West Terminal	**$49.17**	**$50.57**	**$52.46**	**$56.72**	**$58.41**
East Terminal	**$54.63**	**$55.79**	**$58.07**	**$60.65**	**$61.88**

(1) Net of Terminal Tenant Improvement Surcharges and Loading Bridge Charges.
(2) Based on Proposed Airline Agreement as discussed in this Report.

FACTORS AFFECTING THE AIR CARRIER INDUSTRY

General

The City's ability to collect Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airport Use Agreements and other arrangements.

The dynamics in the airline industry have a marked influence on airport activity. The past three and a half years have been particularly difficult for the airline industry due to the convergence of world events — the U.S. economic recession, the September 11 Events, the wars in Afghanistan and Iraq, severe acute respiratory syndrome ("SARS") and rising fuel prices. Prior to the September 11 Events, the airline industry already faced weakened air travel demand, particularly from the business segment, with the decline of the information technology sector and the slowdown in the U.S. economy. In addition, the advent of internet fares and new communication technologies were already transforming the marketplace. The September 11 Events fundamentally altered industry dynamics and passenger travel patterns. Once air service was restored after the September 11 Events, demand dropped precipitously, beyond normal market conditions and business travel did not return to previous levels. The stringent security processing implemented at airports after the September 11 Events posed a new deterrent to the traveling public. Airline revenues dropped and remain at lower than pre-September 11, 2001, levels. In response to weak demand, airlines were forced to drop fares to stimulate demand, further exacerbating the drop in revenues. After the September 11 Events, the industry was affected by the following additional events: the SARS epidemic in 2002, the War in Iraq in 2004 and the continuing rise in fuel prices in 2004 and 2005. Collectively U.S. airlines, as represented by the Airport Transport Association members, lost $8.3 billion in 2001, $11.3 billion in 2002, $3.6 billion in 2003, and $9.1 billion in 2004.

Faced with dampened air travel demand and an evolving business climate, airlines have accelerated the structural changes that have been under way prior to September 11, 2001. Growing competition from low-cost, low-fare carriers forced network carriers to implement route rationalization including route transfers to regional partners and the reduction, or elimination, of service to unprofitable markets. Airlines reduced schedules, simplified fleets, deferred new aircraft delivery, implemented pay cuts and reduced workforces. In addition, network carriers have shown increasing flexibility in adjusting fares to match discount fares offered by low-cost carriers. Airlines have also introduced innovations in passenger service and convenience – notably the expanded use of the internet and self-service kiosks

Traffic continues to recover from the 2001 recession and the aftermath of the September 11 Events. In 2003, nationwide passenger traffic, as measured in revenue passenger miles (RPMs), grew 2.3 percent over 2002 and enplanements grew 5.5 percent, and in 2004 RPMs grew 11.4 percent over 2003 and enplanements grew 8.0 percent. However, traffic recovery has not been matched by revenue recovery because of the inability of airlines to raise fares and increases in the costs of fuel and security. Several major airlines remain in financial crisis. United Airlines has remained in bankruptcy protection since December 9, 2002. US Airways filed for bankruptcy protection on September 13, 2004, the second time since the September 11 Events.

The level of aviation activity at the Airport can have a material impact on the amount of PFC Revenues and the amount of Revenues of the Airport. First, the amount of the PFC Revenues is based upon the number of enplanements at the Airport. Any decrease in enplanement levels whether due to a general decrease in aviation activity nationwide or a decrease in aviation activity at the Airport only, will cause a decrease in the amount of the PFC Revenues received by the Airport. The amount of moneys to be deposited into the Revenue Fund in any given month is also dependent upon (1) payment of amounts received from air carriers under Use Agreements, the Cargo Leases and the AMR Sub Asset Lease, and (2) the level of concession and non-air carrier revenues, which is dependent upon activity at the Airport. Amounts available for deposit in the Revenue Fund could be adversely affected by delays or defaults in the payments of rates and charges by the air carriers at the Airport.

National and International Economic and Political Conditions. Historically, air carrier passenger traffic nationwide has correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth.

As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts also can affect air carrier travel demand.

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving the airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service at will. Most major air carriers have developed "hub-and-spoke" route networks as a means of increasing their service frequencies, passenger volumes, and profitability.

On November 1, 2003, American Airlines, which is the dominant airline at the Airport, reduced the number of flights in and out of the Airport by more than half from approximately 386 daily departures in November 2002 to 190 daily departures in November 2003, with most of the cuts coming from connecting flights. The number of destinations that can be reached through direct flights from the Airport was reduced from 93 to 68. As a result of such reductions, the Airport has virtually closed Concourse D at the Airport. See "**AIRPORT OPERATIONS – Reduction in American Airlines Operations**." Other airlines have increased service since November 1, 2003: Delta Air Lines has added 149 seats per day between the Airport and Cincinnati and Southwest has added two additional destinations, Los Angeles and Fort Lauderdale.

Aviation Fuel Costs. The price of aviation fuel continues to be an important and uncertain determinate of an air carrier's operating economics. According to the Air Transportation Association, fuel is the second largest cost component of airline operations after labor and continues to be an important and uncertain determinate of an air carrier's operating economics. Fluctuating fuel prices have caused corresponding fluctuations in airfares and air carrier operating results. The average price of oil in 2003 of $31 per barrel was more than 50 percent higher than the 10-year median price of oil. The price of oil has subsequently reached more than $59 per barrel. Some U.S. airlines have attempted in recent months to pass the higher fuel costs to consumers by increasing the fuel surcharge or increasing the price of airfares. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Revenues from Air Carriers. The derivation of Revenues from the operation of the Airport depends on many factors, many of which are not subject to the control of the Airport. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Use and Cargo Agreements. The revenues of the airlines serving the Airport may be materially affected by many factors including without limitation, the following: declining demand; service and cost competition, mergers; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; acts of war and terrorism and other risks. Most airlines, as a result of these and other factors, continue to operate at a loss, and several have filed for bankruptcy, ceased operations and/or have merged with other airlines. Historically, the airline industry's results have corresponded with the performance of the economy. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

Federal Legislation in Response to September 11 Events

On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the "Stabilization Act") was enacted into law. The Stabilization Act provides in part for: (i) $5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11 Events; (ii) $10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees; (iii) limitations on air carrier officer and employee compensation if the air carrier participates in the federal loan guarantee program; (iv) reimbursement by the federal government to domestic airlines for certain increased insurance costs for the operation of aircraft; (v) deferral of payment by domestic airlines of certain taxes; and (vi) limitation of liability for domestic airlines. In addition, the Stabilization Act established a federal victims compensation fund and claims procedure relating to the September 11 Events.

On November 19, 2001, the Aviation and Transportation Security Act (the "Security Act") was enacted into law. The Security Act provides in part for the federalization of airport security. The federalization of airport security was initiated on February 17, 2002. Federalization of airport security at the Airport took place in September 2002. The bill also permits the deployment of air marshals on all flights and requires deployment of air marshals on all "high risk" flights. The airlines are to provide a payment of approximately $700 million to finance the federal security service which is the estimated cost of providing such service prior to September 11, 2001. The Security Act also provides for a passenger fee of $2.50 for each flight segment, not to exceed $5.00 per one-way trip, which is to be used to help defray the cost of the TSA, the new federal security agency created by the Aviation Security Act. The Security Act also required that by December 31, 2002, sufficient explosive detection systems ("EDS") be deployed at airports in the United States to screen all checked baggage. The Homeland Security Act of 2002 (the "Homeland Security Act") amended the Security Act to allow an extension for installing the EDS until December 31, 2003.

The Security Act mandates two civil aviation security fees to help pay the government's costs of providing civil aviation security services. As described above, the September 11th Security Fee is levied on individual passenger tickets and consists of a fee of $2.50 for each flight segment, not to exceed $5 per one-way trip. The President has proposed a $3 increase per ticket in this September 11th Security Fee in his 2006 budget. In addition to the fee charged to passengers, a fee may also be imposed on air carriers, which may not exceed, in the aggregate, the total amount paid in calendar year 2000 by the air carriers for screening passengers and property. This fee, designated the Aviation Infrastructure Security Fee, was imposed on air carriers by the TSA effective February 18, 2002. An April 2003 federal aid package for the airline industry waived certain of these security fees from June 1, 2003 through September 30, 2003. These fees resumed on October 1, 2003.

The Homeland Security Act also created the Department of Homeland Security ("DHS"). Under the Homeland Security Act, the TSA, including all TSA functions, personnel and assets, was transferred from DOT to DHS. The Office of Government Ethics has since designated the TSA as a distinct and separate component of DHS.

The Homeland Security Act requires the FAA to provide war-risk hull loss and passenger, crew and third party liability insurance. In addition, the statute eliminates the deductible to be paid for war-risk coverage. Finally the Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying the DOT for its third-party policy as of June 19, 2002. The duration of these insurance requirements has been extended through August 31, 2005.

The Terrorism Risk Insurance Act also was enacted in 2002. This law established the Terrorism Insurance Program in the Department of the Treasury. This statute is intended to ensure the availability of property and casualty insurance for terrorism risk by having the federal government temporarily share the burden of compensating for insured losses. The program continues until December 31, 2005. Losses in connection with terrorist acts that are incurred by passenger or cargo airlines are covered by the program, regardless of where the loss occurs.

The Airport cannot predict the likelihood of future incidents similar to the September 11 Events, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

Low-cost Carriers and Low-fare Divisions of Legacy Carriers

In recent years, low-cost carriers have accounted for an increasing share of domestic U.S. passenger market at the expense of the legacy carriers. Nationally, low-cost carrier service accounted for approximately 10% of passenger traffic in the early 1990's and increased to approximately 12% by early 2005. Increased competition from low-cost carriers has placed additional pressure on the legacy carriers to institute further cost-cutting measures, reduce their fares to remain competitive and introduce their own low-fare divisions.

Financial Condition of Certain Airlines Serving the Airport

The Airport derives its operating revenues primarily from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, among other factors, including the decisions of individual airlines regarding levels of service, affect the level of aviation activity at the Airport. For information regarding airline activity at the Airport, see "**CERTAIN INVESTMENT CONSIDERATIONS - Airline Activity at the Airport.**"

The principal airlines serving the Airport are American Airlines, which is a subsidiary of AMR, with a 48.8% market share, and Southwest Airlines, with a 23.6% market share. (Market share is based on percentage of total enplanements, including regional affiliates.) For the six months ended December 31, 2004, American Airlines and Southwest Airlines accounted for approximately 36% and 10%, respectively, of Airport Revenues. The only other airlines with over a 5% market share (including their regional affiliates) are Northwest Airlines, with 5.7%, Delta Airlines, with 5.5%, and United Airlines, with 5.5%. Certain limited information regarding the financial condition of AMR, Southwest and certain other airlines with operations at the Airport is set forth below.

AMR Sub Acquisition of TWA Assets

Prior to April 9, 2001, TWA was the Airport's primary air carrier. On January 10, 2001, TWA filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). Chapter 11 permits a company to continue operations while it develops a plan of reorganization under the jurisdiction of the bankruptcy court and in accordance with the provisions of the Bankruptcy Code. On March 12, 2001, the United States Bankruptcy Court for the District of Delaware approved TWA's motion for authority to sell substantially all of its assets to American or its designees, including AMR, the parent company of American Airlines. The sale of TWA's assets to AMR Sub was closed on April 9, 2001. In connection with the sale, TWA assumed and assigned to AMR Sub (a) its Use Agreement, (b) its Cargo Lease, (c) the AMR Sub Asset Lease and (d) its contract with its regional affiliate, Trans World Express. As a result of the sale, American Airlines became the nation's largest air carrier with approximately 22% of the United States market, gained a hub operation at the Airport and became the largest scheduled passenger airline in the world. In the fiscal year ended June 30, 2001 (the fiscal year in which the sale of TWA's assets to AMR Sub occurred), TWA and

AMR Sub and its affiliates accounted for 76.7% of total enplanements at the Airport. Beginning in December 2001, the former operations of TWA were substantially integrated with those of American Airlines. (American Airlines substantially reduced its operations at the Airport beginning in November 2003. See **"AIRPORT OPERATIONS – Reduction in American Airlines Operations."**)

AMR

For the year ended December 31, 2004, AMR reported a net loss of $761 million ($4.74 per share), compared to a net loss of $1.228 billion ($7.76 per share) for the year ended December 31, 2003. AMR had total operating revenue of $18.6 billion in 2004, compared to $17.4 billion in 2003, and total operating expenses of $18.789 billion in 2004, compared to $17.4 billion in 2003. AMR reported a net loss of $162 million ($1.00 per share) for the quarter ended March 31, 2005, compared to a net loss of $166 million ($1.03 per share) for the quarter ended March 31, 2004. Such quarterly information is unaudited.

In the event of a filing by AMR under Chapter 11 of the Bankruptcy Code, AMR Sub would have the opportunity, subject to bankruptcy court approval, to assume or reject various agreements between AMR Sub and the City relating to the Airport, including the AMR Sub Use Agreement, the AMR Cargo Lease and the AMR Sub Asset Lease. There can be no assurance that other airlines would agree to lease or use any facilities surrendered by AMR. In general, the Use Agreements and Cargo Leases permit the City to allocate to other Signatory Air Carriers the costs allocable to such facilities. Notwithstanding these provisions regarding the AMR Sub Use Agreement and AMR Sub Cargo Leases, the City is not permitted to make rental adjustments based on deficiencies resulting from AMR's failure to pay lease charges under the AMR Sub Asset Lease, including any failure to pay such lease charges resulting from a rejection in bankruptcy.

No assurance can be given that AMR and its affiliates will continue their operations at their existing level at the Airport. Any further reduction in such operations could have a material adverse impact on aviation activity at the Airport and, consequently, on Airport Revenues. For additional information regarding AMR's operations at the Airport, see **APPENDIX A - "Financial Feasibility Report."**

The above information is derived principally from, and is qualified by, the information contained in AMR's Form 10-K for the year ended December 31, 2004, and Form 10-Q for the quarter ended March 31, 2005, filed with the SEC.. More complete information is contained in such filings. See ***"Additional Information"*** *below.*

Southwest

For the year ended December 31, 2004, Southwest reported net earnings of $313 million ($0.40 per diluted share), compared to net earnings of $442 million ($0.54 per diluted share) for the year ended December 31, 2003. In 2004, Southwest posted a profit for its 32nd consecutive year, and 55th consecutive quarter. Southwest's 2004 profit of $313 million exceeds its 2003 profit, excluding the impact of a 2003 federal government grant. Southwest reported net income of $76 million ($.09 per diluted share) for the quarter ended March 31, 2005, compared to net income of $26 million ($.03 per diluted share) for the quarter ended March 31, 2004. Such quarterly information is unaudited.

The above information is derived principally from, and is qualified by, the information contained in Southwest's Form 10-K for the year ended December 31, 2004, and Form 10-Q for the quarter ended March 31, 2005, filed with the SEC. More complete information is contained in such filings. See ***"Additional Information "*** *below.*

Certain Other Airlines

UAL Corporation ("UAL") and certain of its United States subsidiaries, including United Airlines, filed for Chapter 11 bankruptcy protection on December 9, 2002. UAL has stated that it expects to file a plan of reorganization that provides for UAL's emergence from bankruptcy later in 2005.

Delta Airlines has indicated that there is significant uncertainty as to its ability to comply with certain financial covenants in the future, and any future noncompliance could cause it to seek to restructure under Chapter 11 of the Bankruptcy Code.

US Airways Group and certain of its subsidiaries filed their second voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in two years on September 12, 2004. US Airways Group has stated that it is working towards emerging from Chapter 11 in mid 2005, but that timing is dependent upon, among other things, the timely and successful confirmation and implementation of a plan of reorganization. On May 20, 2005, US Airways Group Inc. and America West Holding Corp. announced that they have agreed to a merger, subject to obtaining the required approvals. US Airway Group stated that it is its intention that if a transaction is consummated, it would become an integral component of the plan of reorganization. U.S. Airways (including its regional affiliates) has a 2.5% market share at the Airport.

There can be no assurance that any of the airlines currently in bankruptcy will adopt a plan of reorganization and emerge from bankruptcy, or that any such airline will continue to operate at the Airport or at its current level of operation; nor can there be any assurance that any airline operating at the Airport is not incurring or will not incur financial difficulties affecting its level of operations at the Airport or its ability to continue to operate as a viable airline.

Additional Information

Most of the Signatory Air Carriers, including American Airlines, Southwest Airlines, Northwest Airlines, Delta Airlines and United Airlines (or their parent corporations), and certain other air carriers operating at the Airport (or their parent corporations), are subject to reporting requirements of the Exchange Act, and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, concerning each reporting Signatory Air Carrier (or its parent corporation) is contained in such documents filed with the SEC. Such documents can be read and copied at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. Further information regarding the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Documents filed with the SEC can also be obtained at the SEC's Internet website at http://www.sec.gov. In addition, each domestic Signatory Air Carrier is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following location: Office of Airline Information, Bureau of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC website or links to other internet sites accessed through the SEC's website.

CERTAIN INVESTMENT CONSIDERATIONS

The Series 2005 Refunding Bonds may not be suitable for all investors. Prospective purchasers of the Series 2005 Refunding Bonds should give careful consideration to the information set forth in this Official Statement, including, in particular, the matters referred to in the following summary.

Airline Activity at the Airport

The Airport derives a substantial portion of its operating revenues from landing and facility rental fees. The financial strength and stability of the airlines using the Airport, and the number and the percentage of enplaned passengers carried by any one airline, together with numerous other factors, influence the level of aviation activity at the Airport. In addition, individual airline decisions regarding level of service, particularly hubbing activity at the Airport, can affect total enplanements. American Airlines reduction of operations at the Airport has significantly decreased the number of enplanements at the Airport.

American Airlines (including its affiliates), including AMR Sub, is the dominant carrier at the Airport, accounting for approximately 36% the total airline rentals, fees and charges component of the operating revenue at the Airport and approximately 48.8% of total enplanements, in the six months ended December 31, 2004. In recent years, AMR has experienced significant losses and has implemented certain cost saving measures, including a reduction in its capital expenditures and changes in its operating schedule, to help stem the losses. No assurances can be given that AMR will continue its operations at the Airport or that, if it discontinues such operations, its current level of activity will be replaced by other carriers. Beginning in November 2003, American Airlines substantially reduced its operations at the Airport. See "**AIRPORT OPERATIONS — Reduction in American Airlines Operations**."

Southwest is the second largest carrier at the Airport, accounting for approximately 10% of the total airline rentals, fees and charges component of the operating revenue at the Airport and 23.6% of total enplanements in the six months ended December 31, 2004. Although Southwest has been adversely affected by some of the same economic pressures facing other airlines, through March 31, 2005 it has continued to report a profit. No assurances can be given that Southwest will continue to operate at its current level or that, if it reduces further or discontinues its operations, its current level of activity will be replaced by other carriers.

For information regarding the financial condition of American Airlines and Southwest Airlines. see "**FACTORS AFFECTING THE AIR CARRIER INDUSTRY - Financial Condition of Certain Airlines Serving the Airport.**"

Airline Industry Factors

The Revenues of the Airport are affected substantially by the economic health of the airline industry and the airlines serving the Airport. Some factors that may materially affect the Airport and the airlines include, but are not limited to, growth of population and the economic health of the region and nation, airline service and route networks, national and international economic and political conditions, changes in demand for air travel, service and cost competition, mergers, the availability and cost of aviation fuel and other necessary supplies, levels of air fares, fixed costs and capital requirements, the cost and availability of financing, the capacity of the national air traffic control system, national and international disasters and hostilities, the cost and availability of employees, labor relations within the airline industry, regulation by the federal government, environmental risks and regulations, noise abatement concerns and regulation, the financial health and viability of the airline industry, bankruptcy and insolvency laws, acts of war or terrorism and other risks. Many airlines, as a result of these and other factors, have operated at a loss in the past and many have filed for bankruptcy, ceased operations and/or merged with other airlines. Historically, the financial performance of the airline industry has correlated with the strength of the national economy generally. See **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY – General"** and **"- Financial Condition of Certain Airlines Serving the Airport."**

September 11 Events

The September 11 Events significantly adversely affected the North American Airlines transportation system, including operations of the Airport. Specifically, since the September 11 Events, enplanements at the Airport, collections of PFCs and the receipt of Revenues have been adversely affected and may continue to be negatively affected by restrictions on the Airport and the financial condition of the air travel industry. Like many airport operators, the City has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. In addition, the FAA may require further enhanced security measures and impose additional restrictions on the Airport, which may affect future Airport results. The City cannot predict the likelihood of future incidents similar to the September 11 Events, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions. See **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY."**

Regulations and Restrictions Affecting the Airport

The operations of the Airport and its ability to generate revenues are affected by a variety of legislative, legal, contractual and practical restrictions. These include, without limitation, limitations imposed by the Use Agreements and the Cargo Leases, and by extensive federal regulations applicable to all airports. The following summarizes some of the applicable regulations and restrictions:

Restrictions as a Result of the September 11 Events

The federal government has imposed enhanced security restrictions applicable to all airports in the United States. Such security enhancements have resulted in additional costs to the Airport, caused delays to travelers and have discouraged air travel by some members of the public. See "**FACTORS AFFECTING THE AIR CARRIER INDUSTRY - Federal Legislative Response to September 11 Events."**

Federal Funding Regulations

The FAA has the power to terminate the authority to impose PFCs if the City's PFC revenues are not used for approved projects, if project implementation does not commence within the time periods specified in the FAA's regulations or if the City otherwise violates FAA regulations. The City's plan of funding for Phase 1 of the ADP, the FY 2006-FY 2010 CIP and the Part 150 Program is premised on certain assumptions with respect to the timing and amounts of the City's PFC applications, and the availability of PFCs to fund PFC-Eligible portions of certain of those projects. In the event that PFCs are lower than those expected, the City may elect to delay certain projects or to seek alternative sources of funding, including the issuance of Additional Bonds.

Expiration and Possible Termination of Use Agreements

Pursuant to the Use Agreements, each Signatory Air Carrier is required to pay certain rates and charges for its use of the Airport. The existing Use Agreements will expire on December 31, 2005, except that the AMR Sub Use Agreement has a month to month term that renews automatically until December 31, 2005, so long as AMR Sub is current in its payment obligations and continues service at certain levels at the Airport. The City has the right, under certain circumstances, to terminate such leases prior to their expiration.

The City is in the process of negotiating new Use Agreements and Cargo Leases with the air carriers serving the Airport. There can be no assurance that the Use Agreements will be successfully negotiated and executed prior to their scheduled expiration on December 31, 2005. According to the City's legal counsel, in the absence of new Use Agreements and Cargo Leases, the City has the ability by ordinance to establish, charge and collect air carrier rates and charges by ordinance, subject to the requirements of federal law.

Under the Use Agreements, the costs of certain capital expenditures by the Airport may not be included in rental and landing fees payable under the Use Agreements unless such projects receive MII approval. Phase 1 of the ADP has not received MII approval. No assurances can be made concerning the outcome of any such negotiations. See "**THE SERIES 2005 REFUNDING BONDS - Air Carrier Rates and Charges."**

Effect of Bankruptcy on the Use Agreements

In the event of bankruptcy proceedings involving one or more of the Signatory Air Carriers, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Use Agreement. However, bankruptcy courts are courts of equity and can, and often do, grant exceptions to these statutory limitations. In the event of assumption, the debtor airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant document. Rejection of a Use Agreement by any Signatory Air Carrier would give rise to an unsecured claim of the City for damages, the amount of which may be limited by the Bankruptcy Code. In general, under the Use Agreements, the City is permitted to allocate to other Signatory Air Carriers the rents, fees and charges for facilities surrendered by Signatory Air Carriers pursuant to a rejection in bankruptcy. Notwithstanding these provisions in the Use Agreements, the City is not permitted to allocate deficiencies in lease charges under the AMR Sub Asset Lease to the other Signatory Air Carriers, whether such deficiency is pursuant to a rejection in bankruptcy or otherwise. If the bankruptcy of one or more Signatory Air Carriers were to occur, however, there can be no assurance that the remaining Signatory Air Carriers would be able, individually or collectively, to meet their obligations under the Use Agreements. Whether or not a Use Agreement is assumed or rejected in a bankruptcy proceeding, it is not possible to predict the subsequent level of utilization of the gates leased under such agreement. Decreased utilization of gates could have a material adverse effect on Airport operations, as well as on Revenues and ultimately on the cost to the airlines of operating at an Airport. See **"APPENDIX D - "Summary of Certain Provisions of the Use Agreements and the Cargo Leases."**

Limitations on Bondholders' Remedies

The occurrence of an Event of Default under the Indenture, including a failure to make a payment of principal or interest on the Series 2005 Refunding Bonds, may not result in an automatic acceleration of payment of the Series 2005 Refunding Bonds. As a result, the Airport Authority may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport, even if an Event of Default has occurred and no payments are being made on the Series 2005

Refunding Bonds. See **"THE SERIES 2005 REFUNDING BONDS - Matters Relating to Enforceability"** and **"-- Acceleration."**

Costs of Capital Improvement Programs and Schedule

The estimated costs of, and the projected schedule for, the projects included in the FY 2006 - FY 2010 CIP, the Part 150 Noise Mitigation Program, Phase 1 of the ADP and the Ongoing Capital Improvement Program depend on various sources of funding, including Additional Bonds, PFCs and federal grants, and are subject to a number of uncertainties. The ability of the City to complete these projects may be adversely affected by various factors including: (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the projects, (iv) delays in contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental issues, including environmental approvals that the City has not obtained at this time. A delay in the completion of certain projects could delay the collection of Revenues in respect of such projects, increase costs for such projects, and may cause the rescheduling of other projects. There can be no assurance that the cost of construction of Phase 1 of the ADP will not exceed the currently projected dollar amount or that the completion will not be delayed beyond the currently projected completion date. Any schedule delays or cost increases could result in the need to issue Additional Bonds and may result in increased costs per enplaned passenger to the airlines serving the Airport, that may place the Airport at a competitive disadvantage to other airports. See **"CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT."**

Assumptions in the Report of the Airport Consultant

The Financial Feasibility Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. See **"FINANCIAL FEASIBILITY REPORT"** below and **APPENDIX A - "Financial Feasibility Report."**

Forward Looking Statements

This Official Statement, and particularly the information contained under the captions **"INTRODUCTION," "THE SERIES 2005 REFUNDING BONDS," "CAPITAL IMPROVEMENT PROGRAMS AT THE AIRPORT" and APPENDIX A "Financial Feasibility Report,"** contains statements relating to future results that are "forward looking statements" as described in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated include an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, changes in the levels of operations at the Airport, federal legislation and/or regulations, and regulatory and other restrictions, including, but not limited to, those that may affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Additional information regarding the foregoing considerations is also included in the Financial Feasibility Report in **APPENDIX A**.

FINANCIAL FEASIBILITY REPORT

*The Financial Feasibility Report attached as **APPENDIX A** to this Official Statement 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.*

General

The Financial Feasibility Report of Unison-Maximus, Inc., 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 more than $5 billion of general airport revenue bonds and almost $1.2 billion of special facility revenue bonds and PFC-backed bonds for airport projects. The Airport Consultant and its principals have 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 2005 Refunding Bonds through the Fiscal Year ending June 30, 2011. The Financial Feasibility Report describes key factors which affect aviation activity and operations at the Airport, including activity forecasts and revenue and expense projections.

The Financial Feasibility Report describes the purpose of the Series 2005 Refunding 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 the level of 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 could have an impact on these statistics.

Principal Assumptions

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

1. The City will complete Phase 1 of the ADP within the current budget of $1.059 billion.

2. The new runway will become operational in the second quarter of calendar year 2006, but for financial projections, not be amortized until FY 2007.

3. The City will implement the current 5-Year CIP as currently planned and project budgets and schedules will be achieved as currently scheduled.

4. American Airlines will continue to operate a secondary hub at the Airport throughout the forecast period with at least its current level of service in terms of cities served, numbers of flights and aircraft types.

5. The FAA will fulfill the terms of the Letter of Intent and provide the City with the remaining portion of the $191 million AIP funding commitment for the ADP by FY 2010.

6. The rates under the Existing Airline Agreements will apply for both FY 2005 and FY 2006 and the rates being negotiated under the Proposed Airline Agreement will apply for FY 2007 through FY 2011.

7. There will be no disruption or loss of service resulting from a terrorist or any other catastrophic event.

Findings and Conclusions

The highlights of the historical trends and forecasts of aviation activity at the Airport are as follows:

- Annual enplanements increased from under one million in CY 1961 to 15.31 million in CY 2001 and then decreased to 6.71 million in CY 2004, representing an average growth rate of 4.6 percent between CY 1961 and 2004. On average annual enplanements increased by 3.6 percent per year between CY 1995 and 2000, and decreased by 18.6 percent per year between CY 2000 and 2004.

- The Airport's share of U.S. enplanements decreased from approximately two percent during the CY 1995-2002 period to one percent in CY 2004.

- The composition of passenger traffic at the Airport has changed from 54.2 percent O&D and 45.8 percent connecting in CY 1995 to 78.5 percent O&D and 21.5 percent connecting in CY 2004. Between CY 1995 and 2000, O&D enplanements grew at an average rate of 0.8 percent annually – lagging behind connecting enplanements, which grew at an average rate of 6.5 percent annually. Between CY 2000 and 2004, O&D enplanements declined at an average annual rate of 7.7 percent, much less than the average rate of decline in connecting enplanements of 34.9 percent annually.

- The Airport serves primarily domestic enplanements, which decreased in share from 99.0 percent in CY 1995 to 98.1 percent in CY 2004. Domestic enplanements increased by 3.5 percent per year, on average, between CY 1995 and 2000, and decreased by 18.8 percent per year, on average, between CY 2000 and 2004. International enplanements accounted for the remaining share, which increased from 1.0 percent in CY 1995 to 1.9 percent in CY 2004. International enplanements increased by 8.4 percent per year, on average, between CY 1995 and 2000, and decreased by 11.0 percent per year, on average, between CY 2000 and 2004.

- Together American Airlines and American Connection operators accounted for the largest share of enplanements, which declined from 78.8 percent in CY 2000 to 48.8 percent in CY 2004. Southwest held the second largest share, which increased from 11.7 percent in CY 2000 to 23.6 percent in CY 2004.

- Total commercial aircraft departures decreased from 222,868 in CY 2000 to 126,909 in CY 2004 at an average annual rate of 13.1 percent. The decrease in commercial departures was primarily attributable to the decrease in mainline aircraft departures. American Airlines alone decreased its mainline departures from 124,681 in CY 2000 to 18,998 in CY 2004 at an average annual rate of 37.5 percent. American Airlines downsized its operations at the Airport as part of its effort to streamline and consolidate its hubs, and the downsizing of the St. Louis hub came to full effect in November 2003. Between CY 2003 and 2004, American Airlines' mainline aircraft departures from the Airport decreased by approximately 70 percent.

- Commercial aircraft landed weight decreased from 24.06 billion pounds in CY 2000 to 9.71 billion pounds in CY 2004 at an average annual rate of 20.3 percent.

- Under the base forecast of aviation activity, total enplanements are forecast to decrease by 13.1 percent from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 8.87 million in FY 2011 at an average annual rate of 4.1 percent. Commercial aircraft departures are projected to decrease by 11.2 percent from 146,760 in FY 2004 to 130,276 in FY 2005, and then increase to 156,005 in FY 2011 at an average annual rate of 3.0 percent. Landed weight is projected to decrease by 18.2 percent from 12.18 billion pounds in FY 2004 to 9.93 billion pounds in FY 2005, and then increase to 12.14 billion pounds in FY 2011 at an average annual rate of 3.4 percent.

Table V-3 presents the forecast of Revenues for the seven-year period FY 2005 thorough FY 2011. Total Airport Revenues are projected to increase from $145.6 million in FY 2005 to $200.2 million in FY 2011 or at an average annual growth rate of 4.9%.

The Financial Feasibility Report includes a total of three enplanement scenarios. In addition to the Base Case assumptions described herein, the Financial Feasibility Report also contains low and high scenarios. The three scenarios are distinguished by different assumptions regarding the rate of reinstatement and addition of flights and the rate of improvement in load factors. See **APPENDIX A – Financial Feasibility Report, Section IV-B "Forecast Aviation Activity."**

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Table V-3
FORECASTED AIRPORT REVENUES
Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate 2004-2011	Actual 2004	Projected [1] 2005	2006	2007	2008	2009	2010	2011
Signatory Airlines									
Airfield Landing Fees	9.8%	$36,585	$35,940	$42,676	$56,833	$60,764	$62,792	$66,083	$70,222
Terminal Rents	5.9%	20,846	23,788	21,869	26,556	27,247	28,260	30,268	31,086
Total	8.4%	$57,431	$59,727	$64,545	$83,389	$88,011	$91,052	$96,351	$101,308
Concession Fees									
Terminal Concessions	3.0%	$6,256	$4,792	$5,388	$6,103	$6,513	$6,907	$7,293	$7,690
Public Parking	10.6%	9,595	11,905	13,122	16,634	17,578	18,461	18,974	19,444
Car Rentals	6.7%	9,184	9,616	10,442	11,299	12,099	12,871	13,635	14,418
Space Rental	-100.0%	396	408	420	0	0	0	0	0
In-Flight Catering	-8.6%	806	361	398	383	394	406	418	431
Other	2.3%	4,296	4,425	4,551	4,552	4,669	4,786	4,902	5,021
Total	6.4%	$30,533	$31,507	$34,321	$38,971	$41,253	$43,431	$45,222	$47,004
Other									
Non-Signatory Landing Fees	-16.4%	$5,818	$11,542	$7,237	$1,541	$1,592	$1,588	$1,618	$1,660
Non-Signatory Airlines-Terminal	3.8%	706	652	672	772	793	823	890	916
Total	-12.4%	$6,524	$12,194	$7,908	$2,313	$2,385	$2,411	$2,508	$2,576
Airline Revenue Abatement					12,000	10,000	8,000	6,000	4,000
Cargo	4.2%	$1,878	$1,935	$1,993	$2,225	$2,292	$2,361	$2,432	$2,505
Hangars and Other Buildings	-38.9%	7,080	1,129	768	612	412	212	219	226
Tenant Improvement Surcharge	12.1%	916	916	916	1,777	2,034	2,034	2,034	2,034
Employee Lot	2.8%	575	592	610	622	641	660	680	700
Other Miscellaneous	0.5%	6,629	5,320	5,756	6,010	6,227	6,437	6,649	6,865
Total Other-Operating	-3.1%	$23,603	$22,087	$17,951	$25,560	$23,991	$22,114	$20,522	$18,906
TWA Asset Use Charges	-100.0%	$7,773	$7,829	$3,914	$0	$0	$0	$0	$0
Total Operating Revenue	4.9%	$119,340	$121,150	$120,732	$147,920	$153,255	$156,597	$162,095	$167,219
Interest Income	3.8%	$5,443	$5,677	$4,883	$4,917	$5,167	$5,702	$6,408	$7,082
Total GARB Revenues	4.9%	$124,783	$126,827	$125,616	$152,837	$158,422	$162,299	$168,503	$174,300
PFC Pledged Revenue	4.7%	18,766	18,766	16,984	25,884	25,887	24,428	25,946	25,949
Total Revenues	4.9%	143,549	145,593	142,600	178,721	184,309	186,727	194,449	200,249

(1) Forecast period computed based on two rate methodologies. Fiscal years 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 based on Proposed Airline Agreement as discussed in the report.

As indicated in the Financial Feasibility Report and the summary table for the Base Case in Section V therein, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the forecast period, Fiscal Year 2006 through Fiscal Year 2011. As also indicated in the Financial Feasibility Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Fiscal Years following the estimated date of completion of Phase 1 of the ADP (Fiscal Year 2007 through Fiscal Year 2009), thereby satisfying the applicable provisions of the Additional Bonds Test.

In addition, based on its knowledge of comparable airports and its experience in preparing similar studies and providing financial consulting services to a variety of airports, Unison Maximus believes the forecasted airline costs per enplaned passenger at the Airport are reasonable when compared to airports of similar size and comparable volume of airline activity.

The financial forecasts presented in the Financial Feasibility Report are based on information and assumptions that have been provided by Airport management, or developed by Unison Maximus and reviewed with and confirmed by Airport management. Based upon its review, Unison Maximus believes that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Financial Feasibility Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

Debt Service Coverage/Additional Bonds Test

Table V-8 below (from the Financial Feasibility Report) shows the forecast of Net Revenues and the calculation of debt service coverage for the forecast period, FY 2005 through FY 2011.

Debt service coverage is projected to range from 1.29 to 1.59 during the forecast period. Therefore the applicable provisions of the Additional Bonds Test are met.

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Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Actual	Projected [1]						
	2004	2005	2006	2007	2008	2009	2010	2011
ANNUAL DEBT SERVICE COVERAGE								
Total Revenues	$143,549	$145,593	$142,600	$178,721	$184,309	$186,727	$194,449	$200,249
less: Operation and Maintenance Expenses	67,612	73,272	77,754	81,262	84,496	87,493	91,001	94,704
Net Revenues	$75,937	$72,321	$64,846	$97,459	$99,813	$99,234	$103,448	$105,545
Debt Service								
Outstanding Bonds	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$65,641
Future Bonds				0	0	0	0	5,007
	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$70,648
Debt service coverage ratio	**1.28**	**1.53**	**1.29**	**1.50**	**1.54**	**1.56**	**1.59**	**1.49**
ADDITIONAL BOND TEST								
Required debt service coverage				**1.25**	**1.25**	**1.25**		

(1) Forecast period based on two rate methodologies. Fiscal year 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 are based on the Proposed Airline Agreement.

TAX MATTERS

Federal Income Tax Consequences of Owning Series 2005 Refunding Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2005 Refunding Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2005 Refunding Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2005 Refunding Bonds. The City has covenanted in the Indenture and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2005 Refunding Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Indenture and the Tax Certificate. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP and White Coleman & Associates, LLC, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of the aforementioned representations and certifications of the City, interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2005 Refunding Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Original Issue Premium

All of the Series 2005 Refunding Bonds are being offered at prices in excess of their principal amounts (collectively, the "Premium Bonds"). An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

State Taxes

Co-Bond Counsel are also of the opinion that, under existing law and assuming that interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the Series 2005 Refunding Bonds is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. Co-Bond Counsel expresses no opinion regarding the applicability with respect to the Series 2005 Refunding Bonds or the interest on the Series 2005 Refunding Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Other Federal Tax Matters

Ownership of the Series 2005 Refunding Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions subject to Section 265 of the Code, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2005 Refunding Bonds and taxpayers who have an initial basis in the Series 2005 Refunding Bonds greater or less than the principal amount thereof. Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption "**Federal Income Tax Consequences of Owning Series 2005 Refunding Bonds**." Prospective purchasers of the Series 2005 Refunding Bonds should consult their independent tax advisors.

Changes in Federal Tax Law and Post Issuance Events.

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for Federal income tax purposes of the interest on the Series 2005 Refunding Bonds, and thus on the economic value of the Series 2005 Refunding Bonds. This could result from reductions in Federal income tax rates, changes in the structure of the Federal income tax rates, changes in the structure of the Federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the 2005A Refunding Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of holders of the Series 2005 Refunding Bonds may be proposed or enacted.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2005 Refunding Bonds may affect the tax status of interest on the Series 2005 Refunding Bonds. Co-Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Series 2005 Refunding Bonds, or the interest thereon, if any action is taken with respect to the Series 2005 Refunding Bonds or the proceeds thereof upon the advice or approval of other counsel.

LITIGATION

There is no litigation pending or, to the best knowledge of the City, threatened that would restrain or enjoin the issuance or delivery of the Series 2005 Refunding Bonds, or that questions the validity of the Series 2005 Refunding 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 City is a defendant in Families for Asbestos Compliance, Testing And Safety v. The City of St. Louis, Missouri and City of St. Louis Airport Authority, pending in the United States District Court for the Eastern District of Missouri (Civil Action No. 05-CV00719CJ). This lawsuit, filed May 5, 2005, by a not-for-profit-group, alleges that the City, as owner and operator of the Airport, violated the Clean Air Act and the Resource Conservation and Recovery Act when it performed "wet demolition" of approximately 300 residential structures under Phase 1 of the ADP. Plaintiff seeks injunctive and declaratory relief as well as civil penalties and recovery of its costs. The City believes that the suit is without merit and intends to vigorously defend the matter.

The Airport is subject to a variety of other 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, other than that set forth above, pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations, Revenues or Net Revenues.

UNDERWRITING

UBS Financial Services Inc., as the representative of itself, JPMorgan, Raymond James & Associates Inc., Berean Capital, Inc., George K. Baum & Company, Melvin Securities, L.L.C., Merrill Lynch, and M.R. Beal & Company (collectively the "Underwriters"), has agreed to purchase the Series 2005 Refunding Bonds from the City at an aggregate purchase price equal to $301,410,248.30 (which amount constitutes the aggregate principal amount of the Series 2005 Refunding Bonds, plus original issue premium on the Series 2005 Refunding Bonds of $39,521,547.50, less the Underwriters' discount on the Series 2005 Refunding Bonds of $1,806,299.20).

The bond purchase agreement between the Underwriters and the City (the "Bond Purchase Agreement") provides that the Underwriters will purchase all of the Series 2005 Refunding Bonds, if any are purchased, and that 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 2005 Refunding Bonds may be changed from time to time by the Underwriters.

INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX B** are the audited financial statements of the Airport as of June 30, 2004 and 2003 and for the years then ended, together with the report thereon of KPMG LLP, independent public accountants. This Official Statement does not include audited financial information on the Airport after June 30, 2004. The financial statements included in **APPENDIX B** are not necessarily indicative of the financial results of the Airport to be achieved in future periods.

CO-FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC and Gardner, Underwood & Bacon served as a co-financial advisors to the City with respect to the sale of the Series 2005 Refunding Bonds. The Co-Financial Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2005 Refunding Bonds and provided other advice. The Co-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 or omission.

INVESTMENT ADVISOR

Columbia Capital Management LLC ("Columbia Capital") serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2005 Refunding Bonds and funds invested in connection with the Indenture. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

VERIFICATION AGENT

Grant Thornton LLP, an independent accounting firm, will verify from the information provided to them, the mathematical accuracy of (a) the computations contained in the schedules provided to determine that the anticipated receipts from the securities and cash deposits, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium on the Refunded Bonds, and (b) the computations of yield on both such securities and the Series 2005 Refunding Bonds contained in the schedules used by Co-Bond Counsel in their determination that the interest on the Series 2005 Refunding Bonds is exempt from taxation. Grant Thornton LLP will restrict its procedures to verifying the arithmetical accuracy of the computations in the schedules provided to them and will not make any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, will not express an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

AIRPORT CONSULTANT

Unison-Maximus, Inc., Chicago, Illinois, has served as the Airport Consultant to the City with respect to the issuance of the Series 2005 Refunding Bonds and in such capacity has prepared the Financial Feasibility Report.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Series 2005 Refunding Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Counsel, and for the Underwriters by the Hardwick Law Firm, LLC and Cochran Cherry Smith Givens Caldwell & Singleton, St Louis, Missouri. The form of the Co-Bond Counsel opinion is set forth in **APPENDIX F** attached hereto.

CONTINUING DISCLOSURE

*A summary of the Continuing Disclosure Agreement (the "**Disclosure Agreement**") entered into by and between the City and the Trustee, as Dissemination Agent, is contained in **APPENDIX G**. 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.*

The City and the Trustee have entered into a Continuing Disclosure Agreement dated as of June 1, 2005, pursuant to which the City covenants for the benefit of holders and beneficial owners of the Series 2005 Refunding Bonds to provide (i) audited financial statements of the Airport and certain statistical and operating data relating to the City and the Airport by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 each year) (the "Annual Report"), commencing with the report for the Fiscal Year 2005, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board. These covenants are being made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

If characterized as an “Obligated Person” under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City has determined that the City is an Obligated Person. The City also has determined that American Airlines currently is the only other Obligated Person. The airlines are subject to the information reporting requirements of the Exchange Act, and in accordance therewith, files reports and other information with the SEC, as more fully described in **“FACTORS AFFECTING THE AIR CARRIER INDUSTRY.”** 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 AMR on behalf of AMR Sub 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 also has agreed in the Disclosure Agreement to use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring air carriers 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.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, any Beneficial Owner of the Series 2005 Refunding Bonds may take such actions as may be necessary and appropriate, including seeking mandamus 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 Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the Series 2005 Refunding Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”), a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, Inc. (“Fitch”) have assigned ratings of “Aaa,” “AAA” and “AAA,” respectively, to the Series 2005 Refunding Bonds, with the understanding that upon delivery of the Series 2005 Refunding Bonds, the Policy insuring the payment when due of principal of and interest on the Series 2005 Refunding Bonds will be issued by the Bond Insurer. The ratings assigned by Moody’s, S&P and Fitch are based upon the claims paying ability of the Bond Insurer and are not based on the creditworthiness of the City. Moody’s, S&P and Fitch have given the Series 2005 Refunding Bonds underlying ratings of “Baa1,” “BBB+,” and “BBB+,” respectively.

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 2005 Refunding 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 Ratings, Inc., 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 2005 Refunding Bonds.

MISCELLANEOUS

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

The references in the Official Statement to the Indenture and certain other 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 and such other agreements. Copies of such documents are on file at the offices of the City and following the delivery of the Series 2005 Refunding Bonds will be on file at the office of the Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact.

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/ Francis G. Slay
Francis G. Slay, Mayor

By: /s/ Darlene Green
Darlene Green
Comptroller

Appendix A

Financial Feasibility Report

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UNISON MAXIMUS
CONSULTING SOLUTIONS

June 14, 2005

Mr. Kevin Dolliole
Director of Airports
Lambert-St. Louis International Airport
Post Office Box 10212
St. Louis, MO 63145

Re: Financial Feasibility Report--The City of St. Louis, Missouri, Airport Revenue Refunding Bonds, Series 2005 (Lambert-St. Louis International Airport)

Dear Mr. Dolliole:

Unison-Maximus, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance by the City of St. Louis, Missouri (the City), of the Airport Revenue Refunding Bonds, Series 2005 (Lambert-St. Louis International Airport) (the Series 2005 Refunding Bonds) in the par amount of $263,695,000. The Series 2005 Refunding Bonds are being issued to advance refund a portion of the principal and/or interest components of the Series 1997A Bonds, Series 2001A Bonds and Series 2002A Bonds for the purposes of (1) achieving interest savings, and (2) restructuring the timing of a portion of the debt service payments on the City's Airport Revenue Bonds (the Bonds) to be made from Airport Revenues during the FY 2006 – FY 2011 period. (The principal and/or interest components of the Bonds being refunded are referred to herein as the Refunded Bonds.) The Refunded Bonds were issued in connection with the financing of capital improvements at Lambert-St. Louis International Airport (the Airport).

The issuance of the Series 2005 Refunding Bonds will enable the City to take advantage of opportunities that currently exist in the market to achieve savings in interest costs, and will have the effect of reducing the debt service payments on Bonds required to be made from Airport Revenues during the FY 2006-FY 2011 period. The City believes the restructuring of debt service payments is desirable in view of the initial decline in passenger traffic following the events of September 11th, and the reduction in air traffic activity that occurred at the Airport in November 2003 resulting in a significant cutback by American of its operations at the Airport. The restructuring will provide debt service relief to the Airport and the airlines in the near term while the air traffic market continues to recover. In connection with the issuance of the Series 2005 Refunding Bonds, the City will also amend the Indenture under which the City's Bonds are issued for the purpose of creating a Debt Service Stabilization Fund (the DSS Fund) that is expected to provide the City with additional financial flexibility in the future.

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The DSS Fund is expected to be funded initially from near-term debt service savings resulting from the issuance of the 2005 Refunding Bonds.

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority), an agency of the City. The Airport is the principal airport serving the St. Louis metropolitan area, a region with a population of approximately 2.7 million as of July 2003. In Fiscal Year (FY) 2004,[1] 8.0 million passengers were enplaned at the Airport, of which 5.1 million (64%) were originating passengers and 2.9 million (36%) were connecting passengers. The Airport is a secondary hub in the route system of American Airlines Inc. (American).[2] On April 9, 2001, American acquired all of the assets of Trans World Airlines (TWA) and, beginning in December 2001, substantially integrated all former TWA operations into American. Prior to the American acquisition, TWA had its principal system hub at the Airport.

During the past four years, a number of significant events affecting the Airport took place. American Airlines acquired Trans World Airways (TWA) in March 2001 and took over TWA's system hub operations at the Airport. On September 11, 2001, terrorists crashed four U.S. commercial airplanes, including two of American Airlines. These events took place amid an economic slowdown and dampened an already weak travel demand. The subsequent recovery of traffic nationwide was hampered by other international events such as the SARS epidemic and the Iraq War in 2003. In St. Louis, the recovery of traffic was set back further by the significant cutbacks by American Airlines in its operations at the Airport, which came to full effect in November 2003.

On an annual basis, the impact of the significant cutbacks by American Airlines is reflected in the following trends:

- Total enplanements decreased by 32.2% from 11.83 million in FY 2003 to 8.02 million in FY 2004. (FY 2004 includes four months of actual performance pre-downsizing.) Connecting enplanements decreased by 54.8%, from 6.32 million in FY 2003 to 2.86 million in FY 2004. Originating enplanements decreased by 6.4% from 5.51 million in FY 2003 to 5.16 million in FY 2004.

- Between FY 2001 and FY 2004, total enplanements decreased at an average annual rate of 18.9%, from 15.01 million to 8.02 million. Connecting enplanements decreased at an average annual rate of 28.9%, from 7.95 million in FY 2001 to 2.86 million in FY 2004. Originating enplanements decreased at an average annual rate of 9.9%, from 7.06 million in FY 2001 to 5.16 million in FY 2004

[1] The City's fiscal year begins July 1 and ends the following June 30.
[2] American's principal "system hubs" are in Chicago, Dallas/Fort Worth, and Miami.

The peak of air traffic activity at the Airport (in terms of aircraft departures) occurred in May 2001 as American was just beginning the process of absorbing TWA and its St. Louis hub operation. The following table shows total departures performed by American for the month of May from its peak level of activity in May 2001 through its scheduled activity for May 2005.

Departures Performed by American and American Connection

Month	American	American Connection	Total
May 2001	10,602	2,545	13,147
May 2002	8,348	2,162	10,510
May 2003	5,985	4,648	10,633
November 2003	1,532	3,320	4,852
May 2004	1,600	4,500	6,100
May 2005[1]	1,693	4,774	6,467

[1] Scheduled departures obtained from OAG database.

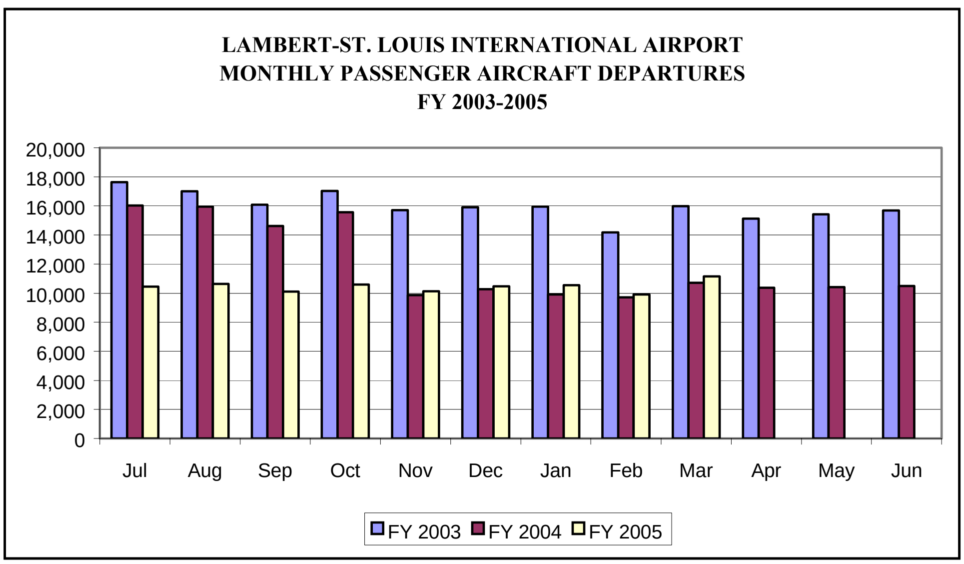
On July 16, 2003, American announced a significant cutback in its flight activity at the Airport beginning November 1, 2003. In fact, as the table above indicates, American had been gradually reducing its mainline jet flight activity at the Airport over a two-and-one-half year period leading up to November 2003—in part in response to the national economic slowdown and decline in air travel demand that followed the events of September 11, 2001, and in part as an effort to improve the profitability of the St. Louis hub. Beginning in FY 2003, however, American began a major increase in regional jet service—replacing mainline jets it flew previously with regional jets flown by regional affiliates operating as American Connection—a trend seen at many other major hub airports around the country in recent years. From May 2002 to May 2003, the number of American Connection flights increased by 115% and the number of American flights decreased by 28%, while the total number of flights remained relatively constant.

The cutbacks that occurred in November 2003 were largely of American's mainline jet activity although regional jet activity was reduced somewhat as well. Since then, however, the St. Louis hub has operated profitably, according to American management, and the airline has steadily added back flights. For the month of May 2005, American has scheduled 1,693 mainline jet flights, an 11% increase over November 2003, and 4,774 regional and commuter flights, a 44% increase over November 2003.

American, together with its American Connection partners, currently has the largest market share at the Airport, accounting for 50.9% of enplanements and 56.6% of departures in March 2005. American's March 2005 aircraft departures were 1,743 representing a 5.6% year-over- year increase. American Connection's March 2005 departures were 4,569, representing a 0.7% year-over-year increase. Southwest Airlines (Southwest) also has a major presence at the Airport, accounting for 22.8% of passenger enplanements and 16.7% of departures in March 2005. Southwest's March 2005 aircraft departures of 1,862 represented a year-over-year increase of 5.8%.

The other airlines serving the Airport had 2,892 aircraft departures from the Airport in March 2005, representing a year- over-year increase of 8.2%.

The total number of scheduled departures performed by all the passenger airlines serving the Airport is presented in the following table:



Source: Airport management records.

While St. Louis has had to deal with the consequences of the events of September 11th, a major national economic slowdown, and the significant cutbacks in American's operations, air traffic activity at the Airport has now stabilized and resumed a moderate growth trend. For the five month period from November 2004 through March 2005, passenger enplanements increased by 12% over the same period of 2003-2004 (the period immediately following the American pullback).

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Total Enplaned and Originating Passengers

Month	FY 2003	FY 2004	FY 2005
Enplanements			
Jul-Dec	6,336,819	4,747,781	3,448,282
Jan-Jun	5,412,159	3,257,632	
	11,748,978	8,005,413	
Nov – Mar only	4,536,248	2,439,839	2,727,300
Originations			
Jul-Dec	2,889,937	2,623,424	2,733,896
Jan June	2,598,915	2,527,814	
	5,488,852	5,151,238	
Nov – Mar only	2,090,455	1,887,251	2,138,107

Most of the traffic loss as a result of the American pull back was in connecting traffic. Locally-originating (O&D) traffic stabilized quickly after November 2003 and has resumed a moderate growth trend, as indicated in the table above. As discussed in Section V, parking, rental car and ground transportation revenues, which account for a significant portion of nonairline revenues at the Airport, are largely a function of O&D traffic, and therefore have remained strong, with strengthening growth trends in recent months.

The City is in the process of completing Phase 1 of the Airport's "Airport Development Program" (the ADP), a program developed as the product of an airport master plan completed in 1996. The principal element of the ADP is the development of a new air carrier runway (Runway 12R/30L) to the southwest of the existing airfield on new land acquired by the City. The new runway will allow the Airport to accommodate dual independent aircraft arrivals during instrument flight rule (IFR or bad weather) conditions, thereby substantially increasing airport capacity. The estimated total cost of Phase I of the ADP is $1.059 billion. All of the major construction contracts for the new runway project have been let, all of the required funding is in place, and the project is within budget and on schedule for opening during the second calendar quarter of 2006.

In November 1998, the FAA, evidencing its support of the ADP, issued a Letter of Intent to provide the City with $141.4 million of grants-in-aid for the project under the Airport Improvement Program (the AIP) over the 10-year period, Federal Fiscal Year (FFY) 1999 through FFY 2008. In November 2003, the FAA amended the LOI to increase the total amount of AIP funding by $50 million to $191.4 million and extended the term of the LOI to FY 2010.

All of the costs of the ADP are allocable to the Airfield cost center and are recoverable from airline rates and charges once the runway becomes operational. While the new runway is currently scheduled for completion during the second calendar quarter of 2006 for the purposes of this Report it is assumed that the date of beneficial use of the new runway will be July 1, 2006, the first day of FY 2007. Interest on all Bonds issued for the ADP (the 2001A Bonds and the 2003A Bonds) was capitalized (i.e., paid from Bond proceeds) or paid from PFC resources through FY 2006. For this reason, beginning in FY 2007, debt service on that portion of the Series 2001A Bonds not payable from PFC resources, together with debt service on the Series 2003A Bonds, will be payable from current revenues, and the amortization charges associated with the projects financed with such Bonds will be included in the airline landing fee rate base.

The City prepares a rolling five-year capital improvement program (the 5-Year CIP). The Airport's new 5-Year CIP addresses the period, FY 2006-FY 2010 and consists largely of reconstruction and modernization of existing Airport facilities and infrastructure. Many of the projects in the CIP will be undertaken only if and when federal funding becomes available. The total estimated cost of the new CIP is $288 million and is expected by the City to be financed largely with equity resources—AIP grants, Transportation Security Administration (TSA) grants, PFC resources, and Airport Development Fund moneys. The City has put in place a $125 million commercial paper program for the Airport which may be used to provide interim financing of certain projects in the CIP. In addition, up to $58 million of new money Bonds may be required to complete the funding of the CIP.

The Series 2005 Refunding Bonds are being issued pursuant to the Amended and Restated Indenture of Trust dated September 10, 1997, as amended and supplemented, including as amended and supplemented by the Thirteenth Supplemental Indenture, dated June 1, 2005 (as amended and supplemented, the Indenture). The Series 2005 Refunding Bonds are limited obligations of the City secured by and payable solely from (1) GARB Revenues (as defined in the Indenture), (2) Pledged PFC Revenues (as defined in the Indenture), and (3) any other available moneys deposited with the Trustee for deposit in the Revenue Fund (collectively, the Revenues).

The Series 2005 Refunding Bonds will be issued as Refunding Bonds under the Indenture, but will be subject to certain provisions of the Additional Bonds Test due to failing to meet the requirements of Section 305 (B) 4 (a) of the Restated Indenture that states in part; *Refunding Bonds of each Series shall be authenticated and delivered by the Trustee upon receipt of the City…(a) a certificate of an Authorized Officer of the City setting forth the Aggregate Debt Service and the Adjusted Aggregate Debt Service for the current and each future Airport Fiscal Year….that the Aggregate debt Service and the Adjusted Aggregate Debt Service set forth for each Airport Fiscal Year pursuant to Y above are no greater than the corresponding amounts set forth…"* . As a condition for the issuance of Additional Bonds, the Indenture requires that the following documents be prepared and delivered to the Trustee:

> A certificate of the Airport Consultant setting forth for each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or

> any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Development Fund; and
>
> A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant…, (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant…, and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service…with respect to future Series of Bonds, if any, [estimated to be] required to complete payment of the Cost of Construction of the Project..., and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year…

This provision is referred to as the Additional Bonds Test. This Report has been prepared in part to assist the City in complying with the provisions of the Additional Bonds Test.

The City and the scheduled passenger airlines serving the Airport have each entered into a substantially similar use and lease agreement (the Existing Airline Agreement) that governs, among other things, airline use and occupancy of Airport facilities and the calculation of airline rates and charges. The term of the Existing Airline Agreement extends to December 31, 2005. The Existing Airline Agreement provides that terminal rental rates are to be calculated under a “compensatory” rate methodology and landing fees are to be calculated under a “cost center residual cost” rate methodology.

The City and the airlines are currently negotiating a new use and lease agreement (the Proposed Airline Agreement) to become effective January 1, 2006 with a term of five-and-one-half years to June 30, 2011. The Proposed Airline Agreement, as currently drafted by the City, modifies certain aspects of the rate-making procedures of the Existing Airline Agreement but preserves the underlying rate-making concepts (compensatory terminal rentals and cost center residual landing fees), as further described in Section V of this Report.

The significant reduction in air traffic activity at the Airport—caused in large part by the reduction in the American hub—has resulted in a significant reduction in total aircraft landed weight and placed considerable upward pressure on landing fee rates. In order to mitigate future increases in landing fee rates and to provide a more cost-effective operating environment for airlines serving St. Louis, the City currently plans to provide up to $40 million from internal resources of the Airport for landing fee rate mitigation over the five-year period, FY 2007 through FY 2011, as provided for in the Proposed Airline Agreement.

These funds will be transferred to the Revenue Fund and applied to offset Signatory Airline landing fees, subject to certain limitations described in Section V of this Report.

Negotiations between the City and the airlines are progressing amicably and constructively. Nonetheless, it is possible that certain aspects of the rate-making procedures of the Proposed Airline Agreement will be modified as a result of the negotiating process. The extent and financial effects of such modifications cannot be determined at this time. Also, as of the date of this Report it is uncertain as to whether the parties will be able to conclude negotiations and execute the Proposed Airline Agreement by December 31, 2005. In such event, the City may agree to extend the Existing Airline Agreement for six months to June 30, 2006. For the purposes of this Report, it is conservatively assumed that the rates under the Existing Airline Agreement would continue for six months to June 30, 2006, and that the rates under the Proposed Airline Agreement would not apply until July 1, 2006 (the beginning of FY 2007). Therefore, the projections of airline revenues and rates presented in this report for *FY 2005 and FY 2006* are based on the provisions of the *Existing Airline Agreement*, and the projections for *FY 2007 through FY 2011* are based on the provisions of the current draft of the *Proposed Airline Agreement*.

No assurance can be given that the negotiations will be successfully concluded or that the parties will execute the Proposed Airline Agreement. Further, the City has no intention of extending the Existing Airline Agreement beyond June 30, 2006. According to the City's legal counsel, in the absence of a new use and lease agreement, the City has the authority to establish, charge and collect Airport rates and charges by ordinance. In the event the agreement is not fully executed, it is assumed the City will establish, charge and collect airline rates and charges by ordinance in such a manner as to produce airline rates and revenues reasonably consistent with the projections set forth in this Report.

This Report is organized into the following sections:

Section I — **Introduction** – Background information regarding the Airport, Airport governance and an overview of the capital programs.

Section II — **Plan of Finance** – An overview of the purpose and elements of the Series 2005 Refunding Bonds.

Section III — **The Economic Base of the Airport** – A discussion of the demographic and economic characteristics of the Airport's service area in order to assess the potential for future growth in local (O&D) passenger demand.

Section IV — **Analysis and Forecast of Aviation Activity** – A discussion of recent trends in air traffic activity and forecasts of future air traffic demand at the Airport.

Section V **Financial Analysis** – A discussion of the framework for the operation of the Airport (including the Indenture and the Proposed Airline Agreement), the sources of Revenues and the components of Operation and Maintenance Expenses, and the forecasts of Revenues, Operation and Maintenance Expenses, Net Revenues, the application of Revenues to the funds and accounts established by the Trust Indenture, and debt service coverage.

Major Assumptions

The financial forecasts presented in the Report are based on the following major assumptions:

1. The City will complete Phase I of the ADP within the current budget of $1.059 billion.

2. The new runway will become operational in the second quarter of calendar year 2006, but for financial projections not be amortized until FY 2007.

3. The City will implement the current 5-Year CIP as currently planned and project budgets and schedules will be achieved as currently scheduled.

4. American will continue to operate a secondary hub at the Airport throughout the forecast period with at least its current level of service in terms of cities served, numbers of flights and aircraft types.

5. The FAA will fulfill the terms of the LOI and provide the City with the remaining portion of the $191 million AIP funding commitment for the ADP by FY 2010.

6. The rates under the Existing Airline Agreement will apply for both FY 2005 and 2006 and the rates being negotiated under the Proposed Airline Agreement will apply for FY 2007 through 2011.

7. There will be no disruption or loss of service resulting from a terrorist or any other catastrophic event.

These and other important assumptions underlying the forecasts of air traffic activity, Revenues, and Operation and Maintenance Expenses are set forth in Sections IV and V.

Findings and Conclusions

The summary table on page 11 summarizes the financial forecasts developed in this Report.

As indicated in the Report and the summary table, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the forecast period, FY 2006 through FY 2011, thereby indicating that the Rate Covenant should be met. As also indicated in the Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the ADP (FY 2007–FY 2009), thereby satisfying the Additional Bonds Test.

In addition, based on our knowledge of comparable airports and our experience in providing financial consulting services to a variety of airports, we believe the forecasted airline costs per enplaned passenger, while considerably higher than those recorded in the years prior to the American pull back, are reasonable in comparison with other major airports that have completed or are currently implementing major capital improvement programs.

The financial forecasts presented in this Report are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variation from the forecasts is inevitable due to unforeseen events and circumstances, and these variations may be material. The Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

We appreciate the opportunity to assist the City on this important financing program for the Airport.

Sincerely,

Unison-Maximus, Inc.

UNISON-MAXIMUS, INC.

UNISON
MAXIMUS
CONSULTING SOLUTIONS

Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Actual	Projected [1]						
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
ANNUAL DEBT SERVICE COVERAGE								
Total Revenues	$143,549	$145,593	$142,600	$178,721	$184,309	$186,727	$194,449	$200,249
less: Operation and Maintenance Expenses	67,612	73,272	77,754	81,262	84,496	87,493	91,001	94,704
Net Revenues	$75,937	$72,321	$64,846	$97,459	$99,813	$99,234	$103,448	$105,545
Debt Service								
Outstanding Bonds	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$65,641
Future Bonds				0	0	0	0	5,007
	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$70,648
Debt service coverage ratio	**1.28**	**1.53**	**1.29**	**1.50**	**1.54**	**1.56**	**1.59**	**1.49**
ADDITIONAL BOND TEST								
Required debt service coverage				**1.25**	**1.25**	**1.25**		

(1) Forecast period based on two rate methodologies. Fiscal year 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 are based on the Proposed Airline Agreement.

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LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

Financial Feasibility Report
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2005

June 14, 2005

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SECTION I
INTRODUCTION

The City of St. Louis (the City) is issuing the Airport Revenue Refunding Bonds, Series 2005 (Lambert St. Louis International Airport) (the Series 2005 Refunding Bonds), to advance refund a portion of the principal and/or interest components of the Series 1997A Bonds, Series 2001A Bonds and Series 2002A Bonds for the purposes of (1) achieving interest savings, and (2) restructuring the timing of a portion of the debt service payments on the City's Airport Revenue Bonds (the Bonds) to be made from Airport Revenues during the FY 2006-FY 2011 period. (The principal and/or interest components of the Bonds being refunded by the Series 2005 Refunding Bonds are referred to herein as the Refunded Bonds.) The Refunded Bonds were issued in connection with the financing of capital improvements at Lambert-St. Louis International Airport (the Airport). In connection with the issuance of the Series 2005 Refunding Bonds, the City will also amend the Indenture under which the City's Bonds are issued for the purpose of creating a Debt Service Stabilization Fund (the DSS Fund) that is expected to provide the City with additional flexibility in the future.

This Report provides a review of the Airport structure and governance (Section I), an in-depth discussion of the purpose of the financial structure (Section II), a discussion of the economic base supporting the Airport (Section III), a review and discussion of the historical and forecasted airline traffic activity (Section IV) and finally a review and analysis of the historical and projected financial results of the Airport's operations (Section V).

A. AIRPORT FACILITIES

Located in St. Louis County approximately 15 miles northwest of downtown St. Louis, the Airport is situated approximately 10 miles from the population center of the St. Louis metropolitan area. The Airport is comprised of approximately 2,100 acres of land prior to the completion of Phase I of the ADP; upon completion of the land acquisition planned for the new runway, the Airport will consist of approximately 3,600 acres of land, excluding noise abatement-related land acquisitions. The majority of the land acquisition will be completed by the opening of the new runway in the Spring of 2006.

The Airport is currently classified by the FAA as a large hub airport—an airport that enplanes 1% or more of total passengers in the United States. In calendar year (CY) 2004, the Airport enplaned approximately 6.7 million passengers, which accounted for approximately 1.0% of total U.S. enplanements. The Airport Council International (ACI) for CY 2003 ranked the Airport as 22nd nationwide and 41st worldwide in terms of total passengers, and 21st nationwide and 26th worldwide in terms of aircraft operations.[1]

[1] ACI Traffic Data for CY 2003.

The Airport currently has three runways and an extensive taxiway system. The largest commercial aircraft can use the primary runway, 12R-30L, without restrictions. The main east-west runways, Runways 12R-30L and 12L-30R, and Runway 6-24, the crosswind runway have sufficient length to handle most types of aircraft that currently serve the Airport. However, the 12-30 runways are situated too close together to permit independent arrivals during instrument flight rule (IFR) conditions. The new runway 11-29 will allow the Airport to achieve simultaneous take-offs and landings with runway 12L 30R during IFR conditions. The Airport previously decommissioned two runways; 13-31 in 2003, which was used only by regional/commuter airline and general aviation aircraft, and 17-35 during the summer of 2002.

The airfield has over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. Eighty-eight acres of concrete apron provide space for aircraft parking, servicing and refueling by scheduled commercial air carriers, and another eighteen acres are leased to two fixed-base operators and used by general aviation aircraft.

Terminal facilities include the Main Terminal, the East Terminal, and the International Area. The Main Terminal including the East Connector contains 544,079 square feet of space on three levels in the terminal building and an additional 590,641 square feet of space in four concourses (Concourses A, B, C and D) with 76 aircraft gates in a mixed configuration. AMR Sub[2] currently uses approximately 25 of these gates, which is almost a 50% reduction in the gates occupied before the November 2003 cutback, with 27 of the remaining gates being used by the other signatory airlines at the Airport. As a result, American consolidated its operations into Concourse C, leaving 16 gates in Concourse D gates vacant, although remaining liable for the lease rentals until the end of the existing lease term, which is December 31, 2005. To date, Frontier Airlines is leasing 2 of the Concourse D gates. The East Terminal has 234,000 square feet of building space and 12 narrowbody aircraft gates all of which are leased to Southwest. The International Area consist of 69,959 square feet and is situated between the Main Terminal and the East Terminal and includes the Federal Inspection Services (FIS) area and a common boarding area serving 3 narrowbody (or 2 widebody) aircraft gates.

Currently, public parking consists of a 1,965-car parking structure adjacent to the Main Terminal and a 980-car parking structure at the East Terminal, which provides a total of 2,945 short-term parking spaces. An additional 993 spaces are available for intermediate-term parking in a surface lot immediately behind the parking structure at the Main Terminal. The Airport also has long-term parking available totaling 5,895 spaces, which includes the new 3,200 space Cypress parking lot that opened in October 2003. The new Cypress parking lot replaced long-term lots A and B, and results in a net increase of 1,250 spaces.

MetroLink, the metropolitan area's light rail system, currently serves the Airport with two stations—one at the East Terminal and the other at the Main Terminal. Both provide another mode of transportation for the traveling passengers.

[2] On April 9, 2001, Trans World Airlines (TWA) sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub). In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City.

The other Airport facilities owned by the City include five cargo buildings, 18 related shop and service buildings, ground service office/hangers for AMR Sub and the office/hangers leased to Midcoast Aviation Services, Inc, a Fixed Based Operator. In addition there are other structures at the Airport not owned by the City, which include office space/hangers for Sabreliner Corporation, a Missouri Air National Guard facility and certain other cargo facilities.

Federal Express, United Parcel Service (UPS), Emery Freight and BAX Global lease space in a privately developed cargo facility situated on a 31-acre site. This complex includes a 100,000 square foot cargo building and a 448,000 square-foot aircraft parking apron. In January 2000, UPS opened a new 18,000 square foot cargo warehouse facility adjacent to a 200,000 square foot aircraft parking apron.

B. AIRPORT GOVERNANCE

The Airport is owned by the City and operated by the City of St. Louis Airport Authority (the Authority). The City is governed 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 four-year terms. The Board of Aldermen, consisting of a President and 28 Aldermen who serve four-year terms, is the legislative body of the City. 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 enacted by the Board of Aldermen. The Airport Commission (the Commission) is the governing board of the Authority and is responsible for overseeing the planning, development, management, and operation of the Airport. The Commission has seventeen members: the Director of Airports (acting as Chairman), the Comptroller, 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, five members appointed by the St. Louis County Executive, one member appointed by the County Executive of St. Charles, Missouri and one by the Chairman of the County Board of St. Clair County, Illinois. The Director of Airports serves as the Chief Executive Officer of the Authority. The Director is supported by one Deputy Director and four Assistant Directors.

With the approval of the Commission and the Board of Estimate and Apportionment of the City, the Director of Airports has the power to enter into contracts, leases and agreements for use of the Airport property and facilities. Contracts, leases and agreements with a term of more than three years must be authorized by the Board of Aldermen and, if such contract, lease or agreement relates to the construction of public works, by the Board of Public Service. The Director of Airports, with the approval of the Commission, has the power to establish schedules fixing all other fees and charges.

The key officials of the Airport management team are as follows:

Kevin Dolliole, recently appointed as the Director of Airports effective May, 2005. Prior to joining the Airport he was Aviation Director for the San Antonio International Airport from 1999 to 2005. Prior to this position, he held several management level positions at the New

Orleans International Airport from 1989 to 1999, including Acting Airport Director. Mr. Dolliole, replaces Colonel Leonard Griggs who was the Airport Director and Chairman of the Airport Commission during years 1977 through 1987 and 1993 through 2004.

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Gerard Slay, the Deputy Director of Airports, is responsible for airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as the Airport Maintenance Manager and was promoted to his present position in February 2000.

Kenneth L. Below, the Assistant Director for Finance and Accounting, is the chief fiscal officer and has responsibility for the financial planning, management and contract administration 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.

Rich Bradley, the Chief Engineer for Planning and Engineering, is currently performing the duties of the Assistant Director for Engineering, and is responsible for the planning and design of the Airport's capital improvement projects. Mr. Bradley has held his current position since joining the Airport in July 2001. Prior to joining the Airport, he held several engineering positions in the City's department of Board of Public Service from 1988 to 2001.

Donald Ruble, the Assistant Director for Planning and Development, is responsible for managing the construction of Airport improvements and noise mitigation programs. He began his career at the Airport in 1977 as an architect and was promoted to various other positions prior to his promotion to his current position in 1996.

Jack Thomas, the Assistant Director for Disadvantaged Business Enterprise Program. Mr. Thomas is responsible for certification of minority and women owned entities and various other duties associated with the enforcement of the City's utilization goals and Living Wage Ordinance. Prior to his current position, Mr. Thomas held various other management posts during his 26 years with the City.

C. AIRPORT CAPITAL PROGRAMS

The City has embarked on a series of capital improvement programs to expand and improve the Airport. These programs include (1) the Airport Development Program (the ADP), (2) the Part 150 Noise Mitigation Program, (3) other Ongoing Capital Improvement Programs, and (4) a new five year capital improvement program for the Airport (the FY 2006-FY 2010 CIP) that has not yet started.

1. **Airport Development Program**. The ADP is based on recommendations set forth in the Master Plan Supplement that was completed in 1996.[3] The Master Plan Supplement included recommendations for Airport development over a 20-year planning period, to be accomplished in phases. The major element of the first phase of the development program recommended in the Master Plan Supplement is a new air carrier runway to the southwest of the existing airfield. The

3 Leigh Fisher Associates, *Final Report--Master Plan Supplement Study, Lambert-St. Louis International Airport*, January 1996.

Master Plan Supplement also addressed other airfield improvements, the phased expansion of the existing terminal complex, and other Airport infrastructure needs.

The ADP is the restatement of the recommendations of the Master Plan Supplement as a specific program for implementation. The major elements of Phase 1 of the ADP to be funded by the City originally included land acquisition for the new runway; Northwest land acquisition (Boeing Property); the planning, design and construction of a new parallel air carrier runway (Runway 12R-30L); relocation of the Missouri Air National Guard facility and certain other facilities; and infrastructure for the redevelopment of the northeast quadrant of the Airport.

The new runway will be parallel to the existing east-west runways at the Airport and widely separated to permit simultaneous operations during instrument flight rule (IFR) conditions or during bad weather. The new runway will allow the Airport to accommodate dual independent aircraft arrivals, thereby substantially increasing airport capacity. In addition, the project is expected to reduce air traffic delays at the Airport and throughout the national air transportation system. The new runway project required 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 installation of required airfield lighting and navigational aids.[4]

Phase 1 of the ADP is being implemented over the nine-year period, FY 1999-FY 2007. To date, most of Phase I of the ADP is complete, except for paving the runway, building the Aircraft Rescue and Firefighting Facility (ARFF), and completing the purchase of various homes in the noise mitigation areas. Construction of the new runway is scheduled to be completed in the second quarter of calendar year (CY) 2006.

The Master Plan Supplement included recommendations regarding incremental expansion of terminal facilities to the west of the existing terminal complex. However, to date, no decisions have been made regarding the scope of potential terminal expansion at the Airport (other than ongoing planned improvements to existing terminal facilities that are part of the 1997 Projects, the 2001/2002 Projects, and the FY 2006-FY 2010 CIP described below). For this reason, Phase 1 of the ADP does not address any major terminal expansion. Future discussions with the airlines could lead to a decision to undertake major terminal expansion at the Airport at some point in the future. However, given the excess capacity of the existing terminals, it is unlikely that any major terminal expansion would be undertaken in the near future.

The budget for Phase I of the ADP is $1.059 billion as summarized in **Table I-1**. In July 2003, American Airlines, the largest carrier at the Airport, announced plans to reduce its service by approximately 50% which would lower total enplanements by over 30%. Prior to the service reduction, the Airport reduced the original budget of $1.109 billion by approximately $86 million by deferring or deleting certain components of the project. Since that time, the FAA has amended the City's Letter of Intent (the LOI) to increase the grants-in-aid for the project under

[4] The FAA is funding a substantial portion of the costs of the navigational aids required for the new runway from its Facilities & Equipment budget.

the Airport Improvement Program (the AIP) by $50 million to $191.4 million. The FAA has also awarded the City $31.1 million in noise mitigation grants for use on the ADP. These grants have allowed the Airport to add back $35 million in projects that were deferred and to reduce the amount of the Airport's equity in the project by $50 million.

TABLE I-1
Status of Airport Development Program Budget
Lambert-St. Louis International Airport
For Fiscal Year End June 30, 2005
(Dollars in thousands)

Program Element	Original Budget	Current Estimate	Variance	Value of Land Acquisition and Committed Contracts
Program Management	$ 118,646	$ 164,226	$ 45,580	139,915
Tool Box Contracts	-	994	994	966
Land Acquisition	487,473	512,827	25,354	477,315
Runway Design	-	23,696	23,696	24,493
Site Utilities	14,043	21,851	7,808	22,139
Site Preparation	85,231	126,674	41,443	124,273
Construction Staging Areas	525	407	(118)	407
Roads	111,462	89,152	(22,310)	86,529
Runway / Deicing Pads	113,446	81,269	(32,177)	77,700
City-Funded Navaids	3,800	6,355	2,555	3,836
Relocation / Demolition	35,025	11,931	(23,094)	9,619
Northwest Quadrant Infrastructure	26,870	845	(26,025)	844
Relocation of MOANG	35,000	-	(35,000)	-
Program Contingency	78,000	18,600	(59,400)	-
Total	$ 1,109,521	$ 1,058,827	$ (50,694)	$ 968,036
Other Tenant-Funded Costs				
FAA-Funded Navaids	$ 18,900			
TWA Ground Operations Center	24,094			
Dobbs Flight Kitchen	3,246			
Total	$ 46,240			
Total Original Budget	$ 1,155,761			

Budget Status as of April 30, 2005

2. **Part 150 Noise Mitigation Program**. The City has been undertaking a Part 150 Noise Mitigation Program (the Part 150 Program) for the past 18 years. The program is based on recommendations set forth in a Part 150 Study that was completed in 1987 and a subsequent Part 150 Update that was completed in 1997. Through December 31, 2004, the City had expended, encumbered or committed approximately $259 million for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) a pilot sound insulation program, (5) procurement of a noise management (monitoring) system, and (6) the relocation of Berkeley High School Complex from the northeast quadrant of the Airport to an off-airport site. The City expects to commit an additional $30 million for residential sound insulation over the next several years, bringing the total cost of the program to $289 million.

The Part 150 Program has been funded with prior (pre-1997) Bonds, AIP grants-in-aid, PFC resources, and the Airport Development Fund (the ADF). The City expects to complete the Part 150 Program with anticipated future AIP discretionary grants, matching funds to be provided from currently approved PFC resources and, if necessary, moneys in the ADF. The timing of the balance of the program will depend, in part, on the availability of such grants. No new bond funds are currently anticipated to be used to complete the Part 150 Program.

The City plans to undertake a new Part 150 Study in FY 2007 after the new runway opens and may undertake additional noise mitigation measures based on the recommendations of that study.

3. **Ongoing Capital Improvement Programs**. The other ongoing capital improvement programs include (a) the 1997 Projects, (b) the 2001/2002 Projects, (c) the 2003/2004 Projects, and (d) certain new security projects.

a. **The 1997 Projects**. In 1997, the City issued the 1997 Bonds in the principal amount of $199.6 million (the 1997 Bonds) to (1) provide bond financing for $115.4 million of project costs for projects in the Airport's 1997-2001 capital improvement program, and (2) reimburse the City for $54.3 million of project costs of the East Terminal Expansion project—costs originally funded with PFC resources. The CIP projects financed with the 1997 Bonds are referred to as the 1997 Projects. The PFC reimbursement element of the 1997 Bond financing allowed the City to redirect PFC resources to fund initial land acquisition and other critical path elements of the ADP.

In 1999, the City and the airlines agreed to defer indefinitely projects in the aggregate of approximately $11.6 million, and the budget for the 1997 Projects was revised to $103.8 million.

The current estimate of the total cost of the 1997 Projects is $111.9 million, approximately $8.1 million over budget. However, the City has received $8.2 million of AIP grants for the 1997 Projects—grants that were not anticipated when the Bonds were issued in 1997. Only one project—Fiber Optic, at an estimated cost of $2.7 million--remains to be bid.

b**. 2001/2002 Projects**. In 2001, the City obtained airline Majority-in-Interest (MII) approval to undertake certain capital improvement projects originally planned to be undertaken during 2001 and 2002. The 2001/2002 Projects consist of various taxiway rehabilitation projects and various terminal and parking garage improvement projects. The 2001/2002 Projects are being financed with AIP grants, PFC resources, ADF moneys and the remaining $11.6 million of proceeds of the 1997 Bonds (the 1997 Bond Carryover). No new bond moneys have been used for the FY 2002 Projects.

The current estimate of the cost of the 2001/2002 Projects is approximately $38 million, compared to an original budget of $35 million. Projects accounting for 96% of the total estimate have been bid and are either completed or in process.

c. **2003/2004 Projects**. In 2002, the City began a $116 million capital program, referred to as the 2003/2004 Projects, which was financed in large part ($90 million) with the 2002 Bonds. The 2003/2004 Projects consist of an airfield electrical modification project, various terminal improvement projects, parking and roads improvements and the construction of the new Cypress parking facility. With the pull back by American of its hubbing activity at the Airport, certain elements of the 2003/2004 Projects were deferred indefinitely or deleted. The current estimate of the total cost of the 2003/2004 Projects is $85 million. Most of the major projects in the 2003/2004 Projects have been completed or are in process.

d. **Security Projects.** Since 2002, the City has received three AIP grants in the amount of $16.2 million to fund the costs of certain critical security projects at the Airport—projects intended to allow the Airport to respond to federal security directives enacted in the wake of the events of September 11th. The projects include:

- Blast analysis and structural modifications to the Main Terminal and East Terminal garages and terminal buildings
- Planning and design of improvements to accommodate in-line explosives detection equipment (EDS) into the terminal buildings and interim EDS improvements in the East Terminal
- Upgrading of the Airport's Part 107 access control system
- Upgrading of the security checkpoints in the West Terminal and East Terminal
- Relocation of the Airport's canine facility
- Perimeter fence improvements

The estimated total cost of these various projects is $22.2 million. The Concourse C security checkpoint improvements and planning/design of EDS improvements are complete; the remaining projects are in design or under construction.

FY 2006-FY 2010 CIP

The proposed FY 2006–FY 2010 CIP, summarized in **Table I-2**, consists of projects programmed for Fiscal Years 2006-2010. The City has proposed to include the FY 2006-FY2010 CIP as an exhibit to the Proposed Airline Agreements and have the program pre-approved by the airlines coincident with the execution of the new agreements. The program is under review by the airlines at this time and changes may be made to the scope, cost and timing of the program as a result of that review and further negotiations with the airlines.

The estimated total cost of the FY2006-FY2010 CIP is $288 million. A substantial portion of these costs is anticipated to be funded with grants from the FAA and TSA, and the implementation of those projects is predicated on the prior commitment of those grant funds.

The FY 2006-FY 2010 CIP also anticipated approximately $44 million of funding from the ADF, to be provided in part from the existing ADF balance and in part from anticipated flows into ADF from future Net Revenues.

Two major security projects—an airfield Surveillance Detection System ($35 million) and terminal EDS Long-Term Baggage Screening ($95 million) together account for nearly half (45%) of the total cost of the proposed CIP. The balance of the CIP consists largely of projects required for the ongoing major maintenance, refurbishment and upgrading of existing Airport facilities and infrastructure. Many of these projects are eligible for 75% AIP grant funding, and the CIP anticipates that the City will receive the total eligible AIP grant funding for all such projects.

The FY 2006-FY 2010 CIP indicates a potential requirement for approximately $58 million of new bonds during the forecast period. This requirement could be reduced or eliminated depending upon (1) the actual cost and timing of projects in the CIP and (2) the potential for programming additional PFC and ADF resources for the CIP if and as such funds are available. If additional bond financing is required, it is the City's intent to finance those projects initially with commercial paper and take out the commercial paper with a single series of Bonds once bids have been taken and actual project costs are known.

All of the projects in the FY 2006-FY 2010 CIP are taken into account in the financial forecasts presented in the Report.

The next section, Plan of Finance will discuss the financial structure of the Series 2005 Refunding Bonds in more detail.

TABLE I-2
PROPOSED FY 2006 - FY 2010 CAPITAL IMPROVEMENT PROGRAM
Lambert - St. Louis International Airport
For Fiscal Year Ending June 30

Project# Element#	Project / Element	Current Estimated Cost	CURRENT FUNDING PLAN 1997 Bonds	2002 Bonds	Future Bonds	AIP Grants	Future AIP Grants	Future TSA Grants	PFC Resources	ADF Funds
	PLANNING SERVICES									
PL0307	ALP Update	350,000	0	0	0	0	262,500		0	87,500
PL9702	FAR Part 150 Study	3,000,000	0	0	0	0	2,400,000		600,000	0
PL0302	Landside/Terminal Planning Consultant	3,500,000	0	0	0	0	0		0	3,500,000
		$6,850,000	**$0**	**$0**	**$0**	**$0**	**$2,662,500**	**$0**	**$600,000**	**$3,587,500**
	SECURITY ENHANCEMENTS									
EA9917	Perimeter Security Fence	5,000,000	0	0	0	0	3,750,000		0	1,250,000
EA9918	Surveillance Detection System	35,000,000		0	8,750,000	0	26,250,000		0	0
EB0408	EDS Long-term Baggage Screening (@ 75% TSA Funding)	95,000,000	0	0	23,750,000	0		71,250,000	0	0
EB0515	East Terminal EDS Relocation Phase 1	5,200,000	0	0	0	4,650,000	0		0	550,000
		$140,200,000	**$0**	**$0**	**$32,500,000**	**$4,650,000**	**$30,000,000**	**$71,250,000**	**$0**	**$1,800,000**
	AIRFIELD									
	Taxiway and Apron Pavement Projects:									
EA0501	Reconstruct Taxiway F (old Runway 3-31)	14,500,000	0	0	3,625,000	0	10,875,000		0	0
EA0502	Taxiway A between TW G/J and TW H/ N	4,800,000	0	0	1,200,000	0	3,600,000		0	0
EAxxxx	Taxiway A from RW 6-24 to TW E and from TW N to TW R	8,800,000			2,200,000		6,600,000		0	0
EAxxxx	Taxiway C from RW 6 to TW A	7,200,000			1,800,000		5,400,000		0	0
EAxxxx	North Apron Reconstruction - Phase 2 (remaining taxilane area)	5,200,000			1,300,000		3,900,000		0	0
	Other Airfield Projects:									
BM9405	Airfield Utility Survey	800,000	0	0	0	0	0		0	800,000
EA0401	Glide Slope & Demolition of Building 45	1,300,000	0	0	0	0	975,000		0	325,000
EA0402	Relocation of McDonnell Blvd at East End of Airport (partial)	4,700,000	0	0	0	0	3,600,000		0	1,100,000
EB0514	Glycol System Efficiency Compliance	160,000	0	0	0	0	0		0	160,000
FM0402	Holding Ponds	500,000	0	0	0	0	0		0	500,000
FM0404	Creek between Lindbergh International Boulevard and D warm-up	1,200,000	0	0	0	0	0		0	1,200,000
FM0502	Replace asphalt on Taxiways C and F	100,000	0	0	0	0	0		0	100,000
OP0201	Expansion 800Mhz Radio System	3,000,000	0	0	0	0	2,250,000		0	750,000
OP9722	Perimeter Airfield Road Improvement	3,750,000	0	0	0	0	2,812,500		0	937,500
					0	0	0		0	
PL9908	SMGCS for CAT II/III	16,500,000	0	0	0		12,375,000		0	4,125,000
		$72,510,000	**$0**	**$0**	**$10,125,000**	**$0**	**$52,387,500**	**$0**	**$0**	**$9,997,500**
	WEST TERMINAL									
BM0109	Install Escalator to Bag Claim Level (West Terminal)	1,400,000	0	0	0	0	0		0	1,400,000
EB0102	West Terminal Signage and Lighting Improvements (50%)	1,500,000	0	0	0	0	0	0	0	1,500,000
Various BM	West Terminal Carpet and Wall Treatment Upgrades	2,500,000	0	0	0	0	0		0	2,500,000
Various EB	West Terminal Interior Enhancements Program	10,500,000	0	500,000	0	0	0		0	10,000,000
		$15,900,000	**$0**	**$500,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$15,400,000**
	INTERNATIONAL AREA									
EB0507	International Area (Old Concourse E) Improvements	1,000,000	0	0	0	0	0		0	1,000,000
		$1,000,000	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,000,000**

PROPOSED FY 2006 - FY 2010 CAPITAL IMPROVEMENT PROGRAM
Lambert - St. Louis International Airport
Page 2

Project# Element#	Project / Element	Current Estimated Cost	CURRENT FUNDING PLAN 1997 Bonds	2002 Bonds	Future Bonds	AIP Grants	Future AIP Grants	Future TSA Grants	PFC Resources	ADF Funds
	TERMINAL INFRASTRUCTURE									
ES0401	West Terminal Concourse Electrical Improvements	500,000	0	0	0	0	0		0	500,000
ES0504	Install 480-volt, 3-Phase 1200 Amp Distribution Panel on Concourse A	230,000	0	0	0	0	0		0	230,000
ES0505	Upgrade Electric Service to Concourse D Gates	625,000	0	0	0	0	0		0	625,000
Various CC	Climate Control System Improvements -- Phase 3	3,725,000	0	1,500,000	0	0	0		0	2,225,000
Various CC	Climate Control System Improvements -- Phase 4	4,044,000	0	1,500,000	0	0	0		0	2,544,000
		$9,124,000	**$0**	**$3,000,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$6,124,000**
	PARKING AND ROADS									
BM0108	Provide Uni-sex Restroom for Taxicab Drivers (East)	110,000	0	0	0	0	0		0	110,000
EB0102	West Terminal Roadways Signage and Lighting Improvements (50%)	1,500,000	0	0	0	0	0	0	0	1,500,000
EB0404	Resurface Remaining Asphalt Areas of LIB and Air Cargo	250,000	0	0	0	0	0		0	250,000
EB0503	Spot Slab Removal & Replacement (Terminal Roadways)	1,500,000	0	0	0	0	0		0	1,500,000
EB0513	Repair Bridges	250,000	0	250,000	0	0	0		0	0
Various ES	Main Terminal Parking Garage Major Maintenance	750,000	0	100,000	0	0	0	0	0	650,000
ES0501	Main Terminal Parking Garage Relighting	2,700,000	0	2,700,000	0	0	0		0	0
ES0503	Upgrade Traffic Control System Cameras and Controllers	350,000	0	0	0	0	0		0	350,000
FM0401	Brick Pavers on L.I.B. from AA offices to Cypress	150,000	0	0	0	0	0		0	150,000
FM0403	Concrete Lining of Creek in Springdale Employee Lot	1,000,000	0	0	0	0	0		0	1,000,000
FM0508	Overlay of Old Natural Bridge Road / St. Andrews Lane	100,000	0	0	0	0	0		0	100,000
		$8,660,000	**$0**	**$3,050,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$5,610,000**
	SUPPORT FACILITIES (Costs Allocated to Other Cost Centers)									
Various	Water Main Improvements	780,000	0	0	0	0	0	0	0	780,000
EB0409	Airport Authority Relocation	6,000,000	0	0	6,000,000	0	0		0	0
FM0301	Airport Maintenance Facility	27,000,000	0	0	9,260,000	7,500,000	0		10,240,000	0
		33,780,000	**0**	**0**	**15,260,000**	**7,500,000**	**0**	**0**	**10,240,000**	**780,000**
	TOTAL--FY 2006-2010 CIP	**$288,024,000**	**$0**	**$6,550,000**	**$57,885,000**	**$12,150,000**	**$85,050,000**	**$71,250,000**	**$10,840,000**	**$44,299,000**

SECTION II
PLAN OF FINANCE

The purpose of this section is to discuss the structure of the Series 2005 Refunding Bonds and further describe some of the key elements to enhance the reader's understanding.

The key elements of this transaction are:

1. *Achieve net present value savings of approximately $3.4 million.*
2. *Generate near-term cash flow savings of approximately $38.2 million during fiscal years 2006 – 2011.*

A. SERIES 2005 REFUNDING BONDS STRUCTURE

The Series 2005 Refunding Bonds are being issued by the City in the par amount of $263,695,000. The composition of this financial structure was developed to help the Airport 1) realize net present value savings on a portion of its current outstanding bonds, and 2) improve its near term cash flows and establish a DSS Fund to provide the Airport with additional financial flexibility.

1. Realize net present value savings on Refunding Bonds.

The present value savings component of the Series 2005 Refunding Bonds allows the Airport to take advantage of the current interest rate environment and is expected to produce an estimated net present value savings of approximately $3.4 million. A portion of the present value savings on this transaction will be passed to the Airlines through an adjustment made to the interest rate component of the Airlines' rates and charges over the remaining life of the underlying projects.

2. Improve near-term cash flow and establish a DSS Fund

The restructuring component of the Series 2005 Refunding Bonds accomplishes the restructuring of a portion of the principal and/or interest components. The restructuring will allow the Airport to achieve additional benefits through: a) creating near term cash flow savings during fiscal years 2006 – 2011, and b) establishment of a DSS Fund that will provide the City with additional financial flexibility in the future. The City as part of the Proposed Airline Agreement negotiations is discussing the possibility of sharing a portion of the near term cash flow savings with the Airlines to help reduce airline costs. However, since the negotiations are not completed the financial forecast discussed in Section V of this report does not include any savings to the Airlines at this time.

a) **Create Near Term Cash Flow Savings**

Table II-1 provides a summary of the estimated near term annual cash flow savings that will be realized from the restructuring component of the Series 2005 Refunding Bonds. The annual cash flow savings will be realized during fiscal years 2006 – 2011 and are estimated to total $38.2 million. However, the restructuring will increase the total interest expense and result in higher debt service in later years. As reflected on **Table II-1,** the annual cash flow savings result from the lower aggregate debt service payments that will be required. The annual cash flow savings is expected to be the primary initial source of funds for funding the DSS Fund that is further described below.

b) **Establish a Debt Service Stabilization Fund**

The DSS Fund was created through amendment to the Indenture. In addition, the Indenture was further amended to create a process for funding the DSS Fund through the application of Revenues, as further described in Section V of this Report.

The funding for the DSS Fund is expected to come principally from a portion of the annual unused moneys from the Revenue Fund resulting from the annual near term savings as shown in **Table II-1**. Section 504 of the Indenture was amended to provide the specific details on how each annual transfer should be allocated between the DSS Fund and the ADF. The DSS Fund will, in general, be funded annually in an amount not to exceed a specified dollar amount for each fiscal year through FY 2011 and thereafter in an amount sufficient to cause the fund balance to equal the Debt Service Stabilization Fund Requirement as established by the amendment to Section 101 of the Indenture that states, in part; *"Debt Service Stabilization Fund Requirement means an amount equal to 35 percent of the maximum annual Debt Service on the Bonds due in the current or any future Airport Fiscal Year.*

The Restated Indenture was amended by adding Section 516 to address certain provisions specific to the DSS Fund. Section 516 (A) states in part; "*If, immediately after each monthly transfer…, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to Section 504 (A), the City shall transfer amounts from the Debt Service Stabilization Fund to the Trustee for deposit to the Debt Service Account…to make good such deficiency or deficiencies."* Section 516 (B) discusses the primary uses for the DSS Fund and states; *"Amounts…may be withdrawn at any time and used for (1) emergency debt service needs with respect to Bonds, Subordinate Indebtedness or other indebtedness issued for Airport purposes…and 2) for Airport operational emergencies.* The final provision, Section 516 (C), addresses eliminating the Debt Service Stabilization Fund Requirement and/or the DSS Fund and states in part; *"…after Net Revenues for three consecutive Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Authority may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund."*

TABLE II-1
ANNUAL DEBT SERVICE CASH FLOW SAVINGS
Lambert-St. Louis International Airport
For Fiscal Years 2006 - 2011
(Dollars in thousands)

Fiscal Year	Current Aggregate Debt Service	New Aggregate Debt Service	Annual Cash Flow Savings
2006	$61,463	$55,995	$5,468
2007	75,953	69,478	6,475
2008	71,437	64,957	6,480
2009	71,416	63,773	7,643
2010	71,393	64,973	6,420
2011	71,366	65,641	5,725
Total	$423,028	$384,817	$38,211

Source: Aggregate debt service information and cash flow savings obtained from UBS Financial Services Inc.

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SECTION III
THE ECONOMIC BASE OF THE AIRPORT

The demand for air travel depends, in part, on the demographic and economic characteristics of an airport's service area. Local factors such as population, employment, income and business environment are particularly important in determining the strength of the origin and destination (O&D) passenger traffic. In Calendar Year (CY) 2004, O&D traffic constituted 78.5% of passenger traffic at the Airport. This section defines the air service area of the Airport, and reviews the area's demographic and economic trends.

A. THE AIRPORT'S AIR SERVICE AREA

The Airport's primary air service area (ASA) includes the bi-state St. Louis metropolitan statistical area (MSA). The U.S. Office of Management and Budget (OMB) periodically revises the composition of metropolitan and micropolitan areas based primarily on recent population estimates developed by the Census Bureau. As of November 2004, the OMB redefined the St. Louis MSA to include the City of St. Louis, eight counties in Missouri, and eight counties in Illinois, as shown in **Figure III-1**. The counties in Missouri are Crawford, Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington; while the counties in Illinois are Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, and St. Clair. These counties are well connected by a system of interstate highways and state highways. The MetroLink, operated by the Bi-State Development Agency, began service to the Airport in April 1994, and in 1998 the Agency opened its East Terminal station at the Airport. The MetroLink system together with the bus system is part of a fully integrated regional air and land transportation network. Four interstate highways, I-44, I-55, I-64, and I-70, provide access from the counties to the Airport. I-70 provides the main access to the Airport from the City's Central Business District (CBD). The beltways, I-170, I-255, I-270, and I-370, provide access around the City and between other interstate highways.

The Airport is the only major commercial airport in St. Louis MSA. **Figure III-1** shows six other airports identified by the FAA as general aviation reliever airports: Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports do not have runway lengths sufficient to accommodate large commercial aircraft. In November 1997, Mid America Airport started operations in St. Clair County. Under its full configuration, Mid America will have the capacity to accommodate 1.25 million enplanements annually – much smaller than the Airport. This issue is discussed further in **subsection IV-E**.

FIGURE III-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIR SERVICE AREA

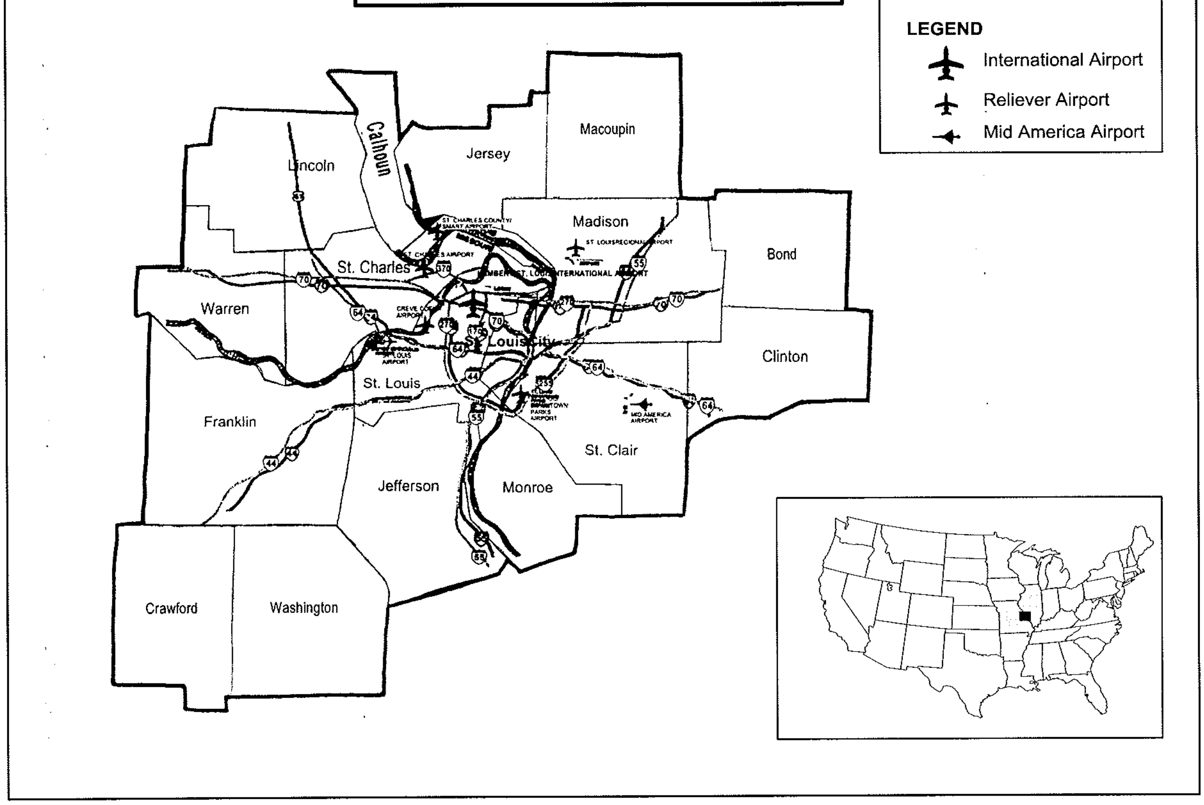
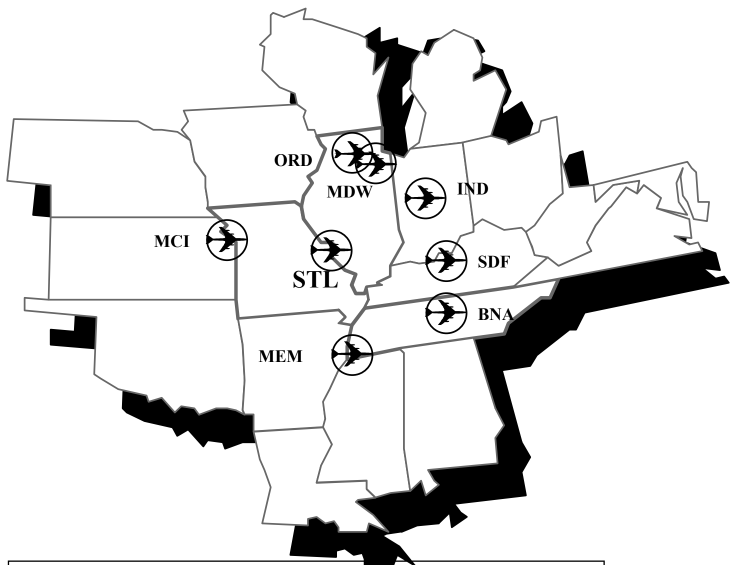


Figure III-2 shows that no other major airport air service area overlaps with the Airport's air service area. The nearest major airports are Kansas City (MCI), Memphis-Shelby (MEM), Chicago O'Hare (ORD), Midway (MDW), Nashville (BNA), Louisville (SDF), and Indianapolis (IND). The nearest major airport is at least 253 miles from the Airport.

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



Airport	Primary Service Area	Distance from STL[1] Miles	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

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

B. POPULATION

Local residents represent the primary source of air travel demand in an area. **Table III-1** shows the population trends in St. Louis MSA, the State of Missouri, and the United States. There were approximately 2.74 million residents in the MSA in July 2003, representing an average annual growth of 0.4% between 2000 and 2003. The area's population is projected to increase at an average annual rate of 0.1%, and reach approximately 2.76 million by 2010.

TABLE III-1
COMPARISON OF POPULATION TRENDS
2000-2010

	Population			Avg. Annual Growth Rate	
	Actual	Estimate	Projected	Actual	Projected
County/Area	7/1/2000	7/1/2003	2010	2000-2003	2003-2010
St. Louis, MO-IL MSA [1]					
Crawford, MO	22,864	23,513	26,864	0.9%	1.9%
Franklin, MO	94,063	96,905	107,200	1.0%	1.5%
Jefferson, MO	198,794	206,786	227,729	1.3%	1.4%
Lincoln, MO	39,257	44,207	46,235	4.0%	0.6%
St. Charles, MO	286,164	311,531	348,587	2.9%	1.6%
St. Louis, MO	1,016,380	1,013,123	986,265	-0.1%	-0.4%
St. Louis City, MO	346,768	332,223	251,773	-1.4%	-3.9%
Warren, MO	24,736	26,862	30,864	2.8%	2.0%
Washington, MO	23,430	23,884	25,611	0.6%	1.0%
Bond, IL	17,644	17,941	16,920	0.6%	-0.8%
Calhoun, IL	5,091	5,069	4,660	-0.1%	-1.2%
Clinton, IL	35,556	36,135	37,251	0.5%	0.4%
Jersey, IL	21,669	22,188	24,848	0.8%	1.6%
Macoupin, IL	49,002	49,055	51,016	0.0%	0.6%
Madison, IL	259,098	261,689	271,149	0.3%	0.5%
Monroe, IL	27,767	29,723	31,224	2.3%	0.7%
St. Clair, IL	256,258	258,606	300,308	0.3%	2.2%
Total MSA	**2,701,677**	**2,735,927**	**2,761,640**	**0.4%**	**0.1%**
MISSOURI	**5,606,246**	**5,719,204**	**5,808,393**	**0.7%**	**0.2%**
UNITED STATES	**282,192,162**	**288,368,698**	**299,862,000**	**0.7%**	**0.6%**

[1] The U.S. Office of Management and Budget (OMB) has responsibility for delineating metropolitan and micropolitan areas. The definitions are based on recent population estimates developed by the Census Bureau. The composition of St. Louis MO-IL MSA shown in this table reflects the current OMB definition as of November 2004. The new additions to the MSA are Crawford and Washington counties in Missouri; and Bond, Calhoun, and Macoupin counties in Illinois.

Sources:
i) U.S. Bureau of the Census, at www.census.gov.
ii) Missouri Economic Research and Information Center, at www.ded.mo.gov/researchandplanning.
iii) State of Missouri, Division of Budget & Planning, at www.oa.state.mo.us/bp/popproj.
iv) Illinois Census 2000, at www.state.il.us/2000 census.
v) State of Illinois, Office of Policy, Development, Planning and Research, www.commerce.state.il.us/research

The population trends in the Airport's air service area are similar to the trends observed at the state and national levels. The population of Missouri and the U.S. population both increased at an average annual rate of 0.7% between 2000 and 2003. The population of Missouri is projected to increase at an average annual rate of 0.2%, from approximately 5.72 million in 2003 to 5.8 million in 2010. The U.S. population is projected to increase at an average annual rate of 0.6%, from 288.4 million in 2003 to 299.9 million in 2010.

Table III-1 also shows the current relative population size of the counties in the MSA as well as where most population growth is expected to occur over the next five-year period. In terms of current number of residents, St. Louis County is the single largest entity in the Airport's air service area. With a population of approximately one million, the county accounted for 37% of total MSA population in 2003. St. Louis ranked second in population size, accounting for 12.1% of total MSA population in 2003. However, most of the future population increase in the Airport's primary air service area is projected to occur in the counties of St. Clair, Warren, Crawford, St. Charles, Jersey, Franklin, Jefferson, Lincoln, and Washington, each of which is projected to experience one or more percentage point growth in their population during the 2003-2010 period. A larger population base consolidates the local economy and represents a crucial factor in the area's economic growth. Travel demand generally benefits from a growing population.

C. LABOR FORCE

Table III-2 presents the labor market trends in St. Louis MSA during the 1995-2004 period. The area's civilian labor force increased, from approximately 1.37 million in 1995 to 1.45 million in 2004, representing an average annual growth rate of 0.6%. Over the same period, the number of employed persons increased at an average annual rate of 0.4%, from approximately 1.3 million workers in 1995 to 1.36 million workers in 2004. The unemployment level fluctuated during the 1995-2004 period, with a high of 89,475 unemployed persons in 2004 and a low of 48,424 in 1999. Overall, the number of unemployed persons increased at an average annual rate of 3.7% over the 1995-2004 period.

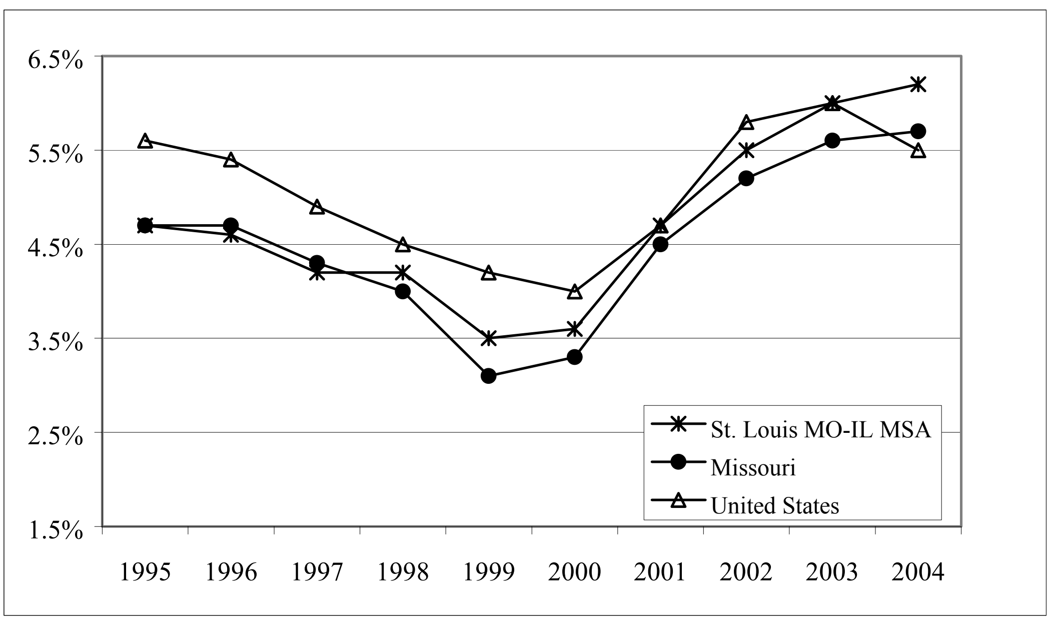
Figure III-3 compares the unemployment rate in St. Louis MSA with the unemployment rates in Missouri and nationwide. The trend in the metropolitan area's unemployment rate closely tracked the state's unemployment rate trend, particularly during the 1995-1998 period when the difference in the unemployment rate was about one-tenth of a percentage point. Between 1999 and 2004, the gap between the local unemployment rate and the state unemployment rate widened slightly. On the other hand, the unemployment rate in the MSA was generally lower than the national unemployment rate, except in 2004, when the MSA reported a 6.2% unemployment rate compared to the U.S. unemployment rate of 5.5%.

TABLE III-2
ST. LOUIS MO-IL MSA CIVILIAN LABOR FORCE
1995-2004

Year	Labor Force Total	Labor Force Employed	Labor Force Unemployed
1995	1,373,493	1,308,955	64,538
1996	1,390,497	1,326,350	64,147
1997	1,384,606	1,326,347	58,259
1998	1,390,011	1,332,061	57,950
1999	1,387,517	1,339,093	48,424
2000	1,408,989	1,358,071	50,918
2001	1,419,488	1,353,164	66,324
2002	1,418,445	1,339,968	78,477
2003	1,437,069	1,351,513	85,556
2004	1,453,566	1,361,091	89,475
Average Annual Growth Rate			
1995-2004	0.6%	0.4%	3.7%

Source: U.S. Bureau of Labor Statistics, at http://data.bls.gov.

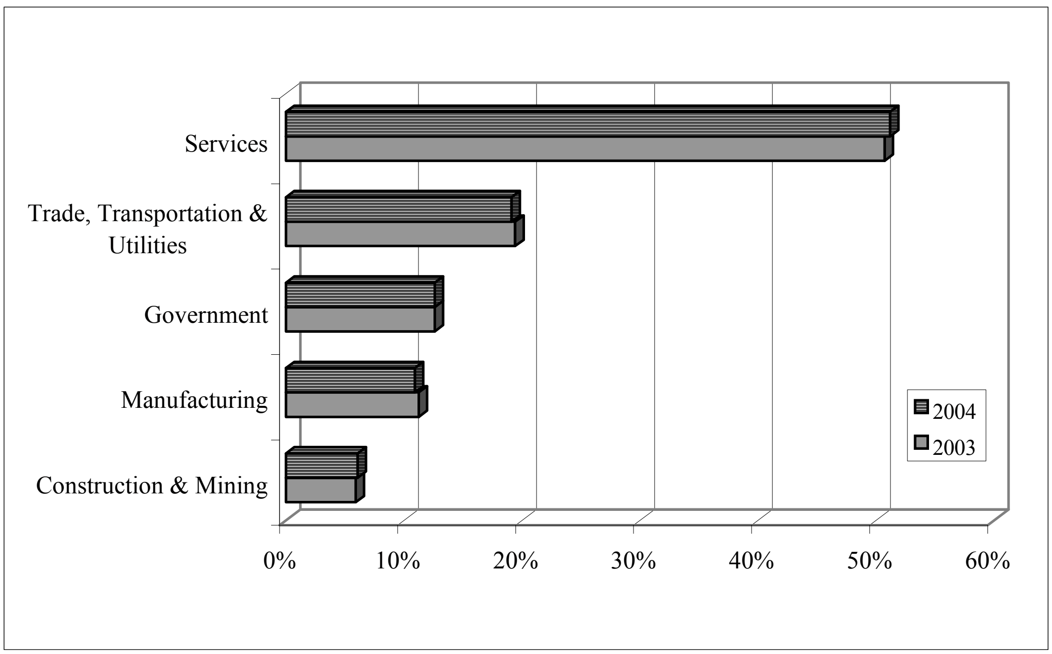
FIGURE III-3
COMPARISON OF UNEMPLOYMENT RATES
1995-2004



Source: U.S. Bureau of Labor Statistics, at http://data.bls.gov.

Figure III-4 shows the sources of non-agricultural employment in St. Louis MSA in 2003 and 2004. In terms of number of employees, the leading private sector industries in both years were Services, Trade, Transportation and Utilities, and Manufacturing. The Services sector accounted for 51.2% of non-agricultural jobs in 2004, up from 50.7% in 2003. Jobs in the Trade, Transportation and Utilities sector accounted for a stable share of 19% in both 2003 and 2004. Although the employment share of manufacturing dipped slightly, from 11.3% in 2003 to 10.9% in 2004, the sector represented the fourth largest source of non-agricultural jobs in the Airport's local economy. Together, these three industry sectors accounted for approximately 81% of non-agricultural jobs in St. Louis MSA in 2003 and 2004. The third largest employer was the Government sector, which includes all levels of government (local, state and federal) and accounted for a stable 12.6% employment share in the MSA in both 2003 and 2004.

FIGURE III-4
ST. LOUIS MO-IL MSA - DISTRIBUTION OF NON-AGRICULTURAL EMPLOYMENT
2003 and 2004



Source: U.S. Bureau of Labor Statistics, at http://data.bls.gov.

Table III-3 provides additional information on the relative employment contribution of the component segments of the industry sectors. The Services sector comprises education and health, professional business and financial services, leisure and hospitality, and information services. Within that sector, education and health represents the lead segment, accounting for 28.9% of service-related jobs in 2004. Retail trade is the leading job segment within the Trade, Transportation and Utilities sector, accounting for 57.5% of jobs in that sector in 2004. Within the public sector, the local government represents the lead segment, accounting for 70.7% of government jobs in 2004.

TABLE III-3
ST. LOUIS MO-IL MSA
NON-AGRICULTURAL EMPLOYMENT
2003 and 2004

		Employment		
	Industry Sector	2004	2003	% Change
I	Services			
	Education & Health	195,700	193,500	1.1%
	Professional & Business	179,800	178,400	0.8%
	Leisure & Hospitality	136,900	133,000	2.9%
	Financial	77,600	78,800	-1.5%
	Information	29,600	29,300	1.0%
	Other	58,000	58,400	-0.7%
	Subtotal - Services	**677,600**	**671,400**	**0.9%**
II	Trade, Transportation & Utilities			
	Wholesale Trade	59,200	57,700	2.6%
	Retail Trade	145,700	147,800	-1.4%
	Transportation & Utilities	48,300	51,700	-6.6%
	Subtotal - Trade, Transportation & Utilities	**253,200**	**257,200**	**-1.6%**
III	Government			
	Local	118,100	118,600	-0.4%
	State	22,200	21,500	3.3%
	Federal	26,700	27,000	-1.1%
	Subtotal - Government	**167,000**	**167,100**	**-0.1%**
IV	Manufacturing	144,700	148,900	-2.8%
V	Construction & Mining	80,500	78,400	2.7%
	TOTAL - NON-AGRICULTURAL EMPLOYMENT	1,323,000	1,323,000	0.0%

Source: U.S. Bureau of Labor Statistics, at http://data.bls.gov.

Table III-4 lists the major employers in the St. Louis region in 2004. It reflects the broad employment base in the region, including diverse manufacturing, defense, education, telecommunications, transportation, trade, health care and other services.

TABLE III-4
SELECTED MAJOR EMPLOYERS IN ST. LOUIS REGION
2004

Company/No. of Employees	Industry
10,000 and above	
BJC Health System	Health Care
Boeing Integrated Defense Systems	Aircraft Manufacturing
Scott Air Force Base	Defense
Washington University	Higher Education (private university)
Wal-Mart Stores, Inc.	Retail Trade
SSM Healthcare	Health Care
United States Postal Service	Mail Service
Schnuck Markets	Grocery Retail
5,000-9,999	
Anheuser-Busch Companies Inc.	Brewery
A.G.Edwards & Sons Inc.	Finance (brokerage)
American Airlines	Air Transportation
City of St. Louis	Municipal Government
DaimlerChrysler Corporation	Automobile Manufacturing (minivans & trucks)
Dierbergs Markets	Retail Trade
McDonald's Corporation	Restaurant
Saint Louis University	Higher Education (private university)
SBC Communications	Telecommunications
SSM Health Care System	Health Care
St. John's Mercy Health Care	Health Care
St. Louis Public School District	Education
Special School District of St. Louis County	Education
Tenet St. Louis	Health Care
The May Department Stores Company	Retail Trade

Source: St. Louis Economic Development at www.econdev.stlrcga.org.

TABLE III-4 (Continued)
SELECTED MAJOR EMPLOYERS IN ST. LOUIS REGION
2004

Page 2 of 2

Company/No. of Employees	Industry
2,000-4,999	
Ameren Corp.	Public Utilities (electricity)
Bank of America	Banking
Bi-State Development Agency	Mass Transportation
Call-A-Ride	Transportation
Charter Communications	Communication (broadband, cable and internet access)
CitiMortgage Inc.	Finance
Edward Jones	Finance (brokerage)
Emerson Electric Co.	Electronics
Enterprise Rent-A-Car	Services (auto rentals & sales)
Ford Motor Company	Automobile Manufacturing
Francis-Howell School District	Public Education
General Motors Corp. (Wentzville Assembly Center)	Automobile Manufacturing
GKN Aerospace	Manufacturing
Hardee's Food Systems, Inc.	Restaurants
Harrah's Casino and Hotel	Hospitality
Hussmann International Inc.	Manufacturing
K-Mart Corporation	Retail Trade
Tyco Healthcare Mallinckrodt Group Inc.	Manufacturing (medical chemicals)
Maritz Inc.	Services (motivational services)
Mayflower Transit	Transportation
Memorial Hospital	Health Care (acute care hospital)
MEMC Electronic Materials Inc.	Manufacturing
Monsanto Co.	Manufacturing (agricultural & industrial chemicals)
National Steel Corp. (Granite City Division)	Steel Manufacturing
Nestle Purina Petcare Company	Manufacturing (pet products)
Olin Corporation (Brass & Winchester Divisions)	Manufacturing (copper products & ammunition)
Parkway School District	Education
Rockwood School District	Education
St. Anthony's Medical Center	Health Care
St. Louis County	County Government
Solutia Inc.	Manufacturing (chemicals)
Tosco Wood River Refining	Manufacturing
United Parcel Service	Services (package delivery)
U.S. Bancorp	Finance
Verizon Communications	Communication
Walgreen Co.	Retail (drugstore)

Source: St. Louis Economic Development at www.econdev.stlrcga.org.

Every year, St. Louis region ranks high among major metropolitan areas as an attractive business location. With nineteen *Fortune 1000* companies headquartered in the region, St. Louis ranked 7th among major metropolitan areas in *Fortune* magazine's list of U.S. top business locations in 2004. As shown in **Table III-5**, the area companies that made it to the prestigious *Fortune 500* list include Anheuser-Busch, Emerson Electric, The May Department Stores, Express Scripts, Monsanto, Charter Communications, Ameren, and Graybar Electric. Companies ranked between

501 and 1000 on the Fortune list include Peabody Energy, Solutia, Kellwood Corporation. Energizer Holdings, D & K Healthcare Resources, A. G. Edwards & Sons, Brown Shoe, Arch Coal, Ralcorp Holdings, and Sigma Aldrich.

TABLE III-5
ST. LOUIS REGION - FORTUNE 1000 COMPANIES
2004

	Company	Ranking	Industry Sector
Fortune 500 Companies:			
1	Anheuser Busch	142	Brewery
2	Emerson Electric Co.	144	Electronics
3	The May Department Stores	147	Retail Trade
4	Express Scripts	151	Health Care Services
5	Monsanto	353	Manufacturing (chemical)
6	Charter Communications	358	Communication
7	Ameren	382	Utilities (electric)
8	Graybar Electric	448	Wholesale Trade (electronics)
Fortune 1000 Companies:			
1	Peabody Energy	547	Mining
2	Solutia, Inc.	594	Manufacturing (chemicals)
3	Kellwood Corporation	618	Apparel Products
4	Furniture Brands International	624	Furniture
5	Energizer Holdings	649	Manufacturing
6	D & K Healthcare Resources	653	Trade (pharmaceutical distribution)
7	A.G. Edwards & Sons, Inc.	659	Finance (brokerage)
8	Brown Shoe	747	Trade (footwear)
9	Arch Coal	886	Mining
10	Ralcorp Holdings	946	Consumer Food Products
11	Sigma Aldrich	948	Manufacturing (chemicals)

Source: St. Louis Economic Development at www.econdev.stlrcga.org.

D. INCOME

The level of income is an important determinant of local consumer demand, including air travel demand. Two commonly used measures of average income are the per capita personal income and the median household effective buying income (EBI). Per capita personal income is measured as total personal income generated in an area at a given period divided by the population of the area. Hence, per capita personal income is a measure of the representative income of the residents of an area. The EBI measures disposable income per household.

Table III-6 compares the trend in per capita personal income in St. Louis MSA with per capita personal income at the state and national levels. In terms of growth rate, per capita personal income in the MSA increased at the same rate (4%), as did the state average income and the U.S.

average personal income during the 1995-2003 period. However, in terms of level, the average annual personal income of residents of St. Louis MSA was consistently higher than the average personal income for Missouri and for the U.S. For example, in 2003, the average personal income in the MSA was $33,535, which was 13.8% higher than Missouri's average income of $29,464, and 6.6% higher than the U.S. average personal income of $31,472.

TABLE III-6
PER CAPITA PERSONAL INCOME [1]
1995-2003

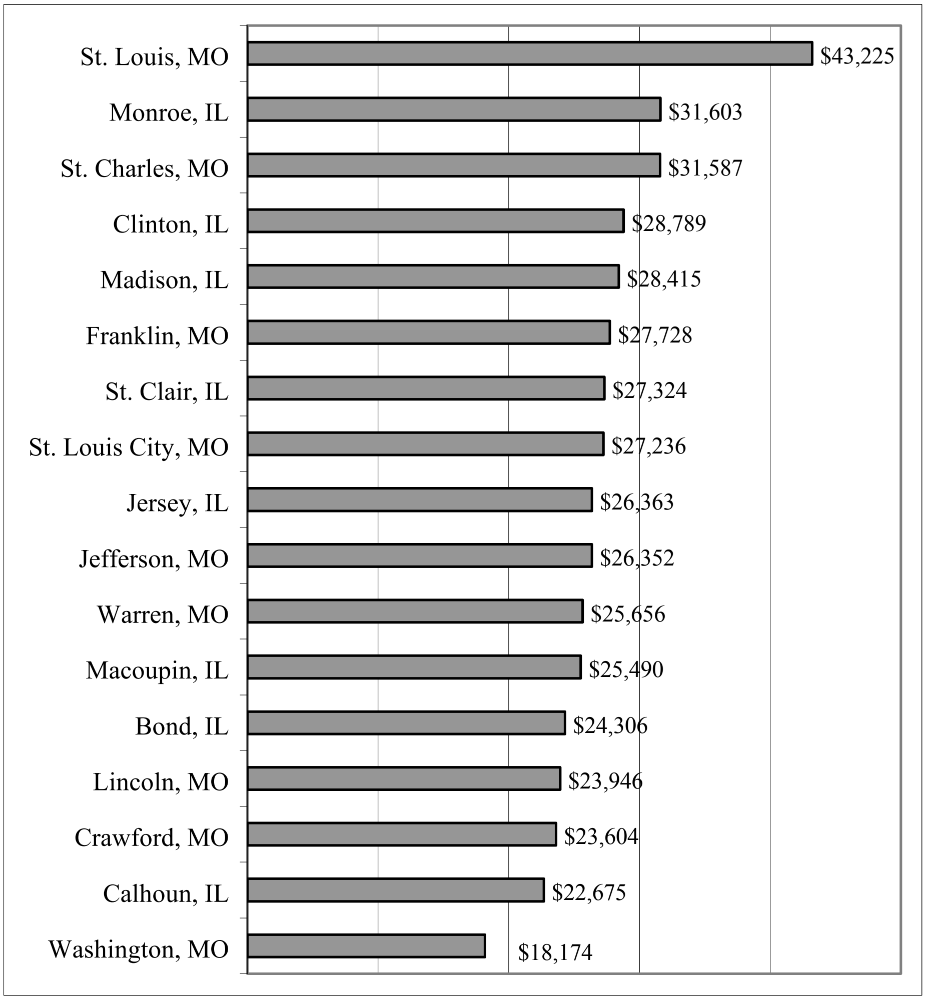
Year	St Louis MO-IL MSA	Missouri	United States
1995	$24,592	$21,559	$23,076
1996	$25,609	$22,548	$24,175
1997	$27,046	$23,716	$25,334
1998	$28,577	$24,923	$26,883
1999	$29,393	$25,697	$27,939
2000	$31,172	$27,241	$29,845
2001	$31,532	$27,813	$30,575
2002	$32,807	$28,719	$30,804
2003	$33,535	$29,464	$31,472
Average Annual Growth Rate			
1995-2003	4.0%	4.0%	4.0%

[1] Per capita income is total personal income divided by total resident population. Personal income is the income received by all persons from all sources, including net earnings, rental income, dividends, interest, and current transfer receipts. The BEA uses midyear population estimates in calculating the average personal income data presented in this table.

Source: U.S. Bureau of Economic Analysis, at www.bea.gov.

Figure III-5 shows that among the counties in St. Louis MSA, residents of St. Louis County reported the highest per capita personal income in 2003. The average personal income of $43,225 for St. Louis County was 46.7% higher than the state average, and 37.3% higher than the national average in 2003. The income level reflects, in part, the composition of employment available in St. Louis County. Many of the major public and private sector employers listed in **Table III-4** are located in the County.

FIGURE III-5
ST. LOUIS MO-IL MSA - PER CAPITA PERSONAL INCOME BY COUNTY
2003



Source: U.S. Bureau of Economic Analysis, at www.bea.gov.

The pattern of income distribution reflects the spread of purchasing power within the economy. **Table III-7** compares the level and distribution of median household EBI in the Airport's local economy with the median EBI at the state and national levels. In 2003, St. Charles reported a median household EBI of $50,442, which was the highest in the MSA. St. Charles also had the highest percentage of households, 50.6%, reporting annual incomes of $50,000 and above. Overall, the median household EBI for St. Louis MSA was $39,668, which was 14.5% higher than the state median household EBI of $34,641, and 3.8% higher than the median household EBI of $38,201 for the U.S. In terms of distribution by income group, the MSA had proportionately higher households, 37.1%, reporting annual incomes of $50,000 and above. At the state level, 30.3% of households reported incomes of $50,000 and above, and at the national level, 35.4% of households were in that income bracket in 2003.

TABLE III-7
COMPARISON OF HOUSEHOLD INCOME DISTRIBUTION
2003

Area	Median Household EBI	Percent of Household by EBI Group			
		Under $20,000	$20,000-$34,999	$35,000-$49,999	$50,000 & Over
Crawford, MO	$29,114	33.0%	28.5%	19.5%	19.0%
Franklin, MO	$39,943	18.5%	24.1%	22.7%	34.7%
Jefferson, MO	$42,047	16.1%	23.8%	21.8%	38.3%
Lincoln, MO	$39,113	19.3%	25.1%	22.1%	33.5%
St. Charles, MO	$50,442	10.1%	18.6%	20.7%	50.6%
St. Louis, MO	$44,645	15.8%	22.2%	18.7%	43.3%
St. Louis City, MO	$26,473	38.0%	27.4%	15.7%	18.9%
Warren, MO	$37,597	19.6%	26.4%	20.6%	33.4%
Washington, MO	$26,263	38.1%	28.4%	16.8%	16.7%
Bond, IL	$35,038	24.0%	25.9%	21.5%	28.6%
Calhoun, IL	$31,629	27.7%	27.4%	19.8%	25.1%
Clinton, IL	$40,033	19.6%	23.4%	21.0%	36.0%
Jersey, IL	$38,246	22.2%	22.5%	21.7%	33.6%
Macoupin, IL	$32,726	25.5%	28.7%	21.0%	24.8%
Madison, IL	$37,178	22.4%	24.3%	19.9%	33.4%
Monroe, IL	$50,157	12.4%	18.2%	19.2%	50.2%
St. Clair, IL	$35,002	25.0%	25.0%	18.6%	31.4%
ST. LOUIS MO-IL MSA	**$39,668**	**20.4%**	**23.5%**	**19.0%**	**37.1%**
MISSOURI	**$34,641**	**24.3%**	**26.3%**	**19.1%**	**30.3%**
UNITED STATES	**$38,201**	**22.3%**	**23.3%**	**19.0%**	**35.4%**

EBI is Effective Buying Income, which is a measure of disposable income. The EBI shown in this table are expressed in current dollars.

Source: Sales & Marketing Management, *2004 Survey of Buying and Media Markets*.

E. BUSINESS ENVIRONMENT

Table III-8 shows the steady annual increases in the number of business establishments in St. Louis MSA. Effective from 2000, Sales & Marketing Management adopted a more comprehensive definition of business establishment to include government and non-commercial entities. Although it preserves the national ranking system, the new measure distorts comparison with prior years. Consequently, for the purpose of tracking growth trends, the time frame is split into the period before, and after 2000. Between 1992 and 1999, the number of business establishments in the MSA increased at an average annual rate of 1.5%, which was slightly lower than the national average growth rate of 2.1% during that period. However, in the 2000-2003 period, the number of business establishments in the MSA increased at an average annual rate of 3.7%, which clearly surpassed the national growth trend of 1.5% during that period. Overall, during the 1992-2003 period, the MSA was consistently in the top 20 metro markets in the U.S. This subsection highlights some of the area's positive business-oriented characteristics.

TABLE III-8
ST. LOUIS MO-IL MSA BUSINESS ESTABLISHMENTS
1992-2003 [1]

	St. Louis MO-IL MSA		United States
Year	**# of Establishments**	**National Ranking**	**# of Establishments**
1992	59,047	15	5,862,258
1993	61,424	15	6,175,127
1994	61,499	15	6,180,984
1995	62,480	16	6,289,515
1996	63,123	16	6,402,674
1997	63,656	16	6,493,394
1998	64,836	17	6,656,659
1999	65,346	17	6,794,831
2000	95,796	20	11,517,863
2001	105,305	17	12,086,972
2002	105,861	20	12,512,050
2003	106,713	18	12,027,600
Average Annual Growth Rate			
1992-1999	1.5%	-	2.1%
2000-2003	3.7%	-	1.5%

[1] Effective 2000, *Sales & Marketing Management* adopted a more comprehensive approach to the definition of "business establishment" to include government and non-commercial entities. Although it preserves the ranking system, the new measure distorts comparison in terms of levels and growth trend with prior years.

Source: Sales & Marketing Management, *Survey of Buying Power*, 1993-2004.

The St. Louis Regional Chamber of Commerce and Growth Association (RCGA) sponsored a study in 2003 of the manufacturing sector in the metropolitan area, with a view to identifying the strengths of the sector and its role in the future development of the region[1]. The study focused on clusters of activity that link specific industries in the area into well-defined supplier-customer chains or production chains. In particular, the study identified eleven primary manufacturing cluster areas in the St. Louis region, which include aerospace and defense, beverages, chemical, and plastics, construction materials, food processing, instruments and computing, life science manufacturing, machinery and metal-working, motor vehicles, and primary metals. The list illustrates the diversity of the manufacturing base in the St. Louis region, offering the area the flexibility to take advantage of emerging growth opportunities. For example, based on the competitive advantage of the region, the study recommends the development of broad-based strategies around food products and life sciences manufacturing as growth drivers for the future.

[1] RCGA, *St. Louis Technology Cluster Strategies: Positioning St. Louis in Advanced Manufacturing Clusters*, June 2003.

With over 390 firms engaged in plant and life sciences, the RCGA markets the St. Louis region as the home of world-class research and development in plant and life sciences. Known as the **BioBelt**, these companies collectively employ highly skilled manpower and generate extensive direct and indirect economic impacts in excess of $10 billion annually in the region.[2] The following are among the leading companies in the BioBelt:

- **Monsanto** is a global leader in biotechnology research. The company's Chesterfield Village Research Center houses world-class sophisticated research facilities.
- **Pfizer,** the world leader in pharmaceutics, operates a laboratory in St. Louis, which is devoted to the discovery and early-stage development of new therapies focusing on the treatment of cardiovascular diseases and arthritis/inflammation.
- **Sigma-Aldrich**, a leading life science and technology company, manufactures products that are used in scientific and genome research, biotechnology, development of pharmaceuticals, and in chemical manufacturing.
- **Mallinckrodt Pharmaceuticals** develops products in three essential areas of medicine, namely, respiratory care, diagnostic imaging, and analgesic pharmaceuticals.

Other notable companies include Wyeth BioPharma, KV Pharmaceuticals, and Meridian Medical Technologies. The Nidus Center for Scientific Enterprise is a St. Louis-based non-profit organization that serves as incubator for plant and life science firms. Established in 2000, the Center is expected to generate over $1.5 billion within the region's economy over the next 10 years. It is therefore no surprise that the greater St. Louis region continues to attract venture capital investments, with five of the six leading new ventures in Missouri in 2003 located in the area.[3]

In late 2003, the BioBelt launched the BioGenerator, a virtual commercialization and technology transfer center, designed to harness ongoing research in the St. Louis region, and to channel it into a steady flow of start-up companies. Funded by the Danforth Foundation, the Monsanto Fund, and the McDonnell Family Foundation, the BioGenerator is expected to be review and identify 30 prospective concepts when it becomes fully functional. Plans are underway to expand CORTEX, the midtown St. Louis research district, to provide infrastructure for start-up and evolving biotech companies. In addition, there is a joint effort between the Donald Danforth Plant Science Center and the DESCO Group to develop a multi-tenant commercial wet laboratory in suburban St. Louis.

In addition to all of the above positive developments, the St. Louis RCGA reports a number of other local economic development successes in 2003 and 2004 including the following:[4]

[2] "Fast Facts About the BioBelt", at www.biobelt.org.
[3] Jeremy Degenhart, "Venture Capital Investments in Missouri – 2003", report prepared for Advantage Capital Partners, sponsored by RCGA and BioBelt.
[4] RCGA, "Economic Development Successes", at www.econdev.stlrcga.org.

- Hong Kong-based NorthPole Ltd. selected Washington, MO for its $1.5 million U.S. headquarters. The company is a global leader in the development of innovative products for home and outdoor use. The U.S. headquarters will provide over 60 new jobs in the St. Louis MSA.
- Citi Mortgage, one of the nation's largest lending and servicing corporations recently moved into its new and expanded office facility in O'Fallon, MO. Built at the cost of $85 million, the new facility serves as Citigroup's main office for their mortgage operations.
- Centocor, Inc., the biotech subsidiary of Johnson & Johnson recently announced its plan to purchase Wyeth BioPharma. Facilitated by a package of incentives put together by members of the Missouri Department of Economic Development, the RCGA, and St. Louis County, Centocor plans to invest a minimum of $47 million in new plant equipment by the end of 2006.
- GlaxoSmithKline announced, in February 2004, the transfer the production of its OS-Cal brand of products from a contract manufacturer to the company's downtown St. Louis facility. The $14 million project will provide 52 new jobs, as well as expand the core competencies of the area.
- The Hershey Foods Corporation completed its new distribution center at the Gateway Commerce Center in Edwardsville, IL, 16 miles outside of St. Louis. Other national companies with distribution facilities at the Gateway Center include Dial Corp., Procter & Gamble and Unilever.
- Reuters, the global information company, announced its choice of St. Louis for its new business expansion in 2003. The company's Business Direct group is the fourth operational unit that Reuters has relocated to the St. Louis area. In 2003, Reuters moved its Business Services Center, the America Development Center and its Customer Fulfillment Centers to St. Louis.

Table III-9 shows the overall upward trend in residential construction activity during the 1995-2004 period. During the ten-year period, there were, on average, 12,831 new residential housing units added to the housing stock in St. Louis MSA annually. On average, the new investments contributed over $1.5 billion in annual spending to the economy.

TABLE III-9
ST. LOUIS MO-IL MSA
NEW RESIDENTIAL CONSTRUCTION ACTIVITY
1995-2004

Year	New Housing Units	Valuation of New Investment ($000)
1995	11,520	$1,128,177
1996	12,666	$1,250,261
1997	11,084	$1,182,922
1998	12,335	$1,363,713
1999	12,612	$1,432,123
2000	12,107	$1,398,849
2001	11,892	$1,485,947
2002	14,023	$1,733,673
2003	14,754	$2,031,622
2004P	15,313	$2,272,458
Average Annual Activity		
1995-2004	**12,831**	**$1,527,975**

Activity data for 2004 are preliminary.

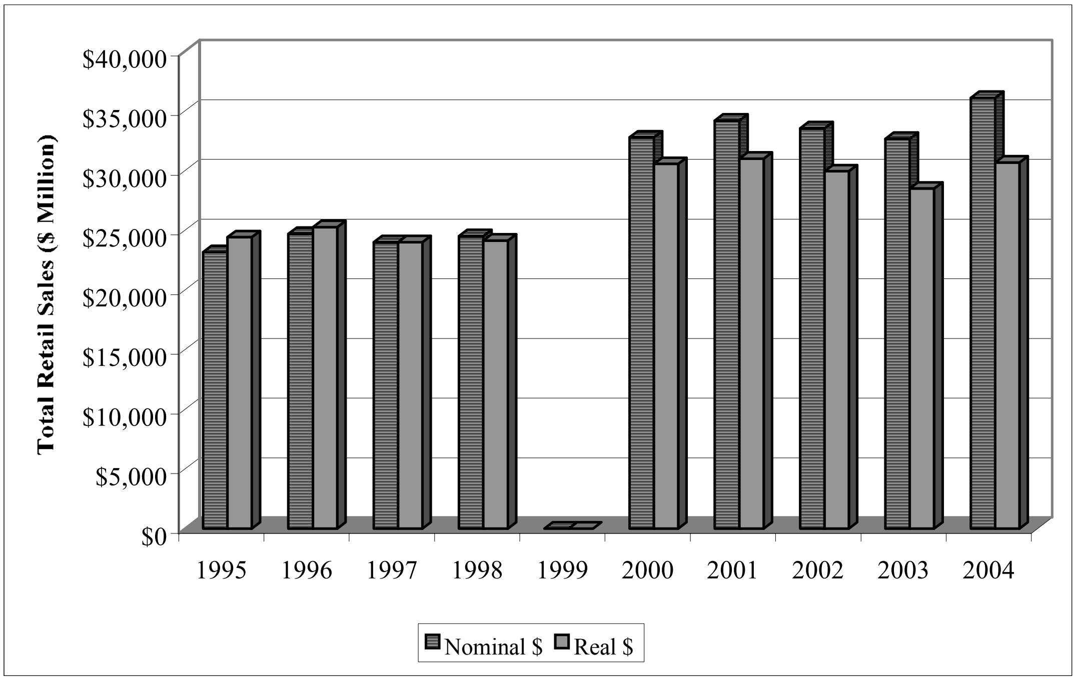
Source: U.S. Bureau of the Census at www.census.gov/const/C40.

F. TRADE

The Trade sector (comprising wholesale and retail trade) is a significant source of employment and revenues. As presented in **Table III-3**, wholesale and retail trade accounted for over 200,000 local jobs in 2004. The St. Louis region has two Foreign Trade Zones (FTZs) and four sub-zones, all of which are located to take full advantage of the area's integrated road, rail and air transportation network. FTZ #31, a joint venture between the public and private sectors, is located in the Tri-City Port area in Granite City, Illinois, and provides spacious warehousing and industrial facilities. The Zone has been extended to Gateway Commerce Center and Mid-America Airport. FTZ #102 is located at the Red Arrow Corporation warehouse and distribution facility near the Airport. Through a variety of tax and business incentives, FTZs facilitate international trade in the region. For example, FTZs provide importers the flexibility of handling foreign merchandise by allowing goods to be held duty free and quota free for long periods of time.

Figure III-6 shows the overall positive trend in retail sales in the St. Louis area during the 1995-2004 period. Effective 1999, Sales & Marketing Management implemented a new survey methodology, which resulted in a break in the historical series. Consequently, for the purpose of tracking growth trends, the time frame is split into the period before, and after 1999. Between 1995 and 1998, retail sales (in nominal dollars) increased at an average annual rate of 1.9%, from $23.2 billion to $24.5 billion. Between 2000 and 2004, retail sales (in nominal dollars) increased at an average annual rate of 2.4%, from $32.8 billion to $36.1 billion. However, inflation moderated the real increase in retail revenues. For example, with annual inflation rate averaging 2.3%, the growth in retail sales during the 2000-2004 period translates into a 0.1% average annual growth in real terms.

FIGURE III-6
ST. LOUIS MO-IL MSA - ANNUAL RETAIL SALES
1995-2004



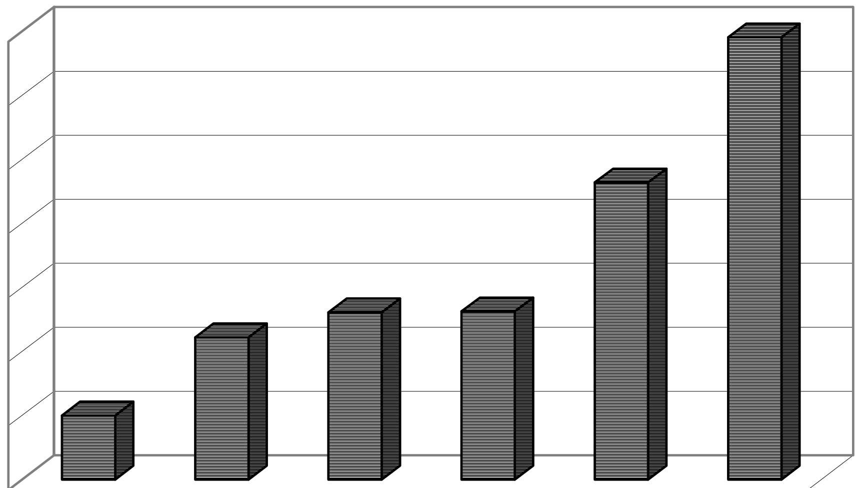
"Nominal $" refers to current dollar values, while "Real $" refers to constant 1997 dollars.

Effective 1999, Sales & Marketing Management implemented a new survey methodology, which resulted in a break in the historical series. A comparison of trends in retail sales over the entire 10-year period is not recommended.

Source: Sales & Marketing Management, Survey of Buying Power, 1995-2004.

A breakdown of the composition of retail sales in 2004 presented in **Figure III-7** illustrates the broad base of retail business in St. Louis MSA.

FIGURE III-7
ST. LOUIS MO-IL MSA - RETAIL SALE BY STORE GROUP
2004



	FHEA	Food Svc. & Drinking Estab.	General Merchandise	Food & Beverage Stores	Motor Vehicles & parts	Misc. Goods
% Share	5.0%	11.1%	13.0%	13.1%	23.2%	34.5%

FHEA is Furniture & Home Furnishing & Electronics & Appliances.
Miscellaneous goods included all other categories of retail sales, such as clothing, health & personal care, sporting goods, and gasoline.

Source: Sales & Marketing Management, *2004 Survey of Buying Power*.

G. TOURISM[5]

Leisure and hospitality is one of the largest segments of the Services sector of St. Louis MSA local economy. In 2004, the segment employed over 136,000 workers. Tourism plays a central role in the hospitality business and the local economy is well positioned to serve the diverse interests of millions of visitors annually. The St. Louis region boasts a number of attractions, including professional sports, performing arts, museums, and a variety of recreational facilities. For example, located in the heart of downtown St. Louis, is America's Center convention complex, which hosts some of the country's largest conventions. The Center's Edward Jones Dome, the first multi-purpose stadium in America to be built as an integral part of a convention center, brings new attention to the complex through its ability to host special events and through its major sports tenant, the St. Louis Rams.

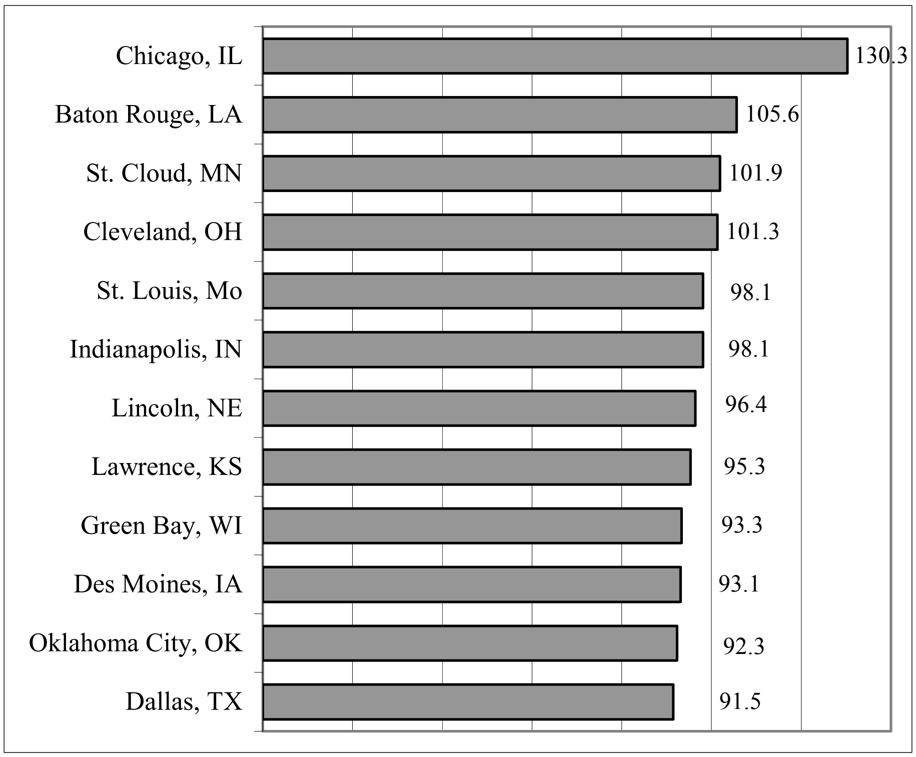
[5] Most of the material in this sub-section is taken from the Internet site of RCGA at www.econdev.stlrcga.org and St. Louis Convention and Visitors Commission at www.st-louis-cvc.com.

St. Louis has a wealth of professional teams and events that draw visitors into the area. The teams include the St. Louis Cardinals, the St. Louis Rams, the St. Louis Blues, and the St. Louis Steamers, a major indoor soccer team. St. Louis also has minor league franchises such as the Otters hockey team, the Swarm basketball team, the Vipers roller hockey team, and the River City Rascals baseball team. Other visitor attractions and popular landmarks in St. Louis include the Gateway Arch, the Gateway International Raceway, Laclede's Landing, Eads Bridge, St. Louis Union Station, The Grand Center, Cathedral Basilica of St. Louis, Missouri Botanical Garden, the St. Louis Zoo, Forest Park, the St. Louis Science Center, City Museum, and the St. Louis Art Museum. In addition, St. Louis' diverse ethnic heritage is celebrated through various special cultural events throughout the year.

H. COST OF LIVING

One attractive attribute of the area is its relatively low cost of living. A commonly used measure of the cost of living in an area is the quarterly all-item cost of living index calculated by the American Chamber of Commerce Researchers Association (ACCRA). The composite index is based on six components: Grocery Items, Housing, Utilities, Transportation, Health Care, and Miscellaneous goods and services. **Figure III-8** compares the composite ACCRA index for St. Louis MSA with that of selected central U.S. metropolitan areas. During the fourth quarter of 2004, the cost of living index in St. Louis MSA was 98.1, which was below the national average of 100, and compares favorably among the selected metropolitan areas.

FIGURE III-8
COST OF LIVING COMPARISON
SELECTED METROPOLITAN AREAS
Fourth Quarter 2004



The cost of living index measures the relative price levels of consumer goods and services in participating areas. The U.S. average is set at 100.

Source: American Chmber of Commerce Researchers Association (ACCRA), *Cost of Living Index - Comparative Data for 305 Urban Areas*, Fourth Quarter 2004, February 2005.

Housing represents a major component of consumer expenditures. Consequently the ability to purchase a home is a vital aspect of the quality of life and cost of living in an area. A commonly used measure of housing affordability is the Housing Opportunity Index (HOI) published by the National Association of Home Builders (NAHB). The quarterly Index for participating metropolitan areas measures the percentage of homes in each area that are affordable to the residents based on the area's median income and the median home price. **Table III-10** compares the HOI for St. Louis MSA with the HOI for nineteen other midwestern metropolitan areas. During the fourth quarter 2004, the HOI for St. Louis MSA was 84.8, which was the 8th highest in the Midwest, and the 10th highest nationwide. The index indicates that, based on the median income and the median home price, residents of the MSA could afford to purchase 84.8% of available homes in the area. Nationwide the HOI during fourth quarter 2004 was 52%.

TABLE III-10
HOUSING OPPORTUNITY INDEX (HOI) [1]
TOP 20 MIDWEST METROPOLITAN AREAS
Fourth Quarter 2004

Metro Area	HOI 4th Qtr 2004	2004 Median Family Income (000)	4th Qtr 2004 Affordability Rank National	Regional
Lima, OH	91.6	52.5	1	1
Mansfield, OH	71.5	50.7	3	2
Saginaw-Bay City-Midland, MI	85.8	55.2	4	3
Canton-Massillon, OH	73.5	53.2	5	4
Youngstown-Warren, OH	88.4	49.6	7	5
Dayton-Springfield, OH	79.7	57.7	8	6
Lansing-East Lansing, MI	93.8	64.6	9	7
St. Louis, MO-IL	**84.8**	**65.9**	**10**	**8**
Springfield, IL	87.1	60.1	11	9
Grand Rapids-Muskegon-Hollad, MI	79.6	61.2	12	10
Rockford, IL	90.2	57.9	12	10
Toledo, OH	89.8	56.8	15	12
Peoria-Pekin, IL	78.1	58.2	20	13
Cleveland-Lorain-Elyria, OH	71.3	59.9	22	14
Flint, MI	85.6	55.2	23	15
Akron, OH	78.2	60.3	24	16
Duluth-Superior, MN-WI	81.0	53.2	25	17
Cincinnati, OH-KY-IN	81.3	64.0	25	17
Detroit, MI	80.2	66.8	27	19
Hamilton-Middletown, OH	87.9	64.5	28	20
NATIONAL	**52.0**	**57.5**	-	-

[1] Housing Opportunity Index (HOI) measures the share of homes in a metropolitan area that are affordable to the residents based on the area's median income and median home price. The higher the index, the larger the pool of houses that the local residents can afford.

Source: National Association of Home Builders, at http://www.nahb.org.

I. SUMMARY

The demographic and economic trends in the Airport's primary air service area reflect a strong and diverse economic base that will continue to support growth in air travel demand in the area. Highlights include the following:

- **A stable population base**. The Airport's primary air service area has a stable population base, which grew at a moderate pace of 0.4% per year between 2000 and 2003. The area's population is projected to continue to grow at an average annual growth rate of 0.1% through 2010. A stable population represents a reliable market base and is a vital source for continued travel demand.

- **A growing labor market.** The primary air service area's labor force grew at an average annual rate of 0.6% between 1995 and 2004. The number of employed persons increased at an average rate of 0.4% per year. The number of unemployed persons increased at an average annual rate of 3.7% during the 1995-2004 period, resulting in an unemployment rate of 6.2% in 2004.

- **A diversified employment base.** The composition of non-agricultural employment in the primary air service area indicates a broad employment base. The Services, Trade, Transportation & Utilities, Government and Manufacturing sectors are the major job sources in the area.

- **A nationally comparable personal income level.** In 2003, the median household income in St. Louis MSA was higher than the median household income for the State of Missouri and the U.S. median household income.

- **A business-friendly environment.** The influx of new and expanding small and mid-size entrepreneurial companies in the area is turning the region into one of the highest concentrations of entrepreneurial incubators in the United States. The presence of nineteen *Fortune 1000* companies, and recent trends in the number and diversity of business establishments point to a healthy business environment in the local economy.

- **A strong tourism industry.** Tourism is one of St. Louis' largest industries. The area boasts state-of-the-art convention facilities in the expanded America's Center convention complex. St. Louis is a popular destination that offers a variety of cultural attractions, recreational amenities, and sporting events.

- **Affordable cost of living.** One of the attractive attributes of the St. Louis region is its relatively low cost of living, including high housing affordability, which contributes to the quality of life for the local residents.

SECTION IV
ANALYSIS AND FORECAST OF AVIATION ACTIVITY

This section reviews the historical trends in passenger traffic and aircraft operations at the Lambert-St. Louis International Airport. The review covers trends over the past 10 years, with particular focus on developments over the last five years. Forecasts of enplanements, aircraft departures, and landed weight are presented for the 2005-2011 period. Historical data are presented on a calendar year (CY) basis and, in a few tables, on a fiscal year (FY) basis as well. Forecasts are presented on a fiscal year basis to conform to the financial analysis in Section V.

The past four years have been particularly challenging for the Airport. A number of events took place: American acquired TWA in March 2001 and took over TWA's system hub operations at the Airport. On September 11, 2001, terrorists crashed four U.S. commercial airplanes, including two of American Airlines'. These events took place amid an economic slowdown and dampened an already weak travel demand. The subsequent recovery of traffic nationwide was hampered by other international events such as the SARS epidemic and the Iraq War in 2003. In St. Louis, the recovery of traffic was set back further by the downsizing of the American Airlines hub, which came to full effect in November 2003.

The downsizing of the American Airlines hub at the Airport caused a dramatic fall in traffic levels just as the losses in traffic following the September 2001 terrorist attacks and the U.S. economic recession were starting to diminish. The Airport felt the full impact of American's cutback in November 2003 when passenger aircraft departures fell by 37.2% from the previous year's November level and enplanements fell by 49.4%. Traffic losses of similar proportion continued through January 2004. The year-over-year percentage losses began to diminish gradually in February 2004, and the Airport began to post year-over-year gains in enplanements and passenger aircraft departures in November 2004. While these represented gains from deeply reduced traffic levels beginning in November 2003, the positive trend is encouraging. The year-over-year growth rate in monthly enplanements exceeded 10% from November 2004 through January 2005, moderated at 5.7% in February 2005, and rebounded at 14.3% in March 2005. The year-over-year growth rates in monthly passenger aircraft departures ranged between 2.2% and 6.5% during the period from November 2004 through March 2005.

On an annual basis, the impact of the downsizing of the American Airlines hub is reflected in the following trends:

- Total enplanements decreased by 34.2% from 10.20 million in CY 2003 to 6.71 million in CY 2004. (CY 2003 includes two months of actual performance post-American downsizing.) Expectedly, the decline in total enplanements was due to the sharp decline in connecting traffic of 70.9%, from 4.97 million enplanements in CY 2003 to 1.44 million in CY 2004. In contrast, originating enplanements increased by 0.7% from 5.23 million in CY 2003 to 5.26 million in CY 2004.

- Total enplanements decreased by 32.2% from 11.83 million in FY 2003 to 8.02 million in FY 2004. (FY 2004 includes four months of actual performance pre-downsizing.) Connecting enplanements decreased by 54.8% from 6.32 million in FY 2003 to 2.86 million in FY 2004. Originating enplanements decreased by 6.4% from 5.51 million in FY 2003 to 5.16 million in FY 2004.

The following trends reflect the compound effects of all the events that occurred during the last four years:

- Between CY 2000 and 2004, total enplanements decreased at an average annual rate of 18.6% from a peak of 15.31 million to 6.71 million. Connecting enplanements decreased at an average annual rate of 34.9% from 8.06 million in CY 2000 to 1.44 million in CY 2004. Originating enplanements decreased at an average annual rate of 7.7% from 7.25 million in CY 2000 to 5.26 million in CY 2004.

- Between FY 2001 and 2004, total enplanements decreased at an average annual rate of 18.9% from 15.01 million to 8.02 million. Connecting enplanements decreased at an average annual rate of 28.9% from 7.95 million in FY 2001 to 2.86 million in FY 2004. Originating enplanements decreased at an average annual rate of 9.9% from 7.06 million in FY 2001 to 5.16 million in FY 2004.

A. HISTORICAL AVIATION ACTIVITY

1. The Airport

The Federal Aviation Administration (FAA) classifies STL as a large hub, a class of airports that individually account for one percent or more of total U.S. enplanements.[1] In CY 2004, the Airport enplaned 6.71 million – one percent of total U.S. enplanements that year. In CY 2003, STL ranked 22nd largest in the United States by total passengers and 21st largest by total aircraft operations, according to the Airports Council International (ACI) World Airport Traffic Statistics.

Table IV-1 lists the scheduled commercial airlines that serve the Airport as of March 2005: 10 major/national passenger airlines, 14 regional/commuter passenger airlines including one foreign flag, and seven cargo airlines. The Airport remains a secondary hub in the route network of American Airlines. During the first quarter of 2005, passenger airlines operated an average of 352.5 scheduled nonstop flights per day from STL to 81 domestic destinations and an average of 2.5 scheduled nonstop flights per day to six international destinations. With stops and flight connections at other airports, the destination opportunities from STL are unlimited.

[1] FAA, Terminal Area Forecast Summary, Fiscal Years 2004-2020, March 2005.

TABLE IV-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
SCHEDULED AIR CARRIERS SERVING THE AIRPORT
As of March 2005

Major/National[1]	Regional[1]	All-Cargo
America West	Air Canada	Airborne Express
American	American Eagle[2]	American Trans International
Continental	Atlantic Southeast[4]	ASTAR
Delta	Chautauqua[2,3]	Menlo Worldwide
Frontier	Comair[4]	Federal Express
Northwest	Expressjet[5]	Mountain Air
Southwest	Mesa[3,6]	United Parcel Service
United	Mesaba[7]	
US Airways	Pinnacle[7]	
USA 3000	PSA[3]	
	RegionsAir (formerly Corporate Air)[2]	
	Skyway[8]	
	Skywest[6]	
	Trans States[2,3]	

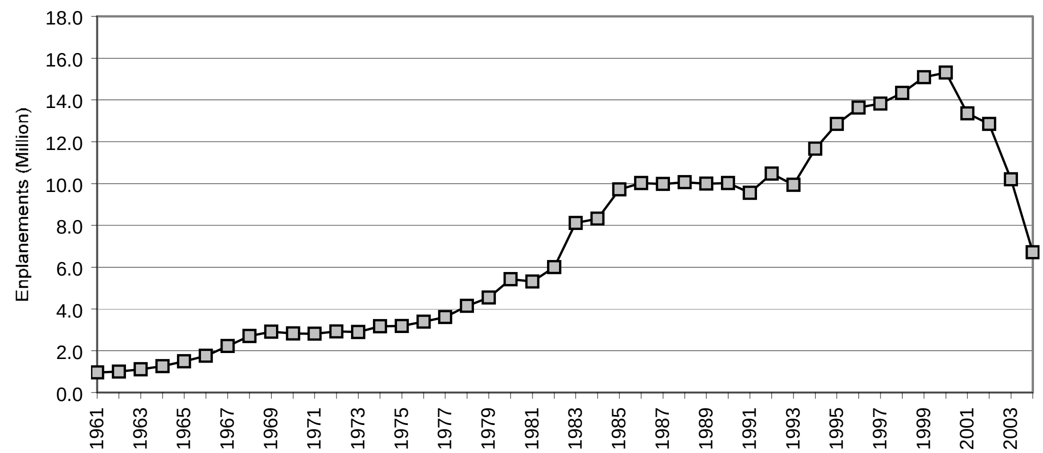
[1] All scheduled passenger airlines, with the exception of Air Canada, Atlantic Southeast, Comair, Expressjet, Mesa, Skyway and Skywest, are signatory airlines.
[2] American Connection
[3] US Airways Express
[4] Delta Connection
[5] Continental Express
[6] United Express
[7] Northwest Airlink
[8] Midwest Connect

Source: Airport management records.

2. Historical Enplanement Trends, 1961-2004

Figure IV-1 shows the historical enplanement trends at the Airport from CY 1961 through 2004. From CY 1961 through 2000, enplanements had gone through periods of steep growth followed by plateaus. Overall, growth characterized the long-term trend. Steep growth followed the establishment of the TWA system hub at the Airport in November 1982; the restoration in 1994 of TWA flights that were transferred to Hartsfield-Jackson Atlanta International Airport (ATL) in the previous year; and the U.S. economic expansion in the 1990s. Positive stimulus was provided by two other factors: the expansion of Southwest's low-fare service at the Airport and the continued decline in the real price of air travel. Enplanements posted an average annual growth rate of 12.7% from CY 1961 through 1970, 6.7% from CY 1970 through 1980, 6.3% from CY 1980 through 1990 and 4.3% from CY 1990 through 2000. From barely one million in CY 1961, annual enplanements increased to 15.31 million in CY 2000.

FIGURE IV-1
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HISTORICAL ENPLANEMENT TRENDS
CY 1961-2004



Average Annual Growth Rates					
1961-1970	12.7%	1980-1990	6.3%	2000-2004	-18.6%
1970-1980	6.7%	1990-2000	4.3%	1961-2004	4.6%

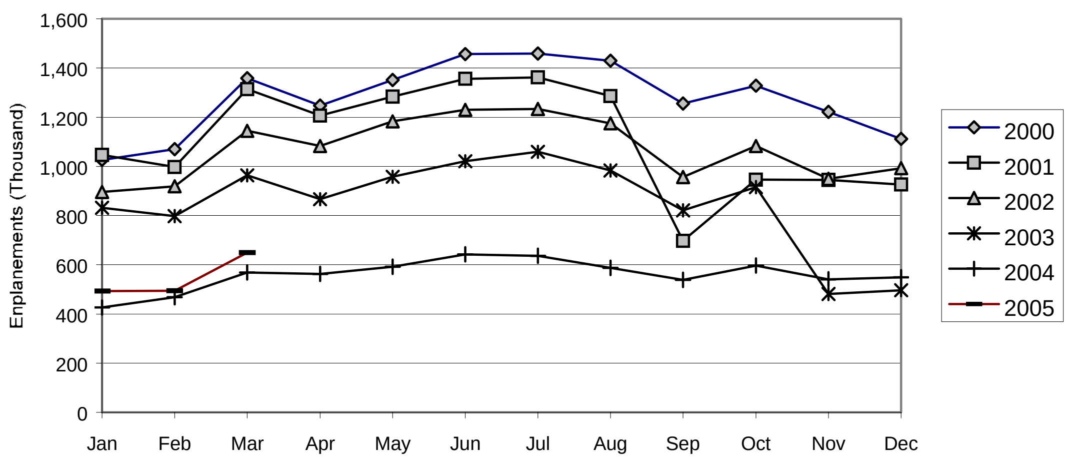
Source: Airport management records.

During the last four years, a series of events occurred: the exit of TWA and its acquisition by American Airlines; the U.S. economic recession; the terrorist attacks of September 11, 2001; the SARS epidemic and the Iraq War in 2003; and the downsizing of the American Airlines' hub, which came to full effect in November 2003. Enplanements declined annually at an average rate of 18.6% and fell to 6.71 million in CY 2004, setting back passenger traffic by 22 years to a pre-TWA hub level. The CY 2004 enplanement level was 11.7% higher than enplanements in CY 1982 – TWA set up a system hub at the Airport beginning in November 1982 - and 17.4% lower than enplanements in CY 1983, the first year of the TWA hub. The decline in enplanements was most dramatic at 34.2% in CY 2004, the first full year following the downsizing of the American Airlines' hub.

Figure IV-2 presents the recent enplanement trends at the Airport on a monthly basis. It shows more clearly how much the level of enplanements had fallen following the terrorist attacks in September 2001 and following the downsizing of American Airlines' hub in CY 2003. An encouraging upturn in the year-over-year enplanement growth trend began in November 2004.

Figure IV-2 also shows the seasonal pattern of air travel demand. In general, enplanement levels tend to be higher during the summer months and lower during the winter months.

FIGURE IV-2
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
MONTHLY ENPLANEMENTS
January 2000-March 2005



Year-over-Year Percentage Change					
	2001	**2002**	**2003**	**2004**	**2005**
Jan	1.9%	-14.3%	-7.2%	-48.8%	15.7%
Feb	-6.7%	-7.8%	-13.2%	-41.4%	5.7%
Mar	-3.3%	-12.8%	-15.8%	-41.0%	14.3%
Apr	-3.4%	-10.2%	-20.0%	-35.0%	
May	-5.0%	-7.8%	-19.0%	-38.2%	
Jun	-6.9%	-9.3%	-17.0%	-37.1%	
Jul	-6.6%	-9.4%	-14.1%	-39.9%	
Aug	-10.0%	-8.6%	-16.3%	-40.3%	
Sep	-44.5%	37.1%	-14.1%	-34.5%	
Oct	-28.7%	14.4%	-15.4%	-34.9%	
Nov	-22.6%	0.5%	-49.4%	12.5%	
Dec	-16.7%	7.2%	-50.0%	10.6%	

Source: Airport management records.

3. Enplanements at the Airport and the United States Airport System, CY 1995-2004

Table IV-2 shows annual enplanements at the Airport, annual enplanements in the entire U.S. airport system, and the Airport's share of U.S. annual enplanements from CY 1995 through 2004. From CY 1995 through 2000, enplanements at the Airport increased by 3.6% per year, closely tracking the nationwide growth rate of 3.7% per year. During the last four years, enplanements at the Airport declined at 18.6% per year on average, while total U.S. enplanements increased by 0.1% per year. As a result, the Airport's share of total U.S. enplanements declined from 2.2% during the CY 1995- 2000 period to 1.0% in CY 2004.

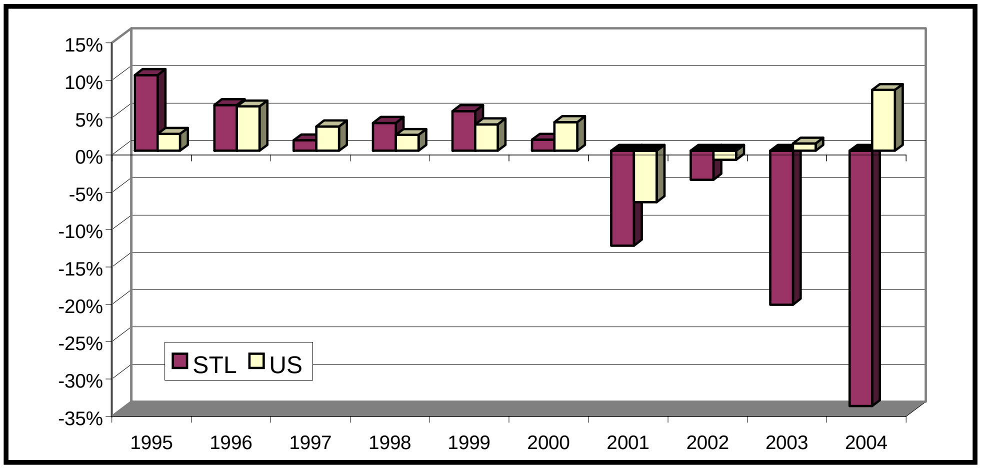
TABLE IV-2
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
SHARE OF U.S. TOTAL ENPLANEMENTS
CY 1995-2004

Calendar Year	Airport Enplanements[1]	U.S. Enplanements[2]	Airport's Market Share
1995	12,847,080	581,083,128	2.2%
1996	13,631,454	615,582,256	2.2%
1997	13,820,579	635,595,946	2.2%
1998	14,334,329	648,993,904	2.2%
1999	15,092,981	671,866,678	2.2%
2000	15,314,124	697,587,582	2.2%
2001	13,365,509	649,454,039	2.1%
2002	12,846,034	641,500,000	2.0%
2003	10,196,522	647,700,000	1.6%
2004	6,707,720	700,400,000	1.0%
Average Annual Growth Rate			
1995-2000	3.6%	3.7%	
2000-2004	(18.6%)	0.1%	

[1] Source: Airport management records.
[2] Source: Federal Aviation Administration.

Figure IV-3 compares the annual growth trends at the Airport and the U.S. airport system more clearly. In CY 2002, both the Airport and the United States posted percentage losses in enplanements that were smaller than the losses in CY 2001 – a sign that traffic was beginning to recover from the impact of the terrorist attacks. However, the traffic recovery at the Airport was set back by the cutback in American Airlines hub operations beginning in CY 2003, while the rest of the U.S. commercial airport system continued to recover. The Airport posted enplanement losses of 20.6% in CY 2003 and 34.2% in CY 2004, as the entire U.S. commercial airport system posted enplanement gains of 1.0% in CY 2003 and 8.1% in CY 2004.

FIGURE IV-3
ANNUAL GROWTH RATE OF STL AND U.S. ENPLANEMENTS
CY 1995-2004



Sources: Airport management records and Federal Aviation Administration.

4. Originating (O&D[2]) and Connecting Enplanements

Table IV-3 shows a breakdown of enplanements into O&D and connecting segments. Between CY 1995 and CY 2000 connecting enplanements grew faster, at 6.5% per year on average, than O&D enplanements did at 0.8% per year on average. As a result, the connecting segment share increased from 45.8% in CY 1995 to 52.6% in CY 2000. Between CY 2000 and CY 2004, both segments posted a decline, but connecting enplanements declined faster at an average annual rate of 34.9% than O&D enplanements did at an average annual rate of 7.7%. Consequently the connecting segment share decreased from 52.6% in CY 2000 to 21.5% in CY 2004. The O&D segment now accounts for the lion's share of enplanements. **Figure IV-4** shows the annual growth trends of O&D and connecting enplanements from CY 1995 through 2004.

In general, O&D traffic is influenced by local market factors and tends to track economic and demographic trends. Connecting traffic is determined primarily by airlines' network strategies. At STL, the significant decline in connecting traffic was due largely to American Airlines downsizing its hub operations at the Airport. **Figure IV-5** shows the year-over-year percentage change in monthly O&D and connecting enplanements during the months of November 2003-March 2005, following the downsizing of the American Airlines hub. Monthly connecting enplanements decreased by 71% to 79%, year-over-year, during the months from November 2003 through October 2004.

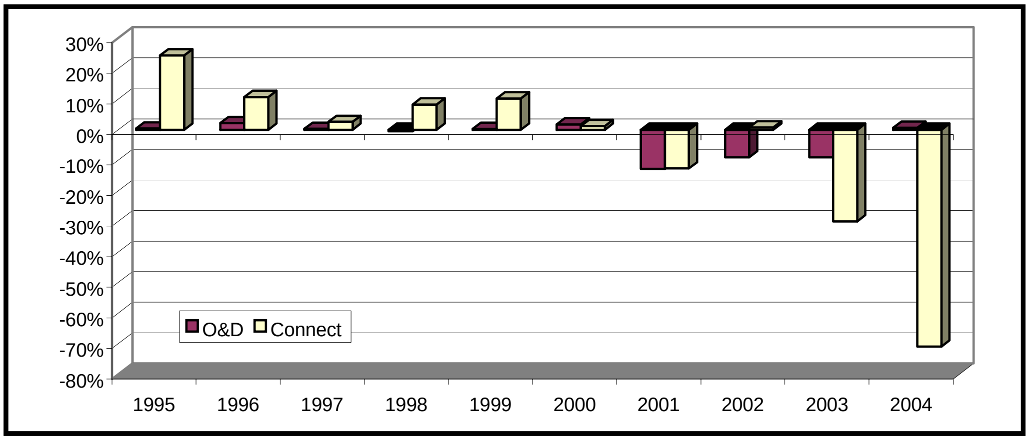
[2] O&D stands for origin and destination. O&D traffic consists of passengers who are either originating from St. Louis, or whose final destination is St. Louis.

TABLE IV-3
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
1995-2004

	O&D[1]		Connecting		Total
Year	Actual	Share	Actual	Share	Enplanements
CY 1995	6,967,981	54.2%	5,879,099	45.8%	12,847,080
1996	7,122,202	52.2%	6,509,252	47.8%	13,631,454
1997	7,144,372	51.7%	6,676,207	48.3%	13,820,579
1998	7,107,768	49.6%	7,226,561	50.4%	14,334,329
1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,253,816	47.4%	8,060,308	52.6%	15,314,124
2001	6,323,229	47.3%	7,042,280	52.7%	13,365,509
2002	5,750,948	44.8%	7,095,086	55.2%	12,846,034
2003	5,229,015	51.3%	4,967,507	48.7%	10,196,522
2004	5,263,363	78.5%	1,444,357	21.5%	6,707,720
FY 1999	7,156,835	49.1%	7,422,499	51.0%	14,563,422
2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
2001	7,057,885	47.0%	7,949,293	53.0%	15,007,178
2002	5,779,692	45.8%	6,839,748	54.2%	12,619,440
2003	5,510,858	46.6%	6,317,177	53.4%	11,828,035
2004	5,159,761	64.4%	2,857,858	35.6%	8,017,619
Average Annual Growth Rate					
CY 1995-2000	0.8%		6.5%		3.6%
CY 2000-2004	-7.7%		-34.9%		-18.6%
FY 1999-2001	-0.7%		3.5%		1.5%
FY 2001-2004	-9.9%		-28.9%		-18.9%

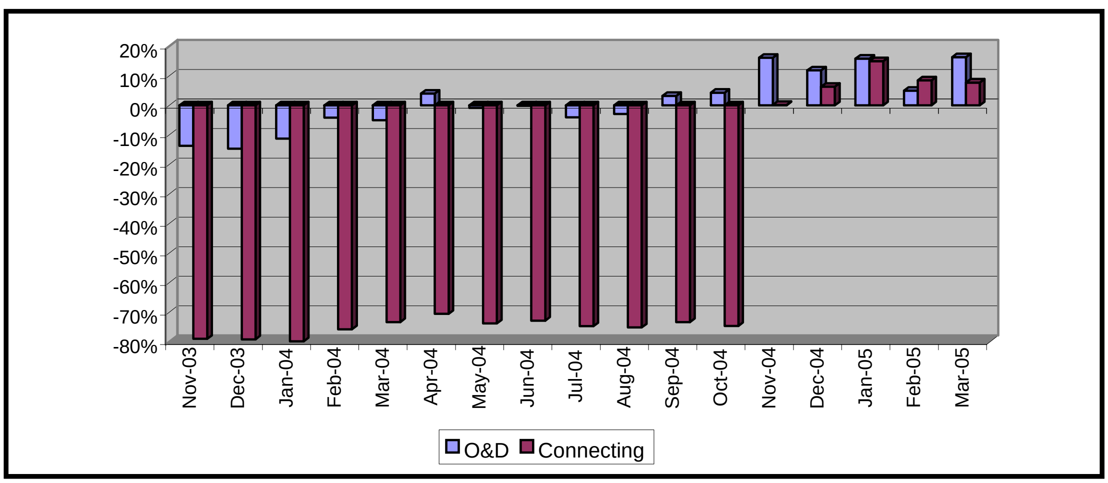
Source: Airport management records.

FIGURE IV-4
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ANNUAL GROWTH RATES OF O&D AND CONNECTING ENPLANEMENTS
CY 1995-2004



Source: Airport management records.

FIGURE IV-5
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
YEAR-OVER-YEAR PERCENTAGE CHANGE IN MONTHLY O&D
AND CONNECTING ENPLANEMENTS
November 2003-March 2005



Source: Airport management records.

5. **Domestic and International Enplanements**

Table IV-4 presents a breakdown of enplanements into the domestic and international segments. The Airport serves primarily domestic passengers. As **Table IV-4** shows, domestic enplanements decreased in share from 99.0% in CY 1995 to 98.1% in CY 2004. Domestic enplanements increased by 3.5% per year, on average, between CY 1995 and 2000, and decreased by 18.8% per year, on average, between CY 2000 and 2004.

TABLE IV-4
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DOMESTIC AND INTERNATIONAL ENPLANEMENTS
1995-2004

	Domestic		International		Total
Year	Actual	Share	Actual	Share	Enplanements
CY 1995	12,714,692	99.0%	132,388	1.0%	12,847,080
1996	13,476,216	98.9%	155,238	1.1%	13,631,454
1997	13,663,543	98.9%	157,036	1.1%	13,820,579
1998	14,157,672	98.8%	176,657	1.2%	14,334,329
1999	14,907,791	98.8%	185,190	1.2%	15,092,981
2000	15,116,224	98.7%	197,900	1.3%	15,314,124
2001	13,105,360	98.1%	260,149	1.9%	13,365,509
2002	12,561,382	97.8%	284,652	2.2%	12,846,034
2003	9,989,785	98.0%	206,737	2.0%	10,196,522
2004	6,583,603	98.1%	124,117	1.9%	6,707,720
FY 1999	14,387,966	98.8%	175,456	1.2%	14,563,422
2000	15,080,187	98.8%	178,970	1.2%	15,259,157
2001	14,769,779	98.4%	237,399	1.6%	15,007,178
2002	12,339,479	97.8%	279,961	2.2%	12,619,440
2003	11,580,770	97.9%	247,265	2.1%	11,828,035
2004	7,849,427	97.9%	168,192	2.1%	8,017,619
Average Annual Growth Rate					
CY 1995-2000	3.5%		8.4%		3.6%
CY 2000-2004	-18.8%		-11.0%		-18.6%
FY 1999-2001	1.3%		16.3%		1.5%
FY 2001-2004	-19.0%		-10.9%		-18.9%

Source: Airport management.

International enplanements accounted for a very small, but increasing share – from 1.0% in CY 1995 to 1.9% in CY 2004. International enplanements increased by 8.4% per year, on average, between CY 1995 and 2000, and decreased by 11.0% per year, on average, between CY 2000 and 2004. International traffic at the Airport did not suffer a decline as a result of the September 11, 2001 events – international enplanements increased by 31.5% in CY 2001 and 9.4% in CY 2002. However, international traffic declined along with domestic traffic in CY 2003 and 2004, with the cutbacks in American Airlines' flights at the Airport.

6. Airline Market Shares

Table IV-5 shows enplanements and market share by airline from CY 2000 through 2004. Together American Airlines and its American Connection operators accounted for the largest share of enplanements, but their combined share declined from 78.8% in CY 2000 to 48.8% in CY 2004. The cutback in mainline operations by American Airlines is mainly responsible for the decline in enplanement share. The number of annual enplanements and corresponding shares of American Airlines and its American Connection operators are as follows:

	Calendar Year				
	2000	2001	2002	2003	2004
Enplanements					
American Airlines[1]	11,394,205	9,441,611	8,761,934	6,056,451	2,107,436
American Connection	669,116	822,917	1,197,816	1,387,625	1,162,627
Total Enplanements	**12,063,321**	**10,264,528**	**9,959,750**	**7,444,076**	**3,270,063**
Market Share					
American Airlines[1]	74.4%	70.6%	68.2%	59.4%	31.4%
American Connection	4.4%	6.2%	9.3%	13.6%	17.3%
Total Market Share	**78.8%**	**76.8%**	**77.5%**	**73.0%**	**48.8%**

[1] Includes Trans World Airways in CY 2000 and CY 2001.

Southwest held the second largest share of enplanements, which increased from 11.7% in CY 2000 to 23.6% in CY 2004.

As a group, mainline air carriers accounted for the large majority of enplanements; however, their combined share decreased from 93.0% in CY 2000 to 71.3% in CY 2004. Frontier Airlines began service at the Airport in CY 2002 and USA 3000 began service at the Airport in CY 2004.

Prior to the September 11, 2001 events, mainline air carriers had been increasingly using regional airlines to serve short-haul and low-density markets. The fall in air travel demand, the deterioration of airline finances after the September 11, 2001 events, and the relaxation of scope clauses[3] accelerated the transfer of routes – now including longer-haul routes – from mainline to regional operators. As a result, the market share of regional operators increased significantly in recent years. At STL, the combined market share of regional operators increased from 6.0% in CY 2000 to 26.9% in CY 2004. The following regional airlines began service at the Airport in the last four years: American Eagle for American Connection, Atlantic Coast Airlines for Delta Connection, Pinnacle Airlines for Northwest Airlink,

[3] Scope clauses are agreements between mainline carriers and their regional affiliates that define the size and number of regional jets an affiliate may have and/or the amount of flying that the affiliate can undertake. Source: FAA Aerospace Forecasts, Fiscal Years 2005-2015, March 2005, page IV-1.

Skywest Airlines for United Express, Trans States Airlines for United Express, Mesa Airlines for United Express, Chautauqua for US Airways Express, and PSA for US Airways Express.

Air Canada is the only foreign-flag carrier that operates at the Airport. Its market share increased from 0.1% in CY 2000 to 0.3% in CY 2004.

TABLE IV-5
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRLINE MARKET SHARE
CY 2000 - 2004

	Enplanements					Share				
Airline	**2000**	**2001**	**2002**	**2003**	**2004**	**2000**	**2001**	**2002**	**2003**	**2004**
Mainline air carrier										
America West	70,156	84,567	66,449	88,402	123,939	0.5%	0.6%	0.5%	0.9%	1.8%
American[1]	11,394,205	9,441,611	8,761,934	6,056,451	2,107,436	74.4%	70.6%	68.2%	59.4%	31.4%
Continental	96,169	58,682	42,135	11,960	43,154	0.6%	0.4%	0.3%	0.1%	0.6%
Delta	229,404	188,579	181,187	185,013	229,355	1.5%	1.4%	1.4%	1.8%	3.4%
Frontier			13,445	11,045	97,028			0.1%	0.1%	1.4%
Northwest	260,308	267,145	230,328	231,115	338,006	1.7%	2.0%	1.8%	2.3%	5.0%
Southwest	1,788,794	1,670,497	1,450,562	1,342,119	1,584,019	11.7%	12.5%	11.3%	13.2%	23.6%
United	226,383	246,272	260,555	223,180	228,406	1.5%	1.8%	2.0%	2.2%	3.4%
US Airways	177,539	172,046	139,358	5,087	25,701	1.2%	1.3%	1.1%	0.0%	0.4%
USA 3000					3,336					0.0%
Subtotal-Mainline	**14,242,958**	**12,129,399**	**11,145,953**	**8,154,372**	**4,780,380**	**93.0%**	**90.8%**	**86.8%**	**80.0%**	**71.3%**
Regional air carrier										
Air Canada	22,774	21,107	19,504	13,333	17,647	0.1%	0.2%	0.2%	0.1%	0.3%
AA Connection/American Eagle				4,832	29,430				0.0%	0.4%
AA Connection/Chautauqua	101,000	299,283	560,274	495,595	401,248	0.7%	2.2%	4.4%	4.9%	6.0%
AA Connection/RegionsAir	29,862	67,512	83,919	76,255	63,612	0.2%	0.5%	0.7%	0.7%	0.9%
AA Connection/Trans States	538,254	456,122	553,623	810,943	668,337	3.5%	3.4%	4.3%	8.0%	10.0%
Continental Express/Expressjet	53,808	114,196	111,803	135,230	149,617	0.4%	0.9%	0.9%	1.3%	2.2%
Delta Connection/Atlantic Coast					5,506					0.1%
Delta Connection/Comair	74,572	48,209	78,893	98,439	135,909	0.5%	0.4%	0.6%	1.0%	2.0%
Midwest Connect/Skyway	4,434	5,141	4,814	4,782	7,929	0.0%	0.0%	0.0%	0.0%	0.1%
Northwest Airlink/Mesaba	64,174	62,420	56,976	73,173	44,571	0.4%	0.5%	0.4%	0.7%	0.7%
Northwest Airlink/Pinnacle					5,441					0.1%
United Express/Atlantic Coast	12546	16569				0.1%	0.1%			
United Express/Skywest			39,078	30,247	16,931			0.3%	0.3%	0.3%
United Express/Trans States				32,657	87,211				0.3%	1.3%
United Express/Mesa				8,951	30,401				0.1%	0.5%
US Airways Express/Chautauqua		6,884	29,767	14,144	3,069		0.1%	0.2%	0.1%	0.0%
US Airways Express/Mesa	8,836	11,349	6,608	72,310	76,842	0.1%	0.1%	0.1%	0.7%	1.1%
US Airways Express/PSA					23,550					0.4%
US Airways Express/Trans States	12,054	7534	23420	34,110	40,402	0.1%	0.1%	0.2%	0.3%	0.6%
Subtotal-Regional	**922,314**	**1,116,326**	**1,568,679**	**1,905,001**	**1,807,653**	**6.0%**	**8.4%**	**12.2%**	**18.7%**	**26.9%**
Subtotal-Charter	**148,852**	**119,784**	**131,402**	**137,149**	**119,687**	**1.0%**	**0.9%**	**1.0%**	**1.3%**	**1.8%**
Total Enplanements	**15,314,124**	**13,365,509**	**12,846,034**	**10,196,522**	**6,707,720**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

[1] Includes TWA enplanements in CY 2000 and CY 2001.

Source: Airport management records.

7. Air Service Markets

Table IV-6 lists the top twenty domestic O&D markets served by airlines from STL for the twelve-month period ending September 30, 2004.[4] The list consists of large metropolitan areas – a mix of business and leisure destinations – across the United States. At the top of the list is Chicago, which is 261 air miles from St. Louis and accounted for 7.3% of domestic O&D passengers at STL. There were 29.7 nonstop departures per day, on average, from STL to Chicago during the twelve-month period ended in September 2004. Washington, DC, 707 air miles away, comes second with 5.6% of domestic O&D passengers at STL and average nonstop flights of 13.0 per day from STL. Greater Los Angeles, 1,597 air miles away, ranked a close third, with 5.5% of domestic O&D passengers at STL and average nonstop flights of 6.4 per day from STL. Together the top 20 destinations accounted for 63.8% of total O&D passengers at STL and average flights of 183.7 per day, or 51.8% of total daily flights from STL.

Table IV-7 shows the number of domestic and international destinations served from the Airport and the average number of scheduled daily departures during the first quarter of CY 2003, 2004 and 2005. **Table IV-7** is intended to show the status of air service at STL before and after the downsizing of the American Airlines hub, which came to full effect in November 2003. We compare the status of air service during the same quarter to control for seasonal variation in air travel demand.

During the first quarter of CY 2003, there were 518.3 scheduled departures per day from the Airport to 98 destinations in the United States and abroad. These decreased to 338.3 scheduled departures per day to 83 destinations during the first quarter of CY 2004. During the first quarter of CY 2005, some of the flights were reinstated or replaced by flights to new destinations, bringing the average number of scheduled daily departures to 355.0 and total destinations to 87. Regional carriers added an average of 14.7 flights more per day[5] during the first quarter of 2005, compared to the first quarter of 2004. Mainline carriers added an average of 2.0 flights more per day[6] during the first quarter of 2005, compared to the first quarter of 2004.

The number of domestic destinations decreased from 94 during the first quarter of CY 2003 to 80 during the first quarter of CY 2004, and then increased to 81 during the first quarter of CY 2005. The average number of scheduled daily departures to domestic destinations decreased from 511.8 during the first quarter of CY 2003 to 335.4 during the first quarter of CY 2004, and then increased to 352.5 during the first quarter of CY 2005. The following destinations lost nonstop service from St. Louis completely: Sioux Falls, South Dakota; Fort Smith, Arkansas; Fort Wayne, Indiana; Honolulu, Hawaii; Lafayette, Indiana; Lincoln, Nebraska;

[4] As of May 2005, the BACK Aviation Solutions OD1A database has available data through September 30, 2004.
[5] The increment of 14.7 flights per day by regional carriers includes 4.3 flights by American Connection operators and 10.4 flights by other regional carriers.
[6] The increment of 2.0 flights per day by mainline carriers includes 3.4 flights by Southwest and 1.2 flights by American, net of a decrease of 2.6 flights by other mainline carriers.

Moline, Illinois; Maui, Hawaii; Ontario, California; Portland, Oregon; South Bend, Indiana; Shreveport, Louisiana; San Jose, California; and Sacramento, California. On the other hand, St. Petersburg, Florida received new nonstop service from St. Louis during the first quarter of 2005.

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TABLE IV-6
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
TOP TWENTY DOMESTIC O&D MARKETS
For the twelve months ending September 30, 2004

Rank	City	Airport(s)	Air Miles from STL[1]	Share of Domestic O&D Passengers[2]	Avg. Daily Nonstop Departures[3]
1	Chicago, IL	ORD, MDW	261	7.3%	29.7
2	Washington, DC	DCA, IAD	707	5.6%	13.0
3	Los Angeles, CA	LAX, SNA	1,597	5.5%	6.4
4	New York, NY	EWR, LGA, JFK	872	4.8%	16.5
5	Dallas, TX	DFW	547	3.4%	12.3
6	Orlando, FL	MCO	861	3.3%	5.2
7	Phoenix, AZ	PHX	1,268	3.2%	9.3
8	Detroit/Ann Arbor, MI	DTW	453	3.1%	8.7
9	Las Vegas, NV	LAS	1,378	3.0%	3.8
10	Houston, TX	IAH, HOU	684	2.7%	11.4
11	Denver, CO	DEN	778	2.6%	11.6
12	Florida South, FL	FLL, MIA	1,055	2.6%	3.8
13	San Francisco, CA	SFO, SJC	1,743	2.6%	2.3
14	Atlanta, GA	ATL	469	2.4%	12.5
15	Minneapolis/St. Paul, MN	MSP	461	2.1%	12.2
16	Tampa/St. Petersburg, FL	TPA	857	2.1%	2.6
17	Kansas City, MO	MCI	239	2.0%	6.0
18	Cleveland, OH	CLE	481	1.9%	5.6
19	Philadelphia, PA	PHL	803	1.8%	8.5
20	Seattle, WA	SEA	1,717	1.7%	2.2
	Top 20 cities			63.8%	183.7
	All other cities			36.2%	170.9
	TOTAL-Domestic			**100.0%**	**354.6**

1 OAG Flight Guide, February 1, 2005.
2 BACK Aviation Solutions OD1A Database.
3 BACK Aviation Solutions OAG Database.

The number of international destinations decreased from four during the first quarter of CY 2003 to three during the first quarter of CY 2004, and then increased to six during the first quarter of CY 2005. The average number of scheduled daily departures to international destinations decreased from 6.4 during the first quarter of CY 2003 to 3.0 during the first quarter of CY 2004, and then increased to 6.0 during the first quarter of CY 2005. London (Gatwick), England lost nonstop service from St. Louis, while the following destinations gained new nonstop service: Cozumel, Mexico; Montego Bay, Jamaica; and Puerto Vallarta, Mexico.

TABLE IV-7
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
STATUS OF AIR SERVICE
First Quarter CY 2003-2005

Air Service Measure	2003Q1	2004Q1	2005Q1
Domestic			
Number of Nonstop Destinations	94	80	81
Average Scheduled Daily Departures	511.8	335.4	352.5
International			
Number of Nonstop Destinations	4	3	6
Average Scheduled Daily Departures	6.4	3.0	2.5
Total			
Number of Nonstop Destinations	98	83	87
Average Scheduled Daily Departures	518.3	338.3	355.0

Source: BACK Aviation Solutions OAG Schedules Database.

8. Air Cargo

The Airport handles a significant volume of air cargo annually. **Table IV-8** shows that the annual volume of air cargo fluctuated between 230.53 million pounds and 292.57 million pounds during the CY 1995-2004 period, and showed a consistent decline during the past two years. Total air cargo increased by 0.4% per year, on average, between CY 1995 and 2000, and decreased by 5.3% per year, on average, between CY 2000 and 2004. In CY 2004 freight accounted for 73.4% of air cargo, and mail accounted for the remaining 26.6%.

The downsizing of American's operations at the Airport contributed to the decline in air cargo. For example, in CY 2003 American carried 23.93 million pounds of freight, which accounted for 13.0% of total freight. In CY 2004 American carried only 4.54 million pounds of freight, a decrease of 81.0% from CY 2003. In CY 2004 American's share of total freight decreased to 2.7%. In CY 2003 American carried 28.27 million pounds of mail, which accounted for 36.8% of total mail. In CY 2004 American carried only 8.82 million pounds of mail, a decrease of 68.8% from the previous year. In CY 2004 American's share of total mail decreased to 14.4%.

TABLE IV-8
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HISTORICAL AIR CARGO (In Pounds)[1]
1995-2004

	Freight		Mail		
Year	Pounds	Share	Pounds	Share	Total
CY 1995	199,295,887	70.9%	81,936,946	29.1%	281,232,833
1996	197,912,443	68.3%	91,882,960	31.7%	289,795,403
1997	186,984,794	68.8%	84,932,798	31.2%	271,917,592
1998	214,406,126	73.3%	78,161,440	26.7%	292,567,566
1999	211,601,498	73.2%	77,378,841	26.8%	288,980,339
2000	214,749,669	74.8%	72,268,005	25.2%	287,017,674
2001	212,177,374	78.8%	57,195,229	21.2%	269,372,603
2002	191,472,804	67.3%	93,223,627	32.7%	284,696,431
2003	178,056,476	69.9%	76,754,433	30.1%	254,810,909
2004	169,255,722	73.4%	61,269,380	26.6%	230,525,102
FY 1999	212,210,557	73.3%	77,140,818	26.7%	289,351,375
2000	215,766,693	74.0%	75,701,181	26.0%	291,467,874
2001	215,879,453	75.9%	68,558,946	24.1%	284,438,399
2002	192,103,187	72.5%	72,785,886	27.5%	264,889,073
2003	194,538,626	69.5%	85,243,106	30.5%	279,781,732
2004	168,677,926	71.9%	65,884,143	28.1%	234,562,069
Average Annual Growth Rate					
CY 1995-2000	1.5%		-2.5%		0.4%
CY 2000-2004	-5.8%		-4.0%		-5.3%
FY 1999-2001	0.9%		-5.7%		-0.9%
FY 2001-2004	-7.9%		-1.3%		-6.2%

[1] Includes enplaned and deplaned cargo.

Source: Airport management records.

9. Aircraft Operations

Table IV-9 shows historical data on all categories of aircraft operations at STL during the 1995-2004 period. Air carrier operations decreased by 0.3% per year from 351,291 in CY 1995 to 346,637 in CY 2000, and then decreased by 10.2% per year to 102,765 in CY 2004. The sharp decline in air carrier operations during the last four years largely reflects the cutback in American Airlines' mainline service. During this period other major airlines also accelerated the transfer of certain routes to their regional partners to take advantage of the economies of smaller aircraft particularly in serving small markets.

TABLE IV-9
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRCRAFT OPERATIONS
1995-2004

Year	Air Carrier[1]	Commuter/ Air Taxi	General Aviation	Military	Total
CY 1995	351,291	123,123	37,693	7,049	519,156
1996	357,916	117,103	33,083	5,837	513,939
1997	364,499	117,789	29,544	5,057	516,889
1998[2]	341,282	130,244	27,468	4,899	503,893
1999[2]	306,422	166,819	23,837	4,307	501,385
2000	346,637	110,190	20,639	3,559	481,025
2001	311,423	141,443	17,761	3,534	474,161
2002	281,042	139,746	14,504	1,709	437,001
2003	209,713	156,268	10,819	2,972	379,772
2004	102,765	120,633	8,909	3,909	236,216
FY 1999[2]	287,423	185,134	25,858	4,866	503,281
2000[2]	357,149	110,735	22,813	3,867	494,564
2001	322,943	138,020	19,433	3,545	483,941
2002	304,911	127,700	16,311	2,716	451,638
2003	251,289	149,857	11,911	1,730	414,787
2004	154,921	149,757	10,488	4,239	319,405
Average Annual Growth Rate					
CY 1995-2000	-0.3%	-2.2%	-11.3%	-12.8%	-1.5%
CY 2000-2004	-10.2%	28.4%	-13.9%	-0.7%	-1.4%
FY 1999-2001	6.0%	-13.7%	-13.3%	-14.6%	-1.9%
FY 2001-2004	-5.6%	-7.5%	-16.1%	-23.4%	-6.7%

[1] Air carrier operations include passenger and all-cargo carrier operations.
[2] The FAA tower reports show unusually high numbers of operations for commuters and unusually low numbers of operations for air carriers during the months of November and December 1998, and January through June 1999. The FAA tower indicated that the data were corrupted due to a computer-related problem.

Source: Airport management (based on FAA tower reports).

From CY 1995 through 2004, annual commuter operations fluctuated between 110,190 and 166,819. In general the Airport experienced increased levels of commuter activity during the last four years due to the shift in service from mainline to regional aircraft. General aviation[7] operations, decreased from 37,693 in CY 1995 to 8,909 in CY 2004. Military operations also decreased from 7,049 in CY 1995 to 3,909 in CY 2004.

10. Commercial Aircraft Departures

This study is particularly concerned with aircraft operations by commercial airlines, as they are the largest users of the Airport and the largest source of revenues. **Table IV-10** presents data on commercial aircraft departures and share of annual aircraft departures by air carrier category from CY 2000 through CY 2004. The data indicate the trend in the availability and composition of air service at the Airport. **Table IV-10** singles out American and Southwest among the mainline carriers, and American Connection among the regional carriers. American Connection is operated by four regional airlines: American Eagle, Chautauqua, RegionsAir, and Trans States.

Total commercial aircraft departures decreased from 222,868 in CY 2000 to 126,909 in CY 2004 at an average annual rate of 13.1%. The decrease in commercial aircraft departures is primarily attributable to mainline passenger aircraft departures, which decreased from 168,387 in CY 2000 to 53,280 in CY 2004 at an average annual rate of 25.0%. Charter and cargo aircraft departures also decreased by 16.9% and 6.4% per year, respectively. In contrast, regional aircraft departures increased from 48,756 in CY 2000 to 69,787 in CY 2004 at an average annual rate of 9.4% – a trend consistent with the transfer of routes from mainline to regional service that we observe industry-wide. American Airlines posted a significant decrease in aircraft departures from 124,681 in CY 2000 to 18,998 in CY 2004 at an average annual rate of 37.5%. American Airlines downsized its operations at the Airport as part of its effort to streamline and consolidate its hubs; the downsizing of the St. Louis hub came to full effect in November 2003. Between CY 2003 and 2004, American Airlines' mainline aircraft departures from the Airport decreased by approximately 70%. Aircraft departures by Southwest Airlines decreased from 28,931 in CY 2000 to 20,548 in CY 2004 at an average annual rate of 8.2%. The decrease in Southwest departures is consistent with the industry's effort to better align capacity with the lower level of air travel demand post-September 11, 2001. Aircraft departures by American Connection operators increased from 40,992 in CY 2000 to 52,161 in CY 2004 at an average annual rate of 6.2%. Between CY 2003 and 2004, aircraft departures by American Connection operators decreased by 16.3%.

[7] General aviation covers a wide range of aviation activities, including pilot training, recreational flying, sightseeing, corporate or personal flying, and movement of large heavy loads by helicopter.

TABLE IV-10
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT DEPARTURES
CY 2000-2004

Air Carrier	Calendar Year 2000	2001	2002	2003	2004	Avg. Annual Growth Rate
Aircraft Departures						
Mainline						
American[1]	124,681	118,717	93,860	63,668	18,998	-37.5%
Southwest	28,931	27,854	25,350	22,238	20,548	-8.2%
Others	14,775	14,410	13,930	10,086	13,734	-1.8%
Subtotal	**168,387**	**160,981**	**133,140**	**95,992**	**53,280**	**-25.0%**
Regional						
American Connection[2]	40,992	47,621	54,877	62,323	52,161	6.2%
Others	7,764	9,216	11,022	15,094	17,626	22.7%
Subtotal	**48,756**	**56,837**	**65,899**	**77,417**	**69,787**	**9.4%**
Charter	**1,918**	**1,511**	**1,356**	**1,254**	**916**	-16.9%
Subtotal-Passenger	**219,061**	**219,329**	**200,395**	**174,663**	**123,983**	**-13.3%**
Cargo	**3,807**	**3,731**	**2,810**	**2,971**	**2,926**	**-6.4%**
Total	**222,868**	**223,060**	**203,205**	**177,634**	**126,909**	**-13.1%**
Avg. Daily Departures						
Mainline						
American[1]	341.6	325.3	257.2	174.4	51.9	
Southwest	79.3	76.3	69.5	60.9	56.1	
Others	40.5	39.5	38.2	27.6	37.5	
Subtotal	**461.3**	**441.0**	**364.8**	**263.0**	**145.6**	
Regional						
American Connection[2]	112.3	130.5	150.3	170.7	142.5	
Others	21.3	25.2	30.2	41.4	48.2	
Subtotal	**133.6**	**155.7**	**180.5**	**212.1**	**190.7**	
Charter	**5.3**	**4.1**	**3.7**	**3.4**	**2.5**	
Subtotal-Passenger	**600.2**	**600.9**	**549.0**	**478.5**	**338.8**	
Cargo	**10.4**	**10.2**	**7.7**	**8.1**	**8.0**	
Total	**610.6**	**611.1**	**556.7**	**486.7**	**346.7**	
Share of Commercial Aircraft Departures						
Mainline						
American[1]	55.9%	53.2%	46.2%	35.8%	15.0%	
Southwest	13.0%	12.5%	12.5%	12.5%	16.2%	
Others	6.6%	6.5%	6.9%	5.7%	10.8%	
Subtotal	**75.6%**	**72.2%**	**65.5%**	**54.0%**	**42.0%**	
Regional						
American Connection[2]	18.4%	21.3%	27.0%	35.1%	41.1%	
Others	3.5%	4.1%	5.4%	8.5%	13.9%	
Subtotal	**21.9%**	**25.5%**	**32.4%**	**43.6%**	**55.0%**	
Charter	**0.9%**	**0.7%**	**0.7%**	**0.7%**	**0.7%**	
Subtotal-Passenger	**98.3%**	**98.3%**	**98.6%**	**98.3%**	**97.7%**	
Cargo	**1.7%**	**1.7%**	**1.4%**	**1.7%**	**2.3%**	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	

[1] Includes Trans World Airways in 2000 and 2001.

[2] Operated by American Eagle, Chautauqua, RegionsAir and Trans States.

Source: Airport management records.

Passenger airlines accounted for over 98% of annual commercial aircraft departures from CY 2000 through 2003 and 97.7% in CY 2004. Mainline aircraft departures decreased in share from 75.6% in CY 2000 to 42.0% in CY 2004, while regional aircraft departures increased in share from 21.9% in CY 2000 to 55.0% in CY 2004. American Airlines decreased in share of aircraft departures from 55.9% in CY 2000 to 15.0% in CY 2004. Southwest increased in share from 13.0% in CY 2000 to 16.2% in CY 2004. American Connection operators increased in share from 18.4% in CY 2000 to 41.1% in CY 2004.

11. Commercial Aircraft Landed Weight

Commercial aircraft landed weight is an important measure of air traffic activity because it serves as the basis for calculating landing fees – the largest source of airline revenues. **Table IV-11** presents data on aircraft landed weight and share by category of commercial aircraft from CY 2000 to 2004. **Table IV-11** singles out American and Southwest among the mainline carriers, and American Connection among the regional carriers.

Total commercial aircraft landed weight decreased from 24.06 billion pounds in CY 2000 to 9.71 billion pounds in CY 2004 at an average annual rate of 20.3%. The decrease in total commercial aircraft landed weight is primarily attributable to the decrease in mainline passenger aircraft landed weight from 21.74 billion pounds in CY 2000 to 6.46 billion pounds in CY 2004 at an average annual rate of 26.2%. In contrast, regional aircraft landed weight increased from 1.52 billion pounds in CY 2000 to 2.52 billion pounds in CY 2004 at an average annual rate of 13.5%. Charter aircraft landed weight increased by 4.3% per year on average, while cargo aircraft landed weight decreased by 3.4% per year on average. American Airlines showed a significant decrease in aircraft landed weight from 16.77 billion pounds in CY 2000 to 2.55 billion pounds in CY 2004 at an average annual rate of 37.6%. Southwest Airlines' aircraft landed weight decreased from 3.28 billion pounds in CY 2000 to 2.40 billion pounds in CY 2004 at an average annual rate of 7.5%. The combined annual aircraft landed weight of American Connection operators increased from 1.10 billion pounds in CY 2000 to 1.68 billion pounds in CY 2004 at an average annual rate of 11.3%.

Passenger airlines accounted for approximately 97% of annual commercial aircraft landed weight from CY 2000 through 2003 and 93.8% in CY 2004. Mainline aircraft decreased in share of total landed weight from 90.4% in CY 2000 to 66.5% in CY 2004, while regional aircraft increased in share from 6.3% in CY 2000 to 26.0% in CY 2004. American Airlines decreased in share of total landed weight from 69.7% in CY 2000 to 26.2% in CY 2004. Southwest increased in share from 13.7% in CY 2000 to 24.7% in CY 2004. American Connection operators increased in share from 4.6% in CY 2000 to 17.3% in CY 2004.

TABLE IV-11
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDED WEIGHT
CY 2000-2004

Air Carrier	Calendar Year 2000	2001	2002	2003	2004	Avg. Annual Growth Rate
Aircraft Landed Weight (1,000 lbs.)						
Mainline						
American[1]	16,769,617	15,550,112	13,905,886	8,997,307	2,548,020	-37.6%
Southwest	3,284,457	3,193,906	2,932,640	2,592,427	2,399,712	-7.5%
Others	1,686,160	1,673,978	1,566,327	1,117,039	1,516,053	-2.6%
Subtotal	**21,740,234**	**20,417,996**	**18,404,853**	**12,706,773**	**6,463,785**	**-26.2%**
Regional						
American Connection[2]	1,096,549	1,398,222	1,677,205	2,045,084	1,684,739	11.3%
Others	423,041	441,071	519,779	708,319	837,504	18.6%
Subtotal	**1,519,590**	**1,839,293**	**2,196,983**	**2,753,403**	**2,522,243**	**13.5%**
Charter	**105,617**	**159,315**	**134,338**	**170,570**	**124,778**	4.3%
Subtotal-Passenger	**23,365,441**	**22,416,604**	**20,736,174**	**15,630,745**	**9,110,806**	**-21.0%**
Cargo	**693,121**	**708,524**	**609,878**	**569,966**	**603,167**	**-3.4%**
Total	**24,058,561**	**23,125,128**	**21,346,052**	**16,200,711**	**9,713,973**	**-20.3%**
Share of Commercial Aircraft Landed Weight						
Mainline						
American[1]	69.7%	67.2%	65.1%	55.5%	26.2%	
Southwest	13.7%	13.8%	13.7%	16.0%	24.7%	
Others	7.0%	7.2%	7.3%	6.9%	15.6%	
Subtotal	**90.4%**	**88.3%**	**86.2%**	**78.4%**	**66.5%**	
Regional						
American Connection[2]	4.6%	6.0%	7.9%	12.6%	17.3%	
Others	1.8%	1.9%	2.4%	4.4%	8.6%	
Subtotal	**6.3%**	**8.0%**	**10.3%**	**17.0%**	**26.0%**	
Charter	**0.4%**	**0.7%**	**0.6%**	**1.1%**	**1.3%**	
Subtotal-Passenger	**97.1%**	**96.9%**	**97.1%**	**96.5%**	**93.8%**	
Cargo	**2.9%**	**3.1%**	**2.9%**	**3.5%**	**6.2%**	
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	
Average Aircraft Landed Weight (Lbs.)						
Mainline						
American[1]	134,882	131,292	148,148	141,316	134,120	-0.1%
Southwest	113,527	114,666	115,686	116,576	116,786	0.7%
Others	113,984	116,095	112,394	110,708	110,363	-0.8%
Subtotal	**129,366**	**127,047**	**138,225**	**132,368**	**121,310**	**-1.6%**
Regional						
American Connection[2]	26,894	29,199	30,631	32,881	32,380	4.8%
Others	54,480	47,849	47,145	46,915	47,621	-3.3%
Subtotal	**31,307**	**32,210**	**33,398**	**35,622**	**36,230**	**3.7%**
Charter	**54,980**	**108,673**	**99,142**	**133,675**	**135,628**	**25.3%**
Subtotal-Passenger	**106,930**	**102,227**	**103,532**	**89,540**	**73,581**	**-8.9%**
Cargo	**182,065**	**189,953**	**216,422**	**191,843**	**206,141**	**3.2%**
Total	**108,217**	**103,695**	**105,099**	**91,252**	**76,641**	**-8.3%**

[1] Includes Trans World Airways in 2000 and 2001.

[2] Operated by American Eagle, Chautauqua, RegionsAir and Trans States.

Source: Airport management records.

Table IV-11 also presents data on average aircraft landed weight. The average aircraft landed weight for all carriers decreased from 108,217 pounds in CY 2000 to 76,641 pounds in CY 2004. This trend is due to the decrease in the average aircraft landed weight of mainline carriers, and, more significantly, to the transfer of service from mainline to regional carriers. Within the regional carrier category, the trend shows an increase in the average aircraft landed weight, which reflects the phase out of smaller turbo prop aircraft and the phase in of relatively larger regional jets.

B. FORECAST AVIATION ACTIVITY

This sub-section presents forecasts of annual commercial aviation activity at the Airport from FY 2005 through 2011. Commercial aviation includes activity by commercial airlines and excludes general aviation and military activity. The study uses a hybrid model that combines the use of airline flight schedules for developing short-term forecasts and an econometric modeling approach for developing long-term forecasts. In this hybrid model, supply variables determine short-term activity, and demand variables determine long-term growth.

1. Forecast Methodology

Traditional approaches to aviation forecasting include judgmental estimation, trendline fitting, and variants of trend extrapolation. Judgmental estimation is highly subjective. The trend extrapolation methods assume that historical trends will be replicated in the future, and the results from these methods may be flawed to the extent that future conditions deviate significantly from the past. More importantly, these traditional approaches fail to isolate the individual determinants of air travel demand and offer limited use for examining the sensitivity of demand to changes in specific market factors.

Multivariate regression modeling, Unison's preferred approach, overcomes many of the limitations of traditional forecasting methods. It provides a systematic framework for quantifying economic relationships, generating forecasts, and performing sensitivity analyses. Multivariate regression offers the following advantages for generating forecasts: Because the resulting forecasts are linked to projected trends in relevant market variables, the multivariate regression approach reduces subjective inputs. More importantly, multivariate regression is designed to make forecast errors as small as possible.[8]

The specification of a multivariate regression model of air travel demand as a function of market factors such as income and price has proven to be particularly useful in generating long-term forecasts. In recent years, however, structural changes have been taking place in the U.S. airline industry – changes that have accelerated after the September 11, 2001 events. These structural changes continue, and are manifesting themselves in significant changes in the level and composition of air service provided at airports. For example, in response to reduced traffic after the September 11, 2001 events, network carriers accelerated route transfers from their mainline service to their regional partners – a strategy that was already

[8] Paul D. Allison, *Multiple Regression, A Primer*, Thousand Oaks, California: Pine Forge Press, 1999, page16.

unfolding prior to September 11, 2001 – to reduce operating costs and better match capacity with demand, especially at smaller markets. Network carriers consolidated and streamlined their hub operations. The resulting changes in the levels and composition of air service at individual airports, in turn, influence traffic levels particularly in the short-term. In St. Louis, American Airlines significantly reduced the scale of its hub operations at the Airport effective November 2003, and caused a sharp decrease in traffic levels particularly in the connecting segment.

The lesson that we learn from recent events is that supply variables play an important role in determining traffic levels, especially in the short-term. Therefore, we developed a hybrid forecasting model that combines a capacity-based approach for generating short-term forecast of aviation activity and the multivariate regression approach for generating long-term forecast of aviation activity.

Short-Term Forecast Methodology for FY 2005-2006

Forecast enplanements for the fourth quarter of FY 2005 and the entire FY 2006 are based on scheduled departures and seats published by airlines in the OAG database as of April 22, 2005.[9] The published airline schedules encapsulate the airlines' current assessment of market demand. They provide a concrete indication of the amount and type of service that airlines plan to supply in the short term, given available resources. By linking the short-term forecast to the published airline schedules, we are able to capture the effect of changes in the level and composition of air service, including the transfer of service from mainline to regional operators, increases and decreases in flights by individual airline, and corresponding changes in airline market shares.

Actual departures often differ from scheduled departures by a small percentage because of flight cancellations. The model includes a small adjustment for flight cancellations – approximately 1.4%, based on data during FY 2004 and the nine-month period ending March 2005. Airline schedules are also subject to revisions; however, we cannot anticipate the magnitude and direction of these revisions to incorporate them in the model.

Long-Term Forecast Methodology for FY 2007-2011

Market demand factors will continue to drive traffic growth in the long run. On this premise, we develop a multivariate regression model that relates historical enplanements at the Airport to the following explanatory variables: (1) income as measured by real U.S. per capita Gross Domestic Product (GDP); and (2) the price of air travel as measured by the domestic real passenger yield at the Airport. The regression model also includes structural variables that account for the temporary transfer of some of TWA flights to Atlanta in 1993 and the effect of the September 11, 2001 events, as well as appropriate trend variables that account for the correlation between past and present values that is inherent in time series data.[10] This

[9] As of April 22, 2005, airlines have published schedules of flights and seats by airport through March 2006.
[10] The regression model includes first and second order autoregressive factors to account for serial correlation in historical enplanement levels.

multivariate regression model is used to project growth in enplanements during the remainder of the forecast period, as determined by long-term trends in income and the price of air travel.

The data used in estimating the regression model cover the period from 1983 through 2002.[11] The regression model has an adjusted R-squared of 0.95, which means that the explanatory variables combined explain 95% of the variation in annual enplanement levels. The coefficients of the explanatory variables all have the right signs, confirming a priori expectations regarding the effect of each explanatory variable on the level of enplanements. With the exception of the temporary transfer of flights to ATL in 1993, all the explanatory variables yield highly significant coefficients. This means that there is a strong evidence of a correlation between the individual explanatory variables and the annual enplanement levels at the Airport.

The demand for goods and services is a function of income and price; and the demand for air travel is no different. The historical and forecast trends in income and the price of air travel are described below:

- **Income.** The demand for air travel increases with income: As income increases, consumers have more disposable income to spend on leisure travel, along with other goods and services. And the corresponding increase in business activity increases the need for business travel. We use real U.S. per capita GDP as a measure of income and business activity. We obtain historical and forecast data on real U.S. per capita GDP from Global Insight, Inc., an independent company that specializes in economic forecasting. On average, the real U.S. per capita GDP increased by 2.2% annually between CY 1983 and 2004, and is projected to increase by 2.3% annually between CY 2004 and 2011. One inherent limitation of economic forecasts is that they reflect average long-term growth expectations and cannot fully anticipate business cycles. This limitation carries over to the resulting activity forecast.

- **Price of air travel.** The demand for air travel is inversely related to its price. People tend to travel more frequently when airfares are low, particularly for non-business trips. They tend to travel less frequently when airfares are high. Even business travelers have now become sensitive to price. In the regression model, the price of air travel is represented by the real domestic passenger yield[12] at the Airport. We obtain historical data on real domestic passenger yield at the Airport from BACK Aviation Solutions OD1A database (U.S. Department of Transportation 10% Ticket Survey). Since the airline industry deregulation in 1978, real passenger yields have been declining due to intense competition, especially with the growth of low-cost carriers (for example, Southwest in the case of St. Louis). Intense competition and the post-September 11 market reality have pushed high cost carriers to restructure, increase

[11] The choice of the study period is based on the following considerations: (1) historical data on real passenger yield at the Airport are available only from 1981; (2) TWA established a major system hub at the Airport in November 1982 and 1983 was the first full year of the hub; and (3) American Airline scaled down its system hub at the Airport in 2003, and this marked the beginning of a new phase for the Airport.

[12] Passenger yield is revenue per passenger mile. Ninety-eight percent of passenger traffic at the Airport is domestic.

productivity, lower unit costs, and lower airfares. The FAA expects real passenger yields to continue declining, with continued competition, productivity increases, and expanding capacity offsetting the effects of rising fuel and security costs.[13] On average, the real domestic passenger yield at the Airport declined at 2.6% annually between CY 1983 and 2004. We assume that the real domestic passenger yield at the Airport would continue declining at 2.0% annually through CY 2011, following the trends that the FAA projects for the entire industry.

In addition to including the above variables in the regression model, we also examine key attributes of the local economy to assess whether the local economic and demographic trends support growth in air travel to and from St. Louis. The entire Section III is dedicated to the assessment of the local economic base. In this section, we focus on local non-agricultural employment trends as an indicator of overall local economic trends. Based on data from Global Insight, Inc., nonagricultural employment in the St. Louis MSA increased by 1.2% annually from CY 1983 through 2004, and is projected to continue increasing by 1.1% annually through CY 2011.

Another important variable that ties the forecasts of different measures of aviation activity (enplanements, aircraft departures, and landed weight) is the aircraft passenger load, as measured by the average number of enplanements per departure. We project future trends in the average number of enplanements per departure based on recent actual trends at the Airport and FAA forecast trends of growth in aircraft size and load factors for the entire industry.

2. Forecasts of Enplanements

Using the hybrid model described above, we develop forecasts of annual enplanements for the FY 2005-2011 period under three scenarios: base, low, and high. The base scenario represents the mid-case. The three scenarios are distinguished by different assumptions regarding the rate of re-instatement and addition of flights, and the rate of improvement in boarding load factors. **Table IV-12** summarizes the assumptions that distinguish the low, base, and high forecast scenarios:

- **Low scenario.** The low forecast scenario assumes that no flights would be added to those already scheduled for the April 2005-March 2006 period. There would be no improvement in the boarding load factors achieved during the nine-month period ending in March 2005 through FY 2006. After FY 2006, the average boarding load factors would improve according to forecast industry trends.

[13] The FAA Aerospace Forecasts, FY 2005-2016, March 2005, page III-22.

TABLE IV-12
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ASSUMPTIONS THAT DISTINGUISH THE LOW, BASE, AND HIGH FORECAST SCENARIOS

Forecast Variable	Low	Base	High
(1) Flights to be added to the published scheduled daily flights:			
April-June 2005	0	0	0
July-December 2005	0	5	10
January-March 2006	0	5	10
Resulting average scheduled daily flights:			
April-June 2005	363	363	363
July-December 2005	370	375	380
January-March 2006	369	374	379
April-June 2006	372	377	382
(2) Percentage-point improvement in the boarding load factors of scheduled passenger carriers:			
April-June 2005 (from the average during July 2004-March 2005)			
Large carriers	0.0%	2.9%	2.9%
Regional/commuter carriers	0.0%	5.0%	5.0%
FY 2006 (from the average during FY 2005)			
Large carriers	0.0%	2.7%	5.5%
Regional/commuter carriers	0.0%	0.5%	1.1%
Resulting boarding load factors:			
July 2004-March 2005 (Actual)			
Large carriers	69.2%	69.2%	69.2%
Regional/commuter carriers	61.2%	61.2%	61.2%
April-June 2005			
Large carriers	69.2%	72.1%	72.1%
Regional/commuter carriers	62.9%	67.9%	67.9%
FY 2005			
Large carriers	68.9%	69.6%	69.6%
Regional/commuter carriers	61.6%	63.0%	63.0%
FY 2006			
Large carriers	69.0%	72.5%	75.2%
Regional/commuter carriers	61.8%	63.7%	64.2%

- **Base scenario.** The base forecast scenario assumes that five daily flights would be added to those already scheduled for the April 2005-March 2006 period. Airport management staff confirms that this assumption is achievable as the staff expects certain airlines to introduce new service from St. Louis sometime during the first half of the FY 2006. The base scenario assumes modest improvements in the average boarding load factors during April-June 2005 and FY 2006 based on recent trends at the Airport. After FY 2006, the average boarding load factors are projected to improve according to forecast industry trends.

- **High scenario.** The high forecast scenario assumes that ten daily flights would be added to those already scheduled for the April 2005-March 2006 period. The high scenario assumes modest improvements in the average boarding load factors based on recent trends at the Airport: the same as those in the base scenario for the last quarter of FY 2005 and greater than those in the base scenario for FY 2006. After FY 2006, the average boarding load factors are projected to improve according to forecast industry trends.

Table IV-13 presents the annual enplanement forecasts under the base, low, and high scenarios:

- Under the base scenario, enplanements are forecast to decrease by 13.1% from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 8.87 million in FY 2011 at an average annual rate of 4.1%.

- Under the low scenario, enplanements are forecast to decrease by 14.3% from 8.02 million in FY 2004 to 6.87 million in FY 2005, and then increase to 8.39 million in FY 2011 at an average annual rate of 3.4%.

- Under the high scenario, enplanements are forecast to decrease by 13.1% from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 9.25 million in FY 2011 at an average annual rate of 4.8%.

3. Alternative Forecast Methods

For comparison, **Table IV-13** also presents the Terminal Area Forecast (TAF) developed by the FAA, and forecasts based on a simple trendline projection and market share projection. We describe each alternative forecast below:

- **FAA Terminal Area Forecast.** The FAA develops long-term forecasts of aviation activity for FAA-towered airports within the National Plan of Integrated Airport System (NPIAS) based on the national forecast. Due to a lag in collecting actual data from airports and the long time required for the preparation and approval of the TAF, the most recent historical data captured in the TAF are one to two years old. The TAF reflects unconstrained demand, and does not consider recent air service capacity changes at the Airport and scheduled capacity in the near-term. According to the most recent TAF, enplanements at the Airport would decrease by 16.3% to 6.71 million in FY 2005, and then increase to 8.01 million in FY 2011 at an average annual rate of 3.0%.

TABLE IV-13
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS OF ENPLANEMENTS
FY 2004-2011

	Multivariate Regression Model					Market
Fiscal Year	Base	Low	High	FAA TAF	Trendline	Share
2004 (Actual)	8,017,619	8,017,619	8,017,619	8,017,619	8,017,619	8,017,619
2005	6,968,835	6,874,419	6,968,835	6,712,509	10,013,304	7,175,000
2006	7,463,000	7,053,000	7,778,000	6,928,142	13,411,721	7,549,000
2007	7,824,000	7,396,000	8,154,000	7,143,776	13,597,384	7,856,000
2008	8,136,000	7,694,000	8,479,000	7,359,410	13,783,047	8,110,000
2009	8,402,000	7,944,000	8,759,000	7,575,044	13,968,711	8,374,000
2010	8,641,000	8,171,000	9,010,000	7,790,679	14,154,374	8,649,000
2011	8,872,000	8,390,000	9,251,000	8,006,313	14,340,038	8,926,000
Average Annual Growth Rate						
2004-2005	-13.1%	-14.3%	-13.1%	-16.3%	24.9%	-10.5%
2005-2011	4.1%	3.4%	4.8%	3.0%	6.2%	3.7%

Sources:
Airport management records for FY 2004 data.
FAA for the TAF; FAA estimates is 6,596,905 enplanements at the Airport for FY 2004, nearly 18% lower than actual enplanements.
Unison-Maximus, Inc., for all other forecasts for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecasts are based on information that is available as of the Report's date. Various factors, other than those included in the forecast models, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecasts, and the difference may be material.

- **Trendline projection.** This method assumes that the average trend in historical enplanement growth will be replicated during the forecast period. The trendline forecast of annual enplanements in **Table IV-13** results from fitting a regression line on historical data, with time as the only explanatory variable. The choice of historical period is somewhat arbitrary. For this study, we estimate the trendline based on data from CY 1983 through 2004; 1983 marks the first full year of the operation of the TWA hub – now American's – at the Airport. Based on a simple trendline regression, enplanements are projected to increase by 24.9% to 10.01 million in FY 2004, and then increase to 14.34 million in FY 2011 at an average annual rate of 6.2%.

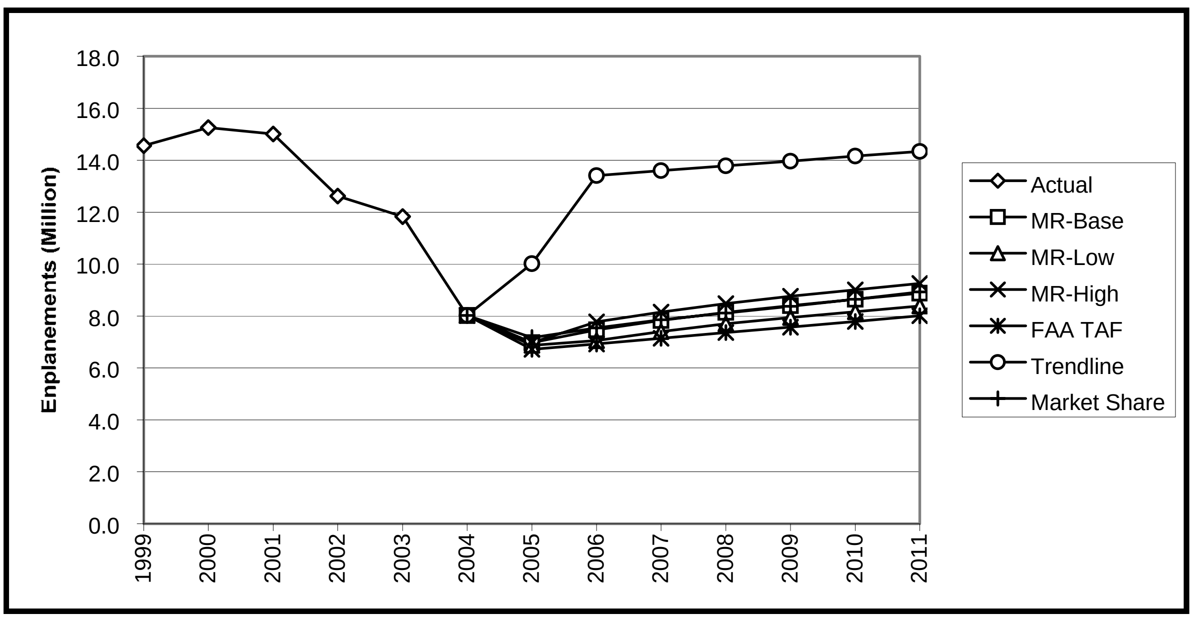
- **Market share projection.** Also called the "top-down" approach, market share projection takes the national forecast and allocates a share of total U.S. enplanements to the Airport. The resulting forecast of airport enplanements follows the projected growth trends nationwide. The key variable in this approach is the market share. The Airport's share of U.S. enplanements decreased from approximately two percent during the CY 1995-2002 period to one percent in CY 2004, the first full year after

American downsized its hub operations at the Airport. The market share forecast in **Table IV-13** assumes that the Airport's share of U.S. enplanements would remain at one percent throughout the forecast period. Using the market share approach, enplanements at the Airport are projected to decrease by 10.5% to 7.18 million in FY 2005, and then increase to 8.93 million in FY 2011 at an average annual rate of 3.7%.

The alternative forecast methods described above do not identify the specific market factors that influence enplanement trends. The trendline and market share forecast methods, in particular, assume that historical trends will replicate themselves in the future. This assumption may not hold when market conditions change significantly.

Figure IV-6 presents the alternative enplanement forecasts graphically.

FIGURE IV-6
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
ALTERNATIVE ENPLANEMENT FORECASTS
FY 1999-2011



See **Tables IV-3** and **IV-13**.

4. Base Forecast Details

The details of the base forecast are presented in **Tables IV-14** to **IV-17**.

Table IV-14 presents the detailed forecast of enplanements, broken down by air carrier type. Total enplanements are forecast to decrease by 13.1% from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 8.87 million in FY 2011 at an average annual rate of 4.1%.

TABLE IV-14
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
BASE FORECAST OF ENPLANEMENTS
FY 2004-2011

Activity	Actual 2004	Forecast 2005	2006	2007	2008	2009	2010	2011	Avg. Annual Growth Rate 2004-2005	2005-2011
Mainline Air Carrier										
American	3,632,970	2,252,138	2,437,000	2,555,000	2,657,000	2,744,000	2,823,000	2,897,000	-38.0%	4.3%
Southwest	1,445,562	1,616,522	1,758,000	1,843,000	1,917,000	1,979,000	2,036,000	2,090,000	11.8%	4.4%
Others	936,290	1,064,548	980,000	1,028,000	1,070,000	1,104,000	1,135,000	1,166,000	13.7%	1.5%
Subtotal-Mainline	6,014,822	4,933,208	5,175,000	5,426,000	5,644,000	5,827,000	5,994,000	6,153,000	-18.0%	3.8%
Regional Air Carrier										
American Connection	1,278,968	1,187,559	1,309,000	1,373,000	1,428,000	1,475,000	1,516,000	1,558,000	-7.1%	4.6%
Others	587,746	755,986	887,000	929,000	964,000	997,000	1,025,000	1,053,000	28.6%	5.7%
Subtotal-Regional	1,866,714	1,943,544	2,196,000	2,302,000	2,392,000	2,472,000	2,541,000	2,611,000	4.1%	5.0%
Charter	136,083	92,082	92,000	96,000	100,000	103,000	106,000	108,000	-32.3%	2.7%
Total-Enplanements	**8,017,619**	**6,968,835**	**7,463,000**	**7,824,000**	**8,136,000**	**8,402,000**	**8,641,000**	**8,872,000**	**-13.1%**	**4.1%**
Annual Growth Rate		-13.1%	7.1%	4.8%	4.0%	3.3%	2.8%	2.7%		
O&D	5,159,619	5,494,835	5,850,000	6,132,000	6,375,000	6,584,000	6,772,000	6,952,000	6.5%	4.0%
Connecting	2,858,000	1,474,000	1,613,000	1,692,000	1,761,000	1,818,000	1,869,000	1,920,000	-48.4%	4.5%
Domestic	7,852,000	6,825,000	7,309,000	7,663,000	7,968,000	8,229,000	8,463,000	8,689,000	-13.1%	4.1%
International	165,619	143,835	154,000	161,000	168,000	173,000	178,000	183,000	-13.2%	4.1%

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-15
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
BASE FORECAST OF AIRCRAFT DEPARTURES
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Activity	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2004-2005**	**2005-2011**
Mainline Air Carrier										
American	36,757	19,288	20,794	21,732	22,570	23,232	23,795	24,338	-47.5%	4.0%
Southwest	20,707	21,211	21,982	22,963	23,854	24,544	25,125	25,707	2.4%	3.3%
Others	12,351	12,782	11,198	11,710	12,173	12,520	12,810	13,117	3.5%	0.4%
Subtotal-Mainline	69,815	53,281	53,974	56,405	58,597	60,296	61,730	63,163	-23.7%	2.9%
Regional Air Carrier										
American Connection	56,390	52,984	57,588	59,072	60,252	61,208	61,940	62,932	-6.0%	2.9%
Others	16,570	20,323	24,003	24,562	24,996	25,411	25,736	26,114	22.6%	4.3%
Subtotal-Regional	72,960	73,307	81,590	83,634	85,248	86,619	87,675	89,045	0.5%	3.3%
Charter	1,113	718	718	744	774	795	814	827	-35.5%	2.4%
Subtotal-Passenger	143,888	127,306	136,282	140,784	144,619	147,710	150,220	153,035	-11.5%	3.1%
Cargo	2,872	2,970	2,970	2,970	2,970	2,970	2,970	2,970	3.4%	0.0%
Total-Aircraft Departures	**146,760**	**130,276**	**139,253**	**143,754**	**147,589**	**150,680**	**153,190**	**156,005**	**-11.2%**	**3.0%**
Annual Growth Rate		-11.2%	6.9%	3.2%	2.7%	2.1%	1.7%	1.8%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-16
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
BASE FORECAST OF LANDED WEIGHT (1,000 POUNDS)
FY 2004-2011

Activity	Actual 2004	Forecast 2005	2006	2007	2008	2009	2010	2011	Avg. Annual Growth Rate 2004-2005	2005-2011
Mainline Air Carrier										
American	5,062,654	2,587,600	2,790,000	2,921,000	3,038,000	3,137,000	3,224,000	3,309,000	-48.9%	4.2%
Southwest	2,412,555	2,494,574	2,585,000	2,706,000	2,815,000	2,906,000	2,984,000	3,063,000	3.4%	3.5%
Others	1,345,792	1,437,889	1,258,000	1,319,000	1,374,000	1,417,000	1,455,000	1,495,000	6.8%	0.7%
Subtotal-Mainline	8,821,001	6,520,063	6,633,000	6,946,000	7,227,000	7,460,000	7,663,000	7,867,000	-26.1%	3.2%
Regional Air Carrier										
American Connection	1,877,430	1,719,399	1,879,000	1,964,000	2,035,000	2,096,000	2,146,000	2,200,000	-8.4%	4.2%
Others	783,578	984,483	1,150,000	1,202,000	1,244,000	1,284,000	1,315,000	1,347,000	25.6%	5.4%
Subtotal-Regional	2,661,008	2,703,883	3,029,000	3,166,000	3,279,000	3,380,000	3,461,000	3,547,000	1.6%	4.6%
Charter	143,324	102,371	102,000	106,000	111,000	114,000	117,000	119,000	-28.6%	2.5%
Subtotal-Passenger	11,625,334	9,326,316	9,764,000	10,218,000	10,617,000	10,954,000	11,241,000	11,533,000	-19.8%	3.6%
Cargo	550,195	607,766	608,000	608,000	608,000	608,000	608,000	608,000	10.5%	0.0%
Total-Landed Weight (1,000 lbs.)	**12,175,529**	**9,934,082**	**10,372,000**	**10,826,000**	**11,225,000**	**11,562,000**	**11,849,000**	**12,141,000**	**-18.4%**	**3.4%**
Annual Growth Rate		-18.4%	4.4%	4.4%	3.7%	3.0%	2.5%	2.5%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-17
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
BASE FORECAST - KEY ACTIVITY RELATIONSHIPS
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Key Activity Relationship	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Enplanements per Departure										
Mainline Air Carrier										
American	98.8	116.8	117.2	117.6	117.7	118.1	118.6	119.0	18.1%	0.3%
Southwest	69.8	76.2	80.0	80.3	80.4	80.6	81.0	81.3	9.2%	1.1%
Others	75.8	83.3	87.5	87.8	87.9	88.2	88.6	88.9	9.9%	1.1%
Subtotal-Mainline	86.2	92.6	95.9	96.2	96.3	96.6	97.1	97.4	7.5%	0.9%
Regional Air Carrier										
American Connection	22.7	22.4	22.7	23.2	23.7	24.1	24.5	24.8	-1.2%	1.7%
Others	35.5	37.2	37.0	37.8	38.6	39.2	39.8	40.3	4.9%	1.4%
Subtotal-Regional	25.6	26.5	26.9	27.5	28.1	28.5	29.0	29.3	3.6%	1.7%
Charter	122.3	128.3	128.2	129.0	129.2	129.6	130.2	130.6	5.0%	0.3%
All Passenger Carriers	**55.7**	**54.7**	**54.8**	**55.6**	**56.3**	**56.9**	**57.5**	**58.0**	**-1.8%**	**1.0%**
Avg. Aircraft Landed Weight (Lbs.)										
Mainline Air Carrier										
American	137,733	134,155	134,175	134,409	134,604	135,029	135,493	135,958	-2.6%	0.2%
Southwest	116,509	117,609	117,595	117,840	118,011	118,400	118,765	119,150	0.9%	0.2%
Others	108,962	112,491	112,337	112,641	112,872	113,175	113,580	113,973	3.2%	0.2%
Subtotal-Mainline	126,348	122,371	122,892	123,144	123,334	123,722	124,137	124,552	-3.1%	0.3%
Regional Air Carrier										
American Connection	33,294	32,451	32,628	33,248	33,775	34,244	34,647	34,959	-2.5%	1.2%
Others	47,289	48,442	47,912	48,937	49,769	50,530	51,096	51,582	2.4%	1.1%
Subtotal-Regional	36,472	36,884	37,124	37,855	38,464	39,022	39,475	39,834	1.1%	1.3%
Charter	128,773	142,659	142,142	142,442	143,385	143,444	143,714	143,936	10.8%	0.1%
Subtotal-Passenger	80,794	73,259	71,645	72,579	73,414	74,159	74,830	75,362	-9.3%	0.5%
Cargo	191,572	204,608	204,687	204,687	204,687	204,687	204,687	204,687	6.8%	0.0%
All Carriers	**82,962**	**76,254**	**74,483**	**75,309**	**76,056**	**76,732**	**77,348**	**77,824**	**-8.1%**	**0.3%**

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

Mainline air carrier enplanements are projected to decrease by 18.0% from 6.01 million in FY 2004 to 4.93 million in FY 2005, and then increase to 6.15 million in FY 2011 at an average annual rate of 3.8%. The mainline air carriers' share of enplanements is projected to decrease from 75.0% in FY 2004 to 69.4% during FY 2007-2011. American Airlines' mainline service would continue to have the largest share of enplanements, but its share is projected to decrease from 45.3% in FY 2004 to 32.7 during FY 2007-2011. In contrast, Southwest, the air carrier with the second largest enplanement share at the Airport, is projected to increase its share from 18.0% in FY 2004 to 23.6% during FY 2007-2011.

Enplanements by regional carriers are projected to increase by 4.1% from 1.87 million in FY 2004 to 1.94 million in FY 2005, and then increase to 2.61 million in FY 2011 at an average annual rate of 5.0%. The regional carriers' share of enplanements is projected to increase from 23.3% in FY 2004 to 29.4% during FY 2007-2011. Among regional carriers, the American Connection operators have the largest combined enplanement share of 16.0% in FY 2004, which is projected to increase to 17.6% during FY 2008-2011.

Table IV-14 also shows the breakdown of forecast enplanements between the O&D and connecting segments. In FY 2003, prior to the downsizing of the American Airlines hub at the Airport, O&D enplanements were 5.51 million. In FY 2004, O&D enplanements decreased by 6.4% to 5.16 million. Actual data for the first nine months of FY 2005 indicate a recovery of O&D traffic; and, for the entire FY 2005, we project O&D enplanements to reach 5.49 million, just 0.3% lower than their FY 2003 level and 6.5% higher than their FY 2004 level. O&D enplanements are projected to exceed their FY 2003 level in FY 2006 and increase to 6.95 million in FY 2011, achieving an average annual growth rate of 4.0% between FY 2005 and 2011. On the other hand, connecting enplanements are projected to decrease by 48.4% from 2.86 million in FY 2004 to 1.47 million in FY 2005, and then increase to 1.92 million in FY 2011 at an average annual rate of 4.5%.

Table IV-14 shows the breakdown of Airport enplanements between domestic and international segments. Domestic traffic accounts for a large 97.9% of enplanements at the Airport; and this is not expected to change during the forecast period. Domestic enplanements are projected to decrease by 13.1% from 7.85 million in FY 2004 to 6.83 million in FY 2005, and then increase to 8.69 million in FY 2011 at an average annual rate of 4.1%. International enplanements, which account for the remaining 2.1% of total enplanements, are projected to decrease by 13.2% from 165,619 in FY 2004 to 143,835 in FY 2005, and then increase to 183,000 in FY 2011 at an average annual rate of 4.1%.

Table IV-15 shows the detailed base forecast of aircraft departures. The Airport processed 194,696 commercial aircraft departures in FY 2003. In FY 2004, commercial aircraft departures were 146,760, nearly 25% lower from the number of commercial aircraft departures in the previous year. We do not expect the number of aircraft departures to be restored to the FY 2003 level within the forecast period. Commercial aircraft departures are projected to decrease further by 11.2% to 130,276 in FY 2005, and then increase to 156,005 in FY 2011 at an average annual rate of 3.0%. Passenger air carrier departures, which account for at least 98.0% of commercial air carrier departures, are projected to decrease by 11.5%

from 143,888 in FY 2004 to 127,306 in FY 2005, and then increase to 153,035 in FY 2011 at an average annual rate of 3.1%.

Mainline air carrier departures are projected to decrease by 23.7% from 69,815 in FY 2004 to 53,281 in FY 2005, and then increase to 63,163 in FY 2011 at an average annual rate of 2.9%. The mainline air carriers' share of annual commercial aircraft departures is projected to decrease from 47.6% in FY 2004 to 38.8% in FY 2006, and then increase to 40.5% in FY 2011. American mainline service is projected to reduce its share of annual commercial aircraft departures from 25.0% in FY 2004 to 14.8% in FY 2005, which will then gradually increase to 15.6% in FY 2011. Southwest is projected to increase it share of annual commercial aircraft departures from 14.1% in FY 2004 to 16.5% in FY 2011, exceeding American's share.

Regional air carrier departures are projected to increase by 0.5% from 72,960 in FY 2004 to 73,307 in FY 2005, and then continue increasing to 89,045 in FY 2011 at an average annual rate of 3.3%. The regional air carriers' combined share of annual commercial aircraft departures is projected to increase from 49.7% in FY 2004 to 58.6% in FY 2006, and then decrease slightly to 57.1% in FY 2011. Together the American Connection operators are expected to maintain the largest share of commercial aircraft departures, which is projected to fluctuate from 38.4% in FY 2004 to 41.4% in FY 2006 to 40.3% in FY 2011.

Table IV-16 shows the detailed base forecast of landed weight. Total landed weight decreased by 36.9% from 19.29 billion pounds in FY 2003 to 12.18 billion pounds in FY 2004. Total landed weight is projected to decrease further by 18.4% to 9.93 billion pounds in FY 2005 and then increase to 12.14 billion pounds in FY 2011 at an average annual rate of 3.4%.

As a group, mainline air carriers are projected to maintain a majority share of total landed weight, but their combined share is projected to decrease from 72.4% in FY 2004 to 64.0% in FY 2006 and then increase to 64.8% in FY 2011. Landed weight by mainline air carriers is projected to decrease by 26.1% from 8.82 billion pounds in FY 2004 to 6.52 billion pounds in FY 2005, and then increase to 7.87 billion pounds in FY 2011 at an average annual rate of 3.2%. American's share of total landed weight is projected to decrease from 41.6% in FY 2004 to 26.0% in FY 2005, and then increase slightly to 27.3% in FY 2011. Southwest's share is projected to increase from 19.8% in FY 2004 to 25.2% in FY 2011.

As a group, regional air carriers are projected to increase their combined share of total landed weight from 21.9% in FY 2004 to 29.2% during FY 2006-2011. Landed weight by regional air carriers is projected to increase from 2.66 billion pounds in FY 2004 to 3.55 billion pounds in FY 2011 at average annual rates of 1.6% between FY 2004 and 2005 and 4.6% between FY 2005 and 2011. Together the American Connection operators are projected to increase their combined share of total landed weight from 15.4% in FY 2004 to 18.1% during FY 2006-2011.

Table IV-17 shows the underlying trends in the average number of enplanements per departure and the average aircraft landed weight. Changes in these key relationships in the short term reflects recent trends at the Airport, as well as the type and mix of air service that airlines have scheduled to provide over the next twelve months. The projected long-term trends in these key activity relationships are consistent with the trends of increase in load factors and aircraft size that the FAA projects for the industry. Overall the average number of enplanements per departure for all passenger carriers is projected to increase from 55.7 in FY 2004 to 58.0 in FY 2011. The average aircraft landed weight for all carriers is projected to decrease from 82,962 pounds in FY 2004 to 77,824 pounds in FY 2011.

5. Low Forecast Details

The details of the low forecast are presented in **Tables IV-18** to **IV-21**. The highlights are summarized below:

- Total enplanements are projected to decrease by 14.3% from 8.02 million in FY 2004 to 6.87 million in FY 2005, and then increase to 8.39 million in FY 2011 at an average annual rate of 3.4%.
- Total commercial aircraft departures are projected to decrease by 11.2% from 146,760 in FY 2004 to 130,276 in FY 2005 and then increase to 153,684 in FY 2011, achieving an average annual growth rate of 2.8%.
- Total landed weight is projected to decrease by 18.4% from 12.18 billion pounds in FY 2004 to 9.93 billion pounds in FY 2005, and then increase to 11.99 billion pounds in FY 2011 at an average annual rate of 3.2%.

6. High Forecast Details

The details of the high forecast are presented in **Tables IV-22** to **IV-25**. The highlights are summarized below:

- Total enplanements are projected to decrease by 13.1% from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 9.25 million in FY 2011 at an average annual rate of 4.8%.
- Total commercial aircraft departures are projected to decrease by 11.2% from 146,760 in FY 2004 to 130,276 in FY 2005, and then increase to 158,024 in FY 2011 at an average annual rate of 3.3%.
- Total landed weight is projected to decrease by 18.4% from 12.18 billion pounds in FY 2004 to 9.93 billion pounds in FY 2005, and then increase to 12.30 billion pounds in FY 2011 at an average annual rate of 3.6%.

TABLE IV-18
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
LOW FORECAST OF ENPLANEMENTS
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Activity	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2004-2005**	**2005-2011**
Air Carrier										
American	3,632,970	2,231,234	2,307,000	2,419,000	2,516,000	2,598,000	2,672,000	2,744,000	-38.6%	3.5%
Southwest	1,445,562	1,595,201	1,632,000	1,711,000	1,780,000	1,838,000	1,891,000	1,941,000	10.4%	3.3%
Others	936,290	1,054,670	921,000	966,000	1,006,000	1,038,000	1,067,000	1,096,000	12.6%	0.6%
Subtotal-Air Carrier	6,014,822	4,881,104	4,860,000	5,096,000	5,302,000	5,474,000	5,630,000	5,781,000	-18.8%	2.9%
Regional										
American Connection	1,278,968	1,161,472	1,252,000	1,313,000	1,366,000	1,410,000	1,450,000	1,489,000	-9.2%	4.2%
Others	587,746	739,760	849,000	891,000	926,000	957,000	985,000	1,011,000	25.9%	5.3%
Subtotal-Regional	1,866,714	1,901,233	2,101,000	2,204,000	2,292,000	2,367,000	2,435,000	2,500,000	1.8%	4.7%
Charter	136,083	92,082	92,000	96,000	100,000	103,000	106,000	109,000	-32.3%	2.9%
Total-Enplanements	**8,017,619**	**6,874,419**	**7,053,000**	**7,396,000**	**7,694,000**	**7,944,000**	**8,171,000**	**8,390,000**	**-14.3%**	**3.4%**
Annual Growth Rate		-14.3%	2.6%	4.9%	4.0%	3.2%	2.9%	2.7%		
O&D	5,159,619	5,426,419	5,521,000	5,790,000	6,022,000	6,218,000	6,396,000	6,567,000	5.2%	3.2%
Connecting	2,858,000	1,448,000	1,532,000	1,606,000	1,672,000	1,726,000	1,775,000	1,823,000	-49.3%	3.9%
Domestic	7,852,000	6,733,000	6,908,000	7,243,000	7,535,000	7,780,000	8,002,000	8,217,000	-14.3%	3.4%
International	165,619	141,419	145,000	153,000	159,000	164,000	169,000	173,000	-14.6%	3.4%

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

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TABLE IV-19
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
LOW FORECAST OF AIRCRAFT DEPARTURES
FY 2004-2011

Activity	Actual 2004	Forecast 2005	2006	2007	2008	2009	2010	2011	Avg. Annual Growth Rate 2004-2005	2005-2011
Air Carrier										
American	36,757	19,288	20,516	21,447	22,277	22,928	23,475	24,028	-47.5%	3.7%
Southwest	20,707	21,211	21,689	22,650	23,533	24,219	24,791	25,363	2.4%	3.0%
Others	12,351	12,782	11,049	11,536	11,997	12,338	12,624	12,924	3.5%	0.2%
Subtotal-Air Carrier	69,815	53,281	53,254	55,633	57,807	59,485	60,890	62,316	-23.7%	2.6%
Regional										
American Connection	56,390	52,984	56,819	58,154	59,345	60,168	60,925	61,786	-6.0%	2.6%
Trans States (American Conn	31,029	27,368	28,710	29,414	29,999	30,463	30,852	31,304	-11.8%	2.3%
Chautauqua (American Conne	15,459	14,102	14,622	14,977	15,299	15,533	15,754	15,969	-8.8%	2.1%
Corporate Air (American Con	9,380	9,265	9,869	10,024	10,227	10,305	10,399	10,534	-1.2%	2.2%
American Eagle	522	2,249	3,618	3,739	3,819	3,867	3,920	3,979	330.9%	10.0%
Others	16,570	20,323	23,682	24,227	24,691	25,078	25,426	25,777	22.6%	4.0%
Subtotal-Regional	72,960	73,307	80,501	82,381	84,036	85,246	86,351	87,563	0.5%	3.0%
Charter	1,113	718	718	744	774	795	814	834	-35.5%	2.5%
Subtotal-Passenger	143,888	127,306	134,473	138,759	142,617	145,525	148,055	150,713	-11.5%	2.9%
Cargo	2,872	2,970	2,970	2,970	2,970	2,970	2,970	2,970	3.4%	0.0%
Total-Aircraft Departures	**146,760**	**130,276**	**137,443**	**141,729**	**145,587**	**148,496**	**151,025**	**153,684**	**-11.2%**	**2.8%**
Annual Growth Rate		-11.2%	5.5%	3.1%	2.7%	2.0%	1.7%	1.8%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

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TABLE IV-20
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
LOW FORECAST OF LANDED WEIGHT (1,000 POUNDS)
FY 2004-2011

Activity	Actual 2004	Forecast 2005	2006	2007	2008	2009	2010	2011	Avg. Annual Growth Rate 2004-2005	2005-2011
Air Carrier										
American	5,062,654	2,587,600	2,752,000	2,883,000	2,999,000	3,096,000	3,181,000	3,267,000	-48.9%	4.0%
Southwest	2,412,555	2,494,574	2,551,000	2,669,000	2,777,000	2,867,000	2,945,000	3,023,000	3.4%	3.3%
Others	1,345,792	1,437,889	1,242,000	1,299,000	1,353,000	1,398,000	1,434,000	1,473,000	6.8%	0.4%
Subtotal-Air Carrier	8,821,001	6,520,063	6,545,000	6,851,000	7,129,000	7,361,000	7,560,000	7,763,000	-26.1%	3.0%
Regional										
American Connection	1,877,430	1,719,399	1,854,000	1,938,000	2,008,000	2,066,000	2,117,000	2,167,000	-8.4%	3.9%
Trans States (American Connection)	1,073,060	903,074	949,000	992,000	1,028,000	1,058,000	1,084,000	1,110,000	-15.8%	3.5%
Chautauqua (American Connection)	636,874	580,684	603,000	630,000	654,000	673,000	690,000	706,000	-8.8%	3.3%
Corporate Air (American Connection	146,085	144,282	154,000	160,000	165,000	169,000	173,000	177,000	-1.2%	3.5%
American Eagle	21,412	91,360	148,000	156,000	161,000	166,000	170,000	174,000	326.7%	11.3%
Others	783,578	984,483	1,136,000	1,188,000	1,229,000	1,266,000	1,301,000	1,332,000	25.6%	5.2%
Subtotal-Regional	2,661,008	2,703,883	2,990,000	3,126,000	3,237,000	3,332,000	3,418,000	3,499,000	1.6%	4.4%
Charter	143,324	102,371	102,000	106,000	111,000	114,000	117,000	120,000	-28.6%	2.7%
Subtotal-Passenger	11,625,334	9,326,316	9,637,000	10,083,000	10,477,000	10,807,000	11,095,000	11,382,000	-19.8%	3.4%
Cargo	550,195	607,766	608,000	608,000	608,000	608,000	608,000	608,000	10.5%	0.0%
Total-Landed Weight (1,000 lbs.)	**12,175,529**	**9,934,082**	**10,245,000**	**10,691,000**	**11,085,000**	**11,415,000**	**11,703,000**	**11,990,000**	**-18.4%**	**3.2%**
Annual Growth Rate		-18.4%	3.1%	4.4%	3.7%	3.0%	2.5%	2.5%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-21
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
LOW FORECAST - KEY ACTIVITY RELATIONSHIPS
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Key Activity Relationship	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Enplanements per Departure										
Air Carrier										
American	98.8	115.7	112.4	112.8	112.9	113.3	113.8	114.2	17.0%	-0.2%
Southwest	69.8	75.2	75.2	75.5	75.6	75.9	76.3	76.5	7.7%	0.3%
Others	75.8	82.5	83.4	83.7	83.9	84.1	84.5	84.8	8.8%	0.5%
Subtotal-Air Carrier	86.2	91.6	91.3	91.6	91.7	92.0	92.5	92.8	6.3%	0.2%
Regional										
American Connection	22.7	21.9	22.0	22.6	23.0	23.4	23.8	24.1	-3.3%	1.6%
Others	35.5	36.4	35.8	36.8	37.5	38.2	38.7	39.2	2.6%	1.3%
Subtotal-Regional	25.6	25.9	26.1	26.8	27.3	27.8	28.2	28.6	1.4%	1.6%
Charter	122.3	128.3	128.2	129.0	129.2	129.6	130.2	130.6	5.0%	0.3%
All Passenger Carriers	**55.7**	**54.0**	**52.4**	**53.3**	**53.9**	**54.6**	**55.2**	**55.7**	**-3.1%**	**0.5%**
Avg. Aircraft Landed Weight (Lbs.)										
Air Carrier										
American	137,733	134,155	134,138	134,424	134,620	135,034	135,507	135,965	-2.6%	0.2%
Southwest	116,509	117,609	117,618	117,835	118,007	118,377	118,793	119,189	0.9%	0.2%
Others	108,962	112,491	112,408	112,603	112,777	113,307	113,594	113,970	3.2%	0.2%
Subtotal-Air Carrier	126,348	122,371	122,902	123,145	123,324	123,746	124,159	124,575	-3.1%	0.3%
Regional										
American Connection	33,294	32,451	32,630	33,325	33,836	34,337	34,748	35,073	-2.5%	1.3%
Others	47,289	48,442	47,969	49,036	49,775	50,483	51,167	51,674	2.4%	1.1%
Subtotal-Regional	36,472	36,884	37,142	37,946	38,519	39,087	39,583	39,960	1.1%	1.3%
Charter	128,773	142,659	142,142	142,442	143,385	143,444	143,714	143,814	10.8%	0.1%
Subtotal-Passenger	80,794	73,259	71,665	72,666	73,463	74,262	74,939	75,521	-9.3%	0.5%
Cargo	191,572	204,608	204,687	204,687	204,687	204,687	204,687	204,687	6.8%	0.0%
All Carriers	**82,962**	**76,254**	**74,540**	**75,433**	**76,140**	**76,871**	**77,490**	**78,017**	**-8.1%**	**0.4%**

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

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TABLE IV-22
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HIGH FORECAST OF ENPLANEMENTS
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Activity	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Air Carrier										
American	3,632,970	2,252,138	2,548,000	2,672,000	2,779,000	2,870,000	2,952,000	3,031,000	-38.0%	5.1%
Southwest	1,445,562	1,616,522	1,864,000	1,954,000	2,032,000	2,098,000	2,158,000	2,216,000	11.8%	5.4%
Others	936,290	1,064,548	1,030,000	1,081,000	1,124,000	1,162,000	1,195,000	1,227,000	13.7%	2.4%
Subtotal-Air Carrier	6,014,822	4,933,208	5,442,000	5,707,000	5,935,000	6,130,000	6,305,000	6,474,000	-18.0%	4.6%
Regional										
American Connection	1,278,968	1,187,559	1,339,000	1,404,000	1,460,000	1,508,000	1,551,000	1,593,000	-7.1%	5.0%
Others	587,746	755,986	905,000	947,000	984,000	1,018,000	1,048,000	1,075,000	28.6%	6.0%
Subtotal-Regional	1,866,714	1,943,544	2,244,000	2,351,000	2,444,000	2,526,000	2,599,000	2,668,000	4.1%	5.4%
Charter	136,083	92,082	92,000	96,000	100,000	103,000	106,000	109,000	-32.3%	2.9%
Total-Enplanements	**8,017,619**	**6,968,835**	**7,778,000**	**8,154,000**	**8,479,000**	**8,759,000**	**9,010,000**	**9,251,000**	**-13.1%**	**4.8%**
Annual Growth Rate		-13.1%	11.6%	4.8%	4.0%	3.3%	2.9%	2.7%		
O&D	5,159,619	5,494,835	6,108,000	6,404,000	6,659,000	6,880,000	7,077,000	7,266,000	6.5%	4.8%
Connecting	2,858,000	1,474,000	1,670,000	1,750,000	1,820,000	1,879,000	1,933,000	1,985,000	-48.4%	5.1%
Domestic	7,852,000	6,825,000	7,618,000	7,986,000	8,304,000	8,578,000	8,824,000	9,060,000	-13.1%	4.8%
International	165,619	143,835	160,000	168,000	175,000	181,000	186,000	191,000	-13.2%	4.8%

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

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TABLE IV-23
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HIGH FORECAST OF AIRCRAFT DEPARTURES
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Activity	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Air Carrier										
American	36,757	19,288	21,071	22,030	22,882	23,553	24,119	24,683	-47.5%	4.2%
Southwest	20,707	21,211	22,276	23,271	24,167	24,870	25,456	26,054	2.4%	3.5%
Others	12,351	12,782	11,348	11,877	12,333	12,706	13,007	13,311	3.5%	0.7%
Subtotal-Air Carrier	69,815	53,281	54,695	57,177	59,382	61,129	62,582	64,049	-23.7%	3.1%
Regional										
American Connection	56,390	52,984	58,356	59,856	61,035	61,996	62,773	63,738	-6.0%	3.1%
Others	16,570	20,323	24,323	24,829	25,299	25,728	26,089	26,432	22.6%	4.5%
Subtotal-Regional	72,960	73,307	82,679	84,685	86,334	87,724	88,862	90,170	0.5%	3.5%
Charter	1,113	718	718	744	774	795	814	834	-35.5%	2.5%
Subtotal-Passenger	143,888	127,306	138,092	142,607	146,490	149,647	152,258	155,053	-11.5%	3.3%
Cargo	2,872	2,970	2,970	2,970	2,970	2,970	2,970	2,970	3.4%	0.0%
Total-Aircraft Departures	**146,760**	**130,276**	**141,062**	**145,577**	**149,460**	**152,618**	**155,228**	**158,024**	**-11.2%**	**3.3%**
Annual Growth Rate		-11.2%	8.3%	3.2%	2.7%	2.1%	1.7%	1.8%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-24
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HIGH FORECAST OF LANDED WEIGHT (1,000 POUNDS)
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Activity	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Air Carrier										
American	5,062,654	2,587,600	2,827,000	2,961,000	3,080,000	3,181,000	3,268,000	3,355,000	-48.9%	4.4%
Southwest	2,412,555	2,494,574	2,620,000	2,742,000	2,852,000	2,944,000	3,024,000	3,105,000	3.4%	3.7%
Others	1,345,792	1,437,889	1,276,000	1,337,000	1,391,000	1,439,000	1,478,000	1,518,000	6.8%	0.9%
Subtotal-Air Carrier	8,821,001	6,520,063	6,723,000	7,040,000	7,323,000	7,564,000	7,770,000	7,978,000	-26.1%	3.4%
Regional										
American Connection	1,877,430	1,719,399	1,904,000	1,991,000	2,063,000	2,125,000	2,177,000	2,230,000	-8.4%	4.4%
Others	783,578	984,483	1,166,000	1,217,000	1,258,000	1,298,000	1,331,000	1,361,000	25.6%	5.5%
Subtotal-Regional	2,661,008	2,703,883	3,070,000	3,208,000	3,321,000	3,423,000	3,508,000	3,591,000	1.6%	4.8%
Charter	143,324	102,371	102,000	106,000	111,000	114,000	117,000	120,000	-28.6%	2.7%
Subtotal-Passenger	11,625,334	9,326,316	9,895,000	10,354,000	10,755,000	11,101,000	11,395,000	11,689,000	-19.8%	3.8%
Cargo	550,195	607,766	608,000	608,000	608,000	608,000	608,000	608,000	10.5%	0.0%
Total-Landed Weight (1,000 lbs.)	**12,175,529**	**9,934,082**	**10,503,000**	**10,962,000**	**11,363,000**	**11,709,000**	**12,003,000**	**12,297,000**	**-18.4%**	**3.6%**
Annual Growth Rate		-18.4%	5.7%	4.4%	3.7%	3.0%	2.5%	2.4%		

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast demand for air travel. Unexpected events may occur, and some of the underlying assumptions may not happen. Therefore actual performance may differ from the forecast, and the difference may be material.

TABLE IV-25
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
HIGH FORECAST - KEY ACTIVITY RELATIONSHIPS
FY 2004-2011

	Actual	Forecast							Avg. Annual Growth Rate	
Key Activity Relationship	2004	2005	2006	2007	2008	2009	2010	2011	2004-2005	2005-2011
Enplanements per Departure										
Air Carrier										
American	98.8	116.8	120.9	121.3	121.5	121.9	122.4	122.8	18.1%	0.8%
Southwest	69.8	76.2	83.7	84.0	84.1	84.4	84.8	85.1	9.2%	1.8%
Others	75.8	83.3	90.8	91.0	91.1	91.5	91.9	92.2	9.9%	1.7%
Subtotal-Air Carrier	86.2	92.6	99.5	99.8	99.9	100.3	100.7	101.1	7.5%	1.5%
Regional										
American Connection	22.7	22.4	22.9	23.5	23.9	24.3	24.7	25.0	-1.2%	1.8%
Others	35.5	37.2	37.2	38.1	38.9	39.6	40.2	40.7	4.9%	1.5%
Subtotal-Regional	25.6	26.5	27.1	27.8	28.3	28.8	29.2	29.6	3.6%	1.8%
Charter	122.3	128.3	128.2	129.0	129.2	129.6	130.2	130.6	5.0%	0.3%
All Passenger Carriers	**55.7**	**54.7**	**56.3**	**57.2**	**57.9**	**58.5**	**59.2**	**59.7**	**-1.8%**	**1.4%**
Avg. Aircraft Landed Weight (Lbs.)										
Air Carrier										
American	137,733	134,155	134,164	134,408	134,605	135,057	135,494	135,921	-2.6%	0.2%
Southwest	116,509	117,609	117,618	117,831	118,010	118,375	118,793	119,174	0.9%	0.2%
Others	108,962	112,491	112,443	112,572	112,791	113,257	113,635	114,041	3.2%	0.2%
Subtotal-Air Carrier	126,348	122,371	122,919	123,126	123,321	123,739	124,158	124,561	-3.1%	0.3%
Regional										
American Connection	33,294	32,451	32,627	33,263	33,800	34,276	34,681	34,987	-2.5%	1.3%
Others	47,289	48,442	47,938	49,015	49,726	50,452	51,017	51,490	2.4%	1.0%
Subtotal-Regional	36,472	36,884	37,131	37,882	38,467	39,020	39,477	39,825	1.1%	1.3%
Charter	128,773	142,659	142,142	142,442	143,385	143,444	143,714	143,814	10.8%	0.1%
Subtotal-Passenger	80,794	73,259	71,655	72,605	73,418	74,181	74,840	75,387	-9.3%	0.5%
Cargo	191,572	204,608	204,687	204,687	204,687	204,687	204,687	204,687	6.8%	0.0%
All Carriers	**82,962**	**76,254**	**74,457**	**75,300**	**76,027**	**76,721**	**77,325**	**77,817**	**-8.1%**	**0.3%**

Sources:
Airport management records for FY 2004 data.
Unison-Maximus, Inc., for the forecast for FY 2005-2011.

C. OTHER FACTORS AFFECTING AVIATION DEMAND

The forecast model focused on key measurable factors that influence air travel demand at the Airport. There are broader factors that could affect aviation activity; some of these are discussed below:

1. National Economic Conditions

Air travel demand is affected by prevailing economic conditions. Economic expansion increases income and consumer confidence, stimulates business activity, and thereby increases air travel demand. In contrast, economic recession reduces income and consumer confidence, dampens business activity, and thereby weakens air travel demand. Prior to the September 11, 2001 events, there were indications that the U.S. economy was slowing down. After 10 years of expansion, the economy reached a peak in March 2001 and entered a period of recession that ended in November 2001.[14] The 2001 economic recession was relatively mild in impact and duration. According to Global Insight, Inc., two factors combined to arrest a broader downturn: (1) the growth in consumer spending, and (2) the resilience of the Service sector.[15]

Through the second quarter of 2003, the economic recovery – dubbed a "jobless recovery" as it was fueled primarily by productivity growth – had been slow and uneven. Economic growth accelerated beginning in the third quarter of 2003 and has since generated measurable job growth. The U.S. economy achieved real GDP growth of 3.0% for the entire year in 2003 and 4.4% in 2004. According to advance estimates released by the Bureau of Economic Analysis, real GDP increased at an annualized rate of 3.1% during the first quarter of 2005. Real GDP measures the output of goods and services produced by labor and property located in the United States.[16]

Business cycles are inevitable. However continued growth in the consumer and business expenditures will ensure that the growth of the U.S. economy and air travel demand will be sustained.

2. U.S. Airline Industry Performance

Nationwide airlines reported huge losses from the impact of the September 11, 2001 events. In addition to operating cost items such as labor, fuel and aircraft maintenance, airlines have had to defray some security costs. Cost management, amid reduced air travel demand, has become the primary focus of the airline industry in the post-September 11, 2001 market

[14] In November 2001 the National Bureau of Economic Research (NBER) determined that the economy peaked in March 2001; however revisions to economic data suggest that the peak occurred months earlier. In July 2003, the NBER determined that the economy reached a trough in November 2001. Source: Economic Report of the President, 2004, page 31.
[15] DRI-WEFA (now Global Insight, Inc.), "U.S. and Global Economic Prospects: A Deeper Recession and a Stronger Recovery," at www.dri-wefa.com.
[16] U.S. Bureau of Economic Analysis, "Gross Domestic Product: First Quarter 2005 (Advance)," *BEA News*, April 28, 2005, at www.bea.doc.gov.

environment. To some degree, the $15 billion emergency economic assistance package under the Air Transportation Safety and System Stabilization Act provided the industry some financial relief. The Act provided $10 billion in federal loan guarantees and credits, subject to applicable terms and conditions, and $5 billion in compensation for direct losses incurred from the FAA-mandated nationwide ground stop shortly following the September 11, 2001 events and losses sustained through the fourth quarter of 2001.

In addition to receiving government financial assistance, airlines have implemented various measures to sustain viable operations. Facing reduced travel demand, airlines have accelerated structural changes that were underway prior to September 11, 2001. Growing competition from low-cost carriers had forced network carriers to implement route rationalization, which includes route transfers from mainline service to regional operators, reduction of service at certain markets, and the elimination of service to markets that were no longer profitable. Airlines also implemented payroll cuts, deferred the acquisition of new aircraft, simplified airfare structure, and offered fare discounts. Network carriers have shown increasing flexibility in adjusting fares to match discount fares offered by low-cost carriers. Airlines have also expanded the use of the Internet for ticket sales and self-service kiosks for airport check-in.[17]

Nationwide passenger traffic trends indicate sustained recovery. For example, system-wide revenue passenger data reported by member airlines of the Air Transport Association (ATA) show a 5.7% increase between 2003 and 2004.[18] Revenue aircraft departures reported by ATA carriers were up 1.8% between 2003 and 2004. In addition, several of the major carriers, including those that operate at the Airport, reported improved earnings in 2004, compared to 2003. The FAA reports that in Federal Fiscal Year (FFY) 2004,[19] the U.S. commercial airlines collectively reported an operating profit of $939.2 million, compared to the $4.5 billion loss reported for FFY 2003.[20] Southwest Airlines reported 2004 operating income of $554 million, which represented a 14.7% increase over its 2003 operating income of $483 million.[21] AMR Corporation, the parent company of American Airlines, reported a 2004 operating loss of $421 million, which was an improvement over its 2003 operating loss of $1,129 million.[22] United Airlines reported a 2004 operating loss of $1,166 million compared to its 2003 operating loss of $1,612 million.[23] However, Continental Airlines, Delta Airlines, and Northwest Airlines each reported 2004 operating results that were worse than their 2003 operating results.[24] Two of the top 10 U.S airlines, United Airlines and US Airways, are still operating under Chapter 11 bankruptcy protection.

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[17] Air Transport Association, *Statement of the Airline Industry*, June 3, 2004.
[18] ATA member airlines include Alaska, Aloha, American, ATA, America West, Continental, Delta, Hawaiian, JetBlue, Midwest, Northwest, Southwest, United, and US Airways.
[19] FFY 2004 covers the October 2003-September 2004 period.
[20] *FAA Aerospace Forecasts for Fiscal Years 2005-2016*, March 2005.
[21] Southwest Airlines Co., SEC Form 10-K filing for the year ended December 31, 2004.
[22] AMR Corporation, SEC Form 10-K filing for the year ended December 31, 2004.
[23] UAL Corporation, SEC Form 10-K filing for the year ended December 31, 2004.
[24] Continental Airlines, Inc., Delta Airlines, Inc., and Northwest Airlines Corporation, SEC Form 10-K filings for the year ended December 31, 2004.

As a whole the airline industry still faces financial challenges, and the increasing costs of fuel and security continue to weigh down on efforts to cut operating costs and increase productivity. The cost of fuel increased to almost $58 per barrel on April 1, 2005.[25] Airlines have tried to raise airfares to recover a portion of the fuel cost increases, but it is uncertain whether such fare increases will remain in place.[26] [27] The ability of airlines to sustain financial improvements is critical to future growth in industry capacity.

3. National Security and Threat of Terrorism

The new reality in the post-September 11, 2001 environment is the potential for terrorists to severely disrupt economic and social activities wherever they strike. The U.S. Department of Homeland Security periodically issues updates of their assessment of intelligence regarding potential threats against the United States, including threats that may target the national aviation system. U.S. involvement in Iraq and in international coalition efforts aimed at dismantling terrorist networks worldwide will continue to have implications for domestic security. Travel restrictions imposed pursuant to increased airport security may have a dampening effect on travel demand. In addition, periodic diversion of international flights due to security concerns may effectively reduce service from the United States to affected destinations. Overall national security concerns and perceived terrorist threats will continue to have an adverse impact on air travel demand.

4. Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The various security measures now in place at airports have resulted in new passenger fees and longer security processing lines. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. The ATA observes a disproportionate decline in short-haul air travel and a consistent rise in automobile travel.[28] More people are choosing to drive where in the past they would have flown; and leisure and business travelers alike have become more sensitive to price. Efforts of airlines to stimulate traffic with fare discounts have changed consumer expectations: consumers have now come to expect low fares. In addition, the availability of fully transparent price information on the internet also has made it easy to compare fares across airlines. Consumers now bypass travel agencies altogether and purchase tickets online. This has made pricing and marketing even more competitive. Finally, corporate cost cutting during the recent recession has made business customers more amenable to communication substitutes such as tele- and video-conferencing.[29]

[25] "*US Airlines Increase Fares Again*," *AIRwise News*, April 5, 2005.
[26] "Airline Ticket Prices Climb as jet Fuel Prices Rise," *The Business Journal Phoenix*, March 14, 2005.
[27] "*US Airlines Increase Fares Again*," *AIRwise News*, April 5, 2005.
[28] Air Transport Association, *US Airlines: The Road to Resuscitation*, October 17, 2003.
[29] Air Transport Association, *Statement on the State of the Airline Industry*, June 3, 2004.

5. Presence of Other Airports in the St. Louis Area

No other airport in the area poses significant competition to Lambert-St. Louis International Airport. The closest major commercial airports are more than 250 road miles from St. Louis. These are Kansas City International Airport in Kansas City, Missouri and Indianapolis International Airport in Indianapolis, Indiana. There are six other airports in the area, which are identified by the FAA as general aviation reliever airports: the Spirit of St. Louis Airport, St. Louis Downtown Parks Airport in Illinois, St. Louis Regional Airport in Illinois, St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports have short runways and cannot accommodate large commercial aircraft. A relatively new airport, MidAmerica Airport, opened in November 1997 approximately 25 miles from downtown St. Louis in St. Clair County, Illinois. MidAmerica Airport is a joint-use facility with Scott Air Force Base. It has a 10,000-foot runway and a terminal with four aircraft gates – enough capacity for 1.25 million annual enplanements.[30] MidAmerica Airport owns land that can accommodate the expansion of the terminal to 85 gates, but not a second runway. MidAmerica Airport currently markets itself as a reliever to Lambert-St. Louis International Airport. At present, MidAmerica Airport has no commercial service, and airport officials are working to develop the facility as an air cargo center.

D. SUMMARY

The highlights of the historical trends and forecasts of aviation activity at the Airport are as follows:

- Annual enplanements increased from under one million in CY 1961 to 15.31 million in CY 2001 and then decreased to 6.71 million in CY 2004, representing an average growth rate of 4.6% between CY 1961 and 2004. On average annual enplanements increased by 3.6% per year between CY 1995 and 2000, and decreased by 18.6% per year between CY 2000 and 2004.

- The Airport's share of U.S. enplanements decreased from approximately two percent during the CY 1995-2002 period to one percent in CY 2004.

- The composition of passenger traffic at the Airport has changed from 54.2% O&D and 45.8% connecting in CY 1995 to 78.5% O&D and 21.5% connecting in CY 2004. Between CY 1995 and 2000, O&D enplanements grew at an average rate of 0.8% annually – lagging behind connecting enplanements, which grew at an average rate of 6.5% annually. Between CY 2000 and 2004, O&D enplanements declined at an average annual rate of 7.7%, much less than average rate of decline in connecting enplanements of 34.9% annually.

[30] *Scott Joint-Use Airport Revenue Forecasts*, February 8, 1993.

- The Airport serves primarily domestic enplanements, which decreased in share from 99.0% in CY 1995 to 98.1% in CY 2004. Domestic enplanements increased by 3.5% per year, on average, between CY 1995 and 2000, and decreased by 18.8% per year, on average, between CY 2000 and 2004. International enplanements accounted for the remaining share, which increased from 1.0% in CY 1995 to 1.9% in CY 2004. International enplanements increased by 8.4% per year, on average, between CY 1995 and 2000, and decreased by 11.0% per year, on average, between CY 2000 and 2004.

- Together American and American Connection operators accounted for the largest share of enplanements, which declined from 78.8% in CY 2000 to 48.8% in CY 2004. Southwest held the second largest share, which increased from 11.7% in CY 2000 to 23.6% in CY 2004.

- Total commercial aircraft departures decreased from 222,868 in CY 2000 to 126,909 in CY 2004 at an average annual rate of 13.1%. The decrease in commercial departures was primarily attributable to the decrease in mainline aircraft departures. American Airlines alone decreased its mainline departures from 124,681 in CY 2000 to 18,998 in CY 2004 at an average annual rate of 37.5%. American Airlines downsized its operations at the Airport as part of its effort to streamline and consolidate its hubs, and the downsizing of the St. Louis hub came to full effect in November 2003. Between CY 2003 and 2004, American Airlines' mainline aircraft departures from the Airport decreased by approximately 70%.

- Commercial aircraft landed weight decreased from 24.06 billion pounds in CY 2000 to 9.71 billion pounds in CY 2004 at an average annual rate of 20.3%.

- Under the base forecast of aviation activity, total enplanements are forecast to decrease by 13.1% from 8.02 million in FY 2004 to 6.97 million in FY 2005, and then increase to 8.87 million in FY 2011 at an average annual rate of 4.1%. Commercial aircraft departures are projected to decrease by 11.2% from 146,760 in FY 2004 to 130,276 in FY 2005, and then increase to 156,005 in FY 2011 at an average annual rate of 3.0%. Landed weight is projected to decrease by 18.2% from 12.18 billion pounds in FY 2004 to 9.93 billion pounds in FY 2005, and then increase to 12.14 billion pounds in FY 2011 at an average annual rate of 3.4%.

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SECTION V
FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Airport (including key provisions of the Indenture and the Airport Use Agreements), reviews the recent historical financial performance of the Airport, and examines the ability of the Airport to generate sufficient Revenues in each year of the forecast period (FY 2005 through FY 2011) to (1) pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture and (2) satisfy the relevant provisions of the Additional Bonds Test. This section also discusses the information and assumptions underlying the financial forecasts.

A. FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

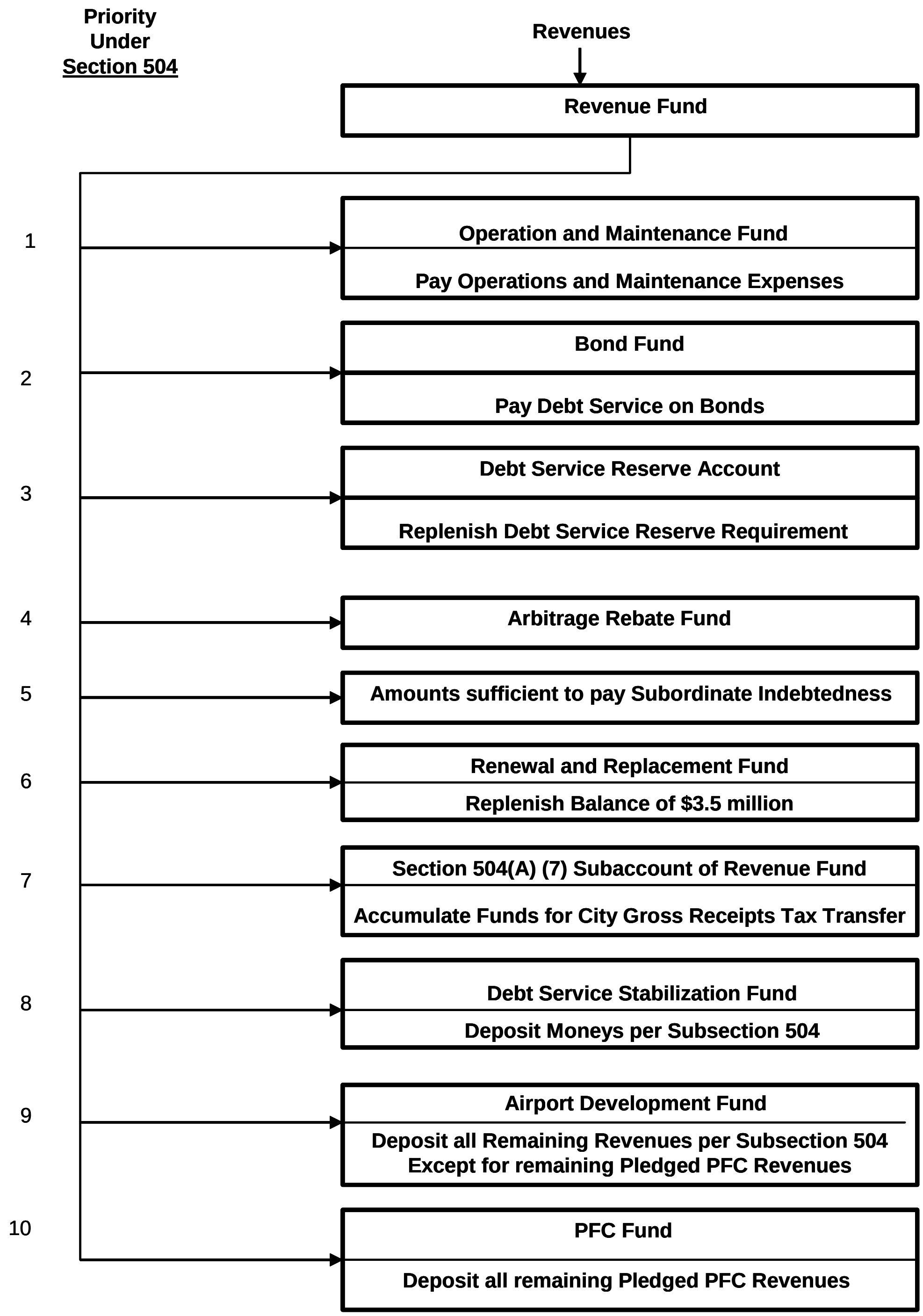
1. Indenture

The Series 2005 Refunding Bonds are being issued pursuant to the Indenture, including the Thirteenth Supplemental Indenture dated as of June 1, 2005. The Series 2005 Refunding Bonds are limited obligations of the City payable solely from Revenues (as defined in the Indenture).

The Thirteenth Supplemental Indenture amends the Indenture to establish a DSS Fund that is expected to enhance the near and long-term cash position of the Airport.

Exhibit V-1 depicts the change in the application of Revenues to the funds and accounts established by the Indenture resulting from the establishment of the DSS fund. The Revenues are first deposited in the Airport Revenue Fund, which then flows to the Operation and Maintenance (O&M) Fund to pay O&M Expenses. The remaining Airport Revenues are available for deposit, in the following order of priority: in the Bond Fund (for payment of Debt Service); in the Debt Service Reserve Account (to restore any deficiency and maintain a balance equal to the Debt Service Reserve Requirement); in the Arbitrage Rebate Fund (to fund Rebate Amount); amounts sufficient to pay Subordinate Indebtedness in accordance with the authorizing and implementing documents of such Subordinate Indebtedness; in the Renewal and Replacement Fund (to maintain a balance of $3.5 million); in the City General Fund (to pay the 5% gross receipts tax required under Section 504.B); to the Debt Service Stabilization Fund pursuant to the calculations set forth in subsection 504 (A) (8) and (9); and the remainder to the ADF; except for remaining PFC Pledged Revenues, which go to the PFC Account.

Exhibit V-1
Application of Airport Revenues
Under the Indenture



2. Airport Accounting and Financial Reporting

The City operates the Airport as an enterprise fund in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities. Financial statements for the Airport are prepared each fiscal year based on GAAP and audited by independent certified public accountants. The Airport also maintains internal financial statements, which contain more detailed itemization of revenues and expenses.

The financial forecasts presented in this Report are based on the accounting principles of the Indenture. **Table V-1** summarizes historical *net income*, (as determined under GAAP) and historical *Net Revenues* (as determined under the accounting principles of the Indenture) for the past five Fiscal Years and shows the reconciliation of net income to Net Revenues. The major differences in the two bases of accounting are as follows:

- Under GAAP, operating revenues exclude interest income and PFC revenue; however, *all* interest income and *all* PFC revenues are reported as nonoperating revenues and are part of reported *net income*. Under the Indenture, Revenues include all interest income other than interest on the Construction Fund and only those PFC revenues that are specifically pledged as Revenues.

- Under GAAP, operating expenses *include* depreciation, interest and grant funded expenses; under the Indenture, Operation and Maintenance Expenses specifically *exclude* depreciation, interest and all expenses funded with grants.

- Under GAAP, bond interest is recognized as an expense in calculating net income; however, bond principal is not recognized as an expense; under the Indenture, neither bond interest nor bond principal is recognized as an expense in calculating Net Revenue.

Table V-1 presents a summary of historical Airport revenues, expenses, and operating income (loss) as obtained from the City's audited financial statements for FY 2000 through FY 2004. As indicated in **Table V-1**, Net Revenues during this period peaked in FY 2002 at $80.2 million and have experienced a gradual decline in the last two fiscal years to end at $75.9 million in FY 2004. The initial decline in FY 2003 was the result of the Airport's increase in various security initiatives following the events of September 11th, which was then followed by the service reductions initiated by American in November 2003 that also adversely affected FY 2004 results.

The audited financial statements of the Airport for the Fiscal Year ended June 30, 2004 are included in their entirety in the Appendix section of the Official Statement.

Table V-1
SUMMARY OF HISTORICAL FINANCIAL OPERATIONS
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(all figures in thousands)

	2000	2001	2002	2003	2004
Statement of Net Income (GAAP)					
Operating revenues	$115,743	$120,403	$119,289	128,123	119,340
Operating expenses					
Maintenance and operating expenses	57,990	64,784	72,478	83,814	73,622
Depreciation and amortization	32,347	33,429	32,380	31,010	30,468
City Gross Receipts Tax	5,052	0	0		
Other	0	0	0		
Total	$95,389	$98,213	$104,858	$114,824	$104,090
Operating income	$20,354	$22,190	$14,431	$13,299	$15,250
Nonoperating revenues (expenses)					
PFC revenues	43,819	44,456	40,750	50,526	31,434
Investment revenue	17,293	27,882	31,047	20,630	7,403
Interest expense	(25,997)	(32,506)	(44,988)	(42,188)	(40,757)
Other	629	(66)	150	3,042	2,321
Total	$35,744	$39,766	$26,959	$32,010	$401
Net income	$56,098	$61,956	$41,390	$45,309	$15,651
Statement of Net Revenues (Trust Indenture)					
Revenues					
GARB Revenues					
Operating revenue	115,743	120,403	119,289	128,123	119,340
Interest income (excluding construction funds)	6,533	8,170	7,372	6,248	5,443
Total GARB Revenues	$122,276	$128,573	$126,661	$134,371	$124,783
Pledged PFC Revenues	0	0	21,894	18,766	18,766
Total Revenues	$122,276	$128,573	$148,555	$153,138	$143,549
Operation and Maintenance Expenses	56,688	63,860	68,387	75,576	67,612
Net Revenues	$65,588	$64,713	$80,168	$77,562	$75,937
Transfers					
Bond Fund (for Aggregate Debt Service)					
Renewal & Replacement Fund	0	0	0		
City General Fund (Sec 5.04(B) transfer)	5,052	4,143	5,152	5,260	5,434
Development Fund					
Total	$5,052	$4,143	$5,152	$5,260	$5,434
Reconciliation of Net Income to Net Revenues					
Net income	$56,098	$61,956	$41,390	$45,309	$15,651
add back:					
Depreciation and amortization	32,347	33,429	32,380	31,010	30,468
Interest expense	25,997	32,506	44,988	42,188	40,757
City Gross Receipts Tax	5,052	0	0		
Pledged PFC Revenues	0	0	21,894	18,766	18,766
Air Cargo Settlement	0	0	0	0	
Write-off of portion of Old East Terminal	0	0	0	0	
TSA - Contractual Guard Posts	0	0	1,097	1,320	324
Electric Reimbursement	0	0	0	0	0
Investment Advisory Fees	0	0	0	966	649
Acoustical Treatment	0	0	1,868	3,209	3,533
deduct:					
PFC revenues	(43,819)	(44,456)	(40,750)	(50,526)	(31,434)
Interest income on construction bonds / PFC	(10,760)	(19,712)	(23,675)	(14,382)	(1,960)
Other adjustments (net)	673	990	976	(299)	(817)
Net Revenues	$65,588	$64,713	$80,168	$77,562	$75,937

3. Airport Cost Accounting

Airport management has implemented a cost/revenue accounting system to facilitate the monitoring of revenues and operating expenses and the calculation of Airport rates and charges. Cost/revenue centers include:

- Airfield
- Terminal
- Cargo
- Hangar and Other Buildings
- Parking
- Roads and Grounds

Revenues are accounted for by cost/revenue center and by type. Operating expenses are accounted for by object classification and assigned or allocated to cost/revenue centers. Overhead expenses are allocated to cost/revenue centers based on the "direct expense method."

4. Airport Use Agreements/Airline Rates and Charges Methodology

The City and the airlines are currently negotiating a new use and lease agreement (the Proposed Airline Agreement) to become effective January 1, 2006 and extend for five and one-half years to June 30, 2011. The Proposed Airline Agreement will modify certain aspects of the rate-making procedures of the current airline use and lease agreement, which is scheduled to expire December 31, 2005 (Existing Airline Agreement), but preserves the underlying rate-making concepts (compensatory terminal rentals and cost center residual landing fees). The Proposed Airline Agreement sets forth the procedures for calculating landing fees and terminal building space rentals as well as certain other fees and charges that are briefly summarized below.

Landing Fees. Under the terms of the Proposed Airline Agreement, the Signatory Airlines are charged landing fees calculated based on a "cost center residual" rate methodology. In calculating the annual landing fee rate, the total annual costs of the Airfield are first calculated by adding the following costs allocable to the Airfield:

- Direct and indirect Operation and Maintenance Expenses;
- Equipment and Capital Outlays (items costing less than $100,000 each);
- Depreciation and interest associated with assets placed in service on or before June 30, 1997
- Amortization of Capital Improvements (items costing more than $100,000 each);
- Interest on the net cost of land investment made prior to July 1, 1997;
- Amortization of land investment made on or after July 1, 1997; and
- Any replenishment of the Debt Service Reserve Account or the Renewal and Replacement Fund, as may be required by the Indenture

The annual "Airfield Requirement" is then calculated by subtracting from the total costs of the Airfield the following revenue items and credits:

- Nonsignatory Airline landing fees,
- General aviation landing fees,
- General aviation fuel flowage fees, and
- Military use fees

Based on the Airfield Requirement, two different Landing Fee Rates will then be calculated:

- An "Unmitigated Landing Fee Rate" -- by dividing the Airfield Requirement by the aggregate landed weight for all Signatory Airlines for the particular Fiscal Year; and
- A "Mitigated Landing Fee Rate" -- by subtracting from the Airfield Requirement the amount transferred for landing fee rate mitigation during the Fiscal Year to produce the "Mitigated Airfield Requirement" for that year and then dividing the Mitigated Airfield Requirement by the aggregate landed weight for all Signatory Airlines for the particular Fiscal Year.

Landing Fee Rate Mitigation. Subject to the availability of funds and annual appropriations, the City will make available up to $40 million for landing fee rate mitigation in annual installments as follows:

FY 2007	$12,000,000
FY 2008	10,000,000
FY 2009	8,000,000
FY 2010	6,000,000
FY 2011	4,000,000
Total	$40,000,000

To provide an incentive for airlines to execute new use and lease agreements, the annual amounts available for landing fee rate mitigation (as shown above) will be reduced by the percentage obtained by dividing the FY 2005 landed weight attributable to those scheduled passenger and cargo airlines that fail to become a Signatory Airline or an Affiliate by a certain date (currently, September 30, 2005) by the aggregate FY 2005 Landed Weight of all scheduled passenger and cargo airlines serving the Airport.

The landing fee rate mitigation program also has been structured to provide a continuing incentive for growth in air service at the Airport. Fifty percent of the total annual amounts to be provided for rate mitigation will be made available so long as the Signatory Airlines maintain the current (FY 2005) level of air service at the Airport (as measured by total aggregate landed weight) and fifty percent will be made available in increments as additional thresholds of air service growth are realized, as shown in the table below:

Potential Amounts to be Transferred for Rate Mitigation

Aggregate Increase of Air Service in Future Years vs. FY 2005	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
100 %	$6,000,000	$5,000,000	$4,000,000	$3,000,000	$2,000,000
101 %	12,000,00	7,000,000	5,000,000	3,500,000	2,100,000
102 %		10,000,000	6,000,000	4,000,000	2,200,000
103 %			8,000,000	4,500,000	2,500,000
104 %				6,000,000	3,000,000
105 %					4,000,000

The forecast of air traffic activity presented in this report indicates that the Signatory Airlines should produce aggregate landed weight to qualify and receive all of the amounts available for landing fee mitigation during the FY 2007-FY 2011. The projections of landing fee revenue presented herein assume that the full $40 million of rate mitigation will be transferred and applied during the forecast period.

Beginning in FY 2007, the City plans to charge nonsignatory airlines 110% of the Unmitigated Landing Fee Rate. (Currently, the nonsignatory airline landing fee rate is 125% of the Signatory Rate.) At the end of each fiscal year, any overpayments or underpayments are properly adjusted on the subsequent year's billing for Signatory Airlines.

Terminal Building Space Rentals. The Proposed Airline Agreement defines three terminal cost centers: the *West Terminal* (a consolidation of the Main Terminal and various concourse cost centers in use today), the *East Terminal*, and the *International Area* (the City-operated international facility situated between the West and East Terminals).

Under the terms of the Proposed Airline Agreement, the Signatory Airlines are charged terminal building rental rates calculated based on a "compensatory" (cost recovery) rate methodology. In calculating the annual rental rate for each terminal cost center, the total annual costs of the terminal facility are first calculated by adding the following costs allocable to the particular terminal cost center:

- Direct and indirect Operation and Maintenance Expenses;
- Equipment and Capital Outlays (items costing less than $100,000 each);
- Depreciation and interest on assets placed in service on or before June 30, 1997;
- Amortization of Capital Improvements (items costing more than $100,000 each);
- Fifty percent (50%) of the total costs in the Terminal Roadways cost center further allocated among each of the terminal facilities based on square footage; and
- Any replenishment of the Debt Service Reserve Account, and the Renewal and Replacement Fund, as may be required by the Trust Indenture.

The total costs attributable to each terminal cost center are then divided by the Usable Space gross space less mechanical and utility space associated with that cost center to determine the average rental rate for the particular terminal facility. In this way, the airlines pay only for the space they occupy and use, and the City assumes the financial risk of absorbing costs associated with public and other nonairline space as well as unoccupied airline space.

American intends to vacate and release a significant portion of its space in Concourse C and almost all of its space in Concourse D when the Existing Airline Agreement expires, which will result in a significant number of unused empty gates and a significant amount of vacant airline space. The City plans to mitigate this reduction in rented space by closing off portions of Concourse C and D (referred to as the "mothballing plan.") The City also intends to charge the airlines for certain newly-defined "joint use" airline space as well as ticket counter area queuing space in the Proposed Airline Agreement.

Loading Bridge Charges. The City currently owns 46 out of a total of 74 loading bridges at the Airport. Many of these bridges were acquired by the City from TWA as part of a 1993 asset purchase transaction. The City is developing a loading bridge acquisition and replacement plan that will involve (1) acquiring some of the existing loading bridges not owned by the City from the airlines that own them and (2) acquiring new loading bridges to both (a) replace older bridges that are no longer economical to maintain and (b) install loading bridges on gates (principally in Concourse B) that do not currently have them. A consultant has recently been retained to assist the Airport in developing the loading bridge acquisition and replacement plan. The City expects that it will take several years to implement the plan. Under the Proposed Airline Agreement, new cost centers will be established (West Terminal Loading Bridges and East Terminal Loading Bridges) to account for all operating and capital costs associated with the loading bridges owned by the City. The City will then calculate separate loading bridge charges at each terminal to recover the operating and capital costs attributable to the City-owned loading bridges.

The costs of the loading bridge acquisition and replacement plan are not yet known. Therefore, the charges associated with City-owned loading bridges are not addressed in the financial forecasts.

Since FY 1999, the Signatory Airlines' rates have been calculated and adjusted on a fiscal year basis. (Prior to FY 1999, rates were calculated and adjusted on a calendar year basis.) After the close of each fiscal year, an annual settlement calculation is made and any underpayments are charged or overpayments credited back to the Signatory Airlines (and Non-Signatory Airlines for landing fees).

5. <u>TWA Asset Use Charge</u>

In 1993, the City purchased certain assets from TWA including TWA's leasehold interest in its terminal facilities and other Airport support facilities. The agreement that governed this transaction allowed TWA to continue to use these assets on a month-to-month basis, and obligates TWA to pay asset use charges for such use. 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 the remaining term of the Existing

Airline Agreement (which expires December 31, 2005). The financial forecast shows this charge being eliminated after FY 2006. No such revenues are included in the financial projections for the period FY 2007 – 2011.

B. REVENUES

Under the Indenture, Revenues consist of GARB Revenues, Pledged PFC Revenues and any other available moneys deposited in the Revenue Fund, and any other amounts, including investment income, on deposit in the Debt Service Stabilization Fund. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, the asset use charges, and interest income.

Table V-2, provides a historical summary of audited actual revenues for FY 2000 – FY 2004. The average annual increase in GARB Revenues over the five-year period was relatively flat at .5%, which amounted to an increase of $2.5 million. The increase consisted of other operating revenues of $11.7 million due to initiating a three-year lease back arrangement with Boeing that started in FY 2002 and the steady rise in non-signatory traffic during this period. This increase was partially offset by declines in concession fees, signatory airline fees, and interest income as further described below.

Table V-3 presents the forecast of Revenues for the seven-year period FY 2005 through FY 2011. Total Airport Revenues are projected to increase from $145.6 million in FY 2005 to $200.2 million in FY 2011 or at an average annual growth rate of 4.9%. The components of the major revenue accounts and the underlying assumptions for the forecasts are discussed below.

1. <u>Signatory Airline Rates and Charges</u>

Signatory Airline fees consist of landing fees and terminal building space rentals received from the Signatory Airlines according to the Existing Airline Agreements. Seventeen air carriers have executed Airport Use Agreements with the Airport, as detailed in **Table IV-1** in section IV of this report. The Proposed Airline Agreement assumes all seventeen existing air carriers will execute the agreement.

As shown in **Table V–2,** Signatory Airline fees decreased from $58.9 million in FY 2000 to $57.4 million in FY 2004 or an average annual rate of decline of .6%. The table shows how Signatory Airline Revenues peaked in FY 2003 primarily due to the increased O&M expenses resulting from the heightened security requirements following the events of September 11^{th}. However, O&M expenses were reduced in FY 2004 following the American service reductions that were initiated in November 2003, which had a dramatic effect on the Airport operations. In contrast, there was minimal impact on terminal rental revenues due to the Existing Use Agreements obligating American to lease the space until the end of the current agreement, which is December 31, 2005.

TABLE V- 2
SUMMARY OF HISTORICAL REVENUES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate	Historical [1]				
	2000-2004	2000	2001	2002	2003	2004
Signatory Airlines Fees						
Airfield Landing Fees	-0.9%	$37,887	$39,981	$39,757	$45,065	$36,585
Terminal Rents	-0.2%	21,016	20,468	20,794	21,505	20,846
Total	-0.6%	$58,903	$60,449	$60,552	$66,570	$57,431
Concession Fees						
Terminal Concessions	-11.3%	$10,125	$10,200	$7,969	$7,584	$6,256
Public Parking	-6.2%	12,394	13,382	8,993	8,682	9,595
Car Rentals	-1.7%	9,834	10,675	9,779	9,715	9,184
Space Rental	-25.2%	1,267	1,347	1,495	989	396
In-Flight Catering	-4.9%	987	917	1,697	1,363	806
Other	14.3%	2,519	3,011	3,386	4,002	4,296
Total	-4.8%	$37,126	$39,532	$33,318	$32,335	$30,533
Other						
Non-Signatory Landing Fees	20.0%	$2,805	$3,095	$2,632	$3,794	$5,818
Non-Signatory Airlines-Terminal	25.7%	283	345	517	615	706
Total	20.6%	$3,088	$3,440	$3,149	$4,409	$6,524
Cargo	-3.5%	$2,165	$1,995	$1,975	$2,195	$1,878
Hangars and Other Buildings (4)	94.7%	492	483	$4,748	$7,128	$7,080
Tenant Improvement Surcharge	49.3%	184	301	$301	$301	$916
Employee Lot	-22.5%	1,593	1,658	$1,463	$1,175	$575
Other Miscellaneous	11.0%	4,362	4,716	5,954	6,181	6,629
Total Other-Operating	18.7%	$11,885	$12,593	$17,591	$21,389	$23,603
TWA Asset Use Charges	-0.2%	$7,829	$7,829	$7,829	$7,829	$7,773
Total Operating Revenue	0.8%	$115,743	$120,403	$119,289	$128,123	$119,340
Interest Income (2)	-4.5%	$6,533	$8,170	$7,372	$6,248	$5,443
Total GARB Revenues (3)	0.5%	$122,276	$128,573	$126,661	$134,371	$124,783
PFC Pledged Revenue		$0	$0	$21,894	$18,766	$18,766
Total Revenues	8.0%	$122,276	$128,573	$148,555	$153,138	$143,549

1. Based on audited financial statements; FY'00 through FY '04.
2. Excludes Construction Fund, PFC Revenue and Forward Purchase Interest.
3. Excludes PFC Revenue and Interest, Construction Fund Interest as further defined in the 8th Supplemental Indenture..
   income; includes all other Interest Income.
4. Includes Boeing land rental of $6 million per year in FYs 2003 and 2004.

Forecasted Signatory Airline revenues are presented in **Table V-3**. As previously mentioned in the cover letter, the forecast of Signatory Airline revenues for FY 2005 and 2006 are based on the Existing Airline Agreement and FY 2007 through FY 2011 are based on the provisions of the Proposed Airline Agreement. Total revenues from Signatory Airline rates and charges are forecast to increase from $59.7 million in FY 2005 to $66.3 million in FY 2006 and $83.4 million in FY 2007, when the first full year of operating and capital costs associated with the new runway will be fully rate based. Following FY 2007, Signatory Airline revenues continue to gradually increase to $101.3 million by FY 2011, which is primarily attributed to increases in amortization expense for other airfield projects from the 5-year CIP that are scheduled to be completed during the forecast period. The average airline cost per enplaned passenger as shown on **Tables V-4 and V-4A** is forecast to increase from $8.09 in FY 2004 to $10.22 in FY 2005 and then to $11.83 by FY 2011. The initial higher cost per enplanement estimated for FY 2005 when compared to FY 2004 is primarily due to the full year impact of the lower signatory enplanements following the American service reductions. Beginning in FY 2007 increases in the cost per enplanement are attributed to the increased costs associated with the new runway.

In addition, **Tables V-4 and V-4A** show the calculation of Signatory Airline landing fees and landing fee rates for FY 2005 through 2006 **(Table V-4)** based on the Existing Airline Agreement and FY 2007 through FY 2011 **(Table V-4A)** based on the provisions of the Proposed Airline Agreement. The individual terminal and concourses used under the Existing Airline Agreement are consolidated under the Proposed Airline Agreement as previously discussed. For the financial projections used in this study, it has been assumed that the Signatory Airlines will qualify for the entire $40 million of landing fee rate mitigation being offered by the City that affects only FY 2007 - 2011.

The mitigated Signatory Airline landing fee rate is forecast to increase from $4.55 in FY 2005 to $5.90 in FY 2011, which represents an increase of 29.7%. The rate increase is attributed to: the full year amortization of the runway costs beginning in FY 2007, an increase in O&M support expenses beginning in FY 2006, and capitalization of various airfield projects from the current 5-year CIP during the forecast period.

We believe the forecasts of Signatory Airline rates and charges and average cost per enplaned passenger are reasonable in comparison with other major airports that have undertaken major expansion programs. Per the latest AAAE Survey of large hub airports conducted for fiscal years 2002-2003 the average cost per enplanement for the surveyed airports was $9.97 in 2002-2003 dollars. However, the projected cost per enplanement contained in the AAAE Survey does not include major capital improvement that may be undertaken at the various airports during the forecast period. Such expansion, if undertaken, could substantially increase the projected airline rates and average cost per enplaned passenger at those surveyed airports.

Table V-3
FORECASTED AIRPORT REVENUES
Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate 2004-2011	Actual 2004	Projected [1] 2005	2006	2007	2008	2009	2010	2011
Signatory Airlines									
Airfield Landing Fees	9.8%	$36,585	$35,940	$42,676	$56,833	$60,764	$62,792	$66,083	$70,222
Terminal Rents	5.9%	20,846	23,788	21,869	26,556	27,247	28,260	30,268	31,086
Total	8.4%	$57,431	$59,727	$64,545	$83,389	$88,011	$91,052	$96,351	$101,308
Concession Fees									
Terminal Concessions	3.0%	$6,256	$4,792	$5,388	$6,103	$6,513	$6,907	$7,293	$7,690
Public Parking	10.6%	9,595	11,905	13,122	16,634	17,578	18,461	18,974	19,444
Car Rentals	6.7%	9,184	9,616	10,442	11,299	12,099	12,871	13,635	14,418
Space Rental	-100.0%	396	408	420	0	0	0	0	0
In-Flight Catering	-8.6%	806	361	398	383	394	406	418	431
Other	2.3%	4,296	4,425	4,551	4,552	4,669	4,786	4,902	5,021
Total	6.4%	$30,533	$31,507	$34,321	$38,971	$41,253	$43,431	$45,222	$47,004
Other									
Non-Signatory Landing Fees	-16.4%	$5,818	$11,542	$7,237	$1,541	$1,592	$1,588	$1,618	$1,660
Non-Signatory Airlines-Terminal	3.8%	706	652	672	772	793	823	890	916
Total	-12.4%	$6,524	$12,194	$7,908	$2,313	$2,385	$2,411	$2,508	$2,576
Airline Revenue Abatement					12,000	10,000	8,000	6,000	4,000
Cargo	4.2%	$1,878	$1,935	$1,993	$2,225	$2,292	$2,361	$2,432	$2,505
Hangars and Other Buildings	-38.9%	7,080	1,129	768	612	412	212	219	226
Tenant Improvement Surcharge	12.1%	916	916	916	1,777	2,034	2,034	2,034	2,034
Employee Lot	2.8%	575	592	610	622	641	660	680	700
Other Miscellaneous	0.5%	6,629	5,320	5,756	6,010	6,227	6,437	6,649	6,865
Total Other-Operating	-3.1%	$23,603	$22,087	$17,951	$25,560	$23,991	$22,114	$20,522	$18,906
TWA Asset Use Charges	-100.0%	$7,773	$7,829	$3,914	$0	$0	$0	$0	$0
Total Operating Revenue	4.9%	$119,340	$121,150	$120,732	$147,920	$153,255	$156,597	$162,095	$167,219
Interest Income	3.8%	$5,443	$5,677	$4,883	$4,917	$5,167	$5,702	$6,408	$7,082
Total GARB Revenues	4.9%	$124,783	$126,827	$125,616	$152,837	$158,422	$162,299	$168,503	$174,300
PFC Pledged Revenue	4.7%	18,766	18,766	16,984	25,884	25,887	24,428	25,946	25,949
Total Revenues	4.9%	143,549	145,593	142,600	178,721	184,309	186,727	194,449	200,249

(1) Forecast period computed based on two rate methodologies. Fiscal years 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 based on Proposed Airline Agreement as discussed in the report.

Table V-4
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Actual	Projected [2]	
	2004	2005	2006
SIGNATORY AIRLINE REVENUES			
Landing Fees	$36,585	$35,940	$42,676
Terminal Building Rentals			
Main terminal	$5,196	$7,193	$7,509
Concourses A, B & C	6,182	5,565	6,168
Concourse C extension	3,279	3,819	1,962
Concourse D	1,929	2,371	1,224
East connector	572	466	489
East terminal	3,688	4,374	4,517
	$20,846	$23,788	$21,869
Terminal Tenant Improvement Surcharges			
Concourse D (AA)	290	290	290
Concourse C (AA)	626	626	626
	$916	$916	$916
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$58,347	$60,643	$65,461
Signatory airline enplaned passengers	7,211	5,935	6,774
Cost per enplaned passenger - (Gross)	$8.09	$10.22	$9.66
Cost per enplaned passenger - (Net) [1]	$7.96	$10.06	$9.53
SIGNATORY AIRLINE RATES			
Landing Fee Rate (per 1,000 pounds)	$3.44	$4.55	$4.67
Average Terminal Building Rental Rates			
Main Terminal	$37.79	$41.69	$43.78
Concourses A, B, and C	$29.15	$31.23	$34.61
Concourse C Extension	$37.34	$46.05	$47.33
Concourse D	$32.15	$43.16	$44.58
East Connector	$24.01	$29.51	$30.95
East Terminal	$40.77	$41.11	$42.75

(1) Excludes Tenant Improvement Surcharges.
(2) Based on the Existing Airline Agreement as discussed in the report.

Table V-4a
SUMMARY OF SIGNATORY AIRLINE REVENUES, COST PER ENPLANED PASSENGER, AND RATES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Projected [2]				
	2007	**2008**	**2009**	**2010**	**2011**
SIGNATORY AIRLINE REVENUES					
Landing Fees	$56,833	$60,764	$62,792	$66,083	$70,222
Terminal Building Rentals					
West Terminal	$20,087	$20,656	$21,431	$23,170	$23,861
East Terminal	6,470	6,591	6,829	7,098	7,226
	$26,556	$27,247	$28,260	$30,268	$31,086
Terminal Tenant Improvement Surcharges					
Concourse D (AA)					
Concourse C (AA)	$1,151	$1,408	$1,408	$1,408	$1,408
	$1,151	$1,408	$1,408	$1,408	$1,408
Loading Bridge Charges					
West Terminal					
East Terminal					
	$0	$0	$0	$0	$0
TOTAL SIGNATORY AIRLINE REVENUES-- BASIC RATES AND CHARGES	$84,540	$89,419	$92,459	$97,759	$102,716
Signatory airline enplaned passengers	7,656	7,961	8,222	8,456	8,683
Cost per enplaned passenger - (Gross)	$11.04	$11.23	$11.25	$11.56	$11.83
Cost per enplaned passenger - (Net) [1]	$10.89	$11.06	$11.07	$11.39	$11.67
SIGNATORY AIRLINE RATES					
Landing Fee Rate (per 1,000 pounds)	**$5.36**	**$5.52**	**$5.54**	**$5.69**	**$5.90**
Terminal Building Rental Rates					
West Terminal	**$49.16**	**$50.55**	**$52.45**	**$56.70**	**$58.39**
East Terminal	**$54.61**	**$55.77**	**$58.06**	**$60.64**	**$61.87**

(1) Net of Terminal Tenant Improvement Surcharges and Loading Bridge Charges.
(2) Based on Proposed Airline Agreement as discussed in the report.

2. Concession Fees

Concession fees include terminal concessions (food and beverage, news and gifts, and coin devices), public parking, car rentals, ground transportation, space rental, in-flight catering as well as utility reimbursements and advertising.

During the FY 2000 - FY 2004 period, concession fees decreased \$6.6 million or an average annual rate of 4.8%. The decline was due to lower public parking and car rental concession fees, which was primarily due to the decline in passenger traffic beginning in FY 2002 following the events of September 11th and further declines in FY 2003 and 2004 following the American service reductions.

Concession fees are forecast to increase from \$31.5 million in FY 2005 to \$47.0 million in FY 2011, which represents an average annual growth rate of 6.4%. This growth is supported by the following assumptions:

- Anticipated growth in parking revenues as a result of an anticipated rate increase in long-term rates in FY 2007 of \$1 per day.
- Anticipated increase in revenues generated from additional concession and merchandising concepts.
- Anticipated average annual growth increase of approximately 1.5% in passenger enplanements during the forecast period FY 2005 - 2011.
- Estimated inflationary/consumption factor rate of 3%.

The major concession categories are:

a) *Terminal Concessions*. During the FY 2000-FY 2004 period, revenues from terminal concessions decreased approximately \$3.8 million or an average annual rate of 11.3%, which was primarily due to declines in food and beverage, merchandising revenues and coin operated machines.

Food and beverage is the major revenue source of terminal concession revenues. In FY 2004, the Airport received approximately \$4.0 million from food and beverage concessions, which represents a 20% decline from FY 2000 food and beverage revenues of \$5.0 million. The food and beverage revenues represent approximately 63.5% of the FY 2004 terminal concession revenues. Host International, Inc. operates the food and beverage concessions at the Airport under a contract that extends to January 31, 2013. The reduction in food and beverage net sales is primarily due to a decline in enplaned passengers since FY 2000 and the limited access to the terminal and concourses of the non-traveling persons following the events of September 11th.

News/gift and other merchandising concessions accounted for an estimated 28.6% or $1.9 million of terminal concession revenues in FY 2004, which represents an estimated 44% decline from the FY 2000 revenues of $3.3 million. The Paradies Shops Inc. operates the news and gifts concessions at the Airport under a contract that extends to June 30, 2013. Revenue declines for this category are also attributable to the decrease in enplaned passengers and the limited access to concessions of the non-traveling persons following the events of September 11th.

Concession revenues for coin operated machines for FY 2004 amounted to approximately $0.3 million, which was the smallest component of the terminal concession category. The coin operated revenues fell sharply from the FY 2000 high of $2.2 million, primarily due to the expiration of the Southwestern Bell agreement in FY 2001. The new contract is on a percentage of sales basis, which is resulting in significantly less revenues due to increases in cell phone usage. Additionally, the Smart Carte storage lockers were discontinued following the events of September 11th and remain out of use.

The forecast period for terminal concessions anticipates the Airport will continue to focus on developing and implementing new concepts. To this end, the forecast includes the introduction of three new restaurant concepts Jose Cuervo and Wolfgang Puck that are anticipated to open at the beginning of FY 2006 and Chili's Too in late FY 2005. The aggregate net revenues for these restaurants are projected to exceed $200,000 by the end of FY 2006. In addition, new merchandising concepts are planned, which consist of the addition of Brooks Brothers and Brighton during FY 2006 and CNBC during late FY 2005. The aggregate annual net revenues projected for these enterprises are estimated at close to $300,000. All will be located in Concourse C at the Airport, which will be part of the West Terminal in the Proposed Airline Agreement.

In addition to the new concession concepts, an assumed annual inflation/consumption factor rate of 3% coupled with rate of enplanement growth are assumed in the terminal concession revenues forecast. Net concession revenues to the City are computed based on the terms (percentages and MAGs) of the individual concession agreements.

b) *Public Parking*. During FY 2002, APCOA submitted a formal request to discontinue the operating agreement to manage the Airport's public parking facilities. The termination agreement between APCOA and the City was dated August 28, 2002. Following this termination, the Airport identified an interim operator, Central Parking Systems of St. Louis Inc. (CPS) and executed an agreement dated August 30, 2002. The current agreement, which started June 1, 2003 and expires May 31, 2006, includes two one –year option periods. Under the current agreement, CPS is responsible for operating the public parking facilities, including operating the shuttle bus service connecting the terminals to the intermediate and remote lots. Additionally, CPS collects all parking revenues, retains amounts for approved operating and administrative expenses and any capital improvements with the balance being remitted to the City. The current contract also includes funding to develop a marketing program to identify different concepts to increase net public parking revenues.

During the FY 2000-FY 2004 period, net public parking revenues decreased at an average annual rate of 6.2%. This decline was primarily due to the reduction in O&D enplanements following the events of September 11th. However, in FY 2004 the Airport realized a 10.3% increase in net parking revenues primarily due to longer average parking durations. The longer durations are partially due to passengers being required to arrive at the Airport earlier due to the national security requirements.

Net public parking revenues are projected to increase from an estimated $11.9 million in FY 2005 to $19.4 million in FY 2011. The forecast growth is based on anticipated increases in O&D passengers, a projected rate increase of $1 per day for all long-term parking lots for the beginning of FY 2007 and the annual escalation factor.

c) *Car Rentals.* There are seven on-airport car rental companies and one off-airport car rental company that operate at the Airport. The on-airport operators are: Avis, Budget, Hertz, Missouri Rental and Leasing (d/b/a Dollar-Rent-A-Car), C&J Rental (d/b/a Thrifty Car Rental), Enterprise, and a joint operation by ANC Rental Corporation (d/b/a Alamo-Rent-A-Car and National Car Rental) under an Airport agreement with National Car Rental. The off-airport operator is St. Louis Car Rental, LLC, (d/b/a Payless Car Rental and Airport Car Rental). The car rental revenues for on-airport operators are based on 10% of the car rental company's gross revenues or their annual MAGs, whichever is greater. For off-airport operators, car rental revenues are based on 8% of the car rental company's gross income. All car rental agreements were rebid in 2003 and the City awarded new contracts with terms from January 1, 2004 through December 31, 2008. During the FY 2000-FY 2004 period, rental car revenues decreased at an average annual rate of 1.7%. The decline is primarily due to the decline in O&D passengers. Car rental revenues are forecast to increase from $9.6 million in FY 2005 to $14.4 million in FY 2011, which is based on anticipated increases in O&D passenger enplanements and the annual escalation factor.

d) *Other Concession Revenues.* Other Concession Revenues include utility reimbursements, and other miscellaneous concession revenues, which consist of space rentals, ground transportation fees, and per passenger fees for the international area. During the FY 2000 – FY 2004 period this category increased at an average annual growth rate of 14.3%, primarily due to the increase in various space rentals, airline utility costs and the per passenger fees from the international area. The estimated projected revenues range from $4.4 million in FY 2005 to $5.0 million in FY 2011, an average annual increase of 2.3%, which is attributed to the increases in total enplanements during the forecast period and the annual escalation factor.

3. Other Revenues

Other Revenues consist of nonsignatory airline fees, cargo area rentals and fees, tenant improvement surcharges, charges for the use of the employee parking lot, gain (losses) on the sale of investments, and other miscellaneous revenues. During the FY 2000-FY 2004 period, Other Revenues increased $11.7 million or at an average annual rate of 18.7%. The increase was primarily due to higher non-signatory landing fees and hangar and other building revenues as further discussed below.

a) *Nonsignatory Airline Revenues.* Nonsignatory airline revenues consist of landing fees and terminal rents paid by non-signatory users. Landing fee rates for nonsignatory airlines are set at 125% of the signatory rate for FY 2005 and FY 2006 and are expected to be set at 110% for FY 2007 – FY 2011 of the unmitigated landing fee rate; however, no premium is charged for terminal space. Nonsignatory landing fees, which ranged from 21% to 28% of the revenues in this category during FY 2000 through FY 2004 resulted in an average annual increase during this period of 20.6%, primarily due to the shift from main line carriers to smaller regional jets, as was previously discussed in Section IV of this Report. In contrast, during the forecast period, non-signatory airline landing fees are projected to decrease from an estimated $12.2 million in FY 2005 to $2.6 million by FY 2011, which is anticipated to occur as airlines seek to avoid the higher non-signatory landing fee rate at the Airport.

b) *Cargo.* Cargo revenues include ground rent, building rent, and tenant improvement charges. Cargo revenues are estimated to be $1.9 million in FY 2005 and are projected to increase to $2.5 million in FY 2011 based on the anticipation of no significant changes in current operations.

c) *Hangar and Other Building Area.* Hangar and Other Building Area revenues include building and ground rent for various support facilities. Revenues during the period FY 2000 through FY 2004 increased $6.5 million or an average annual growth rate of 94.7%. This significant increase resulted from the Boeing lease revenues of $15 million earned over the three-year period FY 2002 through FY 2004. Hangar and Other Building revenues for FY 2005 are estimated at $1.1 million declining to $0.2 million in FY 2011. The Airport has not identified another use for the Boeing facilities and other building operations; therefore the forecast does not anticipate any revenues from these facilities.

d) *Tenant Improvement Surcharge.* The Tenant Improvement Surcharge is paid by AMR Sub for space occupied on Concourse D through the end of the Existing Airline Agreement. In FY 2004 American began paying surcharges for a portion of the projects financed with the 2002 Bonds. The forecast estimates additional tenant improvement surcharges for American ranging from $0.9 million in FY 2005 to $2.0 million in FY 2011, which assumes the completion of certain American projects that are part of the 5-year CIP during this period.

e) *Other Miscellaneous Revenues.* Other miscellaneous revenues include U.S. government rental revenues, American ramp charges (associated with their hangar), air cargo services, rent from other tenants in the Airfield and Terminal Area, utility reimbursements, rental revenues from inside advertising billboards and other miscellaneous revenues. In FY 2005, the other miscellaneous revenues are estimated to be $5.3 million. Other miscellaneous revenues are forecast to increase to $6.9 million by FY 2011, which is based on the growth in total enplanements and the annual escalation factor.

4. TWA Asset Use Charge

As discussed earlier, TWA paid the City for the use of certain assets, which the City purchased from TWA in 1993. Under the terms of an agreement between TWA and the Airport, the asset use charges are calculated to recover the City's investment plus interest costs through the remaining term of the Existing Airline Agreement. The asset use charges are fixed at $7.8 million a year. This charge has become the obligation of AMR Sub after the sale by TWA to AMR Sub on April 9, 2001, and the assumption of, and assignment to AMR Sub of all of TWA's agreements with the City. This charge expires with the Existing Airline Agreement on December 31, 2005. Currently, no such revenues are included in the financial projection for the period FY 2007 – FY 2011.

5. Interest Income

Interest income on all funds and accounts other than the Construction Fund (bond proceeds) and the PFC Fund are classified as Revenues under the Indenture. Interest income is estimated to be $5.7 million for FY 2005 and is expected to increase to $7.1 million in FY 2011. The interest income forecast is based on projected balances in each fund and account assuming average annual interest yields of 5% on Debt Service Reserve Account and the DSS Fund, which are invested long-term and 2% for all other funds and accounts, which are typically held short-term.

6. Debt Service Stabilization Fund

The DSS Fund will be funded over time beginning in FY 2006 through FY 2011 in specified amounts and beginning in FY 2012 in amounts sufficient to bring the DSS Fund equal to the Debt Service Stabilization Requirement, or lesser amounts as is available in the Revenue Fund for such transfer. The Debt Service Stabilization Fund Requirement, per Section 101 of the Indenture; *"means an amount equal to 35 percent of the maximum annual Debt Service on the Bonds due in the current or any future Airport Fiscal Year.* However, the Restated Indenture was amended with the addition of Section 516 (C) that states in part; *"after the Net Revenues for three consecutive Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Authority, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund."* All moneys in excess of the DSS Fund Requirement are assumed to follow the flow of funds and be deposited in the ADF or the PFC Account.

C. OPERATION AND MAINTENANCE EXPENSES

Table V-5 summarizes historical Operation and Maintenance (O&M) Expenses for the FY 2000-FY 2004 period by major expense category. These categories include: personal services, which are comprised of salaries, fringe benefits and overtime; supplies, materials and equipment; and contractual services. During the past five years, O&M Expenses increased at an average annual growth rate of 4.5%. The growth was primarily due to increases in personal services of approximately $5.7 million and contractual services of approximately $4.0 million as further described below.

TABLE V-5
SUMMARY OF HISTORICAL OPERATION AND MAINTENANCE EXPENSES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(Dollars in thousands)

	Avg. Annual Growth Rate	Historical [1]				
	FY '00-'04	2000	2001	2002	2003	2004
Personal Services						
Salaries & Wages	0.6%	$27,299	$28,509	$32,934	$31,294	$27,969
Fringe Benefits	33.8%	2,237	2,261	4,282	$6,527	7,162
Overtime - Regular Employees	3.0%	1,116	1,334	1,785	2,023	1,255
	4.4%	$30,653	$32,104	$39,001	$39,844	$36,386
Supplies, Materials & Equipment						
Deicing & Misc. Supplies	20.8%	$963	$1,972	$1,254	$2,199	$2,051
Other	0.4%	2,698	3,377	3,578	$4,864	2,744
	7.0%	$3,661	$5,349	$4,832	$7,064	$4,794
Contractual Services						
Utilities	-0.2%	$5,475	$6,213	$5,817	$5,251	$5,432
Rental Equipment - Snow Removal	14.0%	1,058	1,976	705	3,116	1,787
Rental Equipment - Land Maintenance	-2.7%	476	600	1,261		426
Cleaning Services	6.6%	2,056	2,346	1,965	3,236	2,651
Reimbursement for City Services	-1.8%	1,718	1,672	1,795	1,774	1,598
Shuttle, Misc., Acoustical	-5.1%	$1,818	$2,240	$1,751	$1,817	$1,477
Legal	-2.5%	840	728	705	524	759
Security Service	41.0%	1,275	1,454	1,942	3,775	5,039
Insurance	21.0%	923	1,050	1,023	1,357	1,979
Other	-5.9%	6,735	8,128	7,591	7,818	5,284
	4.3%	$22,374	$26,407	$24,554	$28,668	$26,432
Total Operation & Maintenance Expenses	4.5%	$56,688	$63,860	$68,387	$75,576	$67,612

1. Based on audited financial statements; FY'00 through FY' 04

Personal services expenses 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. The average annual growth rate between FY 2000 – FY 2004 was 4.4%, due to increases in fringe benefits of approximately $5.0 million comprised of employee retirement accruals and medical insurance premiums. The higher retirement accrual resulted from an increase in funding requirements due to the aging employee base and the lower than anticipated investment returns in recent years. In addition, the higher medical insurance premiums follow the current trend of escalating costs throughout the medical profession.

Supplies, materials and equipment expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. The average annual increase for this category during FY 2000-FY 2004 was 7.0%. The increase of approximately $1.1 million was primarily due to increases in deicing expenses, which fluctuate with the severity of winter weather conditions.

Contractual services expenses represent the cost of services provided to the Airport by vendors, independent contractors, consultants, and the City. The primary services include utilities, rental and lease of equipment (primarily snow removal equipment), cleaning services, reimbursement for City-provided services, repair and maintenance of equipment (such as elevators and escalators, communications equipment, etc.) and other miscellaneous services. The average annual growth rate for this category during the period FY 2000 – FY 2004 was 4.3%. The growth in this category, which amounts to approximately $4.0 million, was due to increases in security service costs and insurance premiums. The higher security service costs are a result of significant changes in Airport security requirements following the events of September 11th. In addition, the primary insurance premiums all increased as a result of airports now being viewed as more risky in the current environment.

Table V-6 presents the O&M Expenses forecast for the period FY 2005-FY 2011. As shown in the table, O&M Expenses are forecast to increase from an estimated $73.3 million in FY 2005 to $95.7 million by FY 2011, which represents an average annual growth of 5.1%. The forecast is based on the approved FY 2006 operating budget, which includes the initial support expenses for the new runway, historical trends in O&M expense growth, and inflation factors between 3% and 5%. This information is compiled based on judgments from Airport management and industry trends.

Table V-6
FORECAST OPERATION AND MAINTENANCE EXPENSES
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate 2004-2011	Actual 2004	Projected [1] 2005	2006	2007	2008	2009	2010	2011
Personal Services									
Salaries & Wages	3.7%	$27,969	$28,857	$31,095	$32,028	$32,989	$33,978	$34,998	36,048
Fringe Benefits	0.6%	8,417	6,840	7,559	7,786	8,020	8,260	8,508	8,763
	3.0%	$36,386	$35,697	$38,654	$39,814	$41,008	$42,239	$43,506	$44,811
Supplies, Materials & Equipment									
Deicing & Misc. Supplies	2.4%	$2,051	$1,581	$2,048	$2,151	$2,215	$2,282	$2,350	2,421
Other	11.3%	2,744	5,602	4,934	5,153	5,307	5,466	5,630	5,799
	8.0%	$4,794	$7,183	$6,982	$7,303	$7,522	$7,748	$7,980	$8,220
Contractual Services									
Utilities	5.8%	$5,432	$6,633	$6,320	$6,636	$6,968	$7,316	$7,682	8,066
Rental & Lease of Equipment - Snow Removal	4.6%	1,787	$2,012	$1,923	$2,019	$2,120	$2,226	$2,337	2,454
Rental & Lease of Equipment - Land Maintenance	5.7%	426	$444	$534	$557	$574	$591	$608	627
Cleaning Services	8.5%	2,651	$3,079	$3,671	$3,854	$4,047	$4,249	$4,462	4,685
Reimbursement for City Services	1.0%	1,598	$1,399	$1,340	$1,406	$1,477	$1,551	$1,628	1,710
Shuttle, Misc., Acoustical	3.6%	1,477	$1,842	$1,487	$1,561	$1,639	$1,721	$1,807	1,898
Legal	1.7%	759	$684	$671	$705	$740	$777	$816	856
Security Service	5.5%	5,039	$4,897	$5,725	$6,011	$6,312	$6,627	$6,958	7,306
Insurance	6.6%	1,979	$2,170	$2,433	$2,554	$2,682	$2,816	$2,957	3,105
Other	12.4%	5,284	$7,230	$8,015	$9,841	$10,408	$10,632	$11,259	11,967
	7.1%	$26,432	$30,391	$32,117	$35,145	$36,966	$38,506	$40,514	$42,673
Total Operation & Maintenance Expenses (2)	5.1%	$67,612	$73,272	$77,754	$82,262	$85,496	$88,493	$92,001	$95,704

(1) Forecast period computed based on two rate methodologies. Fiscal years 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 are based on the Proposed Airline Agreement.
(2) Excludes 5% gross receipts tax.

D. APPLICATION OF REVENUES

Table V-7 shows the Application of Revenues forecast to funds and accounts under provisions of the Indenture for the seven-year forecast period, FY 2005–FY 2011.

Revenues consist of GARB Revenues and Pledged PFC Revenues deposited in the Revenue Fund as presented earlier in **Table V-3**. Pursuant to the Indenture, Pledged PFC Revenues equal 125% of the anticipated annual debt service on the portion of the 2001A ADP Bond proceeds used to finance PFC-Eligible Projects.

As indicated in the Indenture, Revenues will first be applied to pay Operation and Maintenance Expenses and then to pay Debt Service on Bonds. Remaining Revenues will then be applied to: restore any deficiencies in the Debt Service Reserve Account in the Bond Fund, pay any subordinate debt outstanding, restore any deficiencies in the Renewal and Replacement Fund, to make the payment to the City required under Section 5.04(B) (the 5% "gross receipts tax"), and then to fund the DSS Fund in the required amounts. All remaining Revenues are then deposited in the ADF or the PFC Account. **Table V-7** shows the estimated annual cash transfer from the Revenue Fund to the DSS Fund based on the incremental annual cash flows reflected on the comparative debt amortization schedule provided by the Senior Manager, UBS Financial Services.

As of June 30, 2004, the unappropriated balance in the Airport ADF was approximately $59 million. This balance, coupled with the projected transfers of Revenues into the ADF indicated in **Table V-7**, should provide adequate resources to meet various obligations of the Airport, such as equipment replacement, major maintenance and small capital projects, during the forecast period. It should be noted that the net deposits to the ADF shown on **Table V-7** are amounts that are available after the requirements of the proposed rate mitigation have been satisfied.

E. DEBT SERVICE COVERAGE/ADDITIONAL BONDS TEST

The Series 2005 Refunding Bonds must meet certain provisions of the Additional Bonds Test due to failing to meet the requirements of Section 305 (B) 4 (a) of the Restated Indenture that states in part; *"Refunding Bonds of each Series shall be authenticated and delivered by the Trustee only upon receipt by the City…(a) a certificate of an Authorized Officer of the City setting forth the Aggregate Debt Service and the Adjusted Aggregate Debt Service for the current and each future Airport Fiscal Year…that the Aggregate Debt Service and the Adjusted Aggregate Debt Service set forth for each Airport Fiscal Year pursuant to Y above are no greater than the corresponding amounts set forth…"*

In short, since the Adjusted Aggregate Debt Service for the Series 2005 Refunding Bonds is greater than the current Aggregate Debt Service the Series 2005 Refunding Bonds are subject to section 304 (A) of the Restated Indenture, which are the provisions to follow when issuing Additional Bonds. One of the key provisions of Section 304 (A) is the Additional Bonds Test.

Table V-7
ACTUAL AND PROJECTED DEPOSITS TO THE AIRPORT DEVELOPMENT FUND
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Actual	Projected [1]						
	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
GARB Revenues								
Airline revenues	$57,431	$59,727	$64,545	$83,389	$88,011	$91,052	$96,351	$101,308
Nonairline revenues	61,910	61,423	56,187	52,531	55,244	57,545	59,744	61,910
Interest income	5,443	5,677	4,883	4,917	5,167	5,702	6,408	7,082
Transfers for Airline Revenue Abatement				12,000	10,000	8,000	6,000	4,000
Pledged PFC Revenues								
Passenger facility charges (a)	18,766	18,766	16,984	25,884	25,887	24,428	25,946	25,949
	$143,549	$145,593	$142,600	$178,721	$184,309	$186,727	$194,449	$200,249
Application of Revenues								
Operating and Maintenance Expenses	$67,612	$73,272	$77,754	$82,262	$85,496	$88,493	$92,001	$95,704
less: projected savings from "mothballing" space				($1,000)	($1,000)	($1,000)	($1,000)	($1,000)
Debt Service Account (Annual Debt Service)								
Outstanding Bonds	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$65,641
Future Bonds				0	0	0	0	5,007
	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$70,648
Debt Service Stabilization Fund (b)	0	0	4,929	5,840	1,471	6,557	6,420	4,995
Debt Service Reserve Account	0	0	0	0	0	0	0	0
Renewal and Replacement Fund	0	0	0	0	0	0	0	0
PFC Debt Service Coverage (c)	3,753	3,753	1,891	5,177	5,177	4,886	5,189	5,190
Payment to City (5% of Revenues) (d)	5,434	5,630	5,799	5,915	6,063	6,214	6,370	6,529
Subtotal	$136,227	$129,788	$140,625	$163,168	$162,165	$168,923	$173,952	$182,066
Net deposit to Development Fund	**$7,323**	**$15,805**	**$1,975**	**$15,553**	**$22,144**	**$17,804**	**$20,497**	**$18,183**

a. Under the Eighth Supplemental Indenture, the City will pledge certain PFC revenues as Revenues sufficient to provide 125% of debt service on a portion of 2000A Bonds.
b. Annual deposits calculated per Section 504 (A) (8) of the 13th Supplemental Indenture dated June 1, 2005.
c. This represents the coverage amount that will be transferred back to the PFC account.
d. The 5% gross receipts tax payment to the city is limited to the FY 1995 Baseline amount of $4.3 million adjusted annually for the change in the CPI index

Table V-8 shows the results of the Additional Bonds Test using the financial forecast presented in this Report for FY 2005 – FY 2011. Debt service coverage is projected to range from 1.29 to 1.59 during the forecast period. The Additional Bond Test debt service coverage requirement is 1.25 times Aggregate Debt Service, so the test is met throughout the forecast period as noted in **Table V-8**.

The financial forecasts presented in this section are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some of the variation from the forecasts is inevitable due to unforeseen events and circumstances and these variations may be material.

Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
Lambert St. Louis International Airport
For Fiscal years Ending June 30
(in thousands)

	Actual	Projected [1]						
	2004	2005	2006	2007	2008	2009	2010	2011
ANNUAL DEBT SERVICE COVERAGE								
Total Revenues	$143,549	$145,593	$142,600	$178,721	$184,309	$186,727	$194,449	$200,249
less: Operation and Maintenance Expenses	67,612	73,272	77,754	81,262	84,496	87,493	91,001	94,704
Net Revenues	$75,937	$72,321	$64,846	$97,459	$99,813	$99,234	$103,448	$105,545
Debt Service								
Outstanding Bonds	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$65,641
Future Bonds				0	0	0	0	5,007
	$59,427	$47,133	$50,252	$64,974	$64,957	$63,773	$64,973	$70,648
Debt service coverage ratio	**1.28**	**1.53**	**1.29**	**1.50**	**1.54**	**1.56**	**1.59**	**1.49**
ADDITIONAL BOND TEST								
Required debt service coverage				**1.25**	**1.25**	**1.25**		

(1) Forecast period based on two rate methodologies. Fiscal year 2005 and 2006 based on Existing Airline Agreement, while fiscal years 2007-2011 are based on the Proposed Airline Agreement.

Appendix B

Audited Financial Statements of the Airport

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2004 and 2003

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KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri:

We have audited the accompanying basic financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri as of and for the years ended June 30, 2004 and 2003, as listed in the accompanying table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the financial position and the changes in financial position and cash flows of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2004 and 2003, and changes in its financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 10 to the basic financial statements, on November 1, 2003, the major air carrier providing air passenger service at Lambert – St. Louis International Airport significantly reduced its operations at Lambert – St. Louis International Airport.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of June 30, 2004 and 2003, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated August 27, 2004 on our consideration of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the 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.

KPMG LLP

St. Louis, Missouri
August 27, 2004

Lambert-St. Louis International Airport
Management's Discussion and Analysis

The following discussion and analysis of the activity and financial performance of Lambert-St. Louis International Airport (the Airport) has been prepared by Airport management to provide the reader with an introduction and overview to the basic financial statements of the Airport for the fiscal year ended June 30, 2004 and 2003. Following this discussion and analysis are the basic financial statements of the Airport together with the notes thereto which are essential to a full understanding of the data contained within the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

SUMMARY OF AIRPORT ACTIVITY

The slow down in the economy and air travel continued in 2003 and 2004 resulting in decreased activity at the Airport in most major areas during fiscal year 2004 as follows:

	2004	2003	Change
Enplaned passengers	8,017,619	11,828,229	(32.22%)
Aircraft landings and takeoffs	354,420	414,787	(14.55%)
Landed weight (in thousands of pounds)	12,175,529	19,284,975	(36.87%)
Mail and cargo (in tons)	117,281	139,891	(16.16%)

	2003	2002	Change
Enplaned passengers	11,828,229	12,637,241	(6.5%)
Aircraft landings and takeoffs	414,787	451,638	(8.2%)
Landed weight (in thousands of pounds)	19,284,975	22,153,317	(13.0%)
Mail and cargo (in tons)	139,891	132,452	5.6%

On November 1, 2003, American Airlines' activities at the Airport were reduced as follows:

- The number of daily flights offered by American were reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates which it operates at the Airport.

This event is described in Note 10 of these financial statements and at the end of this discussion.

FINANCIAL HIGHLIGHTS

The following represents the significant financial activity at the Airport in fiscal years 2004, 2003 and 2002, and the reasons for any fluctuations between the years:

- Operating revenues decreased 6.9% from $128,124 in fiscal year 2003 to $119,328 in fiscal year 2004, due to the effects of American Airlines reduction in flights. Operating revenues increased 7.4% from $119,289 in fiscal year 2002 to $128,124 in fiscal year 2003 due to increased airfield and lease revenues.

- Operating expenses decreased 9.3% from $114,824 in fiscal year 2003 to $104,090 in fiscal year 2004 as a result of budget reductions reacting to the American Airlines reduction in flights. Operating expenses increased 9.5% from $104,858 in fiscal year 2002 to $114,824 in fiscal year 2003 as a result of increased security and snow removal.

- As a result of the preceding items, operating income increased from $13,300 in fiscal year 2003 to $15,238 in fiscal year 2004, an increase of $1,938 or 14.6%, and operating income decreased from $14,431 in fiscal year 2002 to $13,300 in fiscal year 2003, a decrease of $1,131 or 7.8%.

- Non-operating revenue (net of non-operating expenses) decreased $31,609 or 98.7% from $32,010 in fiscal year 2003 to $401 in fiscal year 2004, due primarily to investment revenue decreasing from $20,630 in fiscal year 2003 to $7,403 in fiscal year 2004 and to collections of passenger facility charges also decreasing from $50,526 in fiscal year 2003 to $31,434 in fiscal year 2004.

- Non-operating revenue (net of non-operating expenses) increased from $26,959 in fiscal year 2002 to $32,010 in fiscal year 2003, due primarily to investment income decreasing from $31,047 in fiscal year 2002 to $20,630 in fiscal year 2003. Interest expense decreased from $44,988 in 2002 to $42,188 in 2003. Collections of passenger facility charges also increased from $40,750 in fiscal year 2002 to $50,526 in fiscal year 2003.

- Capital contributions received in the form of grants from federal and state governments increased from $37,510 in fiscal year 2002 to $40,363 in fiscal year 2003 and to $44,242 in fiscal year 2004 as the Airport received increased federal grant funding in support of its W-1W expansion project, which is discussed more thoroughly in Note 15 to the basic financial statements.

- As a result of the preceding items, net assets increased from $874,003 in fiscal year 2002 to $954,416 in fiscal year 2003 and to $1,008,863 in fiscal year 2004.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Airport's revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2004, 2003 and 2002 are summarized as follows (dollars in thousands):

		2004	2003	$ Change	% Change
Operating revenue	$	119,328	128,124	(8,796)	(6.9%)
Operating expenses		104,090	114,824	(10,734)	(9.3%)
Operating income		15,238	13,300	1,938	14.6%
Non-operating revenue, net		401	32,010	(31,609)	(98.7%)
Income before capital contributions and transfers		15,639	45,310	(29,671)	(65.5%)
Capital contributions		44,242	40,363	3,879	9.6%
Transfers out		(5,434)	(5,260)	(174)	(3.3%)
Increase in net assets		54,447	80,413	(25,966)	(32.3%)
Net assets, end of year	$	1,008,863	954,416	54,447	5.7%

		2003	2002	$ Change	% Change
Operating revenue	$	128,124	119,289	8,835	7.4%
Operating expenses		114,824	104,858	9,966	9.5%
Operating income		13,300	14,431	(1,131)	(7.8%)
Non-operating revenue, net		32,010	26,959	5,051	18.7%
Income before capital contributions and transfers		45,310	41,390	3,920	9.5%
Capital contributions		40,363	37,510	2,853	7.6%
Transfers out		(5,260)	(5,152)	(108)	(2.0%)
Increase in net assets		80,413	73,748	6,665	9.0%
Net assets, end of year	$	954,416	874,003	80,413	9.2%

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Airport's financial position. The Airport's assets exceeded liabilities by $1,008,863 at June 30, 2004, an $54,447 increase from June 30, 2003.

The Airport's assets exceeded liabilities by $954,416 at June 30, 2003, an $80,413 increase from June 30, 2002.

A condensed summary of the Airport's net assets at June 30, 2004 and 2003 is shown below:

	2004	2003	$ Change	% Change
Assets:				
Current and other assets	$ 544,608	706,682	(162,074)	(22.9%)
Capital assets	1,474,152	1,282,880	191,272	14.9%
Total assets	2,018,760	1,989,562	29,198	1.5%
Liabilities:				
Long-term debt outstanding	929,023	958,314	(29,291)	(3.1%)
Other liabilities	80,874	76,832	4,042	5.3%
Total liabilities	1,009,897	1,035,146	(25,249)	(2.4%)
Net assets:				
Invested in capital assets, net of debt	806,056	686,387	119,669	17.4%
Restricted	167,805	235,909	(68,104)	(28.9%)
Unrestricted	35,002	32,120	2,882	9.0%
Total net assets	$ 1,008,863	954,416	54,447	5.7%

A portion of the Airport's net assets (79.9% at June 30, 2004) represents its investment in capital assets (e.g., land, buildings, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Airport's net assets (16.6% at June 30, 2004) represents net assets that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital projects, or expenditure subject to the restrictions of the Passenger Facility Charge program.

The remaining portion of the Airport's net assets (3.5% at June 30, 2004) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

In fiscal 2004 capital assets and other liabilities have increased with the construction of the new runway project, referred to as W1W.

A condensed summary of the Airport's net assets at June 30, 2003 and 2002 is shown below:

	2003	2002	$ Change	% Change
Assets:				
Current and other assets	$ 706,682	758,631	(51,949)	(6.8%)
Capital assets	1,282,880	1,071,958	210,922	19.7%
Total assets	1,989,562	1,830,589	158,973	8.7%
Liabilities:				
Long-term debt outstanding	958,314	899,071	59,243	6.6%
Other liabilities	76,832	57,515	19,317	33.6%
Total liabilities	1,035,146	956,586	78,560	8.2%
Net assets:				
Invested in capital assets, net of debt	686,387	586,808	99,579	17.0%
Restricted	235,909	269,794	(33,885)	(12.6%)
Unrestricted	32,120	17,401	14,719	84.6%
Total net assets	$ 954,416	874,003	80,413	9.2%

A portion of the Airport's net assets (71.9% at June 30, 2003) represents its investment in capital assets (e.g., land, buildings, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

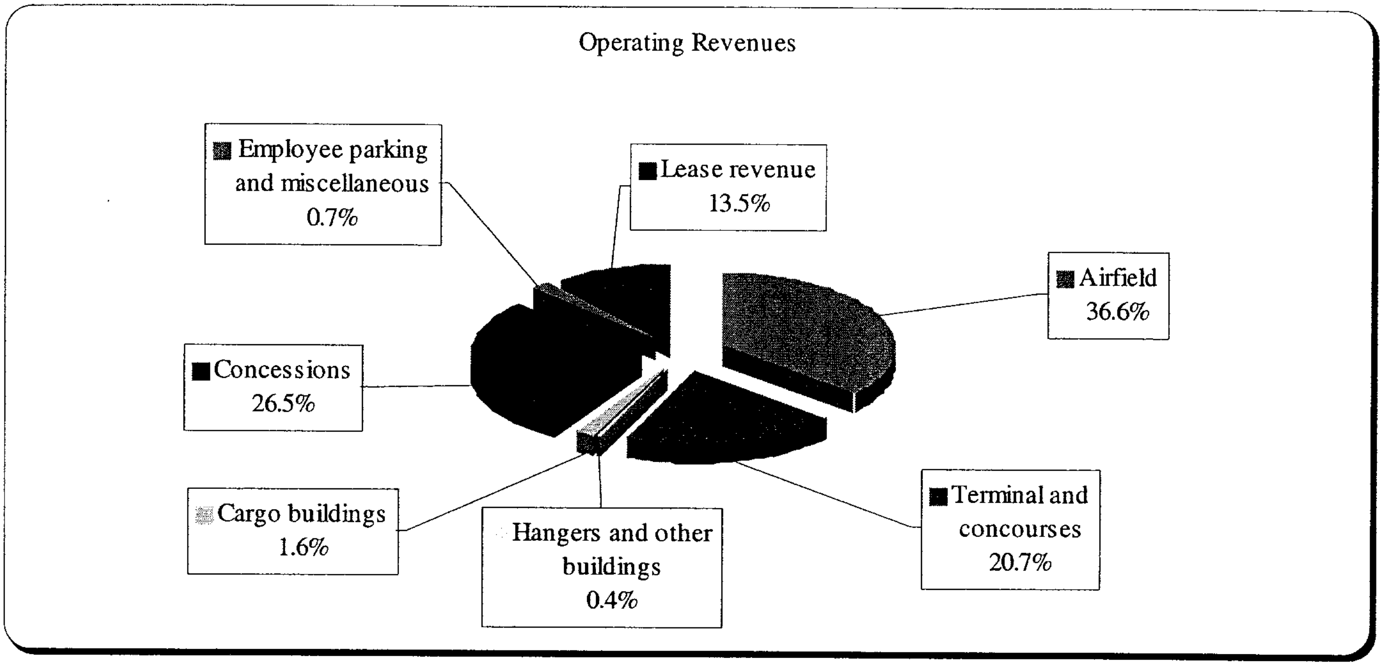
An additional portion of the Airport's net assets (24.7% at June 30, 2003) represents net assets that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital projects, or expenditure subject to the restrictions of the Passenger Facility Charge program.

The remaining portion of the Airport's net assets (3.4% at June 30, 2003) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

In fiscal 2003 capital assets and other liabilities have increased with the construction of the new runway project, referred to as W1W.

REVENUES

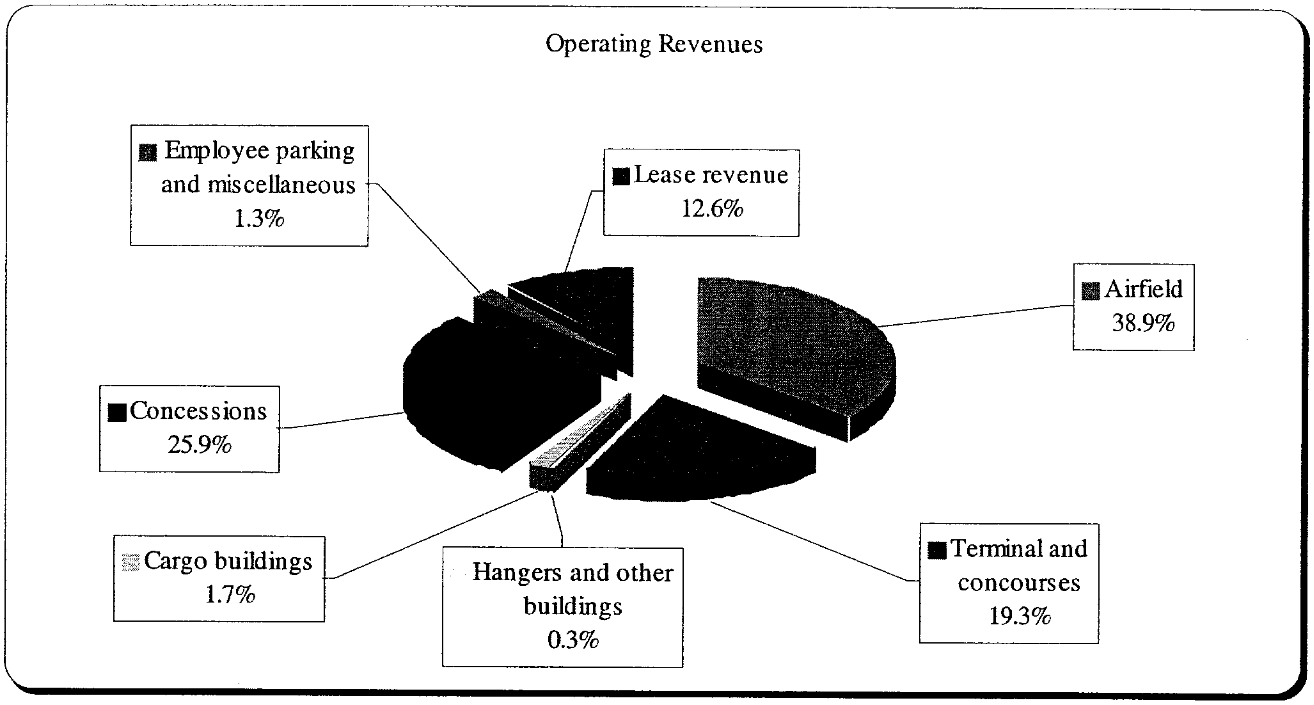
The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2004:



The following table summarizes all Airport revenues, and their percentage share of total Airport revenue, for the year ended June 30, 2004.

	2004	% of total	$ Change from 2003	% Change from 2003
Operating revenues:				
Aviation revenue:				
Airfield	$ 43,708	26.8%	(6,117)	(12.3%)
Terminal and concourses	24,688	15.2%	(13)	(0.1%)
Hangers and other buildings	421	0.3%	(5)	(1.2%)
Cargo buildings	1,878	1.2%	(317)	(14.4%)
Concessions	31,604	19.4%	(1,564)	(4.7%)
Employee parking and miscellaneous	894	0.5%	(725)	(44.8%)
Lease revenue	16,135	9.9%	(55)	(0.3%)
Total operating revenue	119,328	73.3%	(8,796)	(6.9%)
Non-operating revenue:				
Intergovernmental revenue	4,662	2.9%	1,418	43.7%
Investment revenue	7,403	4.5%	(13,227)	(64.1%)
Passenger facility charges	31,434	19.3%	(19,092)	(37.7%)
Other, net	0	0.0%	(1,095)	(100.0%)
Total non-operating revenue	43,499	26.7%	(31,996)	(42.4%)
Total revenues	$ 162,827	100.0%	(40,792)	(20.0%)

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2003:

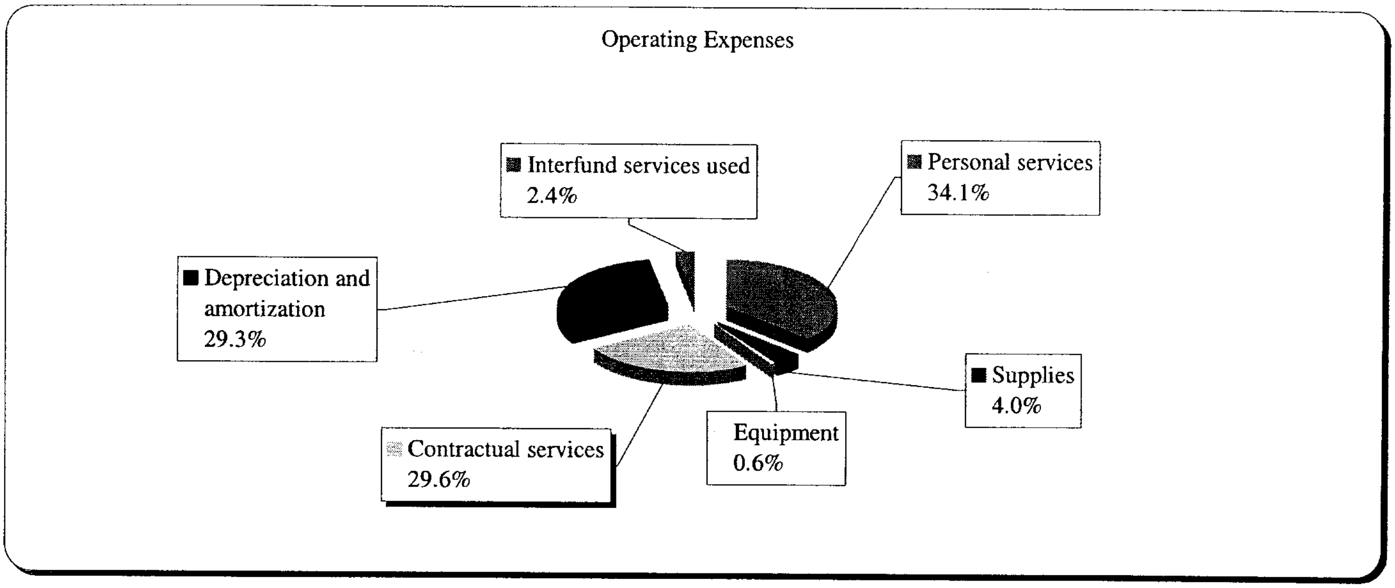


The following table summarizes all Airport revenues, and their percentage share of total Airport revenue, for the year ended June 30, 2003.

		2003	% of total	$ Change from 2002	% Change from 2002
Operating revenues:					
Aviation revenue:					
Airfield	$	49,825	24.5%	6,763	15.7%
Terminal and concourses		24,701	12.1%	505	2.1%
Hangers and other buildings		426	0.2%	(39)	(8.4%)
Cargo buildings		2,195	1.1%	220	11.1%
Concessions		33,168	16.3%	(1,069)	(3.1%)
Employee parking and miscellaneous		1,619	0.8%	(935)	(36.6%)
Lease revenue		16,190	8.0%	3,390	26.5%
Total operating revenue		128,124	63.0%	8,835	7.4%
Non-operating revenue:					
Intergovernmental revenue		3,244	1.6%	1,465	82.3%
Investment revenue		20,630	10.1%	(10,417)	(33.6%)
Passenger facility charges		50,526	24.8%	9,776	24.0%
Other, net		1,095	0.5%	1,095	100.0%
Total non-operating revenue		75,495	37.0%	1,919	2.6%
Total revenues	$	203,619	100.0%	10,754	5.6%

EXPENSES

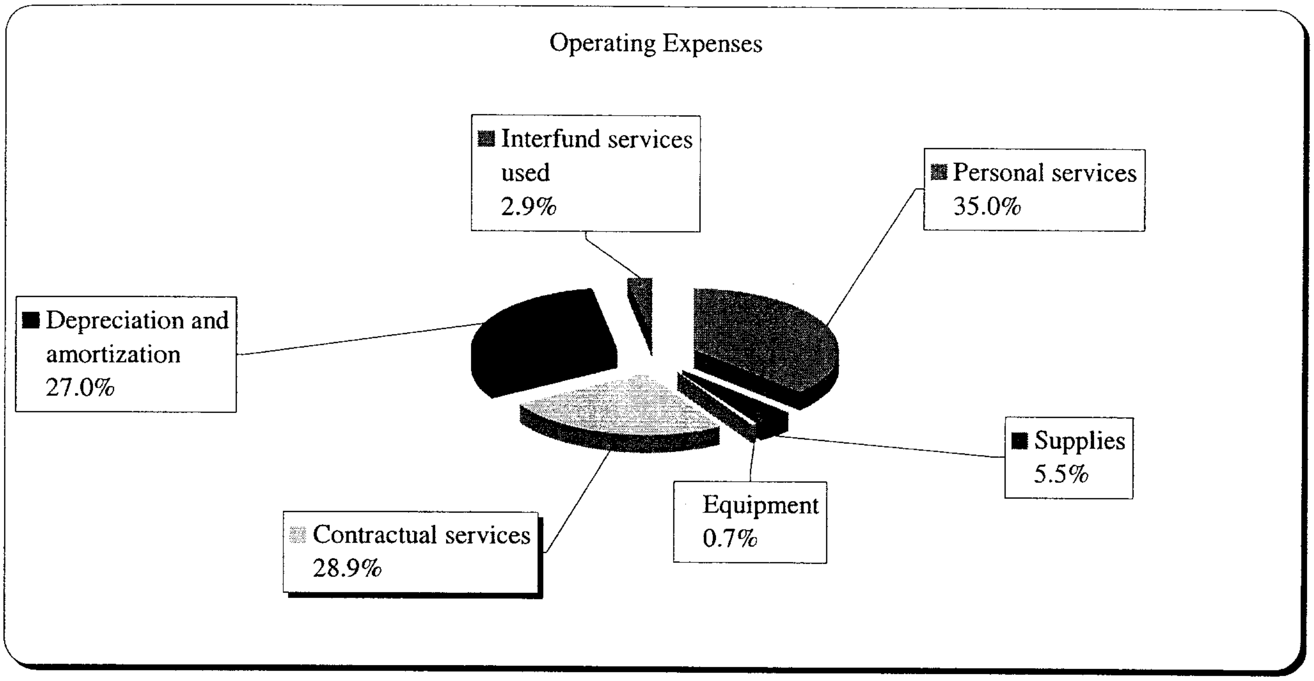
The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2004:



The following table summarizes all Airport expenses, and their percentage share of total Airport expenses, for the year ended June 30, 2004:

	2004	% of total	$ Change from 2003	% Change from 2003
Operating expenses:				
Personal services	$ 35,495	24.1%	(4,737)	(11.8%)
Supplies	4,214	2.9%	(2,075)	(33.0%)
Equipment	601	0.4%	(217)	(26.5%)
Contractual services	30,847	20.9%	(2,288)	(6.9%)
Depreciation and amortization	30,468	20.7%	(542)	(1.7%)
Interfund services used	2,465	1.7%	(875)	(26.2%)
Total operating expenses	104,090	70.7%	(10,734)	(9.3%)
Non-operating expenses:				
Interest expense	40,757	27.7%	(1,431)	(3.4%)
Amortization of bond issue costs	2,206	1.5%	909	70.1%
Other, net	135	0.1%	135	100.0%
Total non-operating expenses	43,098	29.3%	(387)	(0.9%)
Total expenses	$ 147,188	100.0%	(11,121)	(7.0%)

The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2003:



The following table summarizes all Airport expenses, and their percentage share of total Airport expenses, for the year ended June 30, 2003:

	2003	% of total	$ Change from 2002	% Change from 2002
Operating expenses:				
Personal services	$ 40,232	25.4%	1,869	4.9%
Supplies	6,289	4.0%	2,229	54.9%
Equipment	818	0.5%	47	6.1%
Contractual services	33,135	21.0%	6,956	26.6%
Depreciation and amortization	31,010	19.6%	(1,370)	(4.2%)
Interfund services used	3,340	2.0%	235	7.6%
Total operating expenses	114,824	72.5%	9,966	9.5%
Non-operating expenses:				
Interest expense	42,188	26.7%	(2,800)	(6.2%)
Amortization of bond issue costs	1,297	0.8%	(38)	(2.8%)
Other, net	-	0.0%	(294)	(100.0%)
Total non-operating expenses	43,485	27.5%	(3,132)	(6.7%)
Total expenses	$ 158,309	100.0%	6,834	4.5%

Operating revenues decreased 6.9% in 2004 with the decline in airport activity. Investment revenue decreased 64.1% in 2004 as funds were used for capital projects. Intergovernmental revenue increased 43.7% in 2004 due to government grants to cover security expenses.

Airfield revenue increased 15.7% in 2003 as a result of increased security and snow removal costs during the previous twelve months of operation, which were passed on to airlines through the rate setting process. Lease revenue increased 26.5% in 2003 due to the Boeing lease of airport property. Investment revenue decreased 33.6% in 2003 as funds were used for projects. Passenger facility revenues (PFCs) increased 24% in 2003 as the passenger facility charge per passenger was increased from $3.00 to $4.50.

The decrease in air traffic in 2004 prompted budget cuts by the Airport. As a result operating expenses decreased 9.3% in 2004. Total expenses decreased 7.0% in 2004.

A higher volume of snow removal materials increased supply expense 54.9% in 2003. Contractual services increased 26.6% in 2003 due to increased security and snow removal expenses.

AIRLINE SIGNATORY RATES AND CHARGES

As of June 30, 2004, the Airport was served by fourteen signatory airlines, eleven non-signatory carriers and five cargo carriers. A "signatory" carrier has an individual Airline Use and Lease Agreement with the Airport. These Airline Use and Lease Agreements in part establish how the airlines are assessed annual rates and charges for their use of the Airport. These agreements expire December 31, 2005.

Landing and rental fees are calculated on estimated operating and maintenance expenses and are charged to the airlines based upon landing weights or square footage utilized. The amount charged is adjusted based upon actual expenses and actual landing usage incurred. Non-signatory carriers are assessed 125% of the signatory carrier rates.

FINANCIAL STATEMENTS

The Airport's basic financial statements are prepared on an accrual basis in accordance with the U. S. generally accepted accounting principles promulgated by the Government Accounting Standards Board (GASB). The Airport is structured as a single enterprise fund owned and operated by the City of St. Louis, Missouri with revenues recognized when earned. Expenses are recognized when incurred. Capital assets are capitalized and (other than land) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. Refer to Note 1 of the basic financial statements for a summary of the Airport's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During fiscal year 2004, the Airport expended $212,000 on capital activities. The major projects were as follows:

Land and easement purchases	$6,635
Land for W1W expansion project	$36,221
Construction costs for W1W expansion project (discussed in Note 15)	$124,654
Construction in progress	$44,490

During 2004, completed projects totaling approximately $47,823 were closed from construction in progress to their respective capital accounts. The major completed projects were:

Equipment construction	$243
Terminal and concourse improvements	$9,854
Public parking lot	$15,208
Runway improvements	$10,116
Roads	$12,402

Capital asset acquisitions and improvements exceeding $10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. At June 30, 2004, the Airport had outstanding commitments amounting to approximately $138,059, resulting primarily from contracts for construction projects. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

During fiscal year 2003, the Airport expended $239,340 on capital activities. The major projects were as follows:

Land and easement purchases	$22,000
Initial construction costs for W-1W expansion project (discussed in Note 15)	$150,300
Land for W-1W expansion project	$25,500
Construction in progress	$41,700

During 2003, completed projects totaling approximately $4,115 were closed from construction in progress to their respective capital accounts. The major completed projects were:

Equipment construction	$4
Terminal and concourse improvements	$3,440
Runway improvements	$671

Capital asset acquisitions and improvements exceeding $10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. At June 30, 2003, the Airport had outstanding commitments amounting to approximately $190,326, resulting primarily from contracts for construction projects. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

PASSENGER FACILITY CHARGES

The Airport initially received approval from the FAA to impose a passenger facility of $3.00 (in dollars) per enplaned passenger beginning December 1, 1992, not to exceed $131,453, principally to finance the Airport Improvement Program. On December 1, 2001, the Airport received approval to increase the passenger facility charge (PFC) $4.50 (in dollars) per enplaned passenger. The current limitation on passenger facility charges to be collected is $1,294,702.

The PFC is withheld by the respective airline for each ticket or transfer in St. Louis and remitted to the Airport one month after collection, less a $.08 (in dollars) per ticket operating fee by the airline. PFC revenue is classified as nonoperating revenue.

LONG-TERM DEBT ADMINISTRATION

At June 30, 2004, the Airport had the following bond series outstanding:

Revenue Refunding Bonds, Series 1993, dated August 1, 1993, maturing annually from fiscal year 1994 through 2005 with interest coupons ranging from 6.1% to 6.15%.

- Balance outstanding at June 30, 2004 - $12,245

Revenue Refunding Bonds, Series 1996, dated April 1, 1996, maturing annually from fiscal year 1996 through 2008 with interest coupons ranging from 5.05% to 5.35%.

- Balance outstanding at June 30, 2004 - $15,885

Revenue Bonds, Series 1997, dated August 15, 1997, maturing annually from fiscal year 2001 through 2028 with interest coupons ranging from 4.40% to 6.00%.

- Balance outstanding at June 30, 2004 - $190,500

Revenue Refunding Bonds, Series 1998, dated December 1, 1998, maturing annually from fiscal year 2000 through 2016 with interest coupons ranging from 4.00% to 5.13%.

- Balance outstanding at June 30, 2004 - $67,930

Revenue Bonds, Series 2001A, dated May 1, 2001, maturing annually from fiscal year 2007 through 2032 with interest coupons ranging from 4.13% to 5.63% percent.

- Balance outstanding at June 30, 2004 - $435,185

Revenue Bonds, Series 2002 A, B, and C, dated December 19, 2002, maturing annually from fiscal year 2003 through 2032 with interest coupons ranging from 2.00% to 5.50% percent.

- Balance outstanding at June 30, 2004 - $112,965

Revenue Refunding Bonds, Series 2003A, dated February 25, 2003, maturing annually from fiscal year 2007 through 2019 with interest coupons ranging from 2.38% to 5.25% percent.

- Balance outstanding at June 30, 2004 - $70,340

Taxable Revenue Refunding Bonds, Series 2003B, dated May 29, 2003, maturing annually from fiscal year 2004 through 2006 with interest coupons ranging from 1.88% to 2.05% percent.

- Balance outstanding at June 30, 2004 - $25,460

CREDIT RATINGS AND BOND INSURANCE

Following the terrorist attacks on September 11, 2001, each of the rating agencies placed the underlying credit rating of all airports under review. Additionally, As of June 30, 2003, Moody's reaffirmed the Airport's underlying ratings "A3" for all outstanding series. Fitch Ratings reaffirmed the Airport's underlying rating as "A-" for all outstanding series. Standard & Poor's put the Airport on negative credit watch with ratings of "A-" for all series.

Subsequent to American Airlines' decision to reduce its operations at the Airport (as discussed in the following section), the rating agencies revised the Airport's credit ratings as follows:

- Moody's established the Airport's rating as "A3" with a negative outlook effective October 20, 2003.
- Fitch Ratings lowered the Airport's rating to "BBB+" with a negative outlook effective October 15, 2003.
- Standard and Poor's lowered the Airport's bond rating to "BBB+" effective July 22, 2003.

Concurrent with the issuance of the Series 2001A Revenue Bonds, MBIA Insurance Corporation issued its Municipal Bond New Issue Policy for the Series 2001A bonds. This policy has been purchased by the Airport to guarantee the payment of principal and interest when due.

STATUS OF TRANSACTIONS WITH SIGNATORY AIR CARRIER – AMERICAN AIRLINES, INC.

As discussed in Note 10, American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American will be reduced from 417 to 213.
- American will discontinue nonstop flights to 25 cities.
- American will reduce the number of gates which it operates at the Airport.

Management developed action steps for current operations include the following:

- Effective July 1, 2004, the Airport has increased the airfield landing rate from $3.40 to $4.07 per thousand pounds of landed weight.
- The Airport reviewed its Operations and Maintenance Budget and identified annual reductions totaling $7,000, consisting of eliminating 105 personnel positions ($5,000) and reduction of various non-personnel expenses ($2,000).
- The Airport reevaluated its five-year Capital Improvement Program, and deferred $90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of the first quarter of fiscal year 2005, the Airport has successfully secured 55 additional flights from both existing and new carriers and secured nine flight upgrades.

Action steps for Phase I of the Airport Development Program include:

- The Airport reevaluated its Phase I of the Airport Development Program, which resulted in the deferral of approximately $85,000 in expenses.
- The Airport secured increased funding totaling $85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of $50,000 for construction, $20,000 for noise abatement, and $10,000 advanced LOI funding.

REQUESTS FOR INFORMATION

These basic financial statements are designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any information provided in this report should be addressed to the Office of the Airport Assistant Director for Finance and Accounting, Lambert-St. Louis International Airport, P. O. Box 10212, St. Louis, Missouri, 63145.

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BASIC FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Balance Sheets
June 30, 2004 and 2003
(Dollars in thousands)

Assets		2004	2003
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	$	9,355	7,981
Accounts receivable, net		12,953	13,888
Inventories		1,986	2,149
Due from the City of St. Louis, Missouri		6	15
Other current assets		585	443
		24,885	24,476
Restricted assets:			
Cash and cash equivalents		105,681	140,975
Accrued interest receivable		1,076	300
Government grants receivable		6,491	4,342
		113,248	145,617
Total current assets		138,133	170,093
Noncurrent assets:			
Restricted investments, at fair value		384,203	509,725
Capital assets		1,474,152	1,282,880
Deferred bond issue costs, net		13,844	15,279
Intangible and other assets, net		8,428	11,585
Total noncurrent assets		1,880,627	1,819,469
Total assets	$	2,018,760	1,989,562

See accompanying notes to basic financial statements.

Liabilities and Net Assets		2004	2003
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	$	9,666	9,849
Deferred revenue		807	6,799
Due to the City of St. Louis, Missouri		3,159	3,443
		13,632	20,091
Payable from restricted assets:			
Current maturities of revenue bonds payable		35,775	27,725
Commercial paper payable		10,000	–
Accrued interest payable		23,776	23,956
Contracts and retainage payable		27,376	29,014
		96,927	80,695
Total current liabilities		110,559	100,786
Noncurrent liabilities:			
Revenue bonds payable		893,248	930,589
Other long-term liabilities		6,090	3,771
Total noncurrent liabilities		899,338	934,360
Total liabilities		1,009,897	1,035,146
Net assets:			
Invested in capital assets, net of related debt		806,056	686,387
Restricted:			
Bond reserve funds		130,527	143,802
Passenger facility charges		37,278	92,107
Unrestricted		35,002	32,120
Total net assets		1,008,863	954,416
Total liabilities and net assets	$	2,018,760	1,989,562

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Revenues, Expenses and Changes in Fund Net Assets
Years ended June 30, 2004 and 2003
(Dollars in thousands)

		2004	2003
Operating revenues:			
Aviation revenue:			
Airfield	$	43,708	49,825
Terminal and concourses		24,688	24,701
Hangars and other buildings		421	426
Cargo buildings		1,878	2,195
Concessions		31,604	33,168
Employee parking and miscellaneous		894	1,619
Lease revenue		16,135	16,190
Total operating revenue		119,328	128,124
Operating expenses:			
Personal services		35,495	40,232
Supplies		4,214	6,289
Equipment		601	818
Contractual services		30,847	33,135
Depreciation and amortization		30,468	31,010
Interfund services used		2,465	3,340
Total operating expenses		104,090	114,824
Operating income		15,238	13,300
Nonoperating revenues (expenses):			
Intergovernmental revenue		4,662	3,244
Investment revenue		7,403	20,630
Interest expense		(40,757)	(42,188)
Passenger facility charges		31,434	50,526
Amortization of bond issue costs		(2,206)	(1,297)
Other, net		(135)	1,095
Total nonoperating revenue, net		401	32,010
Income before capital contributions and transfers		15,639	45,310
Capital contributions		44,242	40,363
Transfers to the City of St. Louis, Missouri		(5,434)	(5,260)
Total capital contributions and transfers, net		38,808	35,103
Change in net assets		54,447	80,413
Total net assets, beginning of year		954,416	874,003
Total net assets, end of year	$	1,008,863	954,416

See accompanying notes to basic financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Cash Flows
Years ended June 30, 2004 and 2003
(Dollars in thousands)

		2004	2003
Cash flows from operating activities:			
Receipts from customers and users	$	114,233	115,092
Other operating cash receipts		894	1,619
Payments to suppliers of goods and services		(36,238)	(40,690)
Payments to employees		(33,633)	(39,985)
Payments for interfund services used		(2,740)	(2,743)
Net cash provided by operating activities		42,516	33,293
Cash flows from noncapital financial activities:			
Cash paid to the City of St. Louis, Missouri for financing of retirement plan		(312)	(312)
Transfers to other funds of the City of St. Louis, Missouri		(5,434)	(5,260)
Net cash used in noncapital financial activities		(5,746)	(5,572)
Cash flows from capital and related financing activities:			
Cash collections from passenger facility charges		31,434	50,526
Receipt of federal financial assistance		46,715	40,863
Acquisition and construction of capital assets		(211,519)	(214,571)
Proceeds from sale of capital assets		18	203
Proceeds from issuance of revenue bonds		–	225,229
Proceeds from issuance of commerical paper		10,000	–
Cash paid for bond issuance and underwriting costs		(770)	(4,385)
Principal paid on revenue bond maturities		(27,725)	(40,700)
Cash paid for bond refunding		(3,285)	(116,723)
Interest paid on revenue bonds		(47,906)	(49,358)
Net cash used in capital and related financing activities		(203,038)	(108,916)
Cash flows from investing activities:			
Purchases of investments		(2,699,282)	(1,971,007)
Proceeds from sales and maturities of investments		2,819,136	2,077,457
Investment income		12,494	20,861
Net cash provided by investing activities		132,348	127,311
Net increase (decrease) in cash and cash equivalents	$	(33,920)	46,116
Cash and cash equivalents:			
Beginning of year:			
Unrestricted	$	7,981	5,758
Restricted		140,975	97,082
		148,956	102,840
End of year:			
Unrestricted		9,355	7,981
Restricted		105,681	140,975
	$	115,036	148,956
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	15,238	13,300
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		30,468	31,010
Changes in assets and liabilities:			
Accounts receivable, net		935	(5,034)
Inventories		163	351
Intangible and other assets, net		(157)	(69)
Accounts payable and accrued expenses		(183)	(218)
Deferred revenue		(5,992)	(620)
Due to/from the City of St. Louis, Missouri		(275)	597
Other long-term liabilities		2,319	(6,024)
Total adjustments		27,278	19,993
Net cash provided by operating activities	$	42,516	33,293

See accompanying notes to basic financial 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 (the City). The Airport is an enterprise fund of the City and, therefore, the basic financial statements of the Airport are not intended to present the financial position, changes in financial position and cash flows of the City as a whole in conformity with accounting principles generally accepted in the United States of America.

(a) 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 accounting principles generally accepted in the United States of America for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, the economic resource measurement focus and the accrual basis of accounting are used whereby revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's ongoing operations. Revenues from airlines, concessions and parking are reported as operating revenues. Transactions which are capital, financing, or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

(b) Accounts Receivable

Accounts receivable at June 30, 2004 and 2003 consist of $13,375 and $14,388, respectively, due from air carriers and concessionaires with operations at the Airport, and $0 and $50, respectively, of other receivables. Such amounts are net of allowances for uncollectible accounts of $422 and $550 at June 30, 2004 and 2003.

(Continued)

Accounts receivable from air carriers includes unbilled aviation revenue for the fiscal year amounting to $4,828 and $7,928 at June 30, 2004 and 2003, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers. American Airlines and its subsidiaries (see Note 10) owed $2,569 and $5,278 of the unbilled aviation receivables determined in accordance with the provision of long term-use agreements at June 30, 2004 and 2003, respectively. Amounts due or payable under the use agreements are settled annually with applicable air carriers (see Note 9).

As a result of the settlement process, as described in the preceding paragraph, made during fiscal year 2004, for fiscal year 2003, the airlines, at June 30, 2004, owe the Airport $4,120, which is included in unbilled accounts receivable. These amounts will be paid during July, August, September, and October 2004 and are included in accounts receivable at June 30, 2004. At June 30, 2003, the airlines owed the Airport $1,564 as a result of this settlement process.

(c) 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.

(d) Passenger Facility Charges (PFCs)

The Airport collects a $4.50 (in dollars) facility charge per enplaned passenger to fund approved FAA projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $.08 (in dollars) per ticket operating fee retained by the airlines. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

(e) Capital Assets

Capital assets 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. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset.

(Continued)

(f) ***Bond Discounts and Premiums, Deferred Amounts on Refunding, and Deferred Issue Costs***

Bond discounts, bond premiums, and deferred amounts on refunding are recorded as reductions of or additions to the related debt obligation as appropriate. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the interest method.

Deferred bond issue costs represents 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.

(g) ***Intangible and Other Assets***

Intangible and other assets include $4,212 and $7,289 at June 30, 2004 and 2003, respectively, representing a leasehold interest in certain gates operated by American Airlines as of June 30, 2004 and 2003. This asset is being amortized on the straight-line method over twelve years. Intangible and other assets also include easements of $2,838 and $2,933 at June 30, 2004 and 2003, respectively, which are being amortized on the straight-line method over forty years. Finally, intangible and other assets includes an advance of $1,378 and $1,363 at June 30, 2004 and 2003, respectively, made to the Airport's parking contractor which will be repaid to the Airport at the conclusion of the parking contract.

(h) ***Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses at June 30, 2004 and 2003 is comprised of $7,026 and $6,989, respectively, of accrued salaries and benefits, $2,237 and $2,583, respectively, due to vendors and contractors, and $403 and $277, respectively, of other accrued expenses.

(i) ***Leases***

Lease revenue during 2004 and 2003 includes $7,773 and $7,829, respectively, of income from American Airlines relating to equipment leases (see Note 10).

In December 2001, the Airport purchased property from a business adjacent to the Airport, and entered into a lease agreement to lease this property back to the business through June 2004. The business prepaid the entire $15,000 rental payment for the two-and-a-half year lease term in December 2001. At June 30, 2004 and 2003, $6,000 and $6,000, respectively, of this rental payment is reflected in lease revenue, and $0 and $6,000, respectively, is reflected in deferred revenue. In fiscal year 2004, the Airport extended the lease agreement with the business through June 2005, after which time the Airport will use this property for its expansion project (see Note 15). This agreement was made in consideration for the business paying all maintenance fees associated with building operations.

(j) *Vacation and Sick Leave Benefits*

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Employees who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the accompanying financial statements within accounts payable and accrued expenses representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years. The liability totaled $1,815 and 1,505 as of June 30, 2004 and 2003, respectively, and is included in accounts payable and accrued expenses.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled $3,022 and $3,159 as of June 30, 2004 and 2003, respectively, and is included in accounts payable and accrued expenses.

(k) *Capital Contributions*

Capital contributions represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments which are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

(l) *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.

(m) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(Continued)

(2) Cash and Investments

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the respective investment custodian.

The Airport deposits all cash with the Office of the Treasurer of the City, which maintains all banking relationships for the Airport. Additionally, all investment decisions are made by the City Treasurer and the City's agents.

Certificates of deposit are defined as investments for balance sheet classification and cash flow purposes; for custodial risk disclosure, however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash and cash equivalents on the balance sheet but as investments for custodial risk disclosure.

At June 30, 2004 and 2003, the carrying amount of the Airport cash deposits was $117,769 and $94,564 and the bank balances were $123,075 and $94,901, respectively. The bank balances at June 30, 2004 and 2003 were entirely covered by collateral held in the pledging bank's trust department or agent in the City's name or agent's name.

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, Missouri, 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.

The Airport's investments are categorized below to give an indication of the level of custodial 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.

(Dollars in thousands)

	Carrying value 2004	Carrying value 2003	Category
Investments:			
United States Government agency securities	$ 326,470	488,165	2
Money market mutual funds	47,520	68,702	N/A
Commercial paper	7,480	7,250	N/A
	$ 381,470	564,117	

(3) Restricted Assets

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2004 and 2003:

	2004	2003
Airport Bond Fund		
Debt Service Account	$ 66,918	79,816
Debt Service Reserve Account	63,609	63,986
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	13,002	4,607
Airport Development Fund	58,910	47,731
Airport Construction Fund	281,986	449,210
Drug Enforcement Agency Funds	1,959	1,850
	$ 489,884	650,700

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted 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 is 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 Airport 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 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.

(Continued)

(Dollars in thousands)

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.

(4) Capital Assets

Following is a summary of the changes in capital assets for the year ended June 30, 2004:

	Balances June 30, 2003	Additions	Retire-ments	Transfers	Balances June 30, 2004
Capital assets being depreciated:					
Pavings	$ 281,075	3,427	(18,692)	37,726	303,536
Buildings and facilities	365,439	333	(3,575)	9,854	372,051
Equipment	55,679	6,114	(5,238)	243	56,798
	702,193	9,874	(27,505)	47,823	732,385
Less accumulated depreciation:					
Pavings	(184,605)	(9,227)	19,808	–	(174,024)
Buildings and facilities	(208,479)	(14,132)	5,263	–	(217,347)
Equipment	(34,384)	(3,938)	3,393	–	(34,929)
Total accumulated depreciation	(427,468)	(27,297)	28,464	–	(426,301)
Total capital assets being depreciated	274,725	(17,423)	959	47,823	306,084
Capital assets not being depreciated:					
Land	741,033	44,502	–	–	785,535
Construction in progress	267,122	163,234	–	(47,823)	382,533
Total capital assets not being depreciated	1,008,155	207,736	–	(47,823)	1,168,068
	$ 1,282,880	190,313	959	–	1,474,152

(Continued)

(Dollars in thousands)

Following is a summary of the changes in capital assets for the year ended June 30, 2003:

	Balances June 30, 2002	Additions	Retire-ments	Transfers	Balances June 30, 2003
Capital assets being depreciated:					
Pavings	$ 280,225	178	–	672	281,075
Buildings and facilities	361,058	1,405	(464)	3,440	365,439
Equipment	61,936	2,022	(8,282)	3	55,679
	703,219	3,605	(8,746)	4,115	702,193
Less accumulated depreciation:					
Pavings	(174,934)	(9,671)	–	–	(184,605)
Buildings and facilities	(194,404)	(14,075)	–	–	(208,479)
Equipment	(38,922)	(4,092)	8,630	–	(34,384)
Total accumulated depreciation	(408,260)	(27,838)	8,630	–	(427,468)
Total capital assets being depreciated	294,959	(24,233)	(116)	4,115	274,725
Capital assets not being depreciated:					
Land	693,567	47,466	–	–	741,033
Construction in progress	83,432	188,269	(464)	(4,115)	267,122
Total capital assets not being depreciated	776,999	235,735	(464)	(4,115)	1,008,155
	$ 1,071,958	211,502	(580)	–	1,282,880

Construction in progress consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed.

The estimated useful lives of capital assets are as follows:

	Years
Pavings	18-25
Buildings and facilities	20-30
Equipment	2-20

(Dollars in thousands)

(5) Change in Noncurrent Liabilities

Following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2004:

		Revenue bonds payable	Other long-term liabilities
Balances, beginning of year	$	930,589	3,771
Revenue bonds refunded		(3,285)	–
Revenue bonds reclassified as current		(35,775)	–
Amortization of discounts, premiums, and deferred amounts on refunding		1,719	–
Payments of principal outstanding on forward purchase agreements (see Note 8)		–	(352)
Net pension obligation incurred (see Note 14)		–	1,815
Net increase in other liabilities		–	856
Balances, end of year	$	893,248	6,090

Following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2003:

		Revenue bonds payable	Other long-term liabilities
Balances, beginning of year	$	854,656	9,795
Revenue bonds refunded		(112,225)	–
Revenue bonds issued		217,845	–
Revenue bonds reclassified as current		(34,010)	–
Amortization of discounts, premiums, and deferred amounts on refunding		4,323	–
Payments of principal outstanding on forward purchase agreements (see Note 8)		–	(864)
Amortization of prepayment on lease of property (see Note 1i)		–	(6,000)
Net pension obligation incurred (see Note 14)		–	599
Net increase in other liabilities		–	241
Balances, end of year	$	930,589	3,771

(Continued)

(Dollars in thousands)

(6) Revenue Bonds Payable

Bonds outstanding at June 30, 2004 and 2003 are summarized as follows:

	2004	2003
Bond Series 1993, interest rates of 6.15%, payable through 2005	$ 12,245	23,805
Bond Series 1993A, interest rate of 6.4%, payable in varying amounts through 2004	–	6,735
Bond Series 1996, interest rates ranging from 5.05% to 5.35%, payable in varying amounts through 2008	15,885	15,885
Bond Series 1997, interest rates ranging from 4.50% to 6%, payable in varying amounts through 2028	190,500	193,785
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	67,930	68,280
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032	435,185	435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.50% to 5.50%, payable in varying amounts through 2033	112,965	117,985
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340	70,340
Bond Series 2003B, interest rates ranging from 1.88% to 2.05%, payable in varying amounts through 2006	25,460	29,520
	930,510	961,520
Less:		
Current maturities	(35,775)	(27,725)
Unamortized discounts and premiums	5,299	5,990
Deferred amounts on refunding	(6,786)	(9,196)
	(37,262)	(30,931)
	$ 893,248	930,589

Interest payments on the above issues are due semiannually on January 1 and July 1.

On December 19, 2002, the Airport issued $69,195 in Series 2002A (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002A Bonds were $68,886 (after the addition of $1,710 net issue premium and the payment of $2,019 in underwriting fees, insurance, and other issuance costs). The Series 2002A Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued $31,755 in Series 2002B (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002B Bonds were $30,751 (after the deduction of $83 original issue discount and the payment of $921 in underwriting fees, insurance, and other issuance costs). The Series 2002B Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued $17,035 in Series 2002C Revenue Refunding Bonds with an average interest rate of 4.8 percent to current refund $17,070 of outstanding 1992 Series bonds with an average interest rate of 5.7 percent. The net proceeds of $17,584 (after the addition of a net issue premium of $925 and payment of $376 in underwriting fees, insurance, and other issuance costs) plus an additional $429 of 1992 Series debt service monies were deposited into an irrevocable trust with an escrow agent to redeem the 1992 Series on February 1, 2003 at a premium of $341. This current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,047. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the bonds outstanding method. The Airport completed the current refunding to reduce its total debt service payments over the next 12 years by $1,370 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $951.

On February 25, 2003, the Airport issued $70,340 in Series 2003A Revenue Refunding Bonds with an average interest rate of 5.4% percent to refund $75,780 of outstanding 2000 Series Letter of Intent Bonds with an average interest rate of 7.1 percent. The net proceeds of $73,024 (after the addition of a net issue premium of $4,453 and payment of $1,769 in underwriting fees, insurance, and other issuance costs) plus an additional $36,036 of 2000 Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 2000 Series Letter of Intent Double Barrel Revenue Bonds on July 1, 2003 at a premium of $674. As a result, the 2000 Letter of Intent Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2,714. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2008 using the bonds outstanding method. The refunding has resulted in an increase in total debt service payments over the next 15 years by $11,998 and an economic gain (difference between the present value of the old and new debt service payments) of $6,025.

On May 29, 2003, the Airport issued $29,520 in Series 2003B Taxable Revenue Refunding Bonds with an average interest rate of 2.1 percent to refund $12,990 of outstanding 1993 Series Taxable Revenue Refunding bonds maturing July 1, 2005 and $14,800 of outstanding 1993A Series Taxable Revenue Refunding bonds maturing July 1, 2004 and 2005 with an average interest rate of 8.1 percent. The net proceeds of $28,945 (after the addition of a net issue premium of $31 and payment of $606 in underwriting fees, insurance, and other issuance costs) plus an additional $3,238 of 1993 and 1993A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 1993 Series payment maturing July 1, 2005 and 1993A Series payment maturing July 1, 2004 and 2005 on July 1, 2003, at a premium of $556. As a result, the portion of 1993 Series payment maturing July 1, 2005 and the portion of 1993A Series payments maturing July 1, 2004 and 2005 are considered to be defeased and the liability for those bonds have been removed from the financial statements. This refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $885. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2005 using the bonds outstanding method. The Airport completed the refunding to reduce its total debt service payments over the next 12 years by $1,343 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $583. At June 30, 2004 and 2003, $20,625 and $27,790 of the Series 1993 Bonds and Series 1993A Bonds are considered defeased.

On June 12, 2003, the Airport advance refunded $3,465 of Series 1996 Bonds and $2,820 of Series 1997 Bonds by placing funds in an irrevocable trust to provide for the July 1, 2003 debt service payment on these 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, 2004 and 2003, $0 and $3,465 of the 1996 Series Bonds, respectively, and $0 and $2,820 of the Series 1997 Bonds, respectively, are considered defeased.

On July 11, 2003, the Airport defeased $3,285 of Series 1997 Bonds by placing funds in an irrevocable trust to provide for the July 1, 2004 debt service payment on these 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, 2004, $3,285 of the Series 1997 Bonds are considered defeased.

The deferred amounts on refunding of $6,787 and $9,196 at June 30, 2004 and 2003, respectively, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000, and are included in revenue bonds payable within the accompanying balance sheets. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

Management is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2004 and 2003.

(Continued)

(Dollars in thousands)

As of June 30, 2004, the Airport's aggregate debt service requirements for the next five years and in five year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2005	$	35,775	46,985	82,760
2006		23,390	45,649	69,039
2007		16,235	44,843	61,078
2008		31,495	43,727	75,222
2009		28,440	42,261	70,701
2010-2014		165,805	186,629	352,434
2015-2019		184,745	138,878	323,623
2020-2024		166,320	93,293	259,613
2025-2029		177,960	48,505	226,465
2030-2033		100,345	8,636	108,981
	$	930,510	699,406	1,629,916

In years prior to fiscal year 2003, the Airport advance refunded $221,715 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these 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, 2004 and 2003, $84,590 and $97,925, respectively, of these outstanding bonds are considered defeased.

(7) Commercial Paper

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed $125,000 outstanding at any one time. On May 26, 2004, the Airport issued $10,000 in Series 2004A Commercial Paper Notes, due August 17, 2004, at an annual interest rate of 1.1% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport. The net proceeds of the Series 2004A Commercial Paper Notes were $9,110 (after the deduction of $890 in issuance costs).

(8) Forward Purchase Agreements

(a) Objective of the forward purchase agreements

The Airport has entered into nine forward purchase agreements with financial institutions, which guarantee the Airport a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain of the Airport's bond issuances. The Airport entered into these agreements in order to ensure that its investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

(b) Terms

Forward Purchase Agreement – I

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 securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2015.) 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 expense. 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. In December 2002, this agreement was amended to replace Bond Series 1992 with the Airport Revenue Refunding Bonds, Series 2002C (Bond Series 2002C). No payment was made in consideration for the amendment. In July 2003, this agreement was amended to replace Bond Series 1993A with the Airport Revenue Refunding Bonds, Series 2003B (Bond Series 2003B). No payment was made in consideration for the amendment. The notional amount for this agreement is $29,203, representing the current balance in the debt service funds for the Bond Series 1993, 1996, 1998, 2002C and 2003B covered by the forward purchase agreement.

The Airport's obligation under this forward purchase agreement, representing the unamortized portion of the original lump-sum interest payment received by the Airport, is $1,966 and $2,318, at June 30, 2004 and 2003, respectively, and is recorded in other long-term liabilities.

Forward Purchase Agreement – II

In September 1997, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on a semi-annual basis from the proceeds within the debt service reserve account related to the Airport Revenue Bonds, Series 1997 (Bond Series 1997). The financial institutions have guaranteed that the securities will earn a rate of 6.18%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2027.) The notional amount for this agreement is $14,970, representing the required minimum balance for the debt service reserve fund. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement - III

In October 2000, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on a semi-annual basis from the proceeds within the debt service reserve account related to the Airport Revenue Bonds, Series 2000 (Bond Series 2000). The financial institutions have guaranteed that the securities will earn a rate of 6.47%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. In February 2003, the Series 2000 bonds were refunded by the Series 2003A bonds. The agreement was revised to apply to the debt service reserve account for the Series 2003A bonds; the Airport received a $1,325 termination fee in consideration of this revision, which is included in other nonoperating revenues on the accompanying financial statements. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2008.) The notional amount for this agreement is $7,479, representing the required minimum balance for the debt service reserve fund. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – IV

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the Airport Bonds, Series 1997A (Bond Series 1997A). The financial institutions have guaranteed that the securities will earn a rate of 5.332%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2027.) The notional amount for this agreement is $969, representing the current balance in the debt service funds for the Bond Series 1997A covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – V

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the Airport Bonds, Series 1997B (Bond Series 1997B). The financial institutions have guaranteed that the securities will earn a rate of 5.352%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2027.) The notional amount for this agreement is $4,127, representing the current balance in the debt service funds for the Bond Series 1997B covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – VI

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the airport Debt Service Account, Series 2001A (Bond Series 2001A). The financial institutions have guaranteed that the securities will earn a rate of 5.422%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2031.) The notional amount for this agreement is $21,919, representing the current balance in the debt service funds for the Bond Series 2001A covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – VII

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the airport Debt Service Account, Series 2002A (Bond Series 2002A). The financial institutions have guaranteed that the securities will earn a rate of 5.463%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2032.) The notional amount for this agreement is $4,221, representing the current balance in the debt service funds for the Bond Series 2002A covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – VIII

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the airport Debt Service Account, Series 2002B (Bond Series 2002B). The financial institutions have guaranteed that the securities will earn a rate of 5.332%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2032.) The notional amount for this agreement is $1,015, representing the current balance in the debt service funds for the Bond Series 2002B covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

Forward Purchase Agreement – IX

In December 2003, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month from the proceeds within the debt service account related to the airport Debt Service Account, Series 2003A (Bond Series 2003A). The financial institutions have guaranteed that the securities will earn a rate of 5.579%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called or are refinanced. (The last of these bonds is scheduled to mature in 2018.) The notional amount for this agreement is $6,547, representing the current balance in the debt service funds for the Bond Series 2003A covered by the forward purchase agreement. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

(c) Fair Value

As of June 30, 2004, the Airport's obligation related to forward purchase agreement – I is recorded on the balance sheet. As of June 30, 2004, the forward purchase agreement – II had a fair value of $3,805, the forward purchase agreement – III had a fair value of $1,065, the forward purchase agreement – IV had a fair value of $126, the forward purchase agreement – V had a fair value of $536, the forward purchase agreement – VI had a fair value of $1,309, the forward purchase agreement VII had a fair value of $208, the forward purchase agreement – VIII had a fair value of $60, and the forward purchase agreement – IX had a fair value of $468. These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2004, for a United States Treasury Obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed to the Airport, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2004, for a United States Treasury Obligation with a comparable length of time remaining until maturity.

(d) Credit Risk

The forward purchase agreements' fair value represents the Airport's credit exposure to the financial institutions as of June 30, 2004. Should the financial institutions fail to perform according to the terms of the agreement, the Airport faces a maximum possible loss equivalent to the agreements' aggregate fair value of $7,577.

(e) Interest Rate Risk

The forward purchase agreements expose the Airport to interest rate risk. Should interest rates increase above the levels guaranteed by the agreements, the financial institutions, and not the Airport, would realize this increase in investment earnings.

(f) ***Termination Risk***

Either the Airport or the financial institutions may terminate the agreements under certain conditions. Should such a termination take place, the Airport would either owe a termination payment to the financial institutions, or be entitled to a termination payment from the financial institutions, depending upon market interest rate conditions at the time of the termination.

(9) 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, 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, 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 2004 and 2003, revenues from signatory air carriers accounted for 52% and 56% 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.

(Dollars in thousands)

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 2004 and 2003:

		2004		
		Signatory	Non-signatory	Total
Airfield	$	36,112	7,596	43,708
Terminal and concourses		23,795	893	24,688
Hangars and other buildings		378	43	421
Cargo buildings		1,878	–	1,878
	$	62,163	8,532	70,695

		2003		
		Signatory	Non-signatory	Total
Airfield	$	45,280	4,545	49,825
Terminal and concourses		23,998	703	24,701
Hangars and other buildings		394	32	426
Cargo buildings		2,195	–	2,195
	$	71,867	5,280	77,147

(10) Status of Transactions With Signatory Air Carrier – American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 36% and 44% of the Airport's total operating revenues and 49% and 61% of total revenues from signatory air carriers for the fiscal years ended June 30, 2004 and 2003, respectively. Accounts receivable at June 30, 2004 and 2003 contained $5,827 and $8,263, respectively, relating to amounts owed to the Airport by American. These amounts include $5,721 and $8,132 of unbilled aviation revenues at June 30, 2004 and 2003, respectively.

(a) Decision by American to Reduce Operations at the Airport

On November 1, 2003, American's activities at the Airport were reduced as follows:

- The number of daily flights offered by American were reduced from 417 to 213.
- American discontinued nonstop flights to 25 cities.
- American reduced the number of gates which it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

Action steps for current operations include the following:

- Effective November 1, 2003, the Airport increased the airfield landing rate from $2.45 to $3.40 per thousand pounds of landed weight. Effective July 1, 2004, the Airport increased the airfield landing rate again from $3.40 to $4.07 per thousand pounds of landed weight.
- The Airport reviewed its Operations and Maintenance Budget and identified annual reductions totaling $7,000, consisting of eliminating 105 personnel positions ($5,000) and reduction of various non-personnel expenses ($2,000).
- The Airport reevaluated its five-year Capital Improvement Program and deferred $90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of August 2004, the Airport has successfully secured 55 additional flights from both existing and new carriers, and obtained nine flight upgrades.

Action steps for Phase I of the Airport Development Program include:

- The Airport reevaluated its Phase I of the Airport Development Program, which resulted in the deferral of approximately $85,000 in expenses.
- The Airport secured increased funding totaling $85,000 with the Federal Aviation Administration in the Airport's current Letter of Intent (LOI) funding. The increased funding is comprised of $50,000 for construction, $20,000 for noise abatement, and $10,000 advanced LOI funding.

No assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport, (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the decline in Airport revenues is mitigated by the Airport Use Agreement which expires December 31, 2005 (see Note 9), concession agreements, and other leases, which contain minimum annual revenue guarantees.

(Dollars in thousands)

(b) Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (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 had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates which represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was $7,773 and $7,829 for the years ended June 30, 2004 and 2003, respectively.

(11) Operating Leases

The Airport leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires and others. These leases, for periods ranging from 1 to 50 years, 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:	
2005	$ 25,290
2006	15,243
2007	14,645
2008	15,965
2009	9,736
2010-2014	21,845
2015-2019	6,048
2020-2024	3,562
2025-2029	3,562
2030-2034	3,562
2035-2039	356
Total minimum future rentals	$ 119,814

(Dollars in thousands)

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $23,326 and $19,403 for the years ended June 30, 2004 and 2003, respectively.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements which expire at various dates through 2008. Expenses for operating leases and service agreements were $1,620 and $3,302 for the years ended June 30, 2004 and 2003, respectively. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:		
2005	$	146
2006		98
2007		48
2008		25
Total minimum future rentals	$	317

(12) Concessionaire Revenues

During fiscal years 2004 and 2003, revenues from concessionaires accounted for 27% and 26% respectively, of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2004 and 2003:

		2004	2003
Advertising	$	3,173	2,879
Transportation services		690	684
Automobile rental		9,483	10,041
General merchandise sales		1,887	2,185
Parking services		9,665	8,682
Food and catering services		4,882	6,235
Other		1,824	2,462
	$	31,604	33,168

(13) Related-Party Transactions

During the years ended June 30, 2004 and 2003, the City charged the Airport $1,886 and $2,389, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses as interfund services used.

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, 2004 and 2003, gross receipts tax amounted to $5,434 and $5,260, respectively, and are reflected as transfers out in the accompanying basic financial statements. As of June 30, 2004 and 2003, $1,596 and $1,559, respectively, remain unpaid.

(14) 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 public defined benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants.

Firemen's Retirement System of St. Louis

(a) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 S. Broadway; St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 40% of the final two year average monthly compensation at 20 or more years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of such final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick leave pay may increase the maximum pension beyond the 75% limitation.

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.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the system who have achieved at least 20 years of creditable service and have 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

(Dollars in thousands)

DROP plan, the member will not receive credit for employer 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 are available to the member in a lump sum or in installments.

(b) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The Airport 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.

(c) Annual Pension Cost

Contributions of $194 were made to the Firemen's System by the Airport during the fiscal year ended June 30, 2004. The contribution consisted of $129 of normal cost plus $65 in unfunded actuarial accrued liability amortization payments in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at September 1, 2003. The following were some of the significant actuarial assumptions used in the valuation of the Firemen's System:

Date of actuarial valuation	September 1, 2003
Actuarial cost method	Entry age frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation methods	3 year smoothed market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Three Year Trend Information – Firemen's System

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2004	$ 194	100%	$ –
2003	336	100%	–
2002	354	100%	–

Employees' Retirement System of the City of St. Louis

(a) System Description

All nonuniformed employees of the Airport become members of the Employees' System upon employment, with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death or disability 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 the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceed 85. Early retirement is at age 60, with five years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the Mayor of the City of St. Louis approved an ordinance passed by the Board of Aldermen, which will establish a Deferred Retirement Option Plan (DROP), effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

(b) Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees elected to require employer contributions at a rate of 10.31% of active member payroll effective July 2003. The City contributed 6% of active member payroll effective July 2003. Prior to July 2003, the employer contribution rate was 8.8%.

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 the employee's 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 employee compensation. These voluntary contributions vest immediately.

(Dollars in thousands)

(c) Annual Pension Cost and Net Pension Obligation

The Airport's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2004and 2003, are as follows:

	2004	2003
Annual required contribution	$ 3,188	3,012
Interest on net pension obligation	94	46
Adjustment to annual required contribution	(131)	(63)
Annual pension cost	3,151	2,995
Contributions made	(1,336)	(2,396)
Increase in net pension obligation	1,815	599
Net pension obligation, beginning of year	1,172	573
Net pension obligation, end of year	$ 2,987	1,172

The net pension obligation of $2,987 and $1,172 as of June 30, 2004 and 2003, respectively, are reflected as other long-term liabilities in the accompanying financial statements. The following were some of the significant actuarial assumptions used in the valuation of the Employee's System:

Date of actuarial valuation	October 1, 2003
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount for unfunded liability
Remaining amortization period	16.25 years as of October 1, 2003
Asset valuation methods	The book value at beginning of year, plus 25% of the difference between market value and book for the last four years; less the member savings fund
Investment rate of return	8.00%
Projected salary increases	3.00%
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

(Dollars in thousands)

Three-Year Trend Information – Employees' System

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation/ (Asset)
2004	$	3,151	42.40%	$	2,987
2003		2,995	80.00%		1,172
2002		2,212	48.28%		573

(15) Commitments and Contingencies

(a) Record of Decision

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed $2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of Lambert's existing runway and taxiway system.

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds. During fiscal year 2001, the Series 2000 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 Letter of Intent Double Barrel Revenue Bonds and to provide additional financing for the project (See Note 6).

Lawsuits previously filed by the Cities of St. Charles and Bridgeton, Missouri, challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 1,937 parcels to be acquired. As of August 2, 2004, 1,559 offers have been extended; of these, 1,538 offers have been accepted; of these, 1,514 real estate transactions have been closed; of these, 1,477 properties have been vacated by the sellers and are in the possession of the Airport; of these, 1,405 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

(b) Other

At June 30, 2004, the Airport had outstanding commitments amounting to approximately $138,059, resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project. In addition, the Airport has $18,905 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.

Finally, 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 results of operations of the Airport.

(16) Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. During the years ended June 30, 2004 and 2003, expenses related to the Airport's participation in PFPC amounted to $579 and $1,141, respectively, and are reflected as interfund services used in the accompanying basic financial statements. At June 30, 2004 and 2003, the Airport owed PFPC $1,563 and $1,884, respectively, for unreimbursed workers' compensation claims.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.

(17) Subsequent Event

On August 17, 2004, the Airport issued $1,000 in Series 2004A Commercial Paper Notes, due September 1, 2004, at an annual interest rate of 1.25% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction or enlargement of facilities, appurtenances and equipment at the Airport.

(Continued)

(18) Future Accounting Pronouncements

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, modifies existing, and imposes new, disclosure requirements relative to the Airport's cash and investments. This statement will be effective for the Airport for the fiscal year ending June 30, 2005. Management of the Airport has not yet completed its assessment of the statement.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, defines the appropriate accounting treatment for capital asset impairments and related insurance recoveries. This statement will be effective for the Airport for the fiscal year ending June 30, 2006. Management of the Airport has not yet completed its assessment of the statement.

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LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Analysis of Cash and Investment Accounts
Year ended June 30, 2004
(Dollars in thousands)

	Unrestricted			Held by Trustee Bond Fund	
	Revenue Fund	Revenue Fund Subaccount	Operation and Maintenance Fund	Debt Service Account	Debt Service Reserve Account
Balance at June 30, 2003	$ 420	1,559	6,002	79,816	63,986
Cash deposited with City Treasurer	123,426	–	–	–	–
Cash receipts	–	–	–	1,047	4,717
Transfer in accordance with ordinance	(113,331)	5,434	71,150	61,685	(3,674)
Vouchers and requisitions paid	(9,548)	–	(70,360)	–	–
Bond proceeds	–	–	–	–	(102)
Payments:					
Interest	–	–	–	(47,905)	(1,318)
Redemption of bonds	–	–	–	(27,725)	–
Payments to the City of 5% of gross receipts	–	(5,397)	–	–	–
Receipts from FAA	–	–	–	–	–
Capital appropriation	–	–	–	–	–
Capital expenditures	–	–	–	–	–
Balance at June 30, 2004	$ 967	1,596	6,792	66,918	63,609

See accompanying independent auditors' report.

Restricted						
			Other Restricted Funds			
Renewal and Replacement Fund	Passenger Facility Charge Fund	Development Fund	Appropriated	Unappro-priated	Contingency Fund	Total
3,500	4,607	47,731	437,923	11,287	1,850	658,681
–	32,146	–	–	–	–	155,572
–	–	–	(9,235)	10,961	272	7,762
–	525	(12,602)	(15)	(9,172)	–	–
–	–	–	–	–	(163)	(80,071)
–	–	–	–	9,325	–	9,223
–	–	–	–	(137)	–	(49,360)
–	–	–	–	(3,285)	–	(31,010)
–	–	–	–	–	–	(5,397)
–	–	46,101	–	–	–	46,101
–	(24,276)	(22,320)	49,658	(3,062)	–	–
–	–	–	(212,262)	–	–	(212,262)
3,500	13,002	58,910	266,069	15,917	1,959	499,239

Schedule II

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1993 Taxable Revenue Refunding Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2004	6.15 %	12,245
		$ 12,245

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1996 Revenue Refunding Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2004	5.05 %	$ 3,680
2005	5.15	3,865
2006	5.25	4,065
2007	5.35	4,275
		$ 15,885

See accompanying independent auditors' report.

Schedule IV

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1997 Taxable Revenue Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	1997A Interest Rate	1997A Principal Maturity	1997B Interest Rate	1997B Principal Maturity	Total Principal Maturity
2005	4.50 %	$ 755	5.25 %	$ 2,735	$ 3,490
2006	4.60	995	5.25	3,710	4,705
2007	4.65	1,085	5.25	4,110	5,195
2008	4.70	1,135	6.00	4,300	5,435
2009	4.85	1,185	6.00	4,530	5,715
2010	5.00	1,240	6.00	4,775	6,015
2011	5.00	1,295	6.00	5,035	6,330
2012	5.10	1,360	6.00	5,310	6,670
2013	5.15	1,420	6.00	5,605	7,025
2014	5.25	1,490	6.00	5,910	7,400
2015	5.25	1,560	5.25	6,245	7,805
2016	5.25	1,635	5.25	6,545	8,180
2017	5.25	1,710	5.25	6,865	8,575
2022	5.13	9,395	5.25	37,745	47,140
2027	5.13	12,070	5.25	48,750	60,820
		$ 38,330		$ 152,170	$ 190,500

See accompanying independent auditors' report.

Schedule V

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1998 Revenue Refunding Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	Interest Rate		Principal Maturity
2004	5.00 %	$	4,310
2005	5.00		4,530
2006	4.00		4,760
2007	4.00		4,950
2008	5.13		5,145
2009	5.13		5,410
2010	5.13		5,690
2011	5.13		5,980
2012	5.13		6,295
2013	5.13		6,610
2014	5.13		6,945
2015	5.13		7,305
		$	67,930

See accompanying independent auditors' report.

Schedule VI

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 2001A Airport Revenue Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity	Interest Rate	Principal Maturity	Total Principal Maturity
2007	4.13 %	$ 3,645	5.00 %	$ 6,130	$ 9,775
2008	4.25	870	5.50	9,365	10,235
2009	4.40	1,165	5.50	9,625	10,790
2010	4.50	1,620	5.50	9,745	11,365
2011	4.60	1,760	5.00	10,215	11,975
2012	4.70	1,130	5.63	11,435	12,565
2013	–	–	5.63	13,260	13,260
2014	4.90	750	5.63	13,260	14,010
2015	5.00	1,640	5.63	13,155	14,795
2016	5.05	395	5.63	15,220	15,615
2017	5.13	355	5.63	16,135	16,490
2018	5.20	300	5.63	17,120	17,420
2019	5.25	1,365	5.63	17,030	18,395
2020	5.30	930	5.00	18,500	19,430
2021	5.30	1,020	5.00	19,375	20,395
2022	–	–	5.13	21,420	21,420
2026	–	–	5.00	76,875	76,875
2031	5.40	810	5.25	119,565	120,375
					$ 435,185

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 2002 Airport Revenue Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	2002A Interest Rate	2002A Principal Maturity	2002A Interest Rate	2002A Principal Maturity	2002B Interest Rate	2002B Principal Maturity	2002C Interest Rate	2002C Principal Maturity	Total Principal Maturity
2004		–		–		–	3.00 %	$ 780	$ 780
2005		–		–		–	2.50	805	805
2006	3.00 %	$ 470	5.00 %	$ 810	5.00 %	$ 605	5.00	820	2,705
2007	3.00	540	5.00	795	3.00	635	5.00	865	2,835
2008	3.00	605	5.00	790	5.00	655	5.00	910	2,960
2009	5.25	1,450		–	5.25	690	5.25	955	3,095
2010	5.25	465	3.60	1,060	5.25	725	5.50	1,000	3,250
2011	5.25	690	3.80	910	5.25	760	5.50	1,055	3,415
2012	5.25	1,675		–	4.25	800	5.50	1,110	3,585
2013	4.00	1,760		–	4.25	835	5.50	1,170	3,765
2014	5.38	1,830		–	4.00	870	5.50	1,240	3,940
2015	5.38	1,930		–	4.50	910	5.50	1,305	4,145
2016	5.38	2,035		–	4.60	950		–	2,985
2017	5.38	2,140		–	4.70	995		–	3,135
2018	5.38	2,260		–	4.75	1,040		–	3,300
2019	5.38	2,380		–	4.75	1,090		–	3,470
2020	5.38	2,505		–	4.88	1,145		–	3,650
2021	5.38	2,640		–	4.88	1,200		–	3,840
2022	4.75	2,785		–	5.00	1,255		–	4,040
2027	5.00	16,110		–	5.00	7,290		–	23,400
2032	5.00	20,560		–	5.00	9,305		–	29,865
		$ 64,830		$ 4,365		$ 31,755		$ 12,015	$ 112,965

See accompanying independent auditors' report.

Schedule VIII

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 2003A Revenue Refunding Bonds Payable
June 30, 2004
(Dollars in thousands)

Maturity on July 1	Discount Serial Bonds Interest Rate	Discount Serial Bonds Principal Maturity	Premium Serial Bonds Interest Rate	Premium Serial Bonds Principal Maturity	Total Principal Maturity
2007	2.38 %	$ 1,150	5.00 %	$ 3,315	$ 4,465
2008	2.80	1,160	5.00	3,505	4,665
2009	3.20	1,145	5.00	3,735	4,880
2010	3.50	625	5.25	4,495	5,120
2011	3.75	235	5.25	5,150	5,385
2012	3.88	190	5.25	5,485	5,675
2013	4.00	5,940	5.25	–	5,940
2014	4.00	6,185	5.25	–	6,185
2015	4.13	795	5.25	5,680	6,475
2016	4.25	125	5.25	6,690	6,815
2017	4.25	250	5.25	6,930	7,180
2018	4.30	2,555	5.25	5,000	7,555
		$ 20,355		$ 49,985	$ 70,340

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of 2003B Taxable Revenue Refunding Bonds Payable

June 30, 2004

(Dollars in thousands)

Maturity	Interest Rate	Principal Maturity
July 1, 2004	2.00 %	$ 4,060
January 1, 2005	1.88	10,700
July 1, 2005	2.05	10,700
		$ 25,460

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of Insurance

June 30, 2004

(Dollars in thousands)

Insurer		Amount	Expiration Date	Character of Coverage
Old Republic Insurance Company	$	50,000	10/1/2004	General liability
Global Aerospace & Lloyds		300,000	10/1/2004	General liability excess
National Union Fire Insurance		7,000	10/1/2004	Public official's liability
FM Global Insurance		778,000	10/1/2004	Comprehensive property damage
The Hartford Insurance Company		100	10/1/2004	Employee honesty bond
The Cincinnati Insurance Company		5,000	10/1/2006	Business auto and excess
St. Paul Fire and Marine		1,360	10/1/2004	Insurance on fine arts

See accompanying independent auditors' report.

Appendix C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

THE INDENTURE

The following is a summary of certain provisions of the Indenture of Trust dated as of October 15, 1984 (the "Original Indenture of Trust"), the First Supplemental Indenture of Trust, dated as of July 1, 1987 (the "First Supplemental Indenture"), 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 "Third Supplemental Indenture"), 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"), the Sixth Supplemental Indenture of Trust, dated as of August 1, 1997 (the "Sixth Supplemental Indenture"; the Original Indenture of Trust, as amended and supplemented 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 is referred to herein as the "Original Indenture"), the Amended and Restated Indenture of Trust, dated as of October 15, 1984 as amended and restated as of September 10, 1997 (the "Restated Indenture"), the Seventh Supplemental Indenture of Trust, dated as of December 1, 1998 (the "Seventh Supplemental Indenture"), the Eighth Supplemental Indenture of Trust, dated as of May 1, 2001 (the "Eighth Supplemental Indenture"), the Ninth Supplemental Indenture of Trust, dated as of December 1, 2002 (the "Ninth Supplemental Indenture"), the Tenth Supplemental Indenture of Trust dated as of February 1, 2003 (the "Tenth Supplemental Indenture"), the Eleventh Supplemental Indenture Trust dated as of May 1, 2003 (the "Eleventh Supplemental Indenture"), the Twelfth Supplemental Indenture of Trust dated as of May 1, 2004 (the "Twelfth Supplemental Indenture"), and the Thirteenth Supplemental Indenture of Trust dated as of June 1, 2005 (the "Thirteenth Supplemental Indenture"; the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture, and the Thirteenth Supplemental Indenture is referred to herein as the "Indenture"). This summary does not purport to set forth all of the provisions of the Indenture and reference is made to the Indenture for its complete and actual terms.

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 Restated 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 twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

"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.

"Arbitrage Rebate Fund" means the Fund established by 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 of the City to perform specific acts or duties related to the subject matter of the authorization.

"Beneficial Owner" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"Bond" or "Bonds" means the Series 2005 Refunding Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means Nixon Peabody LLP and White Coleman & Associates, a professional corporation, or any other attorney or firm of attorneys nationally recognized on the subject of municipal bonds selected by the City and acceptable to the Trustee.

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

"Bondholder," "Holder of Bonds" 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 of, and interest on the applicable series of Bonds and with respect to the Series 2005 Refunding Bonds means the Series 2005 Refunding Bond Insurance Policy.

"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.

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

"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.

"Business Day" means any day of the year other than (a) a Saturday or Sunday or (b) any day on which banks located in New York, New York, St. Louis, Missouri or Kansas City, Missouri are required or authorized by law to remain closed.

"Capital Budget" means the capital 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.

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

"City Fiscal Year" means the twelve-month period beginning on July 1 of one year and ending on June 30 of the following year, or such other fiscal year of twelve months as may be selected by the City.

"City-Held PFC Revenues" means, collectively, PFC Revenues on deposit in the Revenue Fund and PFC Revenues held by the City in the PFC Account and available to pay debt service.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

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

"Consulting Engineers" 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.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement executed and delivered by the City and the Dissemination Agent with respect to the Series 2005 Refunding Bonds.

"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). Such interest and Principal Installments for such Series of Bonds shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof. 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.

"Debt Service Stabilization Fund" means the Airport Debt Service Stabilization Fund established by the Indenture.

"Debt Service Stabilization Fund Requirement" means an amount equal to 35 percent of the maximum annual Debt Service on the Bonds due in the then current or any future Airport Fiscal Year, subject to the provisions of the Indenture.

"Determination Date" means the later of (i) the City's receipt of a certificate from the Airport Consultant certifying that the 2001A ADP Project has been completed or (ii) the expiration of the Use Agreements (i.e., December 31, 2005); provided, however, that prior to December 31, 2005, the Determination Date shall mean December 31, 2005.

"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 Agencies 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 either at the closing of such Series of Bonds or 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.

"Debt Service Reserve Account" means the Debt Service Reserve Account established within the Bond Fund.

"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.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, as amended, a "banking organization" within the meaning of the New York Banking Law, as amended, a member of the Federal Reserve System, a "clearing corporation," within the meaning of the New York Commercial Code, as amended, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934, as amended, and its successors and assigns.

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

"FAA" means the Federal Aviation Administration, or the successor to its powers and authority.

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

"Fitch" means Fitch Ratings, Inc.

"Future O&D PFC Revenues" means that portion of PFC Revenues to be derived from the PFCs payable by passengers whose air travel originates at the Airport or whose destination is the Airport, as estimated by the Airport Consultant.

"Future PFC Revenues" means an amount of PFCs that equals the amount of PFCs authorized to be imposed by the City at the Airport, less the amount of PFCs that have been received by the City.

"GARB 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. GARB Revenues does 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 the Indenture, (e) any consideration received by the City upon transfer of the Airport pursuant to the Indenture, (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 GARB Revenues by the City in a Supplemental Indenture; (h) insurance proceeds which are not deemed to be GARB 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 (1) amounts payable to the City under an Interest Rate Exchange Agreement unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

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

"Indenture" means the Original Indenture, as amended and supplemented by the Prior Supplemental Indentures, as amended and restated by the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture, the Eighth Supplemental Indenture, the Ninth Supplemental Indenture, the Tenth Supplemental Indenture, the Eleventh Supplemental Indenture, the Twelfth Supplemental Indenture and the Thirteenth Supplemental Indenture.

"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.

"Insurance Consultant" means an insurance consultant or other expert (and may include the Airport Consultant) having expert knowledge and skill with respect to the scope and amounts of insurance coverages appropriate for airport facilities similar to the Airport.

"Interest Payment Date" means January 1 and July 1 of each year beginning January 1, 2006.

"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 affect the exclusion of interest on Bonds from gross income for the purposes of federal income taxation.

"Investment Securities" means, 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 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 "AA" 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 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 of 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, that the bond insurers for various series of Bonds have specified investment criteria as set forth in the Indenture and its supplements.

"Moody's" means Moody's Investors Service, Inc.

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

"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 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" 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.

"Operation 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.

"Original Indenture" means the Indenture of Trust dated as of October 15, 1984, between the City and Mercantile Trust Company, National Association, predecessor in interest to the Trustee.

"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 Restated Indenture.

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

"PFC Account" means the PFC Account established and held by the City.

"PFC Act" means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S.C. § 40117, as amended from time to time.

"PFC-Eligible Debt Service" means, for any PFC Year, that portion of debt service on the Bonds, the proceeds of which were used to finance PFC-Eligible Projects.

"PFC-Eligible Projects" means any projects that (i) are approved by the FAA for the imposition of PFC Revenues and (ii) are designated by the City as "PFC-Eligible Projects" pursuant to a Supplemental Indenture for the purpose of including the debt service thereon in the definition of PFC-Eligible Debt Service.

"PFC-Eligible 2001A ADP Debt Service" means PFC Eligible Debt Service on the 2001A ADP Bonds.

"PFC Eligible 2001A ADP Project" means any project designed at a *PFC* Eligible Project pursuant to the Eighth Supplemental Indenture.

"PFC Regulations" means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

“PFC Revenues” means the PFCs remitted to the City as a result of enplanements at the Airport, including any interest earned thereon, after such PFCs have been remitted to the City as provided in the PFC Regulations.

“PFCs” means the passenger facility charges imposed at an airport from time to time pursuant to the PFC Act, the PFC Regulations and any Record of Decision of the FAA relating to passenger facility charges.

“PFC Year” means each one-year period from July 2 of a given calendar year through and including July 1 of the succeeding calendar year.

“Pledged PFC Revenues” means the portion of PFC Revenues that has been pledged to the payment of the Bonds pursuant to the terms of the Eighth Supplemental Indenture or any future Supplemental 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.

“Principal Payment Date” means July 1 of each year.

“Prior Supplemental Indentures” means, collectively, the First Supplemental Indenture of Trust between the City and the Trustee, dated as of July 1, 1987, the Second Supplemental Indenture of Trust between the City and the Trustee, dated as of November 15, 1992, the Third Supplemental Indenture of Trust between the City and the Trustee, dated as of November 1, 1993, the Fourth Supplemental Indenture of Trust between the City and the Trustee, dated as of April 1, 1996, the Fifth Supplemental Indenture of Trust between the City and the Trustee, dated as of April 1, 1996, and the Sixth Supplemental Indenture of Trust between the City and the Trustee, dated as of August 1, 1997.

“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, S&P and Fitch, 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.

“Record Date” means the 15^{th} day of the month preceding an Interest Payment Date.

“Redemption Price” means with respect to any Series 2005 Refunding Bond, the amount payable upon redemption thereof pursuant to the Thirteenth Supplemental Indenture.

“Refunded Bonds” means the principal plus related interest of Bonds being refunded pursuant to the Thriteenth Supplemental Indenture as described therein..

“Renewal and Replacement Fund” means the Airport Renewal and Replacement Fund established by the Indenture.

"Restated Indenture" means the Amended and Restated Indenture of Trust between the City and the Trustee dated as of October 15, 1984, and further amended and restated as of September 10, 1997.

"Revenues" means, collectively, the GARB Revenues, the Pledged PFC Revenues and any other available moneys deposited, at the discretion of the City, in the Revenue Fund.

"Revenue Fund" means the Airport Revenue Fund established by the Indenture. "S&P" means Standard & Poor's Ratings Services.

"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 2005 Refunding Bond Insurer" means MBIA Insurance Corporation, a New York stock insurance company, or any successor thereto or assignee thereof.

"Series 2005 Refunding Bonds" means The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2005 (Non-AMT) (Lambert-St. Louis International Airport).

"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.

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

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

"Supplemental Indenture" means any indenture of the City amending or supplementing the Restated Indenture and adopted and becoming effective in accordance with the terms of the Restated Indenture.

"Tax Certificate" means the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, by the City to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"Trustee" means UMB Bank, N.A., a national banking association, and any successor trustee under the Indenture, acting in its trust capacity.

"Trust Estate" means (i) the proceeds of the sale of the Series 2005 Refunding Bonds; (ii) GARB Revenues; (iii) the Pledged PFC Revenues; (iv) all funds established by the Indenture, including the investments, if any, thereof; (v) all other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the City, or by anyone on its behalf or with its written consent, in favor of the Trustee, which is authorized to receive all such property at any time and to hold and apply the same subject to the terms of the Indenture; and (vi) all proceeds of any of the foregoing.

"Underwriters" means those underwriters identified in the Bond Purchase Agreement relating to the sale, purchase and delivery of the Series 2005 Refunding Bonds.

"Use Agreements" means the commercial airlines/airport use agreements between the principal certificated air carriers and the City, as amended from time to time.

"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 the principal and/or interest components of any Outstanding Bonds, Subordinated Indebtedness, Special Facilities Indebtedness, or other indebtedness issued for Airport purposes, 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 be designated as "Airport Revenue Bonds" and will include such further appropriate designation as the City shall determine to distinguish the Bonds of such Series from the Bonds of all other Series.

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) An Accountant's Certificate setting forth (a) for any period of 12 consecutive calendar months out of the 18 calendar months next preceding the authentication and delivery of such Series, the Net Revenues for such 12-month period, and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service;

(2) A certificate of the Consulting Engineers setting forth (a) the estimated date of completion for the Project or any Additional Project for which such Series of Additional Bonds is being issued, and (b) an estimate of the Cost of Construction of the Project or any such Additional Project;

(3) A certificate of the Airport Consultant setting forth each of the three Airport Fiscal Years following the Airport Fiscal Year in which the Consulting Engineers estimate the Project or any such Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Services Reserve Account, the Renewal and Replacement Fund and the Development Fund;

(4) A certificate of an Authorized Officer of the City setting forth (a) the estimates of Net Revenues, as set forth in the certificate of the Airport Consultant described in paragraph (3) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Project or any Additional Project will be completed, (b) the estimates of the amounts to be deposited in certain funds and accounts from Revenues as set forth in the certificate of the Airport Consultant pursuant to paragraph (3) described above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Project or any Additional Project will be completed, and (c) the Aggregate Adjusted Debt Service, determined after giving effect to the issuance of such Additional Bonds and including the Aggregate Debt Service, as estimated by such Authorized Officer, with respect to future Series of Bonds, if any, which such Authorized Officer shall estimate (based on the estimate of the Consulting Engineers of the Cost of Construction for the Project or any such Additional Project utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of the Project or any such Additional Project, and demonstrating that the estimated Net Revenues in each of the Airport Fiscal Years set forth in (a) above is at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year determined as described in (c) above; and

(5) A Counsel's Opinion to the effect that the issuance and sale of such Additional Bonds and the application of the proceeds thereof in accordance with the terms of the Supplemental Indenture authorizing such Bonds will not adversely affect the tax-exempt status of any Bonds outstanding immediately prior to the issuance of such Additional Bonds.

The proceeds, including accrued interest, of the Additional Bonds of each Series are to be applied simultaneously with the delivery of such Bonds in accordance with the Supplemental Indenture authorizing such Bonds or determining the terms and details thereof.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test pursuant to the Indenture for any Airport Fiscal Year may not exceed 125% of the sum of the outstanding and proposed PFC-Eligible Debt Service for such Airport Fiscal Year.

Refunding Bonds

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding all or a portion of the principal and/or interest components of (i) any Outstanding Bonds, (ii) any Subordinated Indebtedness, (iii) any Special Facilities Indebtedness, or (iv) any other indebtedness issued for Airport purposes. Refunding Bonds are to be issued in a principal amount sufficient, together with other moneys available therefor, 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.

Refunding Bonds of each Series issued to refund one or more Series of Outstanding Bonds or one or more maturities within a Series are to be authenticated and delivered by the Trustee only upon receipt by it from the City (in addition to the documents and moneys required by the Indenture) of:

(1) Irrevocable instruction to the Trustee, satisfactory to it, to give due notice of redemption of all Bonds to be redeemed, if any, on a redemption date specified in such instructions;

(2) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to mail the notice provided in the Indenture to the Owners of the Bonds being refunded;

(3) Either (a) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys are to be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Owners of the Bonds to be refunded, or (b) Government Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as are necessary to comply with the provisions of the Indenture and any moneys required pursuant to the Indenture, which Government Securities and moneys are to be held in trust and used only as provided in the Indenture.

(4) Either of the following: (a) a certificate of an Authorized Officer of the City setting forth (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Services 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; or (b) the certificates required by the Indenture evidencing that such Series of Refunding Bonds meets the tests provided for by the Indenture considering, for all purposes of such certificates and test, that such Series of Refunding Bonds is a Series of Additional Bonds.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds for the purpose of making deposits in such Funds and Accounts under the Indenture as shall be provided in the Supplemental Indenture authorizing such Bonds or determining the terms and details thereof and is to be applied to the refunding purposes thereof in the manner provided in said Supplemental Indenture.

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 sale of the Bonds, (ii) GARB Revenues, (iii) Pledged PFC Revenues and (iv) all Funds established by the Indenture, including the investments, if any, thereof, and (v) all other property of every name and nature from time to time mortgaged, pledged or hypothecated as and for additional security under the Indenture by the City, or by anyone on its behalf or with its written consent, in favor of the Trustee, authorized to receive all such property at any time and to hold and apply the same, subject only to the rights of the holders of the Outstanding Obligations pursuant to the Outstanding Obligations Ordinances to the GARB Revenues of the Airport and the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

PFC-Eligible 2001A ADP Projects. The component projects of the 2001A ADP Project set forth in Appendix I to the Eighth Supplemental Indenture designated PFC-Eligible 2001A ADP Projects and the portion of the debt service on the 2001A ADP Bonds attributable to such PFC-Eligible 2001A ADP Projects constitute PFC-Eligible Debt Service. The amount of 200IA ADP Bond proceeds to be used to finance each PFC-Eligible 2001A ADP Project listed in Appendix Ito the Eighth Supplemental Indenture may be increased or decreased so long as the total amount of 2001A ADP Bond proceeds used to finance the PFC-Eligible 2001A ADP Projects listed on Appendix Ito the Eighth Supplemental Indenture remains the same.

The debt service on the 2001A ADP Bonds which is attributable to component projects of the 2001A ADP Project that are PFC-Eligible 2001A ADP Projects are set forth on Appendix II to the Eighth Supplemental Indenture. In the event of the redemption or defeasance of a portion of the 2001A ADP Bonds, the City is required to provide the Trustee with a certificate which reflects the reduction in PFC-Eligible Debt Service as a result of such redemption or defeasance.

Pledged PFC Revenues

General. Pledged PFC Revenues for a given PFC Year constitute that portion of the PFC Revenues that, for such PFC Year, equals 125% of the amount of PFC-Eligible 2001A ADP Debt Service due during such PFC Year. The Pledged PFC Revenues for a given month are an amount equal to at least one-twelfth (1/12th) of the total of Pledged PFC Revenues for the PFC Year, plus any deficiencies in Pledged PFC Revenues for any prior month in such PFC Year.

The definition of Revenues, as set forth in the Restated Indenture, is amended to include the Pledged PFC Revenues.

Pursuant to the Indenture, the City has pledged the Pledged PFC Revenues for the benefit of the Owners of the Bonds, including the 2001A ADP Bonds. The City will not create a lien on Pledged PFC Revenues that is senior to the lien of the 2001A ADP Bonds.

The Series 2005 Refunding Bonds will not finance any PFC-Eligible Project and accordingly none of the debt service on the Series 2005 Refunding Bonds is PFC-Eligible Debt Service.

The City may, at any time with the execution and delivery of a Supplemental Indenture, submit additional PFC Revenues to the pledge of the Indenture.

Limitation on Pledge of PFC Revenues to Other Obligations. Prior to the Determination Date, the City is restricted from issuing any obligations the debt service on which will be payable, in whole or in part, from a pledge of PFC Revenues on a parity with the pledge of PFC Revenues to the Bonds unless Future O&D PFC Revenues for each PFC Year equal at least 125% of the aggregate of (i) the debt service on such obligations payable from Future PFC Revenues during such PFC Year, (ii) the Future PFC-Eligible Debt Service payable during such PFC Year and (iii) any other debt service payable from a pledge of PFC Revenues during such PFC Year.

Elimination of or Decrease in the Amount of Pledged PFC Revenues

On or after the Determination Date, the City may decrease the amount of Pledged PFC Revenues pledged to the Bonds, or eliminate the pledge of the Pledged PFC Revenues to the Bonds, upon receipt by the Trustee from the City of both of the following:

(i) A certificate of the Airport Consultant setting forth for each of three Airport Fiscal Years following the Airport Fiscal Year in which the pledge of the Pledged PFC Revenues will be decreased or eliminated, estimates of (A) Net Revenues (as adjusted to reflect the reduction or elimination of Pledged PFC Revenues), (B) the Aggregate Adjusted Debt Service (determined after giving effect to any Additional Bonds to be issued on or before the date of decrease or elimination of such pledge), and (C) demonstrating that the estimated Net Revenues set forth in (A) are at least equal to 1.25 times Aggregate Adjusted Debt Service for the corresponding Airport Fiscal Year determined as set forth in (B) above; and

(ii) An opinion of Bond Counsel to the effect that all conditions precedent to the decrease or elimination of the Pledged PFC Revenues have been met and such decrease or elimination will not adversely affect exclusion from gross income for federal income tax purposes of the interest on *any* Outstanding Bonds.

Establishment of Funds

The Indenture establishes the following Funds relating to the Series 2005 Refunding Bonds:

(A) Airport Revenue Fund, to be held by the City;

(B) Airport Operation and Maintenance Fund, to be held by the City;

(C) Airport Bond Fund held by the Trustee, including the 2005 Debt Service Sub-Account of the Debt Service Account;

(D) Debt Service Reserve Account within the Airport Bond Fund, including the 2005 Debt Service Reserve Sub-Account of the Debt Service Reserve Account;

(E) Airport Costs of Issuance Subaccount within the Airport Construction Fund, including the 2005 Airport Costs of Issuance Account of the 2005 Airport Construction Account of the Construction Fund;

(F) Debt Service Stabilization Fund, to be held by the City;

(G) Airport Renewal and Replacement Fund, to be held by the City;

(H) Airport Development Fund, to be held by the City;

(I) Debt Service Stabilization Fund, to be held by the City; and

(J) Airport Arbitrage Rebate Fund, to be held by the City.

Application of Revenues

General. All Revenues as received are to be promptly deposited by the City into the Revenue Fund; provided, however, that the City is required to deposit PFC Revenues into the Revenue Fund in an amount equal to at least one-twelfth (1/12th) of the total of Pledged PFC Revenues for the current PFC Year, plus any deficiencies in prior transfers during such PFC Year by no later than six (6) Business Days before the end of each month. Deposits into the Revenue Fund are to be adjusted to give credit for any excess money in the Revenue Fund prior to any such transfer.

No later than five (5) Business Days before the end of each month and prior to the transfers described in the paragraph below, the City is required to transfer from the Revenue Fund to the Trustee for deposit into the Debt Service Account PFC Revenues in an amount equal to at least one-twelfth ($1/12^{th}$) of the PFC-Eligible Debt Service for such PFC Year, plus any deficiencies in payments made in prior months during such PFC Year. Transfers to the Debt Service Account are to be adjusted to give credit for any excess money in the Debt Service Account prior to any such transfer.

As soon as practicable in each month after the deposit of Revenues in the Revenue Fund but in any case no later than five business days before the end of each month, and after the transfer described in the preceding paragraph, the City is required to withdraw from the Revenue Fund 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; provided that, for the purposes of computing the amount in said Account, there is to be excluded the amount, if any, set aside in said Account which was deposited therein from the proceeds of each Series of Bonds less the amount of interest accrued and unpaid and to accrue on the Bonds of such Series (or any Refunding Bonds issued to refund such Bonds) to the last day of the then current calendar month;

(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 (i) immediately, first from any funds in the sub-account in the Revenue Fund referred to in clause (5) below and, thereafter, from other available funds, in such priority as the City may direct in the Contingency Fund, the Development Fund and the Renewal and Replacement Fund and (ii) at the earliest practicable date, to the extent such funds are not sufficient for such purpose, from the first available Revenues (after all deposits required to be made pursuant to clauses (1) and (2) described above have been made) following such reduction; provided, however, notwithstanding anything to the contrary in the Indenture, 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 Arbitrage Rebate Fund, there shall be deposited as soon as practicable, the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount when due and payable;

(5) Amounts sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness (as certified by the trustee or other fiduciary with respect to such Subordinated Indebtedness) shall be transferred by the City to such trustee or other fiduciary for payment or deposit;

(6) 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 amount as the City will determine necessary, from time to time, for the purposes of 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;

(7) 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;

(8) For Airport Fiscal Years ending June 30, 2006 through June 30, 2011, to the Debt Service Stabilization Fund and the Airport Development Fund for the times and in the amounts and pursuant to the calculations set forth below:

(a) For Airport Fiscal Year ending June 30, 2006, to the Debt Service Stabilization Fund and the Airport Development Fund a total of up to $5,468,000, with 90.13% of each such transfer to the Debt Service Stabilization Fund and 9.87% of each such transfer to the Airport Development Fund;

(b) For Airport Fiscal Year ending June 30, 2007, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Year ending June 30, 2006 and not previously replenished; and then
(ii) To the Debt Service Stabilization Fund and the Airport Development Fund a total of up to $6,475,000, with 90.18% of each such transfer to the Debt Service Stabilization Fund and 9.82% of each such transfer to the Airport Development Fund;

(c) For Airport Fiscal Year ending June 30, 2008, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 and 2007 and not previously replenished; and then
(ii) To the Debt Service Stabilization Fund and the Airport Development Fund a total of up to $6,480,000, with 22.70% of each such transfer to the Debt Service Stabilization Fund and 77.30% of each such transfer to the Airport Development Fund;

(d) For Airport Fiscal Year ending June 30, 2009, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2008 and not previously replenished; and then
(ii) To the Debt Service Stabilization Fund and the Airport Development Fund a total of up to $7,643,000, with 85.79% of each such transfer to the Debt Service Stabilization Fund and 14.21% of each such transfer to the Airport Development Fund;

(e) For Airport Fiscal Year ending June 30, 2010, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2009 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Airport Development Fund a total of up to \$6,420,000, with 100% of each such transfer to the Debt Service Stabilization Fund and 0% of each such transfer to the Airport Development Fund;

(f) For Airport Fiscal Year ending June 30, 2011, as follows:

(i) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2010 and not previously replenished; and then

(ii) To the Debt Service Stabilization Fund and the Airport Development Fund a total of up to \$4,995,000, with 87.25% of each such transfer to the Debt Service Stabilization Fund and 12.75% of each such transfer to the Airport Development Fund;

(9) Beginning in Airport Fiscal Year ending June 30, 2012, and thereafter, to the Debt Service Stabilization Fund an amount sufficient to bring the amount on deposit in the Debt Service Stabilization Fund equal to the Debt Service Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

(10) The remaining GARB Revenues in the Revenue Fund will be deposited into the Development Fund;

(11) The remaining Pledged PFC Revenues in the Revenue Fund will be deposited into the PFC Account.

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 is required to transfer from the sub-account in the Revenue Fund to the general revenue fund of the City, an amount equal to five percent (5%) of the GARB Revenues (excluding, however, from GARB 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 GARB 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 amounts payable to the City described in the preceding paragraph are limited to five percent of the GARB Revenues (excluding, however, from GARB Revenues, for this purpose only, investment income and other non-operating income of the Airport) until such time that the Trustee has received a Counsel's Opinion to the effect that the amount payable does not violate or conflict with any laws or contractual obligations applicable to the Airport and the City, including, without limitation, the Federal Airport and Airway Improvement Act of 1982 and the U.S. Department of Transportation Grant Agreements to which the City is a party.

The amount payable to the general revenue fund of the City described in the preceding paragraphs 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 one-twelfth ($1/12^{th}$) 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 paragraphs.

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.

Application of PFC Revenues Not Needed for Debt Service. City-Held PFC Revenues on deposit in the PFC Account and Pledged PFC Revenues not needed to pay debt service on the Bonds pursuant to the terms of the Indenture may be transferred by the City to the PFC Account and applied by the City (e.g., to pay pay-as-you-go costs or other eligible costs or to redeem Outstanding Bonds or other obligations the proceeds of which were used to finance PFC-Eligible Projects) to the extent that, after such application, either of the following conditions is satisfied:

(a) if the date of such application is prior to the Determination Date, the sum of Future PFC Revenues, City-Held PFC Revenues and Trustee-Held PFC Revenues is equal to or greater than the sum of (i) 125% of Future PFC-Eligible Debt Service due and payable through December 31, 2005, (ii) Future PFC-Eligible Debt Service due and payable on or after January 1, 2006 and (iii) Other Obligations PFC-Eligible Debt Service; or

(b) if the date of such application is on or after the Determination Date, the sum of Future PFC Revenues, City-Held PFC Revenues and Trustee-Held PFC Revenues is equal to or greater than 100% of Future PFC-Eligible Debt Service.

Description of Funds Established by the Indenture

Operation and Maintenance Fund. Amounts in the Operation and Maintenance Fund are to 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.

Bond Fund-Debt Service Account. The Trustee is required to pay out of the Debt Service Account to the respective Paying Agents (1) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, (2) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts are required to be applied by the Paying Agents on and after the due dates thereof. The Trustee is also required to pay out of the Debt Service Account the accrued interest included in the purchase price of Bonds purchased for retirement.

With respect to mandatory sinking fund redemption payments, amounts accumulated in the Debt Service Account for such purpose may be applied prior to the 60th day preceding a sinking fund payment date to purchase (or optional redemption, if applicable) of the applicable Series of Bonds. After the 60th day but on or prior to the 40th day preceding a sinking fund payment date, amounts on deposit in the Debt Service Account may be applied to purchase Bonds of the applicable Series in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of the payment requirement for such sinking fund payment date. All such purchases shall be at prices not exceeding the applicable sinking fund payment price.

Bond Fund-Debt Service Reserve Account. If, immediately after each monthly transfer required by the Indenture provision concerning application of Revenues, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, after any transfers from the Debt Service Stabilization Fund, the Trustee shall transfer amounts from the Debt Service Reserve Account to the Debt Service Account to the extent necessary to make good such deficiency or deficiencies. Whenever the moneys on deposit in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement, the Trustee, at the direction of an Authorized Officer of the City, is required to transfer the amount of such excess to the City in the manner set forth in 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 the Indenture 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.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal and applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account are to be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account are to be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds Outstanding.

The Trustee is required to transfer to the City for deposit in the Revenue Fund all investment earnings on moneys in the Debt Service Reserve Account, such transfer to be made at such times required by the City.

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 Debt Service Stabilization Fund, the Development Fund and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on Subordinated Indebtedness, then the City shall transfer from the Renewal and Replacement Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than 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 is required to transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit at any time in the Debt Services Reserve Account is reduced below the amount required therein pursuant to the Indenture, the City may transfer from the Renewal or Replacement Fund to the Debt Service Reserve Account all or a portion of the amount of such deficiency.

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, the Debt Service Stabilization Fund, and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Development Fund to the Trustee for deposit in the Debt Service Account the amount necessary to make up such deficiency (or all of the moneys in said Fund if less than the amount necessary). So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on Subordinated Indebtedness, then the City shall transfer from the Development Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than 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 are insufficient to pay Operation and Maintenance expenses when due, the City is required to 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.

Contingency Fund. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account and the Debt Service Stabilization Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund are 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 (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit in the Debt Service Reserve Account is reduced below the amount required therein, the City may transfer from the Contingency Fund to the Debt Services Reserve Account all or a portion of the amount of 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.

Whenever any moneys in the Contingency Fund are to be applied to the purchase or redemption of Bonds, the City is required to deposit such moneys with the Trustee, in a separate account established for purpose, and is required to give written instructions to the Trustee to make such purchase or redemption in accordance with the provisions of the Indenture. Upon any such purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Installments have been established, an amount equal to the principal amount of such Bonds so purchased or redeemed is to be credited toward a part (an integral multiple of $5,000) or all of any one or more Sinking Fund Installments thereafter to become due, as directed by the City in a certificate in writing signed by an Authorized Officer of the City and filed with the Trustee, or in the absence of such direction, toward such Sinking Fund Installments in inverse order of their due dates. The portion of any such Sinking Fund Installment remaining after the deduction of any such amounts credited toward the same (or the original amount of any such Sinking Fund Installment if no such amounts shall have been credited toward the same) will constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date.

Debt Service Stabilization Fund. If, immediately after each monthly transfer required by the Indenture, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, the City shall transfer amounts from the Debt Service Stabilization Fund to the Trustee for deposit to Debt Service Account to the extent necessary to make good such deficiency or deficiencies. Amounts on deposit in the Debt Service Stabilization Fund may be withdrawn at any time and used for (1) monthly transfers to the Trustee for deposit to the Debt Service Account to the extent necessary to replenish any deficiency or deficiencies therein, (2) emergency debt service needs with respect to Bonds, Subordinated Indebtedness or other indebtedness issued for Airport purposes, and (3) Airport operational emergencies. Notwithstanding the foregoing, after the Net Revenues for three consecutive Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Authority, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund. The Comptroller, upon any such determination, shall notify the Airport Authority and the Trustee of such determination.

Arbitrage Rebate Fund

The Arbitrage Rebate Fund is required to be maintained by the City for as long as any Series of Bonds is Outstanding for the purpose of paying to the United States Treasury the amount required to be rebated pursuant to

Section 148(f) of the Code. Any moneys in the Rebate Fund are to be invested in Government Obligations and investment earnings are to be credited to the Rebate Fund.

Subordinated Indebtedness

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing or refunding bonds, notes, commercial paper, 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 and the Debt Service Reserve Account, or from securing such bonds, notes, commercial paper, 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 herein created for the payment and security of the Bonds.

Subject to the paragraph below, at any time after authorization but prior to the issuance of Subordinated Indebtedness, the City shall furnish to the Trustee a Certificate of the City with respect to the specific principal amount of Subordinated Indebtedness proposed to be issued (the “Certified Amount”), and that provides as follows: annual estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, for each of the three (3) Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that the Airport has beneficial occupancy of the Airport project to be financed or refinanced (in whole or in part) from the proceeds of such Certified Amount, will be at least equal to 1.10 times the sum of (1) estimated debt service on the Certified Amount proposed to be issued, (2) debt service on all outstanding Subordinate Indebtedness, and (3) estimated debt service on any other previously Certified Amounts to the extent that such Certified Amounts are not outstanding but are still authorized and available to be issued.

For purposes of compliance with the paragraph above, the Certificate of the City may include any of the following provisions or assumptions:

1. Once executed with respect to a Certified Amount, the Certificate of the City shall remain effective with respect to all issuances and reissuances, from time to time (and regardless of any repayment or maturity) of such Certified Amount until the authorized time period for issuance and final maturity of such Certified Amount has expired. (By way of example, (i) if the Certified Amount is with respect to a commercial paper program, then once such amount is certified with respect to the initial Airport project, such certificate shall remain effective until the final eligible maturity date of the commercial paper has passed such that it cannot be issued, re-issued or refunded; or (ii) if the Certified Amount is with respect to long-term fixed rate bonds, then once certified such certificate shall remain effective until such bonds or notes are issued and they mature or are paid off or defeased prior to maturity.)

2. With respect to the identification of the Airport project to be financed or refinanced (in whole or in part) with the proceeds of the Certified Amount and the determination of the applicable three (3) Airport Fiscal Years for the coverage test, the Certificate of the City may assume, without regard to the estimated beneficial occupancy date of a specific Airport project, that, with respect to the Certified Amount, the three (3) year test period begins with the first full Airport Fiscal Year beginning after the date of the Certificate of the City.

3. If the Certified Amount is structured so that the principal coming due on the final maturity date exceeds by at least 25% the principal coming due in any prior year then debt service on the Certified Amount may be calculated based upon an assumed 30-year level debt amortization schedule and applying a 10-year average of The Bond Buyer Revenue Bond Index (or any successor to or replacement of such Index). For purposes of calculating estimated debt service for any Certified Amount, the calculation may be based on then prevailing market conditions as determined by a third party expert or by applying the appropriate average of The Bond Buyer Revenue Bond Index (or any successor to or replacement of such Index) as determined by the City or a third party expert.

4. The Certificate of the Authorized Officer of the City may be based, in whole or in part, upon reports or certificates from the Airport Consultant, an Accountant’s Certificate or reports of other third party experts.

5. Subordinated Indebtedness issued for the following purposes may be excluded from any calculation of debt service coverage with respect to Subordinated Indebtedness (including certification with respect to a Certified Amount):

i. Subordinated Indebtedness issued to refund outstanding Subordinated Indebtedness.
ii. Subordinated Indebtedness issued to refund Outstanding Bonds.
iii. Subordinated Indebtedness which the City expects to pay from a source of funds other than estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, to the extent such source is anticipated as being available or obligated to the City for Airport purposes, such as grant moneys, passenger facilities charges or other available moneys, including, without limitation, moneys in the Airport Development Fund.

Any ordinance or indenture providing for the issuance of Subordinated Indebtedness may provide that additional Subordinated Indebtedness may be issued on a parity therewith.

The principal amount of any Subordinated Indebtedness shall, 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.

Expenditures from City Held Funds and Accounts

Expenditures from any Funds and Accounts held by the City shall be subject to the then existing requirements for expenditure of City funds, which requirements currently consist of approvals by the Airport Commission and the Board of Estimate and Apportionment of the City and appropriation of funds by the Board of Aldermen of the City. Notwithstanding the foregoing, if the timing of the need for any expenditure of moneys from any Fund or Account held by the City is deemed an emergency, then the approval of the expenditure of such moneys may occur in accordance with the provisions of Article XV, Section 2 of the City Charter, or any successor provision.

Investment of Certain Funds

Moneys held in the Debt Service Account and the Debt Service Reserve Account are to 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.

Particular Covenants of the City

Powers as to the Airport and Collection of Rates, Fees and Rentals. The City has and will have so long as any Bond are Outstanding, good right and lawful authority to acquire, construction develop, operate, maintain, repair, improve, reconstruct, enlarge, and extend the Airport and to fix rates, fees, rentals and other charges in connection therewith.

Indebtedness and Liens. The City has covenanted not to 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 of 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.

Sale, Lease or Encumbrance of Property. The City has covenanted 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, 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 under the Indenture 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 the 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.

Operation Maintenance and Reconstruction. The City shall at all times operate, or cause to be operated, the airport properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted, and I, if any useful part of the Airport is damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Indenture shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport (1) from sources other than the Revenues or (2) if there shall be filed with the Trustee (i) a certificate executed by an Authorized Officer of the City stating that in the opinion of the City abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Owners of the Bonds, and (ii) a consent to the filing of such certificate is given by the Trustee, which consent shall be withheld only upon reasonable grounds.

Notwithstanding any provisions in the Indenture to the contrary, the City and the Airport Authority shall at all times operate the Airport so long as there are any Outstanding Bonds under the Indenture. Operation of the Airport may not be transferred by the City or the Airport Authority to another entity and may not be assumed by any other entity so long as there are any Outstanding Bonds under the Indenture; provided, however, that the City and the Airport Authority may enter into agreements with third party vendors, consultants and contractors for specific aspects or portions of the maintenance or operation of the Airport or the construction of capital projects at the Airport.

Rates and Charges. The City has covenanted to, 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.

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.

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.

Budgets. The City has covenanted 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 City Fiscal Years the City (through the Airport Commission) has covenanted to prepare and file with the Trustee a Capital Budget for the Airport for the ensuing five City Fiscal Years. The Capital Budget will set forth in reasonable detail the anticipated necessary or appropriate major capital improvements to the Airport during the succeeding five year period, the estimated Cost of Construction of such capital improvements and the anticipated sources 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 City Fiscal Years covered thereby and will promptly file any such amendment with the Trustee. The Capital Budget and any amendments thereto will be available at the offices of the Trustee for inspection by the Bondholders.

Accounts and Reports. The City has covenanted to keep or cause to be kept proper books of record and account 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.

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 other 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 or 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 provisions described above are not applicable to or otherwise 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.

Continuing Disclosure. The City has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement and that such Continuing Disclosure Agreement is intended to be for the benefit of the holders of the Series 2005 Refunding Bonds, including the Beneficial Owners thereof. Notwithstanding any other provision of the Indenture, failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement will not be considered an Event of Default; however, the Trustee may (and, at the request of any of the Underwriters or any Bondholder or Beneficial Owner of 25% or more of the Series 2005 Refunding Bonds then Outstanding is required to) or any Bondholder or Beneficial Owner of Series 2005 Refunding Bonds 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 Trustee, as the case may be, to comply with their continuing disclosure obligations. A default under the Continuing Disclosure Agreement will not be a default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement is an action to compel performance.

Tax Covenant of the City. The City has covenanted that it will comply with the Tax Certificate and that it will neither make nor direct the Trustee to make any investment or other use of the proceeds of the Series 2005 Refunding Bonds that would (a) cause the Series 2005 Refunding Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code or (b) cause interest paid on the Series 2005 Refunding Bonds to not be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code and that it will comply with the requirements of the Code throughout the term of the Bonds. The Trustee has covenanted that in those instances where it exercises discretion over the investment of funds, it will not knowingly make any investment inconsistent with the foregoing covenants.

The City covenants that it (a) will take, or use its best efforts to require to be taken, all actions that may be required of the City for the interest on the Series 2005 Refunding Bonds to be and remain not included in gross income for federal income tax purposes and (b) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

Covenant of the City to Assess Airlines for Debt Service on Series 2005 Refunding Bonds to the Extent that Other Moneys are Unavailable. To the extent permissible under federal and other applicable law, the City has covenanted that upon the expiration of the Use Agreements (i.e., after December 31, 2005), the City will establish, fix, prescribe and collect rates, fees, rentals and other charges from the air carriers operating at the Airport in an amount sufficient to pay the debt service on all Bonds outstanding, from time to time, to the extent that other moneys are not available for such purpose.

Events of Default and Remedies

Each of the following constitutes an event of default (each, an "Event of Default") under the Indenture:

(A) if default is 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 is 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 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 are 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 covenant will not constitute an event of default under the Indenture if, (i) within four months of the end of the most recently completed Airport Fiscal Year, the City retains 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 is 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 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 is 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 all 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 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 has happened and has not 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 contained in the Indenture, 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 not less than 51% in principal amount of the Bonds then Outstanding or the Bond Insurers, 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.

Certain actions required or permitted to be taken under the Indenture by the Holders of any Series 2005 Refunding Bonds may be taken by the Series 2005 Refunding Bond Insurer without any action being taken by the Holders thereof. Any action taken by the Series 2005 Refunding Bond Insurer will be deemed to be the action taken by such Holders of the Series 2005 Refunding Bonds.

Restrictions on Bondholders' Actions

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.

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.

Rights of Bond Insurers upon Default

All actions 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.

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 theretofore 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 certain matters and things pertaining to the issuance of the Bonds, Additional Bonds and Refunding Bonds 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 subjection 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 any 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 as 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, or shall change or modify any of the rights or objections of any Fiduciary without its written assent thereto.

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.

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 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, as 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.

After payment in full of the principal of, redemption premium, if any, and interest on any Series of Bonds (or after provision has been made for the payment thereof as provided in the Indenture), the fees, charges and expenses of the Trustee and Paying Agent, and any other amounts required to be paid under the Indenture relating to such Series of Bonds, all amounts remaining in the accounts or sub-accounts established with the Trustee for such Series of Bonds shall be transferred to the various sub-accounts of the Debt Service Account for the Outstanding Bonds, as directed by the City, unless otherwise directed in a supplemental indenture adopted in accordance with the Indenture.

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 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 make any such payment 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 45 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the City.

After payment in full of the principal of, redemption premium, if any, and interest on any Series of Bonds (or after provision has been made for the payment thereof as provided in the Indenture), the fees, charges and expenses of the Trustee and Paying Agent, and any other amounts required to be paid under the Indenture relating to such Series of Bonds, all amounts remaining in the accounts or sub-accounts established with the Trustee for such Series of Bonds shall be transferred to the various sub-accounts of the Debt Service Account for the Outstanding Bonds, as directed by the City, unless otherwise directed in a supplemental indenture adopted in accordance with the Indenture.

Provisions Relating to Series 2005 Refunding Bond Insurance

The following provisions, which are among those required by the Series 2005 Refunding Bond Insurer, govern the Series 2005 Refunding Bonds notwithstanding anything to the contrary set forth in the Indenture:

a) The prior written consent of the Series 2005 Refunding Bond Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the 2005 Debt Service Reserve Sub-Account.

b) The Series 2005 Refunding Bond Insurer shall be deemed to be the sole holder of the Series 2005 Refunding Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2005 Refunding Bonds are entitled to take pursuant Article IX of the Indenture (pertaining to defaults and remedies) and Article XII of the Indenture (pertaining to amendments).

c) The Series 2005 Refunding Bonds shall not be accelerated without the consent of the Series 2005 Refunding Bond Insurer and in the event the Series 2005 Refunding Bonds are accelerated, the Series 2005 Refunding Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued, on such principal to the date of acceleration (to the extent unpaid by the City) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Series 2005 Refunding Bond Insurer's obligations under the Series 2005 Refunding Bond Insurance Policy with respect to such Series 2005 Refunding Bonds shall be fully discharged.

d) No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the Series 2005 Refunding Bond Insurer. No grace period shall be permitted for payment defaults.

e) The rights granted to the Series 2005 Refunding Bond Insurer under the Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Series 2005 Refunding Bond Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Series 2005 Refunding Bond Insurer of such rights is merely an exercise of the Series 2005 Refunding Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Series 2005 Refunding Bondholders nor does such action evidence any position of the Series 2005 Refunding Bond Insurer, positive or negative, as to whether Series 2005 Refunding Bondholder consent is required in addition to consent of the Series 2005 Refunding Bond Insurer.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS AND THE CARGO LEASES

The following is a summary of certain provisions of the airline Use Agreements (the “Use Agreements”) and certain other Cargo Leases (the “Cargo Leases”) and is qualified in its entirety by references to such documents. These summaries do not purport to set forth all of the provisions of the Use Agreements and Cargo Leases and reference is made to the Use Agreements and Cargo Leases for their complete and actual terms. See “TWA Reorganizations, Asset Sale and the Air Carrier Agreements” herein.

General

The principal certificated air carriers and the City originally entered into commercial airlines/airport use agreements as of August 1, 1965 (individually with respect to each air carrier, a “ Use Agreement” and collectively, the “Use Agreements”). The Use Agreements grant the air carriers that are signatory to any of the Use Agreements (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.

The Use Agreements were amended for each of the Signatory Air Carriers in 1975 and 1977. A Third Amendatory Agreement was executed by each of the Signatory Air Carriers in 1981 or 1982. There were eight Signatory Air Carriers that were parties to the Third Amendatory Agreement (i) American Airlines, Inc. (“American”), (ii) Delta, (iii) Eastern, (iv) Northwest Airlines (“Northwest”), (v) Continental, (vi) Trans World Airlines, Inc. (“TWA”), (vii) US Airways (formerly USAir) and (viii) Ozark. The TWA Third Amendatory Agreement differs from those of the other Signatory Air Carriers 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. The TWA Third Amendatory Agreement and all Use Agreements between the City and TWA were assigned to a subsidiary of American (“AMR Sub”) in connection with AMR Sub’s acquisition of TWA’s assets. Use Agreements with the same terms and conditions have subsequently been executed by America West, Chautauqua Airlines (d/b/a Trans World Express), Southwest Airlines Co. (“Southwest”), Trans States Airlines (d/b/a Trans World Express), and United Airlines.

The City entered into a Fourth Amendatory Agreement for Concourse Addition and Improvements (the “Fourth Amendatory Agreement”) with Ozark in 1983 pursuant to which Ozark leased Concourse D at the Airport. TWA, and then AMR Sub, succeeded to Ozark’s obligations under the Fourth Amendatory Agreement. AMR Sub succeeded to its obligations arising on or after April 9, 2001. In addition, AMR Sub is obligated to reimburse the City for the cost of certain tenant improvements on Concourse D (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 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.

In 1998, the City entered into a Second Amendatory Agreement (the “Second Southwest Agreement”) with Southwest which provided that (i) the scope and estimated cost of the expansion of the East Terminal had changed significantly as a result of certain design changes, (ii) the City would provide additional City-constructed tenant improvements, and (iii) the methodology for calculating rentals for the East Terminal Building had changed.

The Second Southwest Agreement provides that Southwest is required to pay a rental rate per square foot which includes operation and maintenance expenses, annual amortization of airport revenue bonds issued to finance the East Terminal and annual amortization of moneys expended from the Airport Development Fund.

In early 2001, the City entered into an Amendatory Agreement Regarding Rates and Charges Procedures with the Signatory Air Carriers ("Use Amendment 2000") for the purpose of (i) clarifying and consolidating the rates and charges provisions of the Use Agreements, (ii) changing the rates and charges adjustment process from a calendar year basis to a City Fiscal Year basis and (iii) changing the method of recovery of the costs of capital improvements from "depreciation plus interest" to charges to "amortization" charges.

Separate Cargo Leases were executed with six Signatory Air Carriers as authorized by the City in 1981: American, Delta, Republic (Republic's obligations under its cargo lease were assumed by Northwest), Eastern (Eastern's obligations under its cargo lease were assumed by TWA), TWA and US Airways, and with Southwest as authorized by the City in 1991.

TWA Reorganizations, Asset Sale and the Air Carrier Agreements

On January 31, 1992, TWA filed for protection under Chapter 11 of the United States Bankruptcy Code (the "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 were 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 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.

On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the Bankruptcy Code and filed with the petition a motion for authority to sell substantially all of its assets to American or its designees, including AMR Corp., the parent company of American. In connection with the sale, TWA assumed and assigned to a newly created subsidiary of American, AMR Sub, TWA's obligations under the TWA Use Agreement and Cargo Lease with the City (the "AMR Sub Use Agreement" and the "AMR Sub Cargo Lease," respectively). TWA also assumed and assigned to AMR Sub the contract with its regional affiliate, Trans World Express.

Use Agreements

Purpose. The Use Agreements grant 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. Certain provisions of the Use Agreements are described below.

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

Calculation of Use Agreement Revenues. The Signatory Air Carriers have agreed to pay the following amounts in consideration of the use of the Airport by such Signatory Air Carriers 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. Prior to each Fiscal Year, the City determines the Airport's budgeted expenses for the airfield and subtracts its budgeted revenue for airline landing fees for airlines that are not Signatory Air Carriers (the "Non-Signatory Air Carriers"), fuel flowage fees and field use fees. This amount is then divided by the total estimated landing weights of the Signatory Air Carriers for the ensuing Fiscal Year. The result is the landing fee charged to the Signatory Air Carriers for the ensuing Fiscal Year. The landing fee rate for Non-Signatory Air Carriers is set at 125% of the rate assessed to Signatory Air Carriers.

After the Fiscal Year has concluded, the actual expenses for the airfield are calculated and are subsequently adjusted by subtracting the actual revenue from airline landing fees charged to the Non-Signatory Air Carriers, fuel flowage fees and field use fees. The adjusted amount is then divided by the actual landed weights to determine the actual landing fee rate for that Fiscal Year. The Signatory Air Carriers are then assessed or reimbursed for deficiencies or excesses over a six-month period.

(2) Terminal Buildings and Concourse Rentals.

Main Terminal Building. Main 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 Signatory Air Carrier. The rental rate is calculated pursuant to a formula that takes into account the costs of each cost center by adding together the following amounts: (i) certain maintenance and operating expenses, (ii) amortization of equipment purchases, (iii) amortization of the net cost of certain capital improvements, (iv) depreciation and interest charges, and (v) deferred maintenance charges. Costs and expenses allocable to the Main Terminal building but not assignable to any particular terminal cost center are to be allocated among the terminal cost centers based on gross space. The annual rental rate for each cost center other than the federal inspection area and certain international gates will be calculated by dividing the costs allocable to such cost center by the gross space in the particular cost center. The rental rate is also adjusted for each rate period to reflect deficiencies or excesses that occurred during the preceding rate period.

East Terminal Building. The rental rate for the East Terminal building is based on a rental rate per square foot *which* includes operation and maintenance expenses, annual amortization of airport revenue bonds issued to finance the East Terminal building and annual amortization of moneys expended from the Airport Development Fund.

(3) Miscellaneous. The City receives rent for the use by the Signatory Air Carriers of the airline employee parking lots. The City also charges the Signatory Air Carriers 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 ("ME") of the scheduled Signatory Air Carriers (defined as Signatory Air Carriers 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 Signatory Air Carriers 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 Signatory Air Carriers 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 Signatory Air Carriers. In any event, each Signatory Air Carrier 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 any Signatory Air Carrier is a party by giving sixty days' advance written notice upon or after the happening of any of the following events:

(1) such Signatory Air Carrier files a voluntary bankruptcy petition or is adjudicated bankrupt;

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

(3) a receiver is appointed for any of such Signatory Air Carrier's assets;

(4) such Signatory Air Carrier's interest in the Use Agreement is divested by of law:

(5) such Signatory Air Carrier abandons the conduct of air transportation at the Airport or

(6) such Signatory Air Carrier defaults in the performance of any of its covenants or obligations 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 a Signatory Air Carrier to pay any fees, rentals or charges, if within thirty days of nonpayment, such Signatory Air Carrier 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 Signatory Air Carrier a reduction in or abatement of fees or rentals, or (ii) the performance by the Signatory Air Carrier of obligations of the City if the Use Agreement provides that the Signatory Air Carrier will be entitled to deduct from fees and rentals otherwise owing by it the reasonable cost of such performance.

Cancellation by Signatory Air Carrier. Prior to the stated expiration date of a Use Agreement, and so long as the Signatory Air Carrier is not in default in its payments to the City under the Use Agreement, each Signatory Air Carrier 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 under the Use Agreement 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 (the "FAA") fails or refuses to permit such Signatory Air Carrier to operate into or from the Airport with any type of aircraft that such Signatory *Air* Carrier may reasonably desire to operate into or from the Airport;

(2) the termination of such Signatory Air Carrier'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 which remains in force for at least ninety days and which in any way prevents or restrains the use of the Airport or any part of the Airport for airport purposes;

(5) the inability of such Signatory Air Carrier 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 the performance of its covenants in the Use Agreements if such default continues to be unremedied for a period of sixty days after receipt of written notice of the default; or

(7) the assumption by the United States Government, or any of its agencies, of the operation, control or use of the Airport so as to substantially restrict such Signatory Air Carrier's use of the Airport for at least ninety days.

Suspension and Abatement. If the City's operation of the Airport or any Signatory Air Carrier'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 Signatory Air Carrier 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 to become due under the Use Agreement.

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

Use Amendment 1993 and its First Amendment

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

(1) The 57 gates and terminal support facilities that TWA's successor, AMR Sub, is currently using at the Airport are subject, under certain circumstances, to reassignment by the City. So long as AMR Sub 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 AMR Sub 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, AMR Sub 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 AMR Sub would retain use of only that number of gates resulting in an average of 3.33 regularly scheduled daily flight departures per gate.

(3) 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 AMR Sub thirty days after notice from the City that such amounts are due and payable; or

(b) Total cessation of AMR Sub's air passenger operations at the Airport governed by Use Amendment 1993 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.

(3) In the case of any AMR Sub default other than those set forth above, the City may cancel only after written notice of default to AMR Sub and a thirty day cure period, or if such cure will reasonably require more than thirty days to complete, and AMR Sub 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, AMR Sub is required 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 of approximately $652,000 per month for the use of certain assets formerly owned by TWA and sold to the City.

(5) AMR Sub may designate its use of gates and terminal support facilities to other airlines affiliated with AMR Sub through merger, consolidation, joint venture, code-sharing arrangements and other successors and assigns, so long as (a) AMR Sub's hub operation at the Airport is not materially changed and

(c) such designated uses are subject to the Use Amendment 1993. AMR Sub 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 air carriers (the "Certificated Air Carriers") the right to use air cargo facilities constructed by the Airport in connection with their air transportation businesses. AMR Sub's Cargo Leases were 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 Air Carriers are responsible for the maintenance of the interior premises and all utilities. The Certificated Air Carriers 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 a 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 (i) if the Certificated Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent, (ii) if a receiver of the Certificated Airline's interest in the leased premises is appointed, (iii) if the Certificated Airline makes an assignment for the benefit of its creditors or (iv) 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 under the Cargo Lease 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 under the Cargo Lease and so long as the Certificated Airline gives the City sixty days prior written notice:

(1) Action by the FAA 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 of the default;

(5) The assumption by the federal government, or any its agencies, of the operation, control or use of the Airport or any substantial part of the Airport, 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 of the premises 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 Air Carriers 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 a 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.

AMR Sub's Cargo Use Amendment and its First Amendment

On November 4, 1993, TWA and the City executed a Cargo Use Amendment which adopted, amended and continued 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. AMR Sub, as assignee of TWA's interests and obligations arising after April 9, 2001, is now bound by the terms of the Cargo Lease and Cargo Use Amendments between the City and TWA. 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 AMR Sub thirty days after notice from the City that such amounts are due and payable, (ii) total cessation of AMR Sub's air passenger operations at the Airport under the Cargo Use Amendments 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, and (iii) a default by AMR Sub under any other lease or use agreement.

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

(2) AMR Sub 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.

AMR Sub'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, and then to AMR Sub, 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 AMR Sub 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 AMR Sub thirty days after notice from the City that such amounts are due and payable, or (b) total cessation of AMR Sub'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 AMR Sub the City may cancel the Hangar/Office Lease only after written notice of default to AMR Sub and a thirty day cure period, and then only pursuant to the statutes and laws of the State of Missouri.

(2) AMR Sub 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.

AMR Sub'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. The facility contains flight simulators for B-767 and L-1011 aircraft as well as classrooms and office space. It is now used as a Flight Training Center by TWA's successor, AMR Sub.

AMR Sub has entered into an absolute net lease of the premises. AMR Sub 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, AMR Sub pays to the City rent of $61,454.43 per month.

AMR Sub'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's successor, AMR Sub, 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 AMR Sub's use of the 57 gates identified in the Use Agreement 1993 is subject to redesignation to the use of another airline: (i) the City, in its discretion, may, but is not required to, terminate AMR Sub'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, AMR Sub 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.

Rental Payments. AMR Sub pays to the City rents in the following manner: (i) AMR Sub 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) AMR Sub pays to the City any and all supplemental rent promptly as the same becomes due and owing, and if AMR Sub 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) AMR Sub 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 AMR Sub from the City that such rent or payment was not paid when due; or (ii) AMR Sub fails to observe or perform any other obligation or covenant required to be observed or performed by AMR Sub under the Equipment Lease and such failure continues for more than thirty days after written notice thereof is received by AMR Sub from the City; or (iii) cessation of AMR Sub'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) AMR Sub fails to comply with certain provisions of the Use Amendment 1993 within thirty days after notice of any failure to comply; or (v) AMR Sub 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 subsequently assigned to AMR Sub, which default or event of default has not been cured within thirty days of notice by the City to AMR Sub.

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Appendix E

Book-Entry System for the Series 2005 Refunding Bonds

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters or the City. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bonds certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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 and Exchange Act of 1934. 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("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 purchase, 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 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 interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

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 Bonds. Under its usual procedures, 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC 's practice is to credit Direct Participants' accounts on payable 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 payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City or the Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. If the City determines (a) that the Securities Depository is unable properly to discharge its responsibilities, or (b) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, or (c) that the continuation of a book entry system to the exclusion of any Bonds being issued to any Bondowner other than the Securities Depository is no longer in the best interests of the beneficial owners of the Bonds, or (d) if the Trustee receives written notice from Participants having interests in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book entry system to the exclusion of any Bonds being issued to any Bondowner other than the Securities Depository is no longer in the best interests of the beneficial owners of the Bonds, then the Trustee shall (a) notify the Bondowners of such determination or such notice and of the availability of certificates to owners requesting the same, and (b) register in the name of and authenticate and deliver Replacement Bonds to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest. The cost of printing, registration, authentication and delivery of Replacement Bonds shall be paid for by the City.

Appendix F

Form of Opinion of Co-Bond Counsel

[Letterhead of Co-Bond Counsel]

July 7, 2005

The City of St. Louis, Missouri
St. Louis, Missouri

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $263,695,000 The City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2005 (Non-AMT) (Lambert-St. Louis International Airport)

Ladies and Gentlemen:

We have acted as co-bond counsel to the City of St. Louis, Missouri (the "City") in connection with the issuance by the City of its Airport Revenue Refunding Bonds, Series 2005 (Non-AMT) (Lambert-St. Louis International Airport) (the "Series 2005 Refunding Bonds"). The Series 2005 Refunding Bonds are being issued by the City: (i) to refund all or a portion of the principal and/or interest components of [certain prior Bonds to be determined] (the "Refunded Bonds") issued under the Indenture; (ii) to acquire a surety bond to fund the reserve account for the Series 2005 Refunding Bonds; and (iii) to pay costs of issuing the Series 2005 Refunding Bonds.

We have reviewed the record of proceedings related to the issuance of the Series 2005 Refunding Bonds, including the Constitution and statutes of the State of Missouri (the "State"), including particularly, Chapter 108.170 of the Revised Statutes of Missouri, as amended, the Charter of the City (the "Charter"), Ordinance No. 66700 (the "Ordinance") of the City adopted by the Board of Aldermen of the City on May 27, 2005, and approved by the Mayor of the City on June 6, 2005, and an Indenture of Trust between the City and UMB Bank, N.A. (as successor to UMB Bank of St. Louis, N.A. (as successor to Mercantile Bank of St. Louis National Association and State Street Bank and Trust Company of Missouri, N.A.)), as trustee (the "Trustee"), dated as of October 15, 1984, as amended and supplemented by the First Supplemental Indenture of Trust between the City and the Trustee dated as of July 1, 1987, the Second Supplemental Indenture of Trust between the City and the Trustee dated as of November 15, 1992, the Third Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1993, the Fourth Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1993, the Fifth Supplemental Indenture of Trust between the City and the Trustee dated as of April 1, 1996, and the Sixth Supplemental Indenture of Trust between the City and the Trustee dated as of August 1, 1997, as amended and restated by the Amended and Restated Indenture of Trust between the City and the Trustee dated as of October 15, 1984 and amended and restated as of September 10, 1997, as amended and supplemented by the Seventh Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 1998, the Eighth Supplemental Indenture of Trust between the City and the Trustee dated as of May 1, 2001, the Ninth Supplemental Indenture of Trust between the City and the Trustee dated as of December 1, 2002, the Tenth Supplemental Indenture of Trust between the City and the Trustee dated as of February 1, 2003, the Eleventh Supplemental Indenture of Trust between the City and the Trustee dated as of May 1, 2003, the Twelfth Supplemental Indenture of Trust between the City and the Trustee dated as of May 1, 2004, and the

Thirteenth Supplemental Indenture of Trust (the "Thirteenth Supplemental Indenture") between the City and the Trustee dated as of June 1, 2005 (collectively, the "Indenture"), the Tax Certificate as to Arbitrage and the Provisions of Section 103 and 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") and such other matters of fact and law as we have deemed necessary to enable us to render the opinions contained herein. Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

We have examined the law and such certified proceedings and other papers as we have deemed necessary to render the following opinions. In rendering the following opinions we have assumed the genuineness of all signatures, the authenticity of all documents tendered to us as originals and the conformity to original documents of all documents submitted to us as certified or photostatic copies. As to questions of fact material to our opinion, we have relied upon representations of the City and we have relied upon the certified proceedings and other certifications and documents furnished to us without undertaking to verify the same by independent investigation, including, without limitation, the Financial Feasibility Report prepared by Unison-Maximus, Inc., dated June 14, 2005, with respect to the Airport.

We have not been engaged, or undertaken, to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2005 Refunding Bonds and we express no opinion herein relating to any such matters.

For purposes of this opinion, we have assumed that the Indenture (other than the Thirteenth Supplemental Indenture) has been duly and lawfully executed and delivered by the parties thereto and is in full force and effect.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Series 2005 Refunding Bonds have been duly authorized, executed and delivered by the City in accordance with the Constitution and statutes of the State of Missouri and the Charter and are valid and binding special and limited obligations of the City, payable solely from the sources provided therefor in the Indenture. The Series 2005 Refunding Bonds and the interest thereon do not constitute a pledge of the faith and credit of the City, the State or any political subdivision of the State.

2. The Ordinance has been duly and lawfully adopted by the City, is in full force and effect, and is valid and binding upon the City and enforceable against the City in accordance with its terms.

3. The Thirteenth Supplemental Indenture has been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other party thereto, constitutes a valid and binding obligation of the City in accordance with its terms.

4. The Indenture creates the valid pledge which it purports to create of the moneys, securities and funds included in the Trust Estate and of all Revenues subject to the application thereof for the purposes and on the conditions permitted by the Indenture.

5. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the issuance and delivery of the Series 2005 Refunding Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2005 Refunding Bonds to be included in gross income for Federal income tax purposes and not to be exempt from income taxes imposed by the State of Missouri retroactive to the date of issue of the Series 2005 Refunding Bonds. Pursuant to the Indenture and the Tax Certificate, the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2005 Refunding Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made

certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those representations and certifications.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2005 Refunding Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Under existing law, and assuming that interest on the Series 2005 Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code, interest on the Series 2005 Refunding Bonds is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. No opinion is expressed regarding the applicability with respect to the Series 2005 Refunding Bonds or the interest on the Series 2005 Refunding Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Series 2005 Refunding Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Series 2005 Refunding Bonds, or the interest thereon, if any action is taken with respect to the Series 2005 Refunding Bonds or the proceeds thereof upon the advice or approval of other counsel.

It is to be understood that the rights of the holders of the Series 2005 Refunding Bonds and the enforceability thereof, including the enforceability of the documents described above, 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 also be subject to the exercise of judicial discretion in appropriate cases.

By rendering the foregoing opinion we do not undertake to advise you of any changes in laws or facts which may occur or come to our attention after the date hereof.

Very truly yours,

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APPENDIX G

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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Exhibit G

Summary of the Continuing Disclosure Agreement

The following brief summary of the Continuing Disclosure Agreement (the "Disclosure Agreement') is qualified in its entirely by reference to the Disclosure Agreement, copies of which may be obtained from 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 2005 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, 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 City and 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 (the "SEC") 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 air carrier 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.

"Official Statement" means the Preliminary Official Statement dated June 7, 2005 and the Official Statement dated June 14, 2005 issued in connection with the Series 2005 Bonds.

"Participating Underwriter" means any of the original underwriters of the Series 2005 Bonds required to comply with the Rule in connection with the offering of the Series 2005 Bonds.

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

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC 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 SEC. 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 2005 Bonds and in order to assist the Participating Underwriters in complying with the Rule. The City has determined that the City is an Obligated Person. The City also has determined that American Airlines is currently the only other Obligated Person. These airlines are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, files reports and other information with the SEC (the "SEC Reports"). 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 AMR on behalf of AMR Sub 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 this Disclosure Agreement. The City shall use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring air carriers to provide information to the City to enable the City to comply with the Rule, if necessary. In the event that the City does not obtain such provision in any new Use Agreement or amendments to the current Use Agreement, the City shall not be in default under this 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, commencing with the report for the City's Fiscal Year ending on June 30, 2004, 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 under the Disclosure Agreement. 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 the Disclosure Agreement. The audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, the City will give notice of such change in the same manner as for a Listed Event under the Disclosure Agreement.

Not later than 15 Business Days prior to the date specified above 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 the Dissemination Agent has not received the Annual Report by the date required by the Disclosure Agreement, the Dissemination Agent will (1) contact the City and request that the City comply with the Disclosure Agreement requirements, and (2) send a notice to (a) the Participating Underwriters, (b) the Trustee (if not the Dissemination Agent) and (c) each Repository or (d) the Municipal Securities Rulemaking Board (the "MSRB") 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) The following statistical and operating data of the Airport, updated for the City's prior Fiscal Year

a) The list of Signatory Air Carriers, Non-Signatory Air Carriers and Air Cargo Carriers at the airport;

b) The table captioned "Airport Revenues and Expenses and Certain Bond Related Data" contained in the Official Statement in section "FINANCIAL INFORMATION - Revenues and Expenses";

c) The rate and amount of PFC's assessed and collected by the City;

d) A table reflecting "O&D AND CONNECTING ENPLANEMENTS" comparable to Table IV-4 in APPENDIX A – "Financial Feasibility Report" of the Official Statement;

e) A table reflecting "DOMESTIC AND INTERNATIONAL ENPLANEMENTS" comparable to Table IV-4 in APPENDIX A – " Financial Feasibility Report" of the Official Statement;

f) A table reflecting " AIRLINE MARKET SHARE" comparable to Table IV-5 in Appendix A – "Financial Feasibility Report" of the Official Statement;

g) A table reflecting "HISTORICAL AIR CARGO (In Pounds)" comparable to Table IV-8 in APPENDIX A – "Financial Feasibility Report" of the Official Statement;

h) A table reflecting "SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES" comparable to table V-4 in APPENDIX A – "Financial Feasibly Report" of the official Statement;

i) A table reflecting "FORECASTED OPERATION AND MAINTENANCE EXPENSES –" comparable to Table V-6 in APPENDIX A – "Financial Feasibility Report" of the Official Statement; and

j) A table reflecting "CALCULATION OF ANNUAL DEBT SERVICE COVERAGE – BASE CASE" comparable to Table V-8 in APPENDIX A – "Financial Feasibility Report" of the Official Statement.

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", which have been filed with each of the Repositories, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

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 2005 Bonds, if material:

1) principal and interest payment delinquencies;

2) non-payment related defaults;

3) modifications to rights of Bondholders;

4) optional, contingent or unscheduled bond calls;

5) defeasances;

6) rating changes;

7) adverse tax opinions or events affecting the tax-exempt status of the Series 2005 Bonds;

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

9) on credit enhancements reflecting financial difficulties; substitution of credit or liquidity

10) providers, or their failure to perform;

11) release, substitution or sale of property securing repayment of the Series 2005 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 means 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 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 promptly will instruct the Dissemination Agent in writing 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 instruct the Dissemination Agent in writing 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 MSRB 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 Series 2005 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 2005 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 2005 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 under the Disclosure Agreement. If such termination or substitution occurs prior to the final maturity of the Series 2005 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 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 also will 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 no 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:

(1) 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 2005 Bonds, or the type of business conducted;

(2) The undertaking, as amended or taking into account such waiver, would, in the opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities, have complied with the requirements of the Rule at the time of the original issuance of the Series 2005 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver either (i) is approved by the Bondholders of the Series 2005 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 counsel nationally recognized in matters relating to securities laws affecting municipal securities, materially impair the interests of the Bondholders or Beneficial Owners of the Series 2005 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, the City will describe such amendment or waiver 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 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 a mandamus 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. In the event of any failure of the City or the Dissemination Agent to comply .with the Disclosure Agreement, the sole remedy under the Disclosure Agreement will be an action to compel performance.

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The 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 duties that are specifically set forth in the Disclosure Agreement. 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 under the Disclosure Agreement, 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. 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 2005 Bonds or any other person pursuant to the terms of the Indenture.

Appendix H

Form of Municipal Bond Insurance Policy

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

SPECIMEN

Attest:

____
Assistant Secretary

STD-R-7
01/05

DEBT SERVICE RESERVE
SURETY BOND

MBIA Insurance Corporation
Armonk, New York 10504

Surety Bond No. XXXXXX

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantees the full and complete payments that are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and that are required to be made by or on behalf of [NAME OF ISSUER] (the "Issuer") under the [TITLE OF THE DOCUMENT] (the "Document") to [NAME OF PAYING AGENT], (the "Paying Agent"), as such payments are due but shall not be so paid, in connection with the issuance by the Issuer of [TITLE OF THE OBLIGATIONS] (the "Obligations"), [IF PARITY " together with any bonds issued on a parity therewith,"], provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed [a: FIXED COVERAGE [Dollar Amount of Coverage] or the [Debt Service Reserve Fund Requirement] (as defined in the Document) for the Obligations, whichever is less (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.] or [b: VARIABLE COVERAGE the annual amount set forth for the applicable bond year on Exhibit A attached hereto (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein.]

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Issuer or any designee of the Issuer for such purpose. The term "Owner" shall not include the Issuer or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. Upon the later of: (i) three (3) days after receipt by the Insurer of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Insurer, the Insurer will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Paying Agent, of amounts that are then due to the Paying Agent (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

3. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the Insurer. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Insurer shall give notice to the Paying Agent, as promptly as reasonably practicable, that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

4. The amount payable by the Insurer under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Insurer hereunder and will be reinstated to the extent of each reimbursement of the Insurer pursuant to the provisions of Article II of the Financial Guaranty Agreement dated the date hereof between the Insurer and the [ISSUER OR OBLIGOR] (the "Financial Guaranty Agreement"); provided, [ANNUAL PREMIUM OPTION: that no premium is due and unpaid on this Surety Bond and] that in no event shall such reinstatement exceed the Surety Bond Limit. The Insurer will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Insurer gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

5. Any service of process on the Insurer or notice to the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

6. The term of this Surety Bond shall expire [ANNUAL PREMIUM OPTION: ,unless cancelled pursuant to paragraph 9 hereof,] on the earlier of (i) [MATURITY DATE] (the maturity date of the Obligations being currently issued), or (ii) the date on which the Issuer has made all payments required to be made on the Obligations pursuant to the Document.

7. The premium payable on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. [OPTIONAL FIRST SENTENCE: This Surety Bond shall be governed by and interpreted under the laws of the State of (STATE)]. Any suit hereunder in connection with any payment may be brought only by the Paying Agent within [1 or 3 years] after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Insurer has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Insurer a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

[NOS. 9 and 11 are OPTIONAL]

9. Subject to the terms of the Document, the Issuer shall have the right, upon 30 days prior written notice to the Insurer and the Paying Agent, to terminate this Surety Bond. In the event of a failure by the Issuer to pay the premium due on this Surety Bond pursuant to the terms of the Financial Guaranty Agreement, the Insurer shall have the right upon [No. of days] days prior written notice to the Issuer and the Paying Agent to cancel this Surety Bond. No Demand for Payment shall be made subsequent to such notice of cancellation unless payments are due but shall not have been so paid in connection with the Obligations.

10. There shall be no acceleration payment due under this Policy unless such acceleration is at the sole option of the Insurer.

11. This policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

In witness whereof, the Insurer has caused this Surety Bond to be executed in facsimile on its behalf by its duly authorized officers, this [DATE] day of [MONTH,YEAR]

MBIA INSURANCE CORPORATION

____
President

____
Assistant Secretary

SB-DSRF-9[STATE CODE]
4/95

EXHIBIT A

Surety Bond No. XXXXXX

Bond Year	Maximum Annual Debt Service
199 to 199	$
199 to 199	$
199 to 199	$

Attachment 1

Surety Bond No. XXXXXX

DEMAND FOR PAYMENT

________, 19__

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Attention: President

Reference is made to the Surety Bond No. XXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) In accordance with the provisions of the Document (attached hereto as Exhibit A), payment is due to the Owners of the Obligations on __________ (the "Due Date") in an amount equal to $_______ (the "Amount Due").

(b) The [Debt Service Reserve Fund Requirement] for the Obligations is $__________.

(c) The amounts legally available to the Paying Agent on the Due Date will be $ less than the Amount Due (the "Deficiency").

(d) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Insurer under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond: ____

[Paying Agent's Account]

[PAYING AGENT]

By____________________________

Its ____________________________

Attachment 2

Surety Bond No. XXXXXX

NOTICE OF REINSTATEMENT

________, 19__

[Paying Agent]
[Address]

Reference is made to the Surety Bond No. XXXXXX (the "Surety Bond") issued by the MBIA Insurance Corporation (the "Insurer"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Insurer hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is $.

MBIA Insurance Corporation

____
President

Attest: ______________________________
Assistant Secretary

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APPENDIX I

The PFC Program

Termination of Authority to Impose and Use PFCs. The FAA may terminate the City's authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the City is in violation of certain provisions of the Noise Act (as defined herein) relating to airport noise and access restrictions, (ii) PFCs and investment income thereon are not being used for Approved PFC funding in accordance with the FAA's approvals or with the PFC Act and the PFC Regulations, (iii) implementation of projects financed with PFCs does not commence within the time periods specified in the PFC Act and the PFC Regulations or (iv) the City is otherwise in violation of the PFC Act, the PFC Regulations or the PFC Approvals.

Informal Resolution Process for PFC Act Violations. Pursuant to the provisions of the PFC Act, the PFC Regulations provide for an informal process for resolution of possible violations of the PFC Act, PFC Regulations or PFC Approvals. A public agency may also request that the FAA agree in the PFC approval to a specific, informal resolution process that the FAA will follow if it suspects the public agency has committed such a violation.

Formal Termination Process for PFC Act Violations. Pursuant to the PFC Regulations, formal termination proceedings are authorized only *if* the FAA determines that efforts to achieve an informal resolution are not successful. The formal termination process prescribed in the PFC Regulations is to be initiated upon the FAA's filing of a notice, followed by a 60-day period during which the City may submit further comments and take corrective action. The PFC Regulations provide that if corrective action is not taken as prescribed in the notice, the FAA is required to hold a public hearing at least 30 days after notifying the City and publishing a notice of the hearing in the Federal Register. After the public hearing, the City would have 10 days after receiving notice of the FAA's decision to advise the FAA in writing that it will complete any corrective action prescribed in the FAA's decision within 30 days or to provide the FAA with a list of Collecting Carriers, after which the FAA would notify the Collecting Carriers to terminate or to modify the PFC accordingly. The formal termination process would last at least 100 days.

Noise Act Violations. The City's authority to impose PFCs may be terminated if the City violates the provisions of the Noise Act. Although the procedures described above do not apply to alleged violations of the Noise Act, the Noise Act and FAA regulations thereunder provide procedural safeguards to ensure that the City's authority to impose PFCs at the Airport will not be summarily terminated because of violations of the Noise Act. In general, the City can prevent termination of its PFC Authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on the City's authority to impose PFCs at the Airport, has been determined. The 2000 Approvals, as defined below, include findings by the FAA that the City has not been found to be in violation of the Noise Act and that the FAA is not aware of any proposal at the Airport that would be found to be in violation of the Noise Act.

Treatment of PFCs in Air Carrier Bankruptcies. The PFC Act was amended in 1996 to provide that PFCs that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the PFCs and that the Collecting Carrier holds neither legal nor equitable interest *in* the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with their other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted. Despite the language in the PFC Act, at least one bankruptcy court in an unpublished opinion has indicated that PFC revenues held by an air carrier in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of such air carrier's unsecured creditors. In an unpublished opinion rendered in the TWA bankruptcy, the Court entered a stipulated order on March 12, 2001 establishing a $7.5 million PFC trust fund for the benefit of various airports to whom TWA was not current on PFC payments. At the time TWA filed its petition for reorganization, the Airport was owed approximately $2 million in PFCs for the month of November 2000, which were payable by December 31, 2000. Pursuant to Court authorization, the Airport was paid all PFC amounts then due it on January 17, 2001. Thereafter, during the bankruptcy proceedings, TWA paid all PFC amounts due the Airport. There is no assurance as to which approach other bankruptcy courts will use in the future. In 2003 Congress added a provision (Section 124 of Pub. L. 108-176 (December 12, 2003)) that imposes additional requirements relating to PFC revenues on air carriers filing for bankruptcy after the date of enactment. These air carriers in bankruptcy would have to segregate PFC money so that the airport for which the PFC was collected would be assured of receiving its money should the airline go out of business during the interim period between the date that the PFC was collected and the time it was remitted to the airport. Such air carriers would not be required, however, to put that money in an escrow account.

The PFC Program at the City

City PFC Approvals. The Airport has obtained the approval under six PFC applications (PFC #1, PFC #2, PFC #3, PFC #4, PFC #5 and PFC #6)--to impose and use PFCs (on both a pay-as-you-go and leveraged basis) for a variety of projects including the ongoing Part 150 Program, the new East Terminal, a number of smaller airfield and terminal projects and Phase 1 of the ADP. The Airport collected a total of $31.4 million in PFC Revenues (including investment earnings) in the Fiscal Year ended June 30, 2004. The Airport has FAA approval to collect and use approximately $1.3 billion in PFC Revenues through 2017. In September 2001, the Airport obtained approval to increase the PFC rate from $3.00 per passenger to $4.50. The $4.50 rate has been collected since December 2001. In February 2003, the Airport submitted three amendment applications to reduce PFC funding for eight approved projects by approximately $37.4 million and a new application for approximately $14.5 million for three new projects. Together these applications will reduce the PFC collection authority by approximately $22.9 million, which will change the end date for collection of PFCs to approximately March 2017.

As of November 30, 2002, the FAA had authorized the City to collect up to $1.3 billion in PFCs, of which approximately $306 million has been collected and expended. See **APPENDIX A - "Financial Feasibility Report"** for more information on the City's PFC authority.