NEW ISSUE — BOOK-ENTRY-ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the 2001A ADP 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 2001A ADP 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 compliance with the tax covenants described herein, interest on the 2001A ADP Bonds is excluded from Missouri taxable income for purposes of the income tax imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.

$435,185,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2001A
(Airport Development Program)

Dated: May 1, 2001 **Due: July 1, as shown on the inside cover**

The above-described bonds (the "2001A ADP 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, and amended and restated as of September 10, 1997, as amended and supplemented, including by an Eighth Supplemental Indenture of Trust, dated as of May 1, 2001 (collectively, the "Indenture") between the City and UMB Bank, N.A., as Trustee (the "Trustee").

The 2001A ADP 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") including, without limitation, certain Passenger Facility Charges ("PFCs") and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture. The 2001A ADP 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 2001A ADP Bonds, either as to principal, premium (if any) or interest. The 2001A ADP Bonds will be secured on a parity basis with the City's outstanding airport revenue bonds and any additional bonds issued under the Indenture (the "Bonds") as more fully described herein. All capitalized terms used but not otherwise defined on this cover page shall have the respective meanings given to such terms in the Indenture.

The proceeds of the 2001A ADP Bonds, together with other available funds, if any, will be used (i) to finance a portion of the cost of the acquisition of certain land located adjacent to the Airport and the acquisition, design, construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport facilities (collectively, the "2001A ADP Project"), as more fully described in **"THE AIRPORT DEVELOPMENT PROGRAM – The Master Plan"** and **"PLAN OF FINANCE"** herein; (ii) to fund the payment of certain capitalized interest during construction of the 2001A ADP Project and up to one year after completion of construction; (iii) to pay the cost of a surety bond to fund the 2001A ADP Debt Service Reserve Sub-Account of the Debt Service Reserve Account created pursuant to the Indenture; and (iv) to pay the costs of issuance of the 2001A ADP Bonds.

Interest on the 2001A ADP Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2002, until maturity or prior redemption. The 2001A ADP Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company pursuant to the book-entry-only system described herein. Beneficial ownership may be acquired in denominations of $5,000 or any integral multiples thereof. No physical delivery of the 2001A ADP Bonds will be made to the purchasers. Principal of and interest on the 2001A ADP Bonds will be payable at the principal corporate trust office of UMB Bank, N.A., Kansas City, Missouri, as Trustee. See **"THE 2001A ADP BONDS — Book-Entry-Only System" herein. The 2001A ADP Bonds will be subject to optional and mandatory redemption prior to maturity as described herein.**

Payment, when due, of the principal of and interest on the 2001A ADP Bonds will be guaranteed by a municipal bond insurance policy to be issued concurrently with the issuance of the 2001A ADP Bonds by MBIA Insurance Corporation. See "Bond Insurance" herein.

MBIA

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

This cover page contains information for reference only. It is not a complete summary of the 2001A ADP Bonds. Investors must read the entire Official Statement, including the cover page and appendices hereto, to obtain information essential to making an informed investment decision.

The 2001A ADP 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 2001A ADP Bonds by Nixon Peabody LLP, New York, New York, and Caldwell & Singleton, 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, Foley & Lardner, Chicago, Illinois, Special Counsel, and Armstrong Teasdale LLP, St. Louis, Missouri, Special Disclosure Counsel, and for the Underwriters by White Coleman & Associates, LLC, St. Louis, Missouri, and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Underwriters' Counsel. It is expected that the 2001A ADP Bonds in book-entry-only form will be available for delivery to DTC in New York, New York, on or about May 15, 2001.

Goldman, Sachs & Co.

A.G. Edwards & Sons, Inc.
Banc One Capital Markets, Inc.
M.R. Beal & Company
Stifel, Nicolaus & Company Incorporated

Bear, Stearns & Co. Inc.
Jackson Securities, Inc.
Salomon Smith Barney
The Chapman Company

UBS PaineWebber Inc.

Dated: May 2, 2001

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS

$435,185,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2001A
(Airport Development Program)

$237,935,000 Serial Bonds

Maturity (July 1)	Principal Amount	Interest Rate	Yield
2007	$3,645,000	4.125%	4.140%
2007	6,130,000	5.000	4.140
2008	870,000	4.250	4.280
2008	9,365,000	5.500	4.280
2009	1,165,000	4.400	4.400
2009	9,625,000	5.500	4.400
2010	1,620,000	4.500	4.500
2010	9,745,000	5.500	4.500
2011	1,760,000	4.600	4.600
2011	10,215,000	5.000	4.600
2012	1,130,000	4.700	4.700
2012	11,435,000	5.625	4.700
2013	13,260,000	5.625	4.800
2014	750,000	4.900	4.900
2014	13,260,000	5.625	4.900
2015	1,640,000	5.000	5.000
2015	13,155,000	5.625	4.990
2016	395,000	5.050	5.050
2016	15,220,000	5.625	5.050
2017	355,000	5.125	5.125
2017	16,135,000	5.625	5.130
2018	300,000	5.200	5.200
2018	17,120,000	5.625	5.180
2019	1,365,000	5.250	5.250
2019	17,030,000	5.625	5.230
2020	930,000	5.300	5.330
2020	18,500,000	5.000	5.330
2021	1,020,000	5.300	5.340
2021	19,375,000	5.000	5.340
2022	21,420,000	5.125	5.350

$197,250,000 Term Bonds

$76,875,000 Term Bonds 5.000% Due July 1, 2026 - Yield 5.380%

$810,000 Term Bonds 5.400% Due July 1, 2031 - Yield 5.430%

$119,565,000 Term Bonds 5.250% Due July 1, 2031 - Yield 5.430%

(Plus accrued interest from May 1, 2001)

No dealer, broker, salesman or other person has been authorized by The City of St. Louis, Missouri (the "City"), Lambert-St. Louis International Airport (the "Airport") or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2001A ADP Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. 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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City, 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 2001A ADP BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT. THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE 2001A ADP BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF ANY STATES IN WHICH THE 2001A ADP 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 2001A ADP BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001A ADP BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE CITY OF ST. LOUIS
ELECTED OFFICIALS

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

BOARD OF ALDERMEN

Irene J. Smith – Ward 1
Dionne Flowers – Ward 2
Freeman Bosley, Sr. – Ward 3
Peggy Ryan – 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
Craig N. Schmid – Ward 10
Matt Villa – Ward 11
Fred Heitert – Ward 12
Alfred J. Wessels, Jr. – Ward 13
Stephen Gregali – Ward 14
Jennifer Florida – Ward 15
James F. Shrewsbury – Ward 16
Joseph D. Roddy – Ward 17
Terry Kennedy – Ward 18
Michael McMillan – Ward 19
Sharon Tyus – Ward 20
Melinda L. Long – Ward 21
Kenneth Jones – Ward 22
James Sondermann – Ward 23
Tom Bauer – Ward 24
Dan E. Kirner – Ward 25
Irving C. Clay, Jr. – Ward 26
Gregory J. Carter – Ward 27
Lyda Krewson – Ward 28

BOARD OF ESTIMATE AND APPORTIONMENT

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

OTHER CITY OFFICIALS

Patricia Hageman, City Counselor
Ivy Neyland-Pinkston, Deputy Comptroller
Kenneth L. Below, Assistant Airport Director of Finance
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive

CITY AIRPORT COMMISSION

Col. Leonard L. Griggs, Jr., Chairman

Kenneth A. Behlmann
James H. Buford
Carmelo D. Caputa
Stacy M. Edwards
Todd H. Epsten
William J. Esterline
Darlene Green
John Krekeler
Lee M. Liberman
Richard A. Sauget
James F. Shrewsbury
Elmer E. Smith
David S. Weber
Sheila B. Williams
Robert A. Young

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC
Detroit, Michigan

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

AIRPORT CONSULTANT

Unison-Maximus, Inc.
Chicago, Illinois

TABLE OF CONTENTS

Page

INTRODUCTION 1
THE CITY OF ST. LOUIS 3
General 3
Government 3
THE AIRPORT 4
General 4
Service Area 5
Airfield Facilities 5
Terminal Facilities 6
Public Parking 6
Other Facilities 6
Risk Management 7
AIRPORT MANAGEMENT 7
Introduction 7
Airport Staff 8
THE AIRPORT DEVELOPMENT PROGRAM 9
The Master Plan 9
Capital Improvement Program 10
Noise Mitigation 10
THE PFC PROGRAM 10
The PFC Program at the City 14
PLAN OF FINANCE 14
ESTIMATED SOURCES AND USES OF FUNDS 16
SECURITY FOR THE 2001A ADP BONDS 16
Revenues 16
Bond Insurance 18
Rate Covenant 18
Air Carrier Rates and Charges 19
Outstanding Bonds and Additional Bonds 21
Debt Service Reserve Account 22
Subordinated Indebtedness and Special Facilities Indebtedness 23
Matters Relating to Enforceability 24
Matters Relating to Security for the 2001A ADP Bonds 24
Acceleration Not a Remedy 24
Remedies 25
BOND INSURANCE 25
THE 2001A ADP BONDS 27
General 27
Redemption Provisions 27
Book-Entry-Only System 28

Page

DEBT SERVICE REQUIREMENTS 29
SELECTED HISTORICAL FINANCIAL INFORMATION 30
Revenues and Expenses 30
Management Discussion 31
AIR CARRIER SERVICE 33
General 33
Passenger Enplanements 33
FACTORS AFFECTING THE AIR CARRIER INDUSTRY 34
General 34
AMR Sub's Acquisition of TWA's Assets 35
AMR 36
Additional Information 37
FINANCIAL FEASIBILITY REPORT 38
General 38
Assumptions 38
Findings and Conclusions 39
LITIGATION 42
UNDERWRITING 43
INDEPENDENT PUBLIC ACCOUNTANTS 43
FINANCIAL ADVISORS 43
TAX MATTERS 43
Federal Income Taxes 43
State Taxes 44
Original Issue Premium 44
Original Issue Discount 44
Certain Federal Tax Information 45
LEGAL MATTERS 46
CERTAIN RELATIONSHIPS 46
CONTINUING DISCLOSURE 46
RATINGS 47
MISCELLANEOUS 47
APPENDIX A - Summary of Certain Provisions of the Indenture, Air Carrier Use Agreements and Other Leases
APPENDIX B - Financial Feasibility Report
APPENDIX C - Audited Financial Statements of the Airport
APPENDIX D - Form of Bond Insurance Policy
APPENDIX E - Form of Opinion of Co-Bond Counsel
APPENDIX F - Summary of Continuing Disclosure Agreement
APPENDIX G - DTC Information

[This page intentionally left blank]

OFFICIAL STATEMENT
Relating to
$435,185,000
The City of St. Louis, Missouri
Airport Revenue Bonds,
Series 2001A (Airport Development Program)

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 hereto (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 ascribed to them in **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** *hereto.*

The purpose of this Official Statement is to furnish information regarding the issuance of $435,185,000 aggregate principal amount of Airport Revenue Bonds, Series 2001A (Airport Development Program) (the "2001A ADP Bonds") of The City of St. Louis, Missouri (the "City"). **Investors must read the entire Official Statement, including the cover page and appendices hereto to obtain information essential to making an informed investment decision.**

The 2001A ADP 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, an election of voters of the City held on November 5, 1991, and Ordinance No. 65087 adopted by the Board of Aldermen on November 3, 2000, and approved by the Mayor on November 22, 2000 (the "Ordinance") (in which Ordinance the "2001A ADP Bonds" are authorized as the "Series 2000A Bonds"). The 2001A ADP Bonds are issued pursuant to an Amended and Restated Trust Indenture, dated as of October 15, 1984, and amended and restated as of September 10, 1997 (the "Restated Indenture"), as amended and supplemented, including by an Eighth Supplemental Indenture of Trust, dated as of May 1, 2001 (collectively, the "Indenture") between the City and UMB Bank, N.A., as Trustee (the "Trustee"). For a summary of the Indenture, see **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

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 "**THE AIRPORT**" herein.

The proceeds of the 2001A ADP Bonds will be used (i) to finance a portion of the cost of the acquisition of certain land located adjacent to Lambert-St. Louis International Airport (the "Airport") and the acquisition, design, construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport facilities (the "2001A ADP Project"), as more fully described in **"THE AIRPORT DEVELOPMENT PROGRAM - The Master Plan"** and **"PLAN OF FINANCE"** herein; (ii) to fund the payment of capitalized interest, if any, during construction of the 2001A ADP Project and up to one year after completion of construction; (iii) to pay the cost of a surety bond to fund the 2001A ADP Debt Service Reserve Sub-Account of the Debt Service Reserve Account created pursuant to the Indenture;

and (iv) to pay costs of issuance of the 2001A ADP Bonds. See **"ESTIMATED SOURCES AND USES OF FUNDS"** herein.

The 2001A ADP Bonds are limited obligations of the City, payable on a parity with the City's Outstanding Airport Revenue Bonds (as defined herein) solely from the Revenues derived from the operation of the Airport, including, without limitation, the Pledged PFC Revenues (as defined herein) and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture, including the Debt Service Reserve Fund, all as more fully described under the caption **"SECURITY FOR THE 2001A ADP BONDS"** herein.

THE 2001A ADP 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 2001A ADP BONDS, EITHER AS TO PRINCIPAL OR INTEREST.

Certain risks are associated with the Airport's ability to generate sufficient Revenues, including Pledged PFC Revenues, for the payment of principal of, premium, if any, and interest on the 2001A ADP Bonds. Revenues, including Pledged PFC Revenues, depend in large part upon the level of aviation activity at the Airport. There are two distinct types of aviation activities. Origin and destination activity ("O&D Activity") which reflects passengers whose origin or destination is at the Airport and connecting activity ("Connecting Activity"), which reflects passengers who connect through the Airport on their way to their destination. O&D Activity is primarily dependent on economic and demographic characteristics of the Airport service area. Connecting Activity is primarily dependent on decisions of the air carriers to use the Airport as a connecting hub. Overall, 47.3% of the Airport's activity is O&D Activity and 52.7% is Connecting Activity.

Prior to April 9, 2001, Trans World Airlines, Inc. ("TWA") was the Airport's primary air carrier. In City Fiscal Year 2000, TWA was responsible for 32.2% of the O&D enplanements at the Airport and 67.8% of the connecting enplanements. On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") and filed with the petition a motion for authority to sell substantially all of its assets to American Airlines, Inc. ("American") or its designees, including AMR Corp. ("AMR"), 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. The sale of TWA's assets to AMR Sub was closed on April 9, 2001. As a result of the sale, American became the nation's largest air carrier, with about 22% of the United States' market, and the Airport's primary air carrier. In a letter dated March 28, 2001 to Colonel Leonard L. Griggs, Jr., the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further expressed in AMR's Form 10-K filed with the Securities and Exchange Commission dated March 22, 2001.

The City has entered into 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 certain of the air carriers serving the Airport (the "Signatory Air Carriers"). Each of the Use Agreements and Cargo Leases with the Signatory Air Carriers, except the AMR Sub Use Agreement and the AMR Sub Cargo Lease, 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 such agreements in accordance with their respective terms. 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. The Use Agreements and Cargo Leases provide for the payment of rentals, fees and charges by the Signatory Air Carriers in connection therewith. In 1993, the City purchased certain property necessary for TWA's operations at the Airport from TWA and immediately thereafter leased such property back to TWA. This asset lease has also been assumed and assigned by TWA to AMR Sub (the "AMR Sub Asset Lease").

For more information regarding TWA, AMR, American, AMR Sub and the legal proceedings in the TWA bankruptcy, see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY," "SECURITY FOR THE 2001A ADP BONDS—Air Carrier Rates and Charges—Use Agreements, Cargo Leases and Certain Other Agreements"**, and **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

The Official Statement contains summary descriptions of, among other things, the Indenture, the 2001A ADP Bonds, the City, the Airport, the Use Agreements, the Cargo Leases, certain AMR Sub agreements, the Continuing Disclosure Agreement, the Financial Feasibility Report, the Audited Financial Statements of the Airport, and the Bond Insurance Policy. All references herein to any documents are qualified in their entirety by reference to such documents. The Indenture, the Continuing Disclosure Agreement and the Policy are available for inspection at the offices of the Trustee and all other documents referenced above are available for inspection at the offices of the Airport.

THE CITY OF ST. LOUIS

General

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

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

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

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

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

administrative responsibility for all of the City's contracts, financial departments and accounting procedures.

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City's 28 wards to serve a four-year term, one-half of which wards elect Aldermen 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 and Recorder of Deeds of the City are elected independently for four-year terms.

THE 2001A ADP 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 2001A ADP 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 FAA.

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

According to preliminary data reported by Airports Council International, the Airport was ranked as the 14th busiest airport in the nation and 15th in the world for 2000 based on operations. In addition, according to preliminary data reported by Airports Council International, the Airport ranked 16th in the nation and 25th in the world for 2000 based on total passengers. In City Fiscal Year 2000, TWA, together with its regional affiliate, Trans World Express, accounted for 11.7 million enplanements at the Airport – 77% of the Airport total. TWA's assets were acquired by AMR Sub on April 9, 2001. In a letter dated March 28, 2001, to Colonel Leonard L. Griggs, Jr., the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further expressed in AMR's Form 10-K dated March 22, 2001. No assurance can be given that American will conduct its future operations in accordance with its public statements. For further information see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein and **APPENDIX B — "FINANCIAL**

FEASIBILITY REPORT" hereto.

Service Area

The Airport's primary service area consists of the St. Louis Consolidated Standard Metropolitan Statistical Area (the "St. Louis Area"), which includes the City, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair counties in Illinois. The Airport is currently the only 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; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles Municipal Airport; St. Charles County/Smart Airport and Creve Coeur Airport in St. Louis County, Missouri. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

In addition, a new airport, MidAmerica Airport in St. Clair County, Illinois started operations in November 1997. MidAmerica Airport is intended to be 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 capacity 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. In August 2000, Pan America Airways became the first commercial passenger air carrier using MidAmerica Airport's facility, initially providing three total flights per day to two other reliever airports. See **APPENDIX B – "FINANCIAL FEASIBILITY REPORT"** hereto.

Airfield Facilities

Currently the Airport has two parallel air carrier runways (runways 12R-30L and 12L-30R). In addition, the Airport has two crosswind runways (runways 6-24 and 17-35) and runway 13-31, which is a converted taxiway that is used only for small aircraft in visual daytime conditions. The dimensions of each of the Airport's five concrete runways are as follows:

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

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

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

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

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

The primary runway, 12R-30L, may be used by the largest types of commercial aircraft without restrictions. Two of the four remaining runways, 12L-30R and 6-24, are sufficient in length to handle safely most types of aircraft now serving the Airport. The other runways, 13-31 and 17-35, serve the commuter air carriers and smaller types of general aviation aircraft. In addition to the runways, there are over 12 miles of 75-foot-wide concrete taxiways and four concrete holding pads. All runways and taxiways are equipped with 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

The main terminal at the Airport was completed in 1956 and originally consisted of three concrete shell domes with vaulted ceilings of acoustical plaster and glass walls supported by a steel framework. The main terminal has since been expanded by the addition of a fourth dome and a two-level passenger roadway system. An east addition to the main terminal was added in 1976. The main terminal contains 528,250 square feet of floor space on three levels and four concourses with an additional 590,641 square feet of space. The upper level of the main terminal contains the passenger ticketing and outbound baggage services, a restaurant, snack shops, cocktail lounges and gift shops. The middle level contains a bank, a PGA golf store, incoming baggage carousel, airport management offices, a United States Post Office, ground transportation services, eight car rental agencies and various concessions. The lower level contains air carrier operations offices, outbound baggage make-up and related facilities and services. Currently, the main terminal and the east terminal have 91 gates, including 79 loading bridges, 5 transporter doors and 7 commuter doors.

The east terminal, which was recently expanded, has gates for twelve Boeing 737 aircraft with 234,000 square feet of building space. Included in the east terminal is a domestic-international holdroom, retail and food concessions, a new ticketing area with counters, offices and queuing space, holdrooms and circulation space to support additional gates, public rest rooms and telephones. The east terminal includes a two-level roadway system with a covered area for curbside baggage service and passenger drop-off. The lower drive is for passenger pick-up, commercial transportation and passenger transport vehicles.

Public Parking

Public parking is provided in a 2,000-car multi-story parking garage adjacent to the main passenger terminal roadway. In addition, a 953-car multi-story parking garage located at the east terminal opened in March 1998. There is also a 1,156-car paved parking area for intermediate-term parking across the Airport Service Road and a 3,761-car parking lot serviced by minibuses and used for long-term parking and overflow storage.

Other Facilities

The other principal structures owned by the City at the Airport are five cargo buildings and eighteen 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 hangar and certain other cargo facilities.

In addition, Midcoast Aviation Services, Inc. and Sabreliner Corporation occupy various hangars and storage facilities at the Airport. The Boeing Company and the Missouri Air National Guard, both of which adjoin the Airport, use the Airport's runways and taxiways.

The City, The Boeing Company and McDonnell Douglas Corporation, a wholly owned subsidiary of The Boeing Company ("MDC"), have executed a Memorandum of Understanding (the "MOU") regarding the City's acquisition of a 76-acre parcel of land adjacent to the northern boundary of the Airport (the "MDC Facilities"). Under the terms of the MOU, the City will pay MDC $50 million for the MDC Facilities, to be funded from 2001A ADP Bond proceeds. MDC will then lease the MDC Facilities back from the City at $5 million per year, for an interim period of three (3) years while it 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 is $15 million, payable to the City in advance at the closing. A portion of the lease payments will be used to pay interest through July 1, 2006 on that portion of the 2001A ADP Bonds issued to fund the acquisition. At the end of the three-year interim period, the MDC Facilities will

be available for redevelopment by the City. Assuming a definitive sale contract is executed and certain conditions are met, the transaction is expected to close in July 2001.

The 94th Aero Squadron, a unique, aviation-themed restaurant operated by Specialty Restaurant Corporation, is located on a two-acre tract on Airport property. The building is a replica of a 100-year old French farmhouse and was completed in September 1978.

A cargo facility leased by 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. UPS is currently building a new addition to the existing air cargo facility, which will result in additional cargo space and apron square footage.

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, which are 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.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, business interruption, public officials' liability, property damage, employee dishonesty, business auto, and insurance on its fine arts.

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.

Legislation has been introduced in the Missouri legislature in recent legislative sessions which would have transferred management of the Airport (but not ownership) to a new authority whose members would be appointed by the City, St. Louis County, St. Charles County, Jefferson County and Franklin County, Missouri. Under this proposed legislation, the number of members appointed by each entity would be based upon such entity's population; provided, however, that no entity would be permitted to appoint a majority of the members. Such legislation did not pass in the 2000 legislative

session. The City strenuously opposed such legislation in the past and intends to strenuously oppose similar legislative proposals, if any, in the future.

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.

Colonel Leonard L. Griggs, Jr. is the Director of Airports and Chairman of the Airport Commission. He has held these positions from 1977 through 1987 and from July 1993 to the present. Prior to his retirement as Colonel from the United States Air Force in 1977, Colonel Griggs was the Vice Commander of the Airlift Command at Scott Air Force Base in Illinois. After the end of his initial term as Director of Airports in 1987, he received a presidential appointment as Assistant Administrator for Airports with the FAA. He is also a member of the National Civil Aviation Review Commission. The Director of Airports, with the approval of the Airport Commission and the Board of Estimate and Apportionment of the City, has the power to enter into contracts, leases and agreements for use of the Airport properties and facilities. Contracts, leases and agreements for a term of more than three-years must also be authorized by the Board of Aldermen and, if such contract, lease or agreement relates to the construction of public works, the Board of Public Service. The Director of Airports, with the approval of the Airport Commission, has the power to establish schedules fixing all other fees and charges.

The Deputy Director of Airports is Gerard Slay. Mr. Slay's primary responsibilities include airfield and terminal buildings maintenance and operations. Mr. Slay joined the Airport in 1984 as the Airport Maintenance Manager and was promoted to his current position in February 2000.

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

The Assistant Director for Planning and Development is Donald Ruble. He is responsible for managing the construction of Airport improvements. Mr. Ruble was first employed by the Airport in 1977 as an architect and was subsequently promoted to Architectural Manager in 1980. After serving four-years as the Architectural Manager, Mr. Ruble was promoted to Assistant Director for Planning and Engineering in 1984, before leaving the Airport to join the Sverdrup Corporation. Upon his return to the Airport in 1992, Mr. Ruble was employed as an Engineering Construction Manager until his promotion to his current position in 1996.

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

The Assistant Director for Community Programs is Linda Moore. She is responsible for the Airport's noise mitigation program. Ms. Moore was employed in 1991 to establish and manage the Disadvantaged Business Enterprise Program at the Airport and in 1993 centralized the Airport's contracting function into a new Contracts Administration Department. Ms. Moore managed the Contracts Administration Department until promotion to her current position in 1998.

THE AIRPORT DEVELOPMENT PROGRAM

The Master Plan

The Airport Development Program ("ADP") is based on recommendations set forth in the Airport's current master plan (the "Master Plan"), which was approved by the FAA on September 30, 1998. The Master Plan includes recommendations for development of the Airport over a 20-year planning period, to be accomplished in phases. The principal element of the first phase ("Phase 1") of the ADP is development of a new air carrier runway. The major elements of Phase 1 of the ADP to be funded by the City include land acquisition for the new air carrier runway, land acquisition for support facilities, the planning, design and construction of a new parallel air carrier runway, relocation of the Missouri Air National Guard, and infrastructure for the redevelopment of the northeast quadrant of the Airport. The City may also finance certain replacement facilities for Airport tenants which would be paid for entirely by those tenants.

The Airport's two primary air carrier runways, runways 12R-30L and 12L-30R, are separated by 1,300 feet. The Airport is reduced to one precision instrument approach during adverse weather conditions because of the minimal separation of the parallel runways. The Master Plan calls for the construction of a third parallel air carrier runway, approximately 9,000 feet in length and 150 feet in width, southwest of the existing airfield with a separation of 4,100 feet between the outbound runways and 2,800 feet between the new runway and what will become the center runway of the expanded airfield. 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.

The 2001A ADP Project consists primarily of the acquisition of certain land adjacent to the Airport for the purpose of constructing thereon the new parallel air carrier runway and the acquisition, design, construction, improvement, renovation, rehabilitation and equipping of certain airport facilities, all of which are part of Phase 1 of the ADP.

The 2001A ADP Bonds are being issued to finance a portion of the cost of Phase 1 of the ADP. The City's total estimated cost of Phase 1 of the ADP is $1.11 billion. The City intends to finance Phase 1 of the ADP with a variety of funding sources, including: (1) the proceeds of the 2001A ADP Bonds, (2) the proceeds of the outstanding $87,165,000 City of St. Louis, Missouri, Letter of Intent Double Barrel Revenue Bonds, Series 2000 (Lambert – St. Louis International Airport Project) (the "LOI Bonds"), (3) moneys appropriated from the City's Airport Development Fund (the "ADF"), (4) Airport Improvement Program ("AIP") grants-in-aid, (5) grants-in-aid under the Federal Highway Administration's highway grant program ("FHWA"), and (6) PFC Revenues.

The Master Plan also calls for, and the remaining phases of the ADP include, the expansion of the passenger terminal complex at the Airport from the current 91 jet gates to approximately 108 jet gates, an increase in the size of the terminal building from 1.3 million square feet to 2.0 million square feet, and an increase in the number of parking spaces to approximately 12,500. The City plans to build the terminal complex and parking facilities when demand indicates and funding is available.

For more information on the Airport Development Program, see **APPENDIX B – "FINANCIAL FEASIBILITY REPORT"** hereto.

Capital Improvement Program

In addition to the Master Plan, each year the City prepares a five-year Capital Improvement Program (the "Capital Improvement Program") for the Airport, consisting of certain projects currently under construction and other projects to be undertaken within the applicable five-year period. The current Capital Improvement Program (which does not include the Master Plan projects or the Noise Mitigation Program) covers the period from the City's Fiscal Year ending June 30, 2001 to the City's Fiscal Year ending June 30, 2005, and a variety of airfield, terminal, parking and infrastructure projects at the Airport estimated to cost approximately $132.8 million. The City anticipates financing this program with two or more series of airport revenue bond issues currently estimated to total $96.7 million. During the second quarter of 2001, the City plans to issue the City of St. Louis, Missouri Airport Revenue Bonds, Series 2001B (Capital Improvement Program) (the "2001B CIP Bonds") in the approximate amount of $71.2 million to fund a portion of the costs associated with the Capital Improvement Program. The City anticipates issuing another series of airport revenue bonds in City Fiscal Year 2003 in the estimated amount of $26.5 million to finance the balance of projects in the Capital Improvement Program. The remainder of the Capital Improvement Program will be paid for through a combination of sources, primarily consisting of PFC Revenues, available moneys in the ADF and AIP grants. For more information on the Capital Improvement Program and the issuance of Additional Bonds under the Indenture see, **APPENDIX B – "FINANCIAL FEASIBILITY REPORT"** and **"SECURITY FOR THE 2001A ADP BONDS-Outstanding Bonds and Additional Bonds"** herein.

Noise Mitigation

The City has been undertaking a Part 150 Noise Mitigation Program (the Part 150 Program) at the Airport for the past 14 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 June 30, 2000, the City had appropriated approximately $218 million (of which approximately $198 million had been expended) for various noise mitigation measures, including (1) property acquisition, (2) purchase of aviation 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 appropriate an additional $72 million for the Part 150 Program over the next several years, bringing the total cost of the program to $290 million.

These noise mitigation projects are voluntary and have no mandated schedule for commencement or completion and will be fully funded with PFCs and AIP grants. The City may undertake additional noise mitigation measures in connection with the ADP. Such measures, if any, have not yet been determined and are not part of the currently approved Part 150 Program.

THE PFC PROGRAM

Passenger Facility Charges. PFCs are fees authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations issued with respect to the PFC Act (the "PFC Regulations"). The PFC Act allows a public agency such as the Airport, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to certain limited exceptions) a PFC of $1.00, $2.00, $3.00, $4.00 or $4.50. Pursuant to the PFC Act and to the City's current approvals from the FAA, the City may, with certain exceptions, charge each paying passenger who enplanes at the Airport a PFC of $3.00. The annual amount of PFCs payable to the City thus depends upon the number of passenger enplanements at the Airport. The PFC Act requires air carriers and their agents to collect the PFCs and to remit to the City

once each month the proceeds of such collections, less a handling fee and less interest earned prior to such remittance.

The proceeds from PFCs are to be used to finance approved airport-related projects that preserve or enhance capacity, safety or security of the national air transportation system, reduce noise from an airport that is part of the system or provide an opportunity for enhanced competition between or among air carriers or foreign air carriers. These projects include airport development or planning, terminal development, airport noise compatibility measures and planning and construction of gates and related areas (other than restaurants, rental car facilities, automobile parking or other concessions) for the movement of passengers and baggage.

The FAA approval provides that bond documents, such as the Indenture, may define pledged airport revenues in a manner that would include PFC Revenues. However, the FAA approval also provides that the use of PFC Revenues is limited to the allowable costs of approved PFC projects ("PFC-Eligible" projects) and may not be used to pay debt service on any bonds issued to finance other than PFC-eligible projects. The use of PFC Revenues deposited in the PFC Escrow Account for any other project would require further FAA approval.

Collection of PFCs. PFCs are collected on behalf of airports by air carriers, foreign air carriers and their agents ("Collecting Carriers") from each eligible passenger enplaning at such airport. The Collecting Carriers are authorized to withhold, as a collection fee (i) eight cents per enplaning passenger from whom a PFC is collected and (ii) any investment income earned on the amount collected prior to the due date of the remittance. From time to time, the FAA considers permitting an increase in the amount the Collecting Carriers may retain as a collection fee, although to date no such increase has been granted. Any new PFC charge is effective on the first day of a month that is at least 60 days after the Collecting Carriers are notified.

Certain passengers are not subject to collection of a PFC by Collecting Carriers. PFCs may not be collected from a passenger enplaning at an airport if the passenger did not pay for the ticket (including tickets obtained with frequent flyer coupons). A PFC may be collected from a passenger (i) on a one-way trip only for the first two airports on the air travel itinerary where PFCs are imposed and (ii) on a roundtrip only for the first two and last two airports where PFCs are imposed. No PFC may be imposed on any passenger on any flight (i) to a point receiving essential air service compensation, (ii) to an airport receiving scheduled passenger service and having fewer than 2,500 passenger boardings each year, or (iii) to a community that has a population of less than 10,000 and is not connected by a land highway or vehicular way to the land-connected national highway system within a state.

The public agency may request exemption from the requirement to collect PFCs for a class of air carriers if the number of passengers enplaned by the air carriers in the class constitutes no more than 1% of the total enplaned passengers annually at the airport at which the PFC is imposed. An exemption from the requirement to collect PFCs for "on-demand air taxi commercial operators" (ATCO) was requested by the State on the basis that (i) the number of enplaned passengers within this class is well below the 1% of total annual enplaned passengers at the Airport and (ii) the minimal PFC revenues to be collected from the excluded class does not justify the administrative burden which would be imposed on the air carriers and the Airport in collecting and accounting for the revenues.

The duration of a public agency's authority to impose PFCs is governed by the regulations issued under the PFC Act (the "PFC Regulations"). The duration of authority to impose a PFC after project implementation extends until (i) the charge expiration date is reached, (ii) PFCs collected and interest thereon equals the allowable cost of the approved project, (iii) the FAA terminates the authority to collect PFCs if it determines that the PFCs are not being used for the approved project in accordance with the terms of the PFC Act, the PFC Regulations and the FAA approval (which approved project includes debt

service or costs attributable to an approved project), or (iv) the FAA determines that the public agency is violating noise and access requirements under the Airport Noise and Capacity Act of 1990, as amended (the "Noise Act"). The PFC Regulations define "project implementation," with respect to construction, as the issuance to a contractor of a notice to proceed or the start of physical construction. Notices to proceed directing the contractors to begin work on certain segments of the 2001A ADP Project have already been issued by the City.

A PFC approval may be amended by a public agency without consultation or approval by the FAA to decrease the level of PFCs collected, decrease the total PFC revenue, or increase the total approved PFC revenue by 15% or less, provided that the air carriers and the FAA are notified in writing. A PFC amendment that increases the dollar amount of the PFC, increases the total approved PFC revenue by more than 15%, materially alters the scope of the approved project, or changes or establishes a new class of air carrier for exemption, requires FAA notification showing consultation with and agreement or disagreement by the air carriers, justification for the amendment, and other information as required by the FAA. In this case, if no air carrier certifies its objections, the amendment may be instituted unless, within 30 days after notification, the FAA notifies otherwise. If an air carrier certifies its disagreement with the proposed amendment, the public agency must request approval from the FAA. Such request must, in addition to the written evidence required above, contain the reasons for air carrier objection, the reasons for requesting the amendment in light of the air carrier objections, and other information requested by the FAA. The FAA then has 120 days to approve or disapprove the amendment. If the request is for an increase in the PFC level above $3.00, the FAA must insure that additional requirements applicable to PFCs above the $3.00 level, including the requirement for applicable covered airports to file a competition plan, are met.

Possibility and Consequences of PFC Revenue Insufficiency. The ability of the City to collect annually sufficient PFC Revenues depends upon a number of factors including the operation of the Airport by the City, the number of enplanements at the Airport, the use of the Airport by Collecting Carriers, and the efficiency and ability of the Collecting Carriers to collect and remit PFCs to the City. The City relies upon the Collecting Carriers' collection and remittance of PFCs, and both the City and the FAA rely upon the air carriers' reports of enplanements and collections.

The City expects to pay the PFC-Eligible portion of debt service on the 2001A ADP Bonds from PFC Revenues. However, if the number of enplaned passengers at the Airport is significantly less than the number forecast by the City and the Airport Consultant in projecting annual PFC Revenues, if the eight cents collection fees retained by the Collecting Carriers are increased, if the PFC Act is amended, or if the Airport's authority to impose PFCs were terminated, the amount of PFC Revenues collected by the City each year may be less than the amount projected and may be less than the amount required to enable the City to pay the principal of and interest on the PFC-Eligible portion of the 2001A ADP Bonds. In such event, the City would be obligated to use available GARB Revenues to fund the deficiency and, after the Determination Date would be required to include in air carrier rates and charges costs for completed PFC-Eligible projects, to the extent necessary to fund the deficiency. If the number of annual enplanements at the Airport is higher than initially projected or if the rate of PFCs assessed by the City is increased above $3.00, the City will collect PFC Revenues faster than initially forecast. Although the FAA estimates that based upon the City's current PFC authority, the City's authority to collect the PFCs will expire in 2018, prior to the final maturity of the 2001A ADP Bonds, the City expects that it will obtain new PFC approvals before its current authority expires. No assurance can be given that the City will be able to do so.

Amendment to the PFC Act. There is no assurance that the PFC Act will not be repealed or amended or that the PFC Regulations or the City's approvals from the FAA will not be amended in a manner that would adversely affect the City's ability to collect and use PFC Revenues in amounts sufficient to make timely payments of principal and interest on the Bonds, including the 2001A ADP

Bonds. In such event, the City may have less PFC Revenues available to pay debt service on the 2001A ADP Bonds than projected.

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.

The PFC Program at the City

City PFC Approvals. The Airport has obtained the approval--under four PFC applications (PFC #1, PFC #2, PFC #3 and PFC #4)--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 PFC financial plan for PFC #4 calls for the application of approximately $120 million of PFCs on a pay-as-you-go basis and the issuance of approximately $300 million of Additional Bonds to be paid from PFC Revenues. Certain elements of the 2001A ADP Project will be designated as the "PFC-Eligible Projects." These are among the capital projects approved by the FAA pursuant to four Records of Decision issued by the FAA (collectively, the "2000 Approvals").

As of September 30, 2000, the FAA had authorized the City to collect up to $1.2 billion in PFCs, of which approximately $191 million has been expended. See **APPENDIX B — "FINANCIAL FEASIBILITY REPORT"** hereto for more information on the City's PFC authority.

The new FAA authorization bill increases the amount of the maximum allowable PFC rate from 5$3.00 to $4.00 or $4.50 subject to certain conditions.[1] The Airport has begun the process of applying to increase the PFC rate to the maximum allowable $4.50 rate. Once approved, this new PFC application along with amendments to PFC #3 and PFC #4, will give the City the authority to impose a $4.50 PFC and use the increased PFC Revenues to fund additional ADP project costs on a pay-as-you-go basis through the completion of the 2001A ADP Project in City Fiscal Year 2006. The City currently expects to receive approval on or about November 1, 2001, with collection to begin on or about January 1, 2002. The anticipated increase in the PFC rate is expected to substantially increase the amount of PFC Revenues available for the ADP and, therefore, reduce the amount of GARBs required to finance the balance of the program. The $3.00 PFC currently generates approximately $42 million in annual PFC Revenues at the Airport. Based on future enplanement forecasts, the $4.50 PFC rate is expected to generate approximately $65 million in annual PFC Revenues at the Airport.

PLAN OF FINANCE

The proceeds of the 2001A ADP Bonds will be used (i) to finance a portion of the cost of the acquisition of certain land located adjacent to the Airport and the acquisition, design, construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport facilities; (ii) to fund the payment of certain capitalized interest during construction of the 2001A ADP Project and up to one year after completion of construction; (iii) to pay the cost of a surety bond to fund the 2001A ADP Debt Service Reserve Sub-Account of the Debt Service Reserve Account created pursuant to the Indenture; and (iv) to pay the costs of issuance of the 2001A ADP Bonds. See the sections captioned **"ESTIMATED**

[1]Among these conditions, certain airports such as the Airport, whose traffic is dominated by a single hub carrier, are required to file a "competition plan" with FAA. The City filed its competition plan on August 7, 2000 and the plan was determined by the FAA to be in accordance with requirements of Section 155 of the Wendell H. Ford Aviation Investment and Reform Act of the 21st Century (AIR 21), Pub. L. 106-181.

SOURCES AND USES OF FUNDS," "SECURITY FOR THE 2001A ADP BONDS" and **"THE PFC PROGRAM"** herein.

The City anticipates using a portion of the proceeds of the 2001A ADP Bonds to finance (i) any projects that 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. Specific construction activities which will be funded or may be funded from proceeds of the 2001A ADP Bonds include, but are not necessarily limited to the following:

Program Element Summary
(in thousands)

Project Element	PFC-Eligible 2001A ADP Project Costs	Northwest Land Acquisition	Balance of Program	Total
Land Acquisition	$114,147	$50,000	$0	$164,147
Runway Site Development	110,552	0	45,605	156,157
Program Management/Professional Services	48,804	0	0	48,804
Carrolton School Replacement Facilities	16,877	0	0	16,877
Northeast Quadrant Infrastructure	9,893	0	0	9,893
Relocation of Missouri National Guard	0	0	35,000	35,000
Total Project Costs – 2001A ADP Bonds	$300,273	$50,000	$80,605	$430,878

The portion of the 2001A ADP Bonds to be used to finance PFC-Eligible 2001A ADP Projects is approximately $300 million. This portion of the 2001A ADP Bonds will be used to pay the costs of projects approved in PFC #4. The 2001A ADP Bonds will be structured to have payments of interest only through City Fiscal Year 2006 and level annual debt service for 25-years thereafter. Interest on a portion of the 2001A ADP Bonds will be payable from PFC Revenues. The balance of Phase 1 of the ADP will be funded with GARB Revenues. The 2001A ADP Bonds have been sized to fund all of the "balance of program" project costs other than the program contingency ($78 million) and the potential tenant replacement facilities ($27 million). Interest on the non-PFC eligible portion of the 2001A ADP Bonds is to be capitalized through City Fiscal Year 2006 and debt service is structured for level annual payments of principal and interest commencing with City Fiscal Year 2007. See **"ESTIMATED SOURCES AND USES OF FUNDS"** herein and **APPENDIX B — "FINANCIAL FEASIBILITY REPORT"** for additional information on the proposed projects.

[Remainder of page intentionally left blank]

ESTIMATED SOURCES AND USES OF FUNDS

The table below shows estimated sources and uses of funds in connection with the issuance of the 2001A ADP Bonds.

Sources of Funds:	
Principal Amount of 2001A ADP Bonds	$435,185,000.00
Net Original Issue Discount	(1,049,482.80)
Accrued Interest	890,808.77
Total Sources of Funds	$435,026,325.97
Uses of Funds:	
Deposit to Construction Fund	$403,044,129.74
Deposit of Accrued Interest to Debt Service Account	890,808.77
Deposit of Capitalized Interest to Debt Service Account	23,737,899.81
Costs of Issuance[1]	4,122,100.00
Underwriters' Discount	3,231,387.65
Total Uses of Funds	$435,026,325.97

[1] Includes legal, accounting and printing expenses, bond insurance premium, surety premium, and other expenses associated with the issuance of the 2001A ADP Bonds.

SECURITY FOR THE 2001A ADP BONDS

THE 2001A ADP BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION, AND THE TAXING POWER OF THE CITY IS NOT PLEDGED TO THE PAYMENT OF THE BONDS, EITHER AS TO PRINCIPAL OR INTEREST.

Revenues

The 2001A ADP Bonds are limited obligations of the City, payable solely from and secured, on a parity with the Outstanding Bonds (as defined in the section captioned **"SECURITY FOR THE 2001A ADP BONDS — Outstanding Bonds and Additional Bonds"** herein), by a pledge of (i) 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 2001A ADP Bonds.

Under the Indenture, "Revenues" means, collectively, the "GARB Revenues," the "Pledged PFC Revenues" 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 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 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 (l) 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.

PFC Revenues. Under the Indenture, "PFC Revenues" are defined as 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 (as defined herein). For more information regarding PFCs, the PFC Act, the PFC Regulations and the Record of Decision, see **"THE PFC PROGRAM"** herein.

Pledged PFC Revenues. The Indenture excludes from "Revenues" any PFCs levied by or on behalf of the Airport against passengers or cargo, except to the extent all or a portion of the PFCs are designated as Revenues in a Supplemental Indenture. The Eighth Supplemental Indenture to be executed in connection with the issuance of the 2001A ADP Bonds includes, for the first time, in the definition of Revenues, a portion of the proceeds of the PFC Revenues collected at the Airport ("Pledged PFC Revenues"). Pledged PFC Revenues for a given PFC Year constitutes that portion of 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. "PFC-Eligible 2001A ADP Debt Service" means PFC-Eligible Debt Service on the 2001A ADP Bonds. "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. Pursuant to the Eighth Supplemental Indenture, the City has designated component projects of the 2001A ADP Project as the PFC-Eligible 2001A ADP Project and the portion of the debt service on the 2001A ADP Bonds attributable to such PFC-Eligible 2001A ADP Project constitutes PFC-Eligible 2001A ADP Debt Service. The City has pledged the Pledged PFC Revenues for the benefit of the Owners of the Bonds, including the 2001A ADP Bonds, which is allowed pursuant to the FAA's approval of the PFCs. However, the FAA's approval also provides that the use of PFC Revenues is limited to the allowable costs of approved PFC projects, such as the PFC Eligible 2001A ADP Debt Service, and may not be used to pay debt service on any bonds issued to finance other than approved PFC projects.

The City has covenanted not to create a lien on Pledged PFC Revenues that is senior to the lien of the 2001A ADP Bonds. On or after the Determination Date, as defined in the Indenture, the City may decrease the amount of Pledged PFC Revenues pledged to the Bonds, including the 2001A ADP Bonds, or eliminate the pledge of the Pledged PFC Revenues to the Bonds, including the 2001A ADP 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 the decrease or elimination of the Pledged PFC Revenues will not adversely affect exclusion from gross income for federal income tax purposes of the interest on any Outstanding Bonds.

Prior to the Determination Date, the City has covenanted not to issue 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 (as defined below) 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. The Indenture defines "Future O&D PFC Revenues" as 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.

For a summary of the application of Revenues under the Indenture, see **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Bond Insurance

Payment of scheduled principal of and interest on the 2001A ADP Bonds will be guaranteed by a municipal bond insurance policy to be issued by MBIA Insurance Corporation. The municipal bond insurance policy will be issued concurrently with the issuance of the 2001A ADP Bonds, will be noncancellable and will extend for the term of the 2001A ADP Bonds. See **"BOND INSURANCE"** herein and **APPENDIX D – "FORM OF BOND INSURANCE POLICY"** hereto.

Rate Covenant

Under the Indenture, the City has covenanted that it will at all times while any Bonds remain outstanding, establish, fix, prescribe and collect rates, fees, rentals and other charges for the use of the Airport as will be reasonably anticipated to provide in each Airport Fiscal Year an amount so that Revenues will be sufficient to (i) pay Aggregate Debt Service for such Airport 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. Pursuant to the Indenture, Pledged PFC Revenues that can constitute Revenues for purposes of complying with this rate covenant may not be greater than the PFC-Eligible

Debt Service for such Airport Fiscal Year. For further discussion, see **"SECURITY FOR THE 2001A ADP BONDS—Air Carrier Rates and Charges—Use Agreements, Cargo Leases and Certain Other Agreements"** herein.

Air Carrier Rates and Charges

Use Agreements, Cargo Leases and Certain Other Agreements. The City has entered into individual Use Agreements and in some instances Cargo Leases with the Signatory Air Carriers serving the Airport. Each of the Use Agreements and Cargo Leases with each of the Signatory Air Carriers, except AMR Sub, 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 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. The Use Agreements and Cargo Leases provide for the payment of rentals, fees and charges by the Signatory Air Carriers in connection therewith. In 1993, the City purchased certain property necessary for TWA's operations at the Airport from TWA and immediately thereafter leased such property back to TWA. AMR Sub has assumed the former TWA Asset Lease. At the time of the assumption there were certain arrearages which will be paid pursuant to Court Order.

The Use Agreements and Cargo Leases set forth the procedures for obtaining majority-in-interest ("MII") approvals for projects to be included in the air carrier rate base and also the methodology for calculating landing fees and terminal rents as well as certain other ancillary fees. Air carrier rates and charges are assessed to the air carriers 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 City's Cargo Leases and Use Agreements 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.

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 intends to negotiate new Use Agreements and Cargo Leases with the air carriers serving the Airport prior to their expiration in 2005. However, no decisions have been made by the City regarding rate-making methods or other business issues that will be addressed in those negotiations, with the exception of a covenant of the City that costs associated with the 2001A ADP Project be included in future rates and charges, to the extent that other moneys are not available for such purpose. In the absence of new Use Agreements and Cargo Leases, the City has the ability to establish, charge and collect air carrier rates and charges by ordinance, subject to the requirements of federal law described below. For further discussion, see **APPENDIX B – "FINANCIAL FEASIBILITY REPORT"** hereto.

Portion of Debt Service on 2001A ADP Bonds Not Payable By Air Carriers Prior to January 1, 2006. The 2001A ADP Project has not been submitted to the air carriers for MII approval under the procedures provided in the Use Agreements and Cargo Leases. Without MII approval, the City cannot

include any costs related to the 2001A ADP Project, including debt service on the 2001A ADP Bonds, in the air carrier rate base until after the Use Agreements and Cargo Leases expire on December 31, 2005. Accordingly, all costs related to the 2001A ADP Project through Fiscal Year 2006, including debt service on the 2001A ADP Bonds, will either be capitalized from proceeds of the 2001A ADP Bonds or Additional Bonds or paid from PFC Revenues, available Letter of Intent (as defined herein) resources or available ADF resources. No such costs will be charged to the air carrier rate base. As a result, to the extent that the Pledged PFC Revenues received by the City are insufficient to pay debt service due on or prior to December 31, 2005 on the portion of the 2001A ADP Bonds used to finance the PFC-Eligible Projects, there may be an insufficient amount of Revenues available to pay debt service on the 2001A ADP Bonds. Such debt service relating to any project could be funded from proceeds of Additional Bonds payable from Airport revenues beginning the later of January 1, 2006 or the completion date of such project. For a description of the Signatory Air Carriers' payment obligations under the Use Agreements and Cargo Leases, see **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Potential Inability of the City to Assess Air Carriers Amounts Sufficient to Pay Debt Service on the 2001A ADP Bonds After January 1, 2006, Due to Delays in Completion of the 2001A ADP Project. Under federal law, as described below, the City is prohibited, without air carrier approval, from assessing the air carriers for debt service attributable to projects that have not been completed and placed into service. As a result, the City will be prohibited from assessing the air carriers debt service attributable to portions of the 2001A ADP Project that have not been completed. Such debt service relating to any project could be funded from proceeds of Additional Bonds payable from Airport revenues beginning the later of January 1, 2006, or the completion date of such project.

Federal Policy on Air Carrier Rates and Charges. On August 23, 1994, the President of the United States signed into law the FAA Authorization Act of 1994 (the "1994 Act") which mandates an expedited administrative process by which the Secretary of Transportation shall review rates and charges complaints brought by air carriers. In January 1995, the U.S. Department of Transportation ("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.

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.

On August 1, 1997, the U.S. Court of Appeals to the District of Columbia Circuit (the "Court of Appeals") in a case brought by the Air Transport Association vacated and remanded the Policy Statement to the Secretary of Transportation for reconsideration of the standards set forth in such policy. On October 15, 1997, the Court of Appeals amended its previous order to vacate only certain enumerated sections 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. The DOT has published notice of a request for comments and suggestions from interested parties concerning the replacement provisions for the portions of the Policy Statement that were vacated by the Court of Appeals and is still in the process of developing guidelines covering the matters vacated by the Court of Appeals. In establishing any new rates and charges methodology for the Airport, the City intends to comply with federal law.

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.

Outstanding Bonds and Additional Bonds

Outstanding Bonds. The following series of Bonds (the "Outstanding Bonds") were outstanding as of April 1, 2001:

Title	Dated Date	Original Amount of Issue	Amount Outstanding
Airport Revenue Improvement and Refunding Bonds, Series 1992	November 15, 1992	$109,125,000	$ 25,230,000
Airport Revenue Refunding Bonds, Series 1993	August 1, 1993	$121,720,000	$ 59,270,000
Airport Revenue Bonds, Series 1993A	November 1, 1993	$ 65,405,000	$ 33,830,000
Airport Revenue Refunding Bonds, Series 1996	April 1, 1996	$ 37,760,000	$ 25,745,000
Airport Revenue Bonds, Series 1997A	August 1, 1997	$ 40,420,000	$ 40,420,000
Airport Revenue Bonds, Series 1997B	August 1, 1997	$159,185,000	$159,185,000
Airport Revenue Refunding Bonds, Series 1998	December 1, 1998	$ 69,260,000	$ 68,945,000
		Total	$412,625,000

On August 2, 2000, the City issued its $87,165,000 Double Barrel Airport Revenue Bonds, Series 2000, payable solely from amounts to be paid by the federal government to the City pursuant to the FAA's Letter of Intent Number ACE-98-01 dated November 10, 1998, as amended by Amendment Number 1 dated May 1, 2000 ("Letter of Intent"), for the payment to the City during the federal fiscal years ending September 30, 1999 through September 30, 2008 of an aggregate amount of $141,434,000 and from amounts required to be paid by the City from amounts on deposit in the City's Airport Development Fund

Escrow Account for Outstanding Obligations. Prior to 1984, the City issued Airport Revenue Bonds in the aggregate principal amount of $178,000,000. Proceeds of these Airport Revenue Bonds 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 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 $44,293,000 as of April 1, 2001. 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 2001A ADP 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 the City's Outstanding Bonds and the 2001A ADP 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 (including the refunding of Subordinated Indebtedness and Special Facilities Indebtedness and the funding of funds and accounts established pursuant to the Indenture) or for the purpose of providing funds for the refunding of Bonds.

Additional Bonds (other than Refunding Bonds) may be issued only upon receipt by the Trustee of certain certificates, reports and information, including without limitation, the following:

1. A certificate of the independent consultant 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 Airport Fiscal Years following the Airport Fiscal Year in which the Project or any Additional Project will be completed, will be at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Airport Fiscal Years.

The amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds test for any Airport Fiscal Year shall not exceed 125% of the sum of the outstanding and proposed PFC-Eligible Debt Service for such Airport Fiscal Year. For more information on Additional Bonds expected to be issued to finance the Capital Improvement Program, see **"THE AIRPORT DEVELOPMENT PROGRAM — Capital Improvement Program"** and **APPENDIX A — "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Debt Service Reserve Account

The Indenture authorizes the establishment of the 2001A ADP Airport Debt Service Reserve Sub-Account of the 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 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. Pursuant to the Eighth Supplemental Indenture, the Debt Service Reserve Requirement with respect to the 2001A ADP Bonds will be $32,689,527.52. 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.

The Debt Service Reserve Requirement for the 2001A ADP Bonds is being funded with a surety bond (the "Surety Bond") which will be provided by MBIA Insurance Corporation. In the event that there are insufficient moneys to pay the principal of or interest on the Bonds, moneys payable under the Surety Bond will be payable to the Trustee for the equal and ratable benefit of all of the Holders of the Bonds on any date on which moneys are required to be withdrawn from the 2001A ADP Airport Debt Service Reserve Sub-Account of the Debt Service Reserve Account.

Moneys in the Debt Service Reserve Account are to be withdrawn and deposited in the Debt Service Account whenever the amount in the Debt Service Account on the final business day of any month is less than the amount of the Accrued Aggregate Debt Service on such date. 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 Bond 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 A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES"** hereto.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the issuance of Subordinated Indebtedness secured by a lien on the Revenues of the Airport, provided that such lien is junior and subordinate to the lien of the Bonds on the Revenues of the Airport. Prior to the incurrence of any such Subordinated Indebtedness, the City must furnish to the Trustee the independent accountant's certificate required in connection with the issuance of Additional Bonds. The principal of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default, unless and until the principal of the Bonds has also been accelerated.

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

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

[Remainder of page intentionally left blank]

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 **"SECURITY FOR THE 2001A ADP BONDS—Matters Relating to Security for the 2001A ADP Bonds"** herein. 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 2001A ADP 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 to bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity if remedies are sought.

Matters Relating to Security for the 2001A ADP Bonds

The level 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 Not a Remedy

There is no provision for acceleration of the maturity of the 2001A ADP Bonds if any default occurs in the payment of principal of or interest on the 2001A ADP Bonds, in the performance of any other obligation of the City under the Indenture or if interest on the 2001A ADP Bonds becomes includible in the gross income of the holders thereof for federal income tax purposes.

Remedies

For a description of the events of default under the Indenture and the remedies available to holders of the 2001A ADP Bonds, See **APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, AIR CARRIER USE AGREEMENTS AND OTHER LEASES-The Indenture-Events of Default and Remedies," "—Restrictions on Bondholders' Actions"** and **"—Waiver of Events of Default"** herein.

BOND INSURANCE

Concurrently with the issuance of the 2001A ADP Bonds, MBIA Insurance Corporation (the "Bond Insurer") will issue its Municipal Bond New Issue Insurance Policy for the 2001A ADP Bonds (the "Policy"). See **APPENDIX D – "FORM OF BOND INSURANCE POLICY"** hereto for a specimen of the Policy.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the City to the Paying Agent 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 2001A ADP 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 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); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2001A ADP 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").

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2001A ADP Bond. The 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 2001A ADP Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal of or interest on the 2001A ADP Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 2001A ADP 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 the Bond Insurer from the Paying Agent or any owner of a 2001A ADP Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Bond 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 State Street Bank and Trust Company, N.A., 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 2001A ADP Bonds or presentment of such other proof of ownership of the 2001A ADP Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2001A ADP Bonds as are paid by the Bond Insurer, and appropriate instruments to effect the appointment of the Bond Insurer as agent for such owners of the 2001A ADP Bonds in any legal proceeding related to payment of insured amounts on the 2001A ADP Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying

Agent payment of the insured amounts due on such 2001A ADP Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Bond Insurer 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 the Bond Insurer. The Bond Insurer 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. The Bond Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Bond Insurer, changes in control and transactions among affiliates. Additionally, the Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1999, the Bond Insurer had admitted assets of $7.0 billion (audited), total liabilities of $4.6 billion (audited), and total capital and surplus of $2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2000, the Bond Insurer had admitted assets of $7.6 billion (audited), total liabilities of $5.2 billion (audited), and total capital and surplus of $2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Bond Insurer's year-end financial statements prepared in accordance with statutory accounting practices are available without charge from the Bond Insurer. A copy of the Annual Report on Form 10-K of the Company is available from the Bond Insurer or the Securities and Exchange Commission. The address of the Bond Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Bond Insurer is (914) 273-4545.

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

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

Fitch, Inc. rates the financial strength of the Bond Insurer "AAA".

Each rating of the Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Bond Insurer 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 2001A ADP 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 2001A ADP Bonds. The Bond Insurer does not guaranty the market price of the 2001A ADP Bonds nor does it guaranty that the ratings on the 2001A ADP Bonds will not be revised or withdrawn.

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

THE 2001A ADP BONDS

General

The 2001A ADP Bonds will be dated, mature and bear interest as set forth on the inside cover page of this Official Statement. The 2001A ADP Bonds are issued as fully registered bonds in the denominations of $5,000 or integral multiples thereof.

The principal of and redemption premium, if any, on the 2001A ADP Bonds, will be payable at maturity or upon earlier redemption to the persons in whose name such 2001A ADP Bonds are registered upon presentation and surrender of such 2001A ADP Bonds at the principal corporate trust office of UMB Bank N.A., as Trustee. Interest on the 2001A ADP Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2002. Registered owners of 2001A ADP Bonds of a principal amount of at least $1,000,000 may receive payments of interest by electronic transfer upon written notice provided by the registered owner to the Trustee of the relevant instructions not later than five days prior to the Record Date for such interest payment date.

Redemption Provisions

The 2001A ADP Bonds maturing on and after July 1, 2012, are subject to the right of the City to redemption prior to maturity from any source, in whole at any time, or in part on any interest payment date, of such maturity as shall be selected by the City (and within a maturity as selected by lot), on and after July 1, 2011, during the periods and at the respective Redemption Prices (expressed as a percentage of the principal amount of the 2001A ADP Bonds or portions thereof to be redeemed), respectively, set forth below, together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
July 1, 2011, and thereafter	100%

The 2001A ADP Bonds maturing July 1, 2026, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as drawn by lot by the Trustee, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, at the principal amounts set for below:

July 1	Principal Amount
2023	$17,835,000
2024	18,730,000
2025	19,665,000
2026*	20,645,000

* Final Maturity

The 2001A ADP Bonds maturing July 1, 2031, bearing interest at the rate of 5.250% per annum, are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as drawn by lot by the Trustee, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, at the principal amounts set for below:

July 1	Principal Amount
2027	$21,675,000
2028	22,815,000
2029	24,010,000
2030	25,275,000
2031*	25,790,000

* Final Maturity

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 2001A ADP Bonds that are to be redeemed. Each such notice will identify the 2001A ADP Bonds to be redeemed (and, in the case of 2001A ADP 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 2001A ADP 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 2001A ADP 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 2001A ADP Bonds called for redemption, the 2001A ADP 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. In the event of the redemption or defeasance of a portion of the 2001A ADP Bonds, the City shall provide the Trustee with a certificate which reflects the reduction in PFC-Eligible Debt Service as a result of such redemption or defeasance.

Book-Entry-Only System

The Depository Trust Company DTC, New York, New York, will act as securities depository for the 2001A ADP Bonds. The 2001A ADP Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2001A ADP Bond certificate will be issued for each maturity of the 2001A ADP 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 G — "DTC INFORMATION"** hereto.

In reading this Official Statement, it should be understood that while the 2001A ADP 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 2001A ADP 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 G hereto, notices that are to be given to registered owners under the Indenture shall be only given to DTC hereto.

DEBT SERVICE REQUIREMENTS

The following table shows annual debt service for the Outstanding Bonds, the 2001A ADP Bonds and the total Bond debt service for the Fiscal Years set forth below as of April 1, 2001.

Fiscal Year	Debt Service on Outstanding Bonds*	Principal on 2001A ADP Bonds	Interest on 2001A ADP Bonds	Total Bond Debt Service
2001	$48,612,831	-	-	$48,612,831.00
2002	48,244,006	-	$26,724,263.14	74,968,269.14
2003	48,962,031	-	22,906,511.28	71,868,542.28
2004	49,286,616	-	22,906,511.28	72,193,127.28
2005	49,321,516	-	22,906,511.28	72,228,027.28
2006	28,422,599	-	22,906,511.28	51,329,110.28
2007	28,667,841	$ 9,775,000	22,906,511.28	61,349,352.28
2008	24,136,501	10,235,000	22,449,655.02	56,821,156.02
2009	24,109,775	10,790,000	21,897,605.02	56,797,380.02
2010	24,076,684	11,365,000	21,316,970.02	56,758,654.02
2011	24,041,646	11,975,000	20,708,095.02	56,724,741.02
2012	24,019,415	12,565,000	20,116,385.02	56,700,800.02
2013	23,980,949	13,260,000	19,420,056.28	56,661,005.28
2014	23,945,275	14,010,000	18,674,181.26	56,629,456.26
2015	23,921,000	14,795,000	17,891,556.26	56,607,556.26
2016	14,696,525	15,615,000	17,069,587.52	47,381,112.52
2017	14,664,119	16,490,000	16,193,515.02	47,347,634.02
2018	14,131,069	17,420,000	15,267,727.52	46,818,796.52
2019	14,137,463	18,395,000	14,289,127.52	46,821,590.52
2020	14,135,344	19,430,000	13,259,527.52	46,824,871.52
2021	14,133,925	20,395,000	12,285,237.52	46,814,162.52
2022	14,131,900	21,420,000	11,262,427.52	46,814,327.52
2023	14,137,963	17,835,000	10,164,652.50	42,137,615.50
2024	14,135,288	18,730,000	9,272,902.50	42,138,190.50
2025	14,137,825	19,665,000	8,336,402.50	42,139,227.50
2026	14,133,750	20,645,000	7,353,152.50	42,131,902.50
2027	14,131,750	21,675,000	6,320,902.50	42,127,652.50
2028	-	22,815,000	5,182,965.00	27,997,965.00
2029	-	24,010,000	3,985,177.50	27,995,177.50
2030	-	25,275,000	2,724,652.50	27,999,652.50
2031	-	26,600,000	1,397,715.00	27,997,715.00
	$664,455,606	$435,185,000	$458,096,996.08	$1,557,737,602.08

*Excludes senior lien bonds which have been economically defeased. Amounts are rounded to the nearest dollar.

SELECTED HISTORICAL FINANCIAL INFORMATION

Revenues and Expenses

The financial statements of the Airport for the fiscal years ended June 30, 2000 and June 30, 1999 included in **APPENDIX C — "AUDITED FINANCIAL STATEMENTS OF THE AIRPORT"** to this Official Statement have been audited by KPMG LLP, independent auditors. For more detailed information on revenues and expenses of the Airport, see **APPENDIX B — "FINANCIAL FEASIBILITY REPORT"** hereto.

The following table sets forth the historical revenues and expenses of the Airport for GARB purposes for the fiscal years ended June 30, 2000, 1999, 1998, 1997, and 1996, based primarily upon the audited financial statements of the Airport. This Official Statement does not include financial information of the Airport after June 30, 2000.

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
Airport Revenues and Expenses for GARB Purposes
(in thousands)

	(Fiscal Years Ended June 30)				
Revenues	**1996**	**1997**	**1998**	**1999**	**2000**
Air Carrier Fees[1]	$47,958	$49,360	$54,129	$59,554	$65,631
Concession Fees	28,892	27,953	29,091	33,107	37,126
Cargo/Other Revenues[2]	4,068	3,545	4,741	5,106	5,157
TWA Lease Charges	7,829	7,829	7,829	7,829	7,829
Interest Income	7,567	7,735	7,330	6,914	6,533
Total GARB Revenues	$96,314	$96,422	$103,120	$112,510	$122,276
Total Expenses	$45,484	$49,313	$52,833	$57,735	$56,688
Net Revenues	$50,830	$47,109	$50,287	$54,775	$65,588
Annual Debt Service on Outstanding Bonds	$33,838	$34,391	$37,169	$36,469	$47,603
Debt Service Coverage	1.50X	1.37X	1.35X	1.50X	1.38X

[1]Consists of landing fees and terminal rents for both Signatory and Non-Signatory Air Carriers.
[2]Excludes PFC Revenues and interest income.

Management Discussion

Revenues for GARB Purposes. GARB Revenues for the City Fiscal Year ended June 30, 2000 were $122,276,000. This represents an increase of $9,766,000, or approximately 8.6% compared to the prior City Fiscal Year. This increase was primarily due to an increase in Signatory Air Carrier Revenues due to completion of various capital projects, which are charged in the rates and charges process and concession fees, due to increased revenues from the full operations in the East Terminal and new concession concepts within the Main Terminal.

Expenses for GARB Purposes. Operation and Maintenance Expenses for City Fiscal Year ended June 30, 2000 were $56,688,000. This represented a decrease of $1,047,000, or approximately 1.8% compared to the prior fiscal year. The decrease was primarily due to reduced snow removal costs due to an unusually mild winter.

Net Revenues for GARB Purposes. The Airport's net revenues for GARB purposes for City Fiscal Year ended June 30, 2000 were $65,588,000. This represented an increase of $10,813,000, or approximately 19.7% compared to the prior fiscal year. As noted above this increase is primarily related to the increase in Signatory Air Carrier revenues and concession fees.

PFC Revenues. The Airport collected a total of $50.4 million in PFC Revenues (including investment earnings) in the City Fiscal Year ended June 30, 2000. Under the most recent PFCs application approved by the FAA, the Airport may collect and use approximately $1.2 billion through 2018. The Airport is currently preparing an additional application for submission to the FAA by June 28, 2001 that will seek authorization to collect approximately $94.8 million for eligible project costs of Phase 1 of the ADP and two terminal projects. The Airport also is submitting an amendment to seek approval to increase the PFC rate from the current $3.00 per passenger to $4.50 as well as an additional $29.8 million for previously approved PFC applications. There is no assurance that the FAA will approve such application or amendments.

AMR Sub Gates. The City has the right to reclaim and reassign to other air carriers up to 57 gates which were utilized by TWA, and are now utilized by AMR Sub, at the Airport if and to the extent that AMR Sub fails to maintain certain utilization standards with respect to its number of daily flight departures at the Airport. This may allow some or all of the gates to be used by other air carriers if for any reason AMR Sub's operations at the Airport were substantially reduced. Also, the City acquired ownership and control of certain of TWA's personal property, including loading bridges, baggage handling systems, ground power systems, de-icing systems, hold-room seating, office furnishings, counters, flight information display information systems, motorized and non-motorized ramp and maintenance equipment. The City believes that its right to reclaim and reassign gates in the event of reductions in AMR Sub's operations at the Airport, together with the City's ownership of the personal property, may enhance the City's ability to maintain revenues from air carriers at the Airport. For additional information regarding TWA, AMR and AMR Sub see **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein and **APPENDIX B — "FINANCIAL FEASIBILITY REPORT"** hereto.

The City's Cargo Leases and Use Agreements permit the City to adjust rental rates for each rate period to reflect 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 in and to its property interests described above.

The following table from **APPENDIX B – "FINANCIAL FEASIBILITY REPORT"** summarizes the calculation of Signatory Air Carrier landing fees and terminal rents for the City Fiscal Years ending June 30, 2001 through 2009 forecast period and shows the calculation of average Signatory Air Carrier cost per enplaned passenger. Although the Use Agreements and Cargo Leases expire December 31, 2005, the calculations in the table are based on the existing Use Agreements and Cargo Leases. The average Signatory Air Carrier cost per enplaned passenger is forecast to increase from $3.99 in City Fiscal Year 2001 to $6.04 in City Fiscal Year 2007 when the new runway opens. The Signatory Air Carrier landing fee rate is forecast to increase from $1.66 in City Fiscal Year 2001 to $3.12 in City Fiscal Year 2007.

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIR CARRIER REVENUES, COST PER ENPLANED PASSENGER AND RATES – BASE CASE
For Fiscal Years Ending June 30
(in thousands)

	Forecast								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
SIGNATORY AIRLINE REVENUES									
Landing Fees	$ 37,649	$ 39,763	$ 40,684	$ 42,810	$ 44,909	$ 47,193	$ 71,803	$ 73,406	$ 73,783
Terminal Building Rentals									
Main terminal	$ 6,594	$ 7,383	$ 7,822	$ 7,996	$ 8,283	$ 8,193	$ 8,388	$ 8,620	$ 8,895
Concourses A, B & C	5,147	5,812	6,053	5,872	6,078	6,240	6,513	6,766	7,025
Concourse C Extension	3,291	3,900	4,699	4,773	4,699	4,606	4,365	4,291	3,842
Concourse D	1,833	2,015	2,328	2,378	2,445	2,496	2,581	2,665	2,754
East Connector	451	473	500	512	527	541	564	583	597
East Terminal	4,571	4,765	4,928	5,046	5,177	5,271	5,438	5,600	5,770
	$ 21,885	$ 24,348	$ 26,331	$ 26,577	$ 27,208	$ 27,347	$ 27,850	$ 28,525	$ 28,883
TOTAL SIGNATORY AIRLINE REVENUES	$ 59,534	$ 64,111	$ 67,015	$ 69,388	$ 72,117	$ 74,540	$ 99,653	$101,931	$ 102,666
BASIC RATES AND CHARGES									
Signatory Airline enplaned passengers	14,913	14,693	14,860	15,254	15,681	16,100	16,509	16,915	17,323
Cost per enplaned passenger	$ 3.99	$ 4.36	$ 4.51	$ 4.55	$ 4.60	$ 4.63	$ 6.04	$ 6.03	$ 5.93
SIGNATORY AIRLINE RATES									
Landing Fee Rate (per 1,000 pounds)	$ 1.66	$ 1.95	$ 1.96	$ 2.02	$ 2.06	$ 2.11`	$ 3.12	$ 3.11	$ 3.05
Average Terminal Building Rental Rates									
Main Terminal	$ 37.85	$ 43.06	$ 45.95	$ 47.10	$ 48.99	$ 48.40	$ 49.69	$ 51.22	$ 53.04
Concourses A, B & C	26.96	30.45	31.71	30.76	31.84	32.69	34.12	35.45	36.80
Concourse C Extension	39.68	47.02	56.66	57.55	56.66	55.53	52.64	51.74	46.33
Concourse D	31.80	35.01	40.51	41.39	42.57	43.47	44.97	46.43	48.00
East Connector	26.22	27.52	29.11	29.79	30.69	31.46	32.81	33.93	34.76
East Terminal	39.43	41.45	43.15	44.37	45.73	46.71	48.45	50.13	51.90

AIR CARRIER SERVICE

The following Section outlines the current status of Air Carrier Service at the Airport. Prospective purchasers should note that the assets of TWA were purchased by AMR Sub on April 9, 2001. In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City, including TWA's contract with its regional affiliate Trans World Express. American has publicly expressed its intent to continue operating a system hub at the Airport. In City Fiscal Year 2000, TWA, together with its regional affiliate, Trans World Express, accounted for 11.7 million enplanements at the Airport – 77% of the Airport total. No assurance can be provided that American will conduct its future operations in accordance with such public statements. For further information, see "FACTORS AFFECTING THE AIR CARRIER INDUSTRY" herein and APPENDIX B – "FINANCIAL FEASIBILITY REPORT" hereto.

General

Scheduled air carrier service between the Airport and over 125 domestic and international locations is provided by the air carriers shown below.

Signatory Air Carriers	Non-Signatory Air Carriers	Air Cargo Carriers
America West	Air Canada	American International
American	American Trans Air	Airborne Express
Continental	Chautaugua**	BAX Global
Delta	Comair	DHL Airways
Northwest	Continental Express	Emery Airfreight
Southwest	Corporate Air**	Federal Express
Trans States**	Skyway Airlines	Mountain Air
TWA*	Mesa	United Parcel Service
United	Mesaba	Zantop International Airlines
US Airways	US Airways Express	

* TWA will be operated by AMR Sub.

** Trans World Express (Trans States, Chautaugua and Corporate Air, all of which operated under the fully-branded name Trans World Express), is an AMR Sub code-sharing partner.

Passenger Enplanements

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

Historical Origin & Destination and Connecting Enplanement Traffic
1990-2000

Year	O&D[1]		Connecting		Total Enplanements
	Actual	Share	Actual	Share	
CY[2] 1990	5,575,331	55.6%	4,444,250	44.4%	10,019,581
1991	5,544,783	58.0%	4,010,847	42.0%	9,555,630
1992	6,181,234	59.0%	4,297,267	41.0%	10,478,501
1993	6,270,884	63.1%	3,671,189	36.9%	9,942,073
1994	6,938,220	59.5%	4,728,447	40.5%	11,666,667
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
CY 2000	7,260,756	42.5%	8,040,822	52.7%	15,301,578
FY[3] 1999	7,156,835	49.1%	7,422,499	50.9%	14,579,334
FY 2000	7,213,573	47.3%	8,045,584	52.7%	15,259,157
Average Annual Growth Rate					
CY 1990-1999	2.7%	—	6.1%	—	4.3%
CY 1999-2000	0.8%	—	8.4%	—	4.7%

[1]Prior to 1990, the share of O&D traffic was as follows: 1985, 46.9%; 1986, 48.8%; 1987, 49.0%; 1988, 51.9%; and 1989, 53.5%. Prior to the establishment of the TWA hub at the Airport, O&D traffic had a share of 71.1% in 1981 and 61.8% in 1982.
[2]Calendar Year ("CY")
[3]City Fiscal Year ("FY")

FACTORS AFFECTING THE AIR CARRIER INDUSTRY

General

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 economy of the area served by the Airport, (2) national and international economic conditions, (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. Slow or negative traffic growth in many areas; increased competition among air carriers; consolidation and mergers among air carriers; increased fuel, labor, equipment and other costs; and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for the air carriers.

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 due from air carriers under the air carriers' Use Agreements and 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 has 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 can also 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 that 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. Almost all of the passenger travel at the Airport is characterized as "origin or destination." This means that for most passengers, the Airport is either the origin or destination of their travel.

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but the price of aviation fuel 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. Although the average price of aviation fuel has been generally stable since 1992, future fluctuations could affect air service and passenger numbers at the Airport. Fuel prices have increased rapidly since 1999.

Air Carrier Economics, Competition, and Airfares. 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.

Capacity of National Air Traffic Control and Airport Systems. Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect air carrier schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

AMR Sub's Acquisition of TWA's Assets

Prior to April 9, 2001, TWA was the Airport's primary air carrier. On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States 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, the parent company of American. The motion to sell assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. 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 the Use Agreement, Cargo Lease and the Asset Lease between TWA and the City. AMR Sub has agreed to make timely payments. Pursuant to Court Order, the Airport will be paid all past due amounts equal to $11.4 million. TWA also assumed and assigned to AMR Sub the contract with its regional affiliate, Trans World Express. In a letter dated March 28, 2001 to Colonel Leonard L. Griggs, Jr., the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further evidenced by AMR in its Form 10-K dated March 22, 2001.

The Equal Employment Opportunity Commission ("EEOC"), the Unsecured Creditors' Committee, Jet Acquisitions, Inc., the Ad Hoc Committee of Senior Note Holders, High River Limited Partnership, Karabu Corp., Lowest Fare.Com, LLC, HSBC Bank USA as Indenture Trustee, Linda Knox-Schilinger as class representative for a class of flight attendants and the General Federation of Jewish Labor in Israel-Union of Clerical, Administrative and Public Service Employees (collectively, the "Appellants") appealed the Asset Sale Order entered by the Bankruptcy Court approving the sale to AMR Sub. The only party granted a stay of the Asset Sale Order was the EEOC. The EEOC was granted a limited stay until a court could hear certain claims pending against TWA at the time of the sale. The Order approving the assumption and assignment of all contracts and leases has similarly been appealed.

The Bankruptcy Code provides in section 363(m) that the reversal or modification on appeal of a sale or lease of property does not affect the validity of a sale or lease to an entity that purchased or leased in good faith, unless authorization of the sale or lease is stayed pending appeal. In the Asset Sale Order, the United States Bankruptcy Court for the District of Delaware found that the sale transactions (including the transfer of contracts and leases) and the Asset Purchase Agreement were negotiated and undertaken by TWA and American at arm's length and in good faith within the meaning of section 363(m). Should any of the Appellants pursue further appeals, AMR Sub would likely assert that in view of the Bankruptcy Court's and District Court's findings on the motion for stay pending appeal, as well as on the sale motion, a court could not now enter any order impacting the consummated sale.

In City Fiscal Year 2000, TWA accounted for 67.8% of the Airport's total connecting enplanements. No assurances can be given that AMR Sub will continue hubbing operations at its existing level at the Airport. Accordingly, no assurance is given as to the level of aviation activity that will be achieved at the Airport.

For more information on AMR Sub's operations at the Airport, see **APPENDIX B — "FINANCIAL FEASIBILITY REPORT"** hereto and **"AIR CARRIER SERVICE"** herein.

AMR

On January 10, 2001, AMR announced three transactions expected to substantially increase the scope of its existing network. First, AMR entered into an agreement to purchase substantially all of the assets of TWA. In its Form 10-K dated March 22, 2001, AMR stated that with the acquisition of TWA's assets, it "expects to strengthen its position in several key domestic markets. The TWA transaction will provide American with a hub operation in St. Louis which will serve to strengthen the Company's position as an east/west carrier."

Secondly, AMR announced that it had agreed to acquire from United Airlines, Inc. ("United") certain key strategic assets, including 14 gates, 36 slots and 86 aircraft. In addition to the acquisition of these assets, American would lease a number of slots and gates from United necessary to share the operation of the Northeast Shuttle with United. Under the terms of this transaction, American would pay approximately $1.2 billion in cash to United and assume approximately $300 million in aircraft operating leases. The consummation of these transactions is dependent upon the closing of the proposed United/US Airways, Inc. ("US Airways") merger.

Finally, American agreed to acquire a 49% stake in DC Air, LLC ("DC Air"), a new entrant carrier which will operate out of Ronald Reagan Washington National Airport. DC Air -- to whom American will wet lease up to 14 Fokker 100 aircraft – will participate in the AAdvantage frequent flyer program, and American will have a right of first refusal to buy the remaining 51% of the new airline. The consummation of the DC Air transaction, as well as the acquisition of assets from US Airways, is contingent upon the closing of United's proposed merger with US Airways.

In its Form 10-K filed with the SEC for the year ended December 31, 2000, AMR reported that during the past year, it reduced net debt to total capital to 62.4%, its lowest level in more than 10 years. At the same time, AMR maintained substantial liquidity. AMR ended 2000 with $2.2 billion in cash and a significant level of unencumbered aircraft assets. To further guarantee its financial flexibility, AMR obtained a $1 billion revolving credit facility with a term through 2005.

According to its Form 10-K, AMR's net earnings in 2000 were $813 million or $5.43 per common share ($5.03 diluted). AMR's net earnings in 1999 were $985 million or $6.46 per common share ($6.26 diluted). AMR's income from continuing operations before extraordinary loss in 2000 was $779 million or $5.20 per common share ($4.81 diluted), compared to income from continuing operations in 1999 of $656 million or $4.30 per common share ($4.17 diluted).

Based on its Form 10-K, 2000 special items impacting results included: a gain of $57 million from the sale of warrants to purchase 5.5 million shares of priceline.com Incorporated common stock; a gain of approximately $41 million from the recovery of start-up expenses from the Canadian Airlines International Limited services agreement, and a charge of $56 million for AMR's employee home computer program.

AMR's Consolidated Statements of Operations reflect: total operating revenue of $19,703,000,000 in 2000, versus $17,730,000,000 in 1999; total operating expenses of $18,322,000,000 in 2000 versus $16,574,000,000 in 1999; and operating income of $1,381,000,000 in 2000 versus $1,156,000,000 in 1999. Net earnings in 2000 were $813 million compared to $985 million in 1999.

Additional Information

The Signatory Air Carriers (including the corporate parents of American, Continental, United and Northwest) and certain other air carriers operating at the Airport (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the United States Securities and Exchange Commission. Certain information, including financial information, as of particular dates, concerning each air carrier (or their respective parent corporations) is included in such reports. The reports may be inspected in the Public Reference Room of the United States Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the United States Securities and Exchange Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, Suite 1300, New York, New York 10048. Copies of the reports may be obtained from the Public Reference Section of the United States Securities and Exchange Commission at the above address at prescribed rates. In addition, each Signatory Air Carrier and certain

other air carriers are required to file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports may be inspected at the following location: Office of Airline Statistics, Research and Special Programs Administration, United States Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the United States Department of Transportation at prescribed rates. The foreign air carriers also provide certain information concerning their operations and financial affairs, which may be obtained from the respective air carriers. Certain information regarding TWA and the sale of assets to AMR Sub may be obtained from the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware and/or the United States Court of Appeals for the Third Circuit. The City makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the air carriers with the Department of Transportation or any pleading filed in any of the referenced Courts.

FINANCIAL FEASIBILITY REPORT

The Financial Feasibility Report attached as ***APPENDIX B*** *to this Official Statement (the "Financial Feasibility Report") must be read in its entirety to understand the assumptions upon which the forecasts therein are based and the qualifications which have been made. There is no assurance that the forecasts will be achieved. Actual future events will likely vary from the forecasts, and such variances may be material.*

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 over $2 billion of general airport revenue bonds and almost $750 million in special facility revenue 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 2001A ADP Bonds through the City's fiscal year ending June 30, 2009. The Financial Feasibility Report describes key factors which impact aviation activity and operations at the Airport, including activity forecasts and revenue and expense projections.

The Financial Feasibility Report provides background information on the Airport and its operations, the ADP, the Master Plan, the Capital Improvement Program, the Part 150 Program and the 2001A ADP Project and describes certain of the provisions of the Indenture. The Financial Feasibility Report also describes the purpose of the 2001A ADP 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 impact these statistics.

Assumptions

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

(1) The City will accomplish Phase 1 of the ADP within the current budget of $1.11 billion.

(2) The new runway will become operational in the first quarter of calendar year 2006.

(3) AMR Sub will operate a system hub at the Airport throughout the forecast period. However, the "Base Case" assumes beginning in City Fiscal Year 2002 a number of scheduled flights may be discontinued due to route rationalization, as further described in the traffic analysis in Section IV of the Financial Feasibility Report.

(4) The FAA will comply with the Letter of Intent and provide the City with the anticipated $141 million of AIP funding for Phase 1 of the ADP through City Fiscal Year 2008.

(5) The FAA will approve the City's proposed new PFC application, including an increase in the PFC rate from $3.00 to $4.50.

(6) After the expiration of the existing Use Agreements in 2005, the City will establish air carrier rates and charges (either under a successor agreement or by ordinance) to provide air carriers revenues at least equal to those that would be generated under the existing Use Agreements.

Findings and Conclusions

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

Under the Base Case (as described in the Financial Feasibility Report), Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and pay all debt service obligations during the forecast period (the City's Fiscal Years ending June 30, 2001 through 2009). 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 Phase 1 of the ADP (City Fiscal Years ending June 30, 2007 through 2009), thereby satisfying the Additional Bonds Test.

The Airport Consultant has concluded in the Financial Feasibility Report, based on knowledge of comparable airports, experience preparing similar studies and providing financial consulting services to a variety of airports, that the forecasted air carrier costs per enplaned passenger at the Airport are reasonable.

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

[Remainder of page intentionally left blank]

The following is a summary table from the Financial Feasibility Report of the debt service coverage for the Base Case which also summarizes projections for the Sensitivity Analysis addressed in the Financial Feasibility Report and compares those projections to the Base Case.

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
SENSITIVITY ANALYSIS - SUMMARY TABLE
For Fiscal Years Ending June 30
(in thousands)

	2007		2008		2009	
	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis
Airline Revenues	$99,653	$96,418	$101,931	$98,980	$102,666	$100,232
Enplaned Passengers	16,509	13,561	16,915	13,883	17,323	14,205
Airline Cost per Passenger	$6.04	$7.11	$6.03	$7.13	$5.93	$7.06
Signatory Landing Fee Rate	$3.12	$3.49	$3.11	$3.49	$3.05	$3.43
Net Revenues	$128,053	$118,489	$129,204	$119,140	$128,304	$117,949
Debt Service	$71,875	$71,028	$71,850	$71,003	$71,825	$70,979
Debt Service Coverage	1.78	1.67	1.80	1.68	1.79	1.66

Base Case - The current level of hub operations will continue over the forecast period; however, beginning in City Fiscal Year 2002, a small number of scheduled flights may be discontinued due to route rationalization by AMR Sub. The Base Case further assumes that AMR Sub has the capability to continue and expand hub operations at the Airport.

Sensitivity Analysis – AMR Sub would significantly scale down or discontinue hub operations at the Airport; none of AMR Sub's O&D traffic is lost, but approximately 45% of AMR Sub's share of connecting traffic is lost. This Analysis assumes: (1) AMR Sub would significantly scale down or discontinue service at the Airport at the beginning of Fiscal Year 2002, (2) other air carriers would provide sufficient replacement service to capture all of AMR Sub's O&D traffic, and (3) approximately 45% of AMR Sub's connecting traffic is lost.

As indicated in the Financial Feasibility Report and on the summary table, under the Sensitivity Analysis, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all other funding requirements of the Indenture in each year of the forecast period, City Fiscal Years 2001 through City Fiscal Year 2009, although with significantly lower debt service margins and higher air carrier costs per enplaned passenger than the Base Case. However, these costs are still believed to be reasonable when compared with costs at similar airports.

The following summary table shows the forecast of Net Revenues and the calculation of debt service coverage for the nine-year forecast period, City Fiscal Years 2001 through 2009. Debt service coverage is projected to increase in Fiscal Year 2005 as certain outstanding bonds are retired.

The test period for the Additional Bonds Test is the three-year period immediately following completion of the 2001A ADP Project. The City currently anticipates the 2001A ADP Project to be completed and operational in the first quarter of calendar year 2006. 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 Phase 1 of the ADP, City Fiscal Years 2007 through 2009, resulting in a debt coverage range between 1.78 to 1.80, thereby satisfying the Additional Bonds Test.

LAMBERT - ST. LOUIS INTERNATIONAL AIRPORT
DEBT SERVICE PAYMENTS ON 2001A ADP BONDS
BASE CASE: CONTINUED AMR SUB HUB OPERATIONS
For Fiscal Years Ending June 30
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
ANNUAL DEBT SERVICE COVERAGE									
Total Revenues (a)	$124,135	$160,817	$163,421	$171,414	$171,926	$172,719	$211,696	$217,245	$220,969
less: Operation and Maintenance Expenses (b)	58,778	62,730	65,745	68,922	72,269	75,798	83,642	88,041	92,665
Net Revenues	$ 65,357	$ 98,088	$ 97,676	$102,492	$ 99,656	$ 96,920	$128,053	$129,204	$128,304
Debt Service (c)	48,614	68,874	69,247	72,172	53,869	53,392	71,875	71,850	71,825
Debt service coverage ratio	**1.34**	**1.42**	**1.41**	**1.42**	**1.85**	**1.82**	**1.78**	**1.80**	**1.79**
ADDITIONAL BONDS TEST									
Forecast debt service coverage							**1.78**	**1.80**	**1.79**
Required debt service coverage							**1.25**	**1.25**	**1.25**
							Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. See Table V-3 of APPENDIX B – "Financial Feasibility Report" hereto.
b. See Table V-6 of APPENDIX B – "Financial Feasibility Report" hereto.
c. See Table II-6 of APPENDIX B – "Financial Feasibility Report" hereto.

The following is a summary table from the Financial Feasibility Report of the debt service coverage for the Sensitivity Analysis addressed in the Financial Feasibility Report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
DEBT SERVICE PAYMENTS ON 2001A ADP BONDS
SENSITIVITY ANALYSIS
For Fiscal Years Ending June 30
(in thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
ANNUAL DEBT SERVICE COVERAGE									
Total Revenues (a)	$124,137	$149,888	$151,040	$158,629	$158,824	$160,461	$201,123	$206,227	$209,726
less: Operation and Maintenance Expenses (b)	58,778	61,560	64,518	67,907	71,149	74,758	82,635	87,088	91,777
Net Revenues	$ 65,359	$ 88,328	$ 86,522	$ 90,722	$ 87,675	$ 85,703	$118,489	$119,140	$117,949
Debt Service (c)	48,614	68,874	69,260	72,199	51,725	51,248	71,028	71,003	70,979
Debt service coverage ratio	**1.34**	**1.28**	**1.25**	**1.26**	**1.70**	**1.67**	**1.67**	**1.68**	**1.66**
ADDITIONAL BONDS TEST									
Forecast debt service coverage							**1.67**	**1.68**	**1.66**
Required debt service coverage							**1.25**	**1.25**	**1.25**
							Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. See Table V-3 of APPENDIX B – "Financial Feasibility Report" hereto.
b. See Table V-6 of APPENDIX B – "Financial Feasibility Report" hereto.
c. See Table II-6 of APPENDIX B – "Financial Feasibility Report" hereto

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the City, threatened, that would restrain or enjoin the issuance or delivery of the 2001A ADP Bonds, or that questions the validity of the 2001A ADP Bonds or the Indenture or concerns any proceedings of the City taken in connection therewith, or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The Airport is subject to a variety of suits and proceedings arising out of its ordinary course of operations, some of which may be adjudicated adversely. In the opinion of the City Counselor there is no litigation pending against the City not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations.

UNDERWRITING

Goldman, Sachs & Co., the senior manager, together with the other underwriters listed on the cover of this Official Statement (collectively, the "Underwriters"), have agreed to purchase the 2001A ADP Bonds from the City at an aggregate purchase price, exclusive of accrued interest, equal to $430,904,129.55 (which amount constitutes the aggregate principal amount of the 2001A ADP Bonds, less net original issue discount on the 2001A ADP Bonds of $1,049,482.80 and less Underwriters' discount on the 2001A ADP Bonds of $3,231,387.65. The bond purchase agreement between the Underwriters and the City (the "Bond Purchase Agreement") provides that the Underwriters will purchase all of the 2001A ADP Bonds, if any are purchased, and the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions. The initial public offering prices of the 2001A ADP Bonds may be changed from time to time by the Underwriters.

INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX C** hereto are the audited financial statements of the Airport as of June 30, 2000 and 1999 and for the years then ended, together with the report thereon of KPMG LLP, independent public accountants. This Official Statement does not include financial information on the Airport after June 30, 2000. The financial statements included in **APPENDIX C** hereto are not necessarily indicative of the financial results of the Airport to be achieved in future periods.

FINANCIAL ADVISORS

Siebert Brandford Shank & Co., LLC and P.G. Corbin & Company, Inc. (the "Financial Advisors"), served as financial advisors to the City with respect to the sale of the 2001A ADP Bonds. The Financial Advisors assisted in the preparation of this Official Statement, and in other matters relating to the planning, structuring and issuance of the 2001A ADP Bonds and provided other advice. The Financial Advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the City and other sources who have certified that such information contains no material misstatement of information.

TAX MATTERS

Federal Income Taxes

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 2001A ADP 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 2001A ADP Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2001A ADP Bonds. The City has covenanted in the Indenture to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2001A ADP Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code.

In the opinion of Nixon Peabody LLP and Caldwell & Singleton LLC, Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, interest on the 2001A ADP 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 2001A ADP Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Co-Bond Counsel are also of the opinion that, under existing law and assuming compliance with the tax covenants described herein, interest on the 2001A ADP Bonds is excluded from Missouri taxable income for purposes of the income tax imposed by the State of Missouri. Co-Bond Counsel express no opinion regarding the applicability with respect to the Bonds or the interest on the Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

Original Issue Premium

The 2001A ADP Bonds maturing on July 1in the years 2007 and 2011 (bearing interest at a rate of 5.00% per annum), 2008 through 2010 (bearing interest at a rate of 5.50% per annum), and 2012 through 2019 (bearing interest at a rate of 5.625% per annum) (collectively, the "Premium Bonds") are being offered at prices in excess of their principal amounts. Co-Bond Counsel are of the opinion that 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 2001A ADP 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.

Original Issue Discount

Co-Bond Counsel is further of the opinion that the difference between the principal amount of the 2001A ADP Bonds maturing July 1, 2007 (bearing interest at a rate of 4.125% per annum), July 1, 2008 (bearing interest at a rate of 4.25% per annum), July 1, 2020 through July 1, 2022, inclusive, July 1, 2026 and July 1, 2031 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the 2001A ADP Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Certain Federal Tax Information

General. The following is a discussion of certain additional tax matters under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2001A ADP Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The 2001A ADP Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31,1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the 2001A ADP Bonds will constitute disqualified income for this purpose.

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 2001A ADP Bonds, and thus on the economic value of the 2001A ADP 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 2001A ADP 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 2001A ADP Bonds may be proposed or enacted.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2001A ADP Bonds may affect the tax status of interest on the 2001A ADP Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the 2001A ADP Bonds, or the interest thereon, if any action is taken with respect to the 2001A ADP Bonds or the proceeds thereof upon the advice or approval of other counsel.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the 2001A ADP Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, and Caldwell & Singleton 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, by Foley & Lardner, Chicago, Illinois, Special Counsel, and by Armstrong Teasdale LLP, St. Louis, Missouri, Special Disclosure Counsel, and for the Underwriters by White Coleman & Associates, LLC, St. Louis, Missouri and the Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Underwriters' Counsel.

CERTAIN RELATIONSHIPS

Armstrong Teasdale, LLP, St. Louis, Missouri, Special Disclosure Counsel, represents the City of St. Louis from time to time in various litigation and other matters, including certain matters relating to the Airport. White Coleman & Associates, LLC, St. Louis, Missouri, and the Hardwick Law Firm LLC are representing the Underwriters in connection with the issuance of the 2001A ADP Bonds. White Coleman & Associates, LLC, and the Hardwick Law Firm LLC each also represent the City from time to time on other transactions or matters. Caldwell & Singleton, LLC, Co-Bond Counsel, also represents the City from time to time on other transactions or matters.

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 F.** *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 May 1, 2001, pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the 2001A ADP 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 1999 Fiscal Year, 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 have been 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 has also determined that AMR Sub currently is the only other Obligated Person. AMR, the parent company of AMR Sub, is 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 United States Securities and Exchange Commission (the "SEC Reports"), as more fully described under the caption **"FACTORS AFFECTING THE AIR CARRIER INDUSTRY"** herein. The City makes no representation with respect to, and assumes no responsibility for the accuracy or completeness of, any SEC Report filed by, or any information provided by 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 has also agreed in the Disclosure Agreement to use its reasonable efforts to include in any future amendments to the Use Agreements a provision requiring 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.

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, Inc. ("Fitch") have assigned underlying ratings of "A3," "A-," and "A-," respectively, to the 2001A ADP Bonds. Moody's, S&P, and Fitch, respectively, have given the 2001A ADP Bonds the ratings of "Aaa," "AAA," and "AAA," respectively, with the understanding that upon delivery of the 2001A ADP Bonds, the Policy will be issued by the Bond Insurer. These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the 2001A ADP 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, 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 2001A ADP Bonds.

MISCELLANEOUS

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

The references herein 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 2001A ADP 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.

It is anticipated that CUSIP identification numbers will be delivered with the 2001A ADP Bonds, but neither the failure to print such numbers on any 2001A ADP Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any 2001A ADP Bonds.

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

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Mayor

By: /s/ Darlene Green
Comptroller

APPENDIX A

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

[This page intentionally left blank]

APPENDIX A

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

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 and 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"), and the Eighth Supplemental Indenture of Trust, dated as of May 1, 2001 (the "Eighth Supplemental Indenture"; the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture and the Eighth Supplemental Indenture, is referred to 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 Restated 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 2001A ADP 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 Caldwell & Singleton LLC 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.

"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.

"Contingency Fund" means the Airport Contingency Fund established by 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 2001A ADP 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.

"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.

"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, (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 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 supplemented by the Restated Indenture, as amended and supplemented by the Seventh Supplemental Indenture and the Eighth Supplemental Indenture, and any additional Supplemental Indenture authorized and executed pursuant to the Restated 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, 2002.

"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 as long as Financial Guaranty Insurance Company insures the Bonds, "Investment Securities" means: (i) direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations"); (ii) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMAs"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMAs"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities; (iii) direct obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's Investors Service and "A" or better by Standard & Poor's Corporation; (iv) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's Investors Service and "A-1" or better by Standard & Poor's Corporation; (v) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's Investors Service and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation; (vi) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than $3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation; (vii) investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation; (viii) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs with any registered broker/dealer subject to the Securities Investors' Protection Corporation

jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's Investors Service, and "A-1 " or "A-" or better by Standard & Poor's Corporation, provided: (a) a master repurchase agreement or specific written repurchase agreement governs the transaction; and (b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (A) a Federal Reserve Bank, (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $50 million or (C) a bank approved in writing for such purpose by Financial Guaranty Insurance Company, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; (c) a perfected first security interest under the Uniform Commercial Code or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; (d) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and (e) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; (ix) investment agreements, the issuer, form and substance of which are specifically approved by the Bond Insurer; (x) pre-refunded municipal obligations rated in the highest rating category by each Rating Agency and meeting the following conditions (a) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions; (b) such obligations are secured by Investment Securities described in clause (i) above, that may be applied only to interest, principal and premium payments of such obligations; and (c) the principal of and interest on such Investment Securities described in clause (i) above (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations; and (xi) tax-exempt revenue bond obligations of a state, municipality or governmental unit rated at least "AA" by each Rating Agency.

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

"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 designated as 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 Investors Service, Inc., S&P and Fitch, Inc., 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 15th day of the month preceding an Interest Payment Date.

"Redemption Price" means with respect to any 2001A ADP Bond, the amount payable upon redemption thereof pursuant to the Eighth Supplemental Indenture.

"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 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, a division of The McGraw-Hill Companies, Inc.

"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.

"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, as amended 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 2001A ADP 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.

"2001A ADP Bond Insurer" means MBIA Insurance Corporation, the Bond Insurer for the 2001A ADP Bonds.

"2001A ADP Bonds" means the City of St. Louis, Missouri Airport Revenue Bonds, Series 2001A (Airport Development Program) authorized to be issued under the Eighth Supplemental Indenture.

"2001A ADP Project" means the acquisition of certain land adjacent to the Airport and the acquisition, design, construction, improvement, renovation, expansion, rehabilitation and equipping of certain airport facilities.

"Underwriters" means those underwriters identified in the Bond Purchase Agreement relating to the sale, purchase and delivery of the 2001A ADP Bonds.

"Variable Rate Bond" means any Bond, the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change; provided, however, as long as the Bond Insurance Policy is in effect and the Bond Insurer is not in default under the Bond Insurance Policy, for all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not

yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer "Revenue Bond Index" (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

Issuance of the Bonds

The Indenture authorizes the issuance of one or more series of Bonds for the purpose of advance refunding the Outstanding Obligations, financing, together with the other funds available for such purpose, the Cost of Construction of the Project or any Additional Project, refunding any Outstanding Bonds, Subordinated Indebtedness, Special Facilities Indebtedness, funding any Funds or Accounts established pursuant to the Indenture or any combination of the foregoing. The Indenture authorizes the issuance of Variable Rate Bonds on such terms as will be provided in a Supplemental Indenture authorizing a Series of Bonds. Each such Series of Bonds 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 (i) all Outstanding Bonds of one or more Series or one or more maturities within a Series, (ii) any Subordinated Indebtedness, or (iii) any Special Facilities Indebtedness. 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 (1) 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 2001A ADP Bond proceeds to be used to finance each PFC–Eligible 2001A ADP Project listed in Appendix I to 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 I to 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 ($1/12^{th}$) 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 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 (1) 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 2001A ADP Bonds:

(A) Airport Construction Fund, to be held by the City, including a Series 2001A ADP Airport Construction Account and, therein, a Series 2001A ADP Airport Costs of Issuance Sub-account;

(B) Airport Revenue Fund, to be held by the City;

(C) Airport Operation and Maintenance Fund, to be held by the City;

(D) Airport Bond Fund, to be held by the Trustee, including a Debt Service Account and, therein, a Series 2001A ADP Airport Debt Service Sub-account, and a Debt Service Reserve Account and, therein, a Series 2001A ADP Debt Service Reserve Sub-Account;

(E) Airport Renewal and Replacement Fund, to be held by the City;

(F) Airport Development Fund, to be held by the City;

(G) Airport Contingency Fund, to be held by the City; and

(H) 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 ($1/12^{th}$) 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 2001A 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) 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;

(6) 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;

(7) The remaining GARB Revenues in the Revenue Fund will be deposited into the Development Fund; and

(8) 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.

Use of Moneys Remaining in Development Fund for Payment of Debt Service on LOI Bonds. The City is required, pursuant to the Trust Indenture between the City and UMB Bank, N.A., as trustee (the "LOI Trustee"), dated as of July 15, 2000, pursuant to which the $87,165,000 City of St. Louis, Missouri Letter of Intent Double Barrel Revenue Bonds, Series 2000 (Lambert-St. Louis International Airport Project) (the "LOI Bonds") were issued, on or before the fifth Business Day prior to the end of each month, if certain grant moneys to be paid by the FAA to the City pursuant to the FAA's Letter of Intent (the "Letter of Intent") for the current federal fiscal year have not been authorized and appropriated by the United States Congress, to transfer certain moneys from the Development Fund to the LOI Trustee in an amount equal to (i) one-sixth ($1/6^{th}$) of the interest due on the LOI Bonds on the next interest payment date for the LOI Bonds and (ii) one-twelfth ($1/12^{th}$) of the principal due on the LOI Bonds on the next principal payment date for the LOI Bonds to pay debt service on the LOI Bonds. *"Unencumbered ADF Funds"* means funds on deposit in the Development Fund that are not Encumbered ADF Funds. *"Encumbered ADF Funds"* means funds on deposit in the Development Fund that have been committed to the payment of capital projects at or related to, or maintenance of, the Airport, as designated by the monthly ADF Encumbrance Report prepared by the Airport. *"ADF Encumbrance Report"* means a report reflecting the amount of Encumbered ADF Funds on deposit in the Development Fund.

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.

Bond Fund-Debt Service Reserve Account. If, on the final business day of any month the amount in the Debt Service Account is less than the amount required to be in such account pursuant to the Indenture, the Trustee is required to apply amounts from the Debt Service Reserve Account to the extent necessary to make good such deficiency or deficiencies. Whenever the moneys on deposit in the Debt Service Reserve Account 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 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. 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 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). 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 and the Debt Service Reserve Account 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.

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 bonds, notes, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account, Debt Service Reserve Account, the Renewal and Replacement Fund or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created by the Indenture for the payment and security of the Bonds. Prior to the issuance of any Subordinated Indebtedness, the City is required to furnish to the Trustee a Certificate of the City that estimated Net Revenues available after payment of Debt Service of Outstanding Bonds for each of the subsequent three (3) Fiscal Years following the fiscal year in which it is estimated that the Project or any Additional Project will be completed will be at least equal to 1.10 times debt service on outstanding Subordinated Indebtedness plus debt service on Subordinated Indebtedness projected to be issued. The principal amount of any such Subordinated Indebtedness will, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture.

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

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.

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 2001A ADP 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 2001A ADP Bonds then Outstanding is required to) or any Bondholder or Beneficial Owner of 2001A ADP 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 2001A ADP Bonds that would (a) cause the 2001A ADP Bonds to be "arbitrage bonds" as that term is defined in Section 148(a) of the Code or (b) cause interest paid on the 2001A ADP 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 2001A ADP 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 2001A ADP Bonds to the Extent that Other Moneys are Unavailable. To the extent permissible under federal 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 such 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 2001A ADP Bonds may be taken by the 2001A ADP Bond Insurer without any action being taken by the Holders thereof. Any action taken by the 2001A ADP Bond Insurer will be deemed to be the action taken by such Holders of the 2001A ADP 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 consent 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.

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.

AIR CARRIER USE AGREEMENTS AND 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 ("Certificated Airlines") and the City originally entered into commercial airlines/airport use agreements as of August 1, 1965 ("Use Agreements"). The Use Agreements were amended for each of the Certificated Airlines in 1975 and 1977. A Third Amendatory Agreement was executed by each of the Certificated Airlines in 1981. There were eight Certificated Airlines that were parties to the Third Amendatory Agreement (American, Delta, Eastern, Northwest, Continental, TWA, US Airways (formerly USAir) and Ozark). The TWA Third Amendatory Agreement differs from those of the other Certificated Airlines in that it provides for the lease by TWA of the Concourse C extension at a rental rate determined separately from the rental rate for existing concourse space, but uses the same methodology. The TWA Third Amendatory Agreement and all Use Agreements between the City and TWA were assigned to a subsidiary of American Airlines, Inc. ("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, 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. The contract rate for this space is determined separately from the rental rate for other concourse space, but uses the same rate methodology. In addition, 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 Airlines Co. Amendatory Agreement relating to East Terminal Expansion, whereby Southwest leases, on a preferential use basis, the twelve gates and the majority of the airline ticketing, office, baggage make-up and operations space which will be available as part of the East Terminal Expansion.

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) changed the methodology for calculating rentals for the East Terminal Building.

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 Certificated Airlines ("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 Certificated Airlines: American, Delta, Republic (Republic's obligations under its cargo lease were assumed by Northwest Airlines), Eastern (Eastern's obligations under its cargo lease were assumed by TWA), TWA and US Airways as authorized by the City in 1981, and in 1991 with Southwest.

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. 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 United States Bankruptcy Code. On August 23, 1995, the Missouri Bankruptcy Court's order confirming the Plan of Reorganization of TWA ("Second Reorganization Plan") became effective. All of TWA's leases, licenses and agreements with the City were assumed by TWA in the Second Reorganization Plan.

On January 10, 2001, TWA filed its petition for reorganization under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") and filed with the petition a motion for authority to sell substantially all of its assets to American Airlines, Inc. ("American") or its designees, including AMR Corp. ("AMR"), 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 air carriers that are signatory to any of the Use Agreements (the "Signatory Airlines") 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 Certificated Airlines have agreed to pay the following amounts in consideration of the use of the Airport by such Certificated Airlines and the agreement by the City to make certain capital improvements thereto and provide maintenance of Airport facilities:

(1) Landing Fees. Landing fees are payable monthly in an amount equal to an agreed upon price per one thousand pounds of maximum approved aircraft landing weight for all revenue landings at the Airport. Prior to each Airport 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 Airlines (the "Non-Signatory Airlines"), fuel flowage fees and field use fees. This amount is then divided by the total estimated landing weights of the Signatory Airlines for the ensuing Airport Fiscal Year. The result is the landing fee charged to the Signatory Airlines for the ensuing Airport Fiscal Year. The landing fee rate for Non-Signatory Airlines is set at 125% of the rate assessed to Signatory Airlines.

After the Airport 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 Airlines, 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 Airport Fiscal Year. The Signatory Airlines 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 Certificated Airline. 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, amortization of equipment purchases, depreciation and interest charges and 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 Certificated Airlines of the airline employee parking lots. The City also charges the Certificated Airlines for certain utilities and for the reimbursement of tenant improvements financed by the City.

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

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

receive approval precludes use of said expenditures in the calculation of rental rates. The City is not required to obtain MII approval for terminal and concourse projects if the recovery of the project costs is not included in terminal and concourse rental rates.

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

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

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

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

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

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

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

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

(6) such Certificated Airline defaults in the performance of 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 Certificated Airline to pay any fees or rentals if within thirty days of nonpayment, such Certificated Airline gives written notice to the City that such failure or refusal is in good faith

predicated upon either (i) any provision of the Use Agreements that grants such Certificated Airline a reduction in or abatement of fees or rentals, or (ii) the performance by the Certificated Airline of obligations of the City if the Use Agreement provides that the Certificated Airline will be entitled to deduct from fees and rentals otherwise owing by it the reasonable cost of such performance.

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

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

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

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

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

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

(6) the default by the City with respect to 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 thereof; or

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

Suspension and Abatement. If the City's operation of the Airport or any Certificated Airline's operation at the Airport is restricted substantially by action of the federal, state or local government, or any agency thereof, then the City or such Certificated Airline has the right, upon written notice to the other party, to a suspension of such carrier's Use Agreement and an

abatement of a just proportion of (i) the services and facilities to be afforded to such carrier and (ii) the payments to become due under the Use Agreement.

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

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.

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

(a) Non-payment of rentals, fees, charges or other moneys due to the City from 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 (b) 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 Airlines 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 Airlines are responsible for the maintenance of the interior premises and all utilities. The Certificated Airlines are also responsible for all taxes and insurance coverage, other than insurance for fire and extended coverage, vandalism and malicious mischief, which are maintained by the City.

Cancellation by City. In the event of 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 if the Certificated Airline files a petition in bankruptcy or is adjudged bankrupt or insolvent, if a receiver of the Certificated Airline's interest in the leased premises is appointed, if the Certificated Airline makes an assignment for the benefit of its creditors or if any proceedings

are commenced to foreclose any mortgage or other lien on the Certificated Airline's property and such proceedings are not vacated, dismissed or stayed within sixty days of such filings.

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

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

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

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

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

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

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

Assignment and Subletting. The Certificated Airlines may not assign their rights under the Cargo Leases or sublet any of the leased premises without the written approval of the City. No such approval is required for an assignment by 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. This facility is now used by TWA's successor, AMR Sub, as a Flight Training Center and contains flight simulators for B-767 and L-1011 aircraft as well as classrooms and office space.

AMR Sub uses this Flight Training Center and 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.

[This page intentionally left blank]

APPENDIX B

FINANCIAL FEASIBILITY REPORT

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Financial Feasibility Report 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 or the conclusions stated herein.

[This page intentionally left blank]

UNISON MAXIMUS
CONSULTING SOLUTIONS

April 23, 2001

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

Re: Financial Feasibility Report—City of St. Louis, Missouri, Airport Revenue Bonds, Series 2001A (Airport Development Program)

Dear Colonel Griggs:

Unison-Maximus, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance of $435.2 million City of St. Louis, Missouri, Airport Revenue Bonds, Series 2001A (Airport Development Program) (the 2001A ADP Bonds). The 2001A ADP Bonds are being issued to finance a portion of the costs of Phase 1 of the Airport Development Program (the ADP) at Lambert-St. Louis International Airport (the Airport).

The Airport is owned by the City and operated by the City of St. Louis Airport Authority, an agency of the City. The Airport is the principal air carrier airport serving the St. Louis metropolitan area. In Fiscal Year 2000, 15.3 million passengers were enplaned at the Airport, of which 7.2 million (47%) were originating passengers and 8.1 million (53%) were connecting passengers.

In Fiscal Year 2000, TWA, together with its regional affiliate, TWA Express, accounted for 11.7 million enplanements at the Airport – 77% of the Airport total. On January 10, 2001, TWA filed for reorganization under Chapter 11 of the Bankruptcy Code and on April 9, 2001, 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.

In a letter dated March 28, 2001, American expressed its intent "to continue operating a system hub at the Lambert-St. Louis International Airport...[including] plans to accept TWA's facility lease at the Airport. American indicated that it "does not anticipate any disruption to TWA operations and customers in St. Louis".

409 West Huron • Suite 400 • Chicago, Illinois 60610-3401 • (312) 988-3360 • (312) 988-3370
CHICAGO • LOS ANGELES • ST. LOUIS

The Airport also serves as a major station in the route system of Southwest Airlines. In Fiscal Year 2000, Southwest accounted for 1.8 million enplanements at the Airport - nearly 12% of the Airport total.

The City has adopted the Airport Development Program (the ADP) for the Airport to be implemented in phases. The principal element of Phase 1 of the ADP is the development of a new air carrier runway (Runway 12R/30L) to the southwest of the existing airfield at the Airport. 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. Various studies indicate that the project will generate substantial projected benefits by reducing air traffic delays—both at the Airport and in the national air transportation system. In September 1998, the Federal Aviation Administration (the FAA) filed its Record of Decision regarding the environmental impact statement for the ADP, the final step in the environmental approval process for the program. 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.

The total estimated cost of Phase 1 of the ADP is $1.11 billion. The City intends to finance Phase 1 of the ADP with a variety of funding sources, including (1) the proceeds of the 2001A ADP Bonds, (2) the proceeds of the outstanding $87,165,000 City of St. Louis, Missouri, Letter of Intent Double Barrel Revenue Bonds, Series 2000 (the LOI Bonds), (3) moneys appropriated from the City's Airport Development Fund (ADF), (4) AIP grants-in-aid, (5) grants-in-aid under the Federal Highway Administration's highway grant program (FHWA), and (6) passenger facility charge (PFC) resources.[1]

The 2001A ADP Bonds are being issued pursuant to the Amended and Restated Indenture of Trust dated September 10, 1997, and the Eighth Supplemental Indenture of Trust dated as of May 1, 2001 (collectively, the Trust Indenture). The 2001A ADP Bonds are limited obligations of the City secured by and payable solely from (1) GARB Revenues (revenues that are currently pledged to the payment of the City's outstanding general airport revenue bonds under the Amended and Restated Indenture of Trust, as amended and supplemented) and (2) Pledged PFC

[1] The plan of financing for Phase 1 of the ADP indicates that all of the remaining funding requirements of the program can be met with the proceeds of the 2001A ADP Bonds together with currently approved PFC, LOI, and FHWA resources, moneys in the ADF, and PFC resources anticipated under the pending PFC amendments, except for $78 million currently budgeted as a "program contingency" which is not being financed at this time. The issuance of additional GARBs may be required to fund all or a portion of the program contingency, certain tenant replacement facilities (that are not part of the Phase 1 budget), and any unanticipated increases in other ADP program costs.

Revenues (certain PFC Revenues that are to be pledged to the payment of the Bonds under the Eighth Supplemental Indenture of Trust) (collectively, the Revenues).[2]

The 2001A ADP Bonds are Additional Bonds under the Trust Indenture. As a condition for the issuance of Additional Bonds, the Trust Indenture requires, among other provisions,

(3) 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;

(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..., (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 has entered into airport use agreements (Use Agreements) with all of the major airlines currently serving the Airport. The term of the Use Agreements extends to December 31, 2005. The existing Use Agreements provide for a "compensatory" approach to setting terminal building rental rates and a "cost center residual" approach to setting landing fee rates. Most of the costs of Phase 1 of the Airport Development Program are allocable to the Airfield. Phase 1 of the Airport Development Program has not been submitted to the airlines for majority-in-interest (MII) approval under the procedures of the Use Agreements. Without MII approval, the City cannot include any costs related to the project in the airline rate base until after the Use Agreements expire at the end of December 2005. However, the project is not scheduled for completion until early 2006, after the expiration of the term of the existing Use Agreements. The City intends that all costs related to the 2001A ADP Bonds through Fiscal Year 2006 will be either capitalized from proceeds of the 2001A ADP Bonds paid from Passenger Facility Charges (PFC) or airport

[2] Revenues are also defined to include "...any other available moneys deposited with the Trustee for deposit in the Revenue Fund".

revenues. Accordingly, no such costs will be charged to the airline rate base prior to the project's completion and expiration of the term of the existing Use Agreements.

The City intends to negotiate new use and lease agreements with the airlines serving the Airport prior to the expiration of the existing Use Agreements in 2005. However, no decisions have been made by the City regarding rate-making methods or other business issues that will be addressed in those negotiations, with the exception of the requirement that costs associated with Phase 1 of the ADP be included in future rates and charges. According to the City's legal counsel, in the absence of a new Use Agreements the City has the ability to establish, charge and collect Airport rates and charges by ordinance. For the purposes of this Report it is assumed that the rates and charges methodology of the existing agreements will continue throughout the forecast period (through Fiscal Year 2009).

Our report is organized into the following sections:

Section I — **Introduction** – An overview of Phase 1 of the Airport Development Program and the Fiscal Year 2001-Fiscal Year 2005 CIP and background information regarding the Airport, Airport governance, and other ongoing Airport capital programs.

Section II — **Plan of Financing** – A detailed discussion of the plan of financing for Phase 1 of the Airport Development Program.

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 Trust Indenture and the Use Agreements), 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. Section V also includes financial analyses, which summarize the financial results of TWA's hub operation continuing under the

acquisition by AMR Sub and a sensitivity analysis that analyzed the financial effect of changes in AMR Sub's operations at the Airport.

Major Assumptions Utilized

The Report is based on the following major assumptions:

1. The City will accomplish Phase 1 of the ADP within the current budget of $1.11 billion.

2. The new runway will become operational in the first quarter of calendar year 2006.

3. AMR Sub will operate a system hub at the Airport throughout the forecast period. However, the "base case" assumes that beginning in FY 2002 a number of scheduled flights may be discontinued due to route rationalization, as further described in the traffic analysis in Section IV of this Report.

4. The FAA will comply with the LOI and provide the City with the anticipated $141 million of AIP funding for Phase 1 of the ADP through Fiscal Year 2008.

5. The FAA will approve the City's proposed new PFC application, including an increase in the PFC rate from $3.00 to $4.50.

6. After the expiration of the existing Use Agreements in 2005, the City will establish airline rates and charges (either under a successor agreement or by ordinance) to provide airlines revenues at least equal to those that would be generated under the existing Use Agreements.

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

In addition, a sensitivity analysis was developed to evaluate the financial impact of AMR Sub reducing operations to a level below that of the Base Case at the Airport.

Findings and Conclusions

The summary table on page 7 summarizes the principal findings of the financial forecasts for the Base Case addressed in this report.

Base Case – The current level of hub operations will continue over the forecast period; however, beginning in FY 2002, a small number of scheduled flights may be discontinued due to route rationalization by AMR Sub.

The Base Case further assumes that AMR Sub has the capability to continue and expand hub operations at the Airport.

As indicated in the Report and the summary table for the Base Case, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Trust Indenture in each year of the forecast period, Fiscal Year 2001 through Fiscal Year 2009. 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 Phase 1 of the ADP, Fiscal Year 2007–Fiscal Year 2009, thereby satisfying the Additional Bonds Test.

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

As indicated earlier, for the purposes of this Report it is assumed that the rates and charges methodology of the existing Use Agreements will continue throughout the forecast period (through Fiscal Year 2009). In the event the City chooses to set rates by ordinance after the expiration of the existing Use Agreements in 2005, we believe the existing rates and charges methodology is consistent with applicable Federal guidelines regarding airport rates and charges.[3] Accordingly, we conclude it is feasible for the City to proceed with the issuance of the 2001A ADP Bonds.

The table also summarizes financial projections for the Sensitivity Analysis addressed in this Report and compares those projections with those of the Base Case.

Sensitivity Analysis. Sensitivity Analysis – AMR Sub would significantly scale down, or discontinue hub operations at the Airport; none of AMR's Sub's O&D traffic is lost, but approximately 45% of AMR Sub's share of connecting traffic is lost.

This Analysis assumes the following: (1) AMR Sub would significantly scale down, or discontinue service at the Airport at the beginning of Fiscal Year 2002, (2) other airlines

[3] U. S. Department of Transportation, Policy Regarding Airport Rates and Charges ("Final Policy"), June 14, 1996.

SENSITIVITY ANALYSIS - SUMMARY TABLE
For Fiscal Years Ending June 30
(in thousands)

	2007		2008		2009	
	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis
Airline Revenues	$99,653	$96,418	$101,931	$98,980	$102,666	$100,232
Enplaned Passengers	16,509	13,561	16,915	13,883	17,323	14,205
Airline Cost per Passenger	$6.04	$7.11	$6.03	$7.13	$5.93	$7.06
Signatory Landing Fee Rate	$3.12	$3.49	$3.11	$3.49	$3.05	$3.43
Net Revenues	$128,053	$118,489	$129,204	$119,140	$128,304	$117,949
Debt Service	$71,875	$71,028	$71,850	$71,003	$71,825	$70,979
Debt Service Coverage	1.78	1.67	1.80	1.68	1.79	1.66

would provide sufficient replacement service to capture all of AMR Sub's O&D traffic, and (3) approximately 45% of AMR Sub's connecting traffic is lost.

As indicated in the Report and on the summary table under the Sensitivity Analysis, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all other funding requirements of the Trust Indenture in each year of the forecast period, Fiscal Year 2001 through FY 2009, although with significantly lower debt service margins and higher airline costs per enplaned passenger than the Base Case. However, these costs are still believed to be reasonable when compared with costs at similar airports.

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.

Lambert-St. Louis International Airport
Financial Feasibility Project

April 23, 2001

TABLE OF CONTENTS

	Page Number
Section I - Introduction	**I-1**
A. Airport Facilities	I-3
B. Airport Governance	I-5
C. Phase 1 of the Airport Development Program	I-6
1. Program Management/Professional Services	I-7
2. Land Acquisition for New Runway	I-11
3. Northwest Land Acquisition	I-11
4. New Runway	I-12
5. Northeast Quadrant Infrastructure	I-13
6. Relocation of MoANG	I-14
7. Program Contingency	I-14
8. Replacement Tenant Facilities	I-14
9. Navigational Aids	I-14
D. FY 2001-FY 2005 Capital Improvement Program	I-15
E. 1997 Bond Program	I-18
F. Part 150 Noise Mitigation Program	I-18
Section II - The Plan of Financing	**II-1**
A. Funding Sources	II-1
1. Airport Development Fund	II-1
2. AIP Grants-in-Aid	II-1
3. Passenger Facility Charges	II-3
4. General Airport Revenue Bonds	II-5
B. Financing Plan for the ADP	II-7
1. ADF Funding	II-13
2. FHWA Funding	II-13
3. AIP/LOI Funding	II-13
4. PFC Pay As You Go	II-14
5. Series 2001A ADP Bonds	II-15

C. Financing Plan for FY 2001-2005 CIP II-18
D. Debt Service Requirements II-18

Section III - The Economic Base of the Airport III-1

A. The Airport's Air Service Area III-1
B. Population III-4
C. Labor Force III-6
D. Income III-10
E. Business Environment III-11
F. Trade III-14
G. Tourism III-16
H. Cost of Living III-17
I. Summary III-17

Section IV - Analysis and Forecast of Aviation Activity IV-1

A. Historical Aviation Activity IV-1
1. The Airport IV-1
2. Enplanements IV-2
3. Airline Market Share IV-9
4. Air Service Markets IV-12
5. Air Cargo IV-15
6. Aircraft Operations IV-16
7. Commercial Aircraft Landed Weight IV-18
B. Forecasts of Aviation Activity IV-19
1. The Multivariate Regression Approach IV-19
2. Regression Forecasts of Enplanements IV-22
3. Alternative Enplanement Forecasts IV-27
4. Air Cargo Forecasts IV-29
5. Forecasts of Commercial Aircraft Operations and Landed Weight IV-29
C. Other Factors Affecting Aviation Demand IV-34
D. Summary IV-36

Section V - Financial Analysis V-1

A. Framework for Airport Financial Operations V-1
1. Trust Indenture V-1
2. Airport Accounting and Financial Reporting V-4
3. Airport Cost Accounting V-6
4. Airport Use Agreements/Airline Rates and Charges Methodology V-6
5. TWA Asset Use Charge V-7

B. Revenues V-7
1. Signatory Airline Rates and Charges V-10
2. Concession Fee V-13
3. Other Revenues V-16
4. Interest Income V-18
5. TWA Asset Use Charge V-18
C. Operation and Maintenance Expenses V-18
D. Application of Revenues V-19
E. Debt Service Coverage/Additional Bonds Test V-22
F. Sensitivity Analysis V-25

LIST OF TABLES

		Page Number
I-1	Runway Attributes	I-4
I-2	Summary of Estimated Project Costs Phase 1 of Airport Development Program	I-8
1-3	Summary of Proposed FY 2001-FY 2005 Capital Improvement Program and MII Project Requests for FY 2001	I-16
II-1	Projected Passenger Facility Charges – Base Case	II-6
II-2	Project Cost Summary (FY 1999-2006) Phase 1 of Airport Development Program	II-8
II-3	Project Cost Detail (FY 1999-FY 2006) Phase 1 of Airport Development Program	II-9
II-4	Summary of ADP Program Financing – Base Case Airport Development Program (Total)	II-12
II-5	Sources and Uses of Funds – Base Case 5-Year Capital Improvement Program (FY 2001-FY 2005)	II-19
II-6	Debt Service Requirements – Base Case	II-20
III-1	Comparison of Population Trends 1990-2005	III-4
III-2	St. Louis MSA Civilian Labor Force 1990-1999	III-6
III-3	Selected Major Employers in St. Louis Region 1999	III-9
III-4	St. Louis MSA Per Capita Personal Income by County 1997 and 1998	III-11
III-5	St. Louis MSA Business Establishments 1992-1999	III-13
III-6	St. Louis MSA New Residential Construction Activity 1990-1999	III-14
III-7	St. Louis MSA Merchandise Exports 1993 and 1998	III-16
III-8	Cost of Living Comparison – Selected Metropolitan Areas First Quarter, 2000	III-17
IV-1	Share of U.S. Total Enplanements 1990-1999	IV-4
IV-2	O&D and Connecting Enplanements 1990-2000	IV-6
IV-3	Domestic and International Enplanements 1990-2000	IV-9
IV-4	Airline Market Share 1990, 1994, 1999 and 2000	IV-10
IV-5	O&D Destinations with Market Shares of 1% or Greater CY 1999	IV-13
IV-6	Historical Air Cargo 1990-2000	IV-16
IV-7	Historical Aircraft Operations 1990-2000	IV-17
IV-8	Historical Aircraft Landed Weight 1990-2000	IV-18
IV-9	Regression Model Forecasts of Enplanements FY 2000-2010	IV-24

IV-10 Regression Model Forecasts of Enplanements Allocation Between O&D and Connecting Traffic FY 2000-2010 ..... IV-27
IV-11 Alternative Forecasts of Enplanements FY 2000-2010 ..... IV-28
IV-12 Air Cargo Activity Forecasts FY 2000-2010 ..... IV-30
IV-13A Forecasts of Commercial Air Traffic Activity - Base Case FY 2000-2010 ..... IV-31
IV-13B Forecasts of Commercial Air Traffic Activity – Sensitivity Analysis FY 2000-2010 ..... IV-32
IV-14A Aircraft Operations Forecasts – Base Case FY 2000-2010 ..... IV-33
IV-14B Aircraft Operations Forecasts – Sensitivity Analysis FY 2000-2010 ..... IV-34

V-1 Summary of Historical Financial Operations V-5
V-2 Summary of Historical Revenues V-8
V-3 Forecasted Airport Revenues Base Case V-9
V-4 Summary of Airline Revenues, Cost Per Enplaned Passenger and Rates-Base Case V-11
V-5 Total Summary of Historical Operation and Maintenance Expenses V-12
V-6 Operation and Maintenance Expenses – Base Case V-20
V-7 Application of Revenues under the Trust Indenture – Base Case V-21
V-8 Calculation of Annual Debt Service Coverage – Base Case V-23
V-8a Calculation of Annual Debt Service Coverage – Sensitivity Analysis V-24
V-9 Sensitivity Analysis – Summary Table V-27

LIST OF FIGURES

		Page Number
I-1	Land Acquisition Phase 1 of Airport Development Program	I-9
I-2	Project Site Plan Phase 1 of Airport Development Program	I-10
III-1	Lambert-St. Louis International Airport Air Service Area	III-2
III-2	Nearby Major Airports	III-3
III-3	St. Louis MSA Population Distribution by County 1999	III-5
III-4	Comparison of Unemployment Rates 1990-1999	III-7
III-5	St. Louis MSA Non-Agricultural Employment 1998 and 1999	III-8
III-6	ST. Louis MSA Retail Sales 1990-1999	III-15
IV-1	Historical Enplanement Trends 1961-1999	IV-3
IV-2	Annual Growth Rate of STL and U.S. Enplanements 1990-1999	IV-5
IV-3	Annual Growth Rates of O&D, Connecting and Total Enplanements 1990-1999	IV-7
IV-4	Enplanement Share by Type of Carrier CY 1999	IV-12
IV-5	Top Ten O&D Markets CY 1999	IV-14

LIST OF EXHIBITS

V-1	Application of Airport Revenues Under 1984 Trust Indenture	V-3

SECTION I
INTRODUCTION

The City of St. Louis (the City) has embarked on a major program to expand and improve Lambert-St. Louis International Airport (the Airport). The program includes four principal components: (1) the Airport Development Program (the ADP), (2) the FY 2001-FY 2005 Capital Improvement Program (the FY 2001-FY 2005 CIP), (3) the ongoing 1997 Bond Program, and (4) the ongoing Part 150 Noise Mitigation Program. The City plans to issue approximately $505.6 million additional Airport Revenue Bonds to finance a portion of the costs of both the ADP and the FY 2001-FY 2005 CIP. The City of St. Louis, Missouri Airport Revenue Bonds, Series 2001A (Airport Development Program) (the 2001A ADP Bonds) in the approximate amount of $435.2 million are being issued to fund a portion of the costs relating to Phase 1 of the ADP. During the second quarter of calendar 2001 the City plans to issue the City of St. Louis, Missouri Airport Revenue Bonds, Series 2001B Capital Improvement Program) (the 2001B CIP Bonds) in the amount of approximately $70.4 million to fund a portion of the costs associated with FY 2001-FY 2005 CIP. This Report has been prepared in connection with the issuance of the 2001A ADP Bonds and the 2001B CIP Bonds.

The *Airport Development Program* is based on recommendations set forth in the Master Plan Supplement that was completed in 1996.[1] 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 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 the first phase (Phase 1) of the ADP to be funded by the City include land acquisition for the new runway; land acquisition for airport support facilities; the planning, design and construction of a new parallel air carrier runway (Runway 12R-30L); relocation of the Missouri Air National Guard facility; and infrastructure for the redevelopment of the northeast quadrant of the Airport. In addition, the City may finance certain replacement facilities for Airport tenants for which the City would be entirely reimbursed by those tenants.

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. Various studies indicate that the project will generate substantial projected benefits by reducing air traffic delays—both at the Airport and in the national air transportation system.

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

In September 1998, the Federal Aviation Administration (the FAA) filed its Record of Decision regarding the environmental impact statement for the ADP, the final step in the environmental approval process for the program. In November 1998, the FAA awarded the City a Letter of Intent to provide $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.[2]

The City presently expects to implement Phase 1 of the ADP over the eight-year period, FY 1999-FY 2006.[3] The new runway is scheduled to be operational in the first 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 improvements to existing terminal facilities that are part of the Airport's five-year capital improvement program. For this reason, Phase 1 of the ADP does not address any major terminal expansion. It is possible, however, that discussions with the airlines could lead to a decision to undertake major terminal expansion within the time frame of Phase 1 of the ADP (provided that required supplemental environmental approvals are obtained).

The FY 2001-FY 2005 CIP, the City's current five-year capital improvement program for the Airport, includes a variety of airfield, terminal, parking and infrastructure projects at the Airport. The total cost of the FY 2001-FY 2005 CIP is estimated to be $132.8 million. The City plans to finance a significant portion of the cost of this program with two or more series of Airport Revenue Bonds, including the Series 2001B CIP Bonds.

This Report addresses the financial aspects of Phase 1 of the ADP and the FY 2001-FY 2005 CIP for the nine-year projection period—FY 2001 through FY 2009. In particular, the Report addresses the financial aspects of the proposed issuance of (1) the 2001A ADP Bonds and the future series of Bonds anticipated to be issued for Phase 1 of the ADP, and (2) the 2001B CIP Bonds and the future series of Bonds anticipated to be issued for the FY 2001-FY 2005 CIP.

Although the existing Use Agreements at the Airport expire on December 31, 2005, the financial forecasts presented in this report are based on the methodology for calculating airline rates and charges set forth in these agreements through the FY 2009 projection period.

The remainder of Section I presents an overview of existing Airport facilities, the governance of the Airport, Phase 1 of the ADP, the FY 2001-FY 2005 CIP, the 1997 Bond Program, and the Part 150 Noise Mitigation Program.

---

[2] In May 2000, the FAA amended the LOI to increase the amount of discretionary funds to be paid in the early years of the LOI while correspondingly decreasing the amounts to be paid in the later years.

[3] The fiscal year of the City ends on June 30.

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 currently is comprised of approximately 2,100 acres of land; upon completion of the land acquisition planned for Phase 1 of the ADP, the Airport will be comprised of approximately 3,600 acres of land, excluding noise abatement-related land acquisitions.

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.[4] In FY 2000, the Airport enplaned approximately 15.3 million passengers, and accounted for approximately 2.3% of total U.S. enplanements. Preliminary traffic data collected by the Airport Council International (ACI) in CY 2000 ranked the Airport as 16th nationwide and 25th worldwide in terms of total passengers, and 14th nationwide and 15th worldwide in terms of aircraft operations.[5]

The Airport currently has five runways, as summarized in **Table I-1,** and an extensive taxiway system. The largest commercial aircraft without restrictions can use the primary runway, 12R-30L.[6] Runways 12-30 and 6-24 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 in IFR conditions. Runways 17-35 and 13-31 are used only by regional/commuter airline and general aviation aircraft.

[4] FAA, National Plan of Integrated Airport Systems (NPIAS: 1993 – 1997).
[5] ACI Worldwide Traffic Data in http://www.airports.org.
[6] The existing Runway 12R/30L will be remarked as Runway 12C/30C when the new runway 12R/30L is completed.

Table I-1
RUNWAY ATTRIBUTES

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

[1] The runway categories are defined as follows:

Visual - approach when no intstrument approach equipment is available.
CAT I - an instrument approach served by instrument landing system (ILS) and visual aids intended for operations down to a 200-foot decision height and minimum runway visual range of 1,800 feet.
CAT II - an instrument approach served by instrument landing system (ILS) and visual aids intended for operations down to a 100-foot decision height and minimum runway visual range of 1,200 feet.

Note: Runway lengths represent actual pavement lengths without displaced thresholds.

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 contains 528,250 square feet of space on three levels in the terminal building and an additional 590,641 square feet of space in four concourses with 76 aircraft gates in a mixed configuration. TWA uses 57 of these gates. The recently completed 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 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.

Public parking is provided in a 2,000-car parking structure adjacent to the Main Terminal and a 953-car parking structure at the East Terminal. An additional 1,156 spaces are available for intermediate-term parking in a surface lot immediately behind the parking structure at the Main Terminal, and 3,761 spaces are available for long-term parking in remote lots served by shuttle buses. MetroLink, the metropolitan area's light rail system, provides ground transportation access to the Airport.

Other Airport facilities owned by the City include five cargo buildings and 18 related shop and service buildings. The Airport also houses TWA's St. Louis Ground Operations Center, a TWA line maintenance hangar, various general aviation hangars, facilities used by the Missouri Air

National Guard, and certain other cargo facilities, which are not owned by the City.[7] Boeing Company has a major aircraft manufacturing facility on the north side of the Airport on land leased from the City.

Federal Express, United Parcel Service (UPS), Emery Freight and BAX Global lease space in a privately developed cargo facility situated on a 31.1 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 of 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 currently consists of 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, and five additional members appointed by the St. Louis County Executive. A recent City ordinance adds two new members to the Commission—one appointed by St. Charles, Missouri and one by St. Clair County, Illinois. The Director of Airports serves as the Chief Executive Officer of the Commission. 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:

[7] On April 9, 2001, 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.

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

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 and management functions at the Airport. Mr. Below has served in this capacity since December 1994. Prior to joining the Airport, he was employed by Martin Marietta for ten years.

Donald Ruble, the Assistant Director for Planning and Development, is responsible for managing the construction of Airport improvements. He began his career at the Airport in 1977 as an architect and was promoted to Architectural Manager in 1980 and to Assistant Director for Planning and Engineering in 1984. After a brief interval with Sverdrup Corporation, he returned to the Airport in 1992 as an Engineering Construction Manager until his promotion to his current position in 1996.

William Fronick, the Assistant Director for Engineering is responsible for the planning and design of the Airport's capital improvement projects. Mr. Fronick began his career at the Airport as an architect in 1983, was promoted to Architectural Manager in 1987, and served in this capacity until promotion to his current position in 1996.

Linda Moore, the Assistant Director for Community Programs, is responsible for the Airport's noise mitigation program. Ms. Moore was recruited in 1991 to establish and manage the Disadvantaged Business Enterprise Program at the Airport and in 1993, centralized the Airport's contracting function into a new Contracts Administration Department. Ms. Moore managed the Contracts Administration Department until her promotion to her current position in 1998.

C. PHASE 1 OF THE AIRPORT DEVELOPMENT PROGRAM

As previously stated, the major element of Phase 1 of the ADP is the new parallel air carrier runway (Runway 12R-30L). The new runway will be parallel to the existing east-west runways at the Airport and widely separated to permit simultaneous operations in IFR conditions. Previous studies indicate the new runway should result in savings to the airlines in aircraft delay

costs of approximately $50 million a year and have a benefit/cost ratio of greater than 2:1.[8] The new runway project requires acquisition of a substantial number of residential and commercial properties, relocation of a portion of a major secondary road (Lindbergh Boulevard), construction of new roadway interchanges, construction of the runway and related taxiways, and installation of required airfield lighting and navigational aids.[9]

Phase 1 of the ADP also includes acquisition of land for future Airport support facilities, relocation of the Missouri Air National Guard (MoANG) facilities, and infrastructure for the future development of the northeast quadrant of the Airport. In addition, the City may finance certain replacement facilities for Airport tenants for which the City would be entirely reimbursed by those tenants.

The major elements of Phase 1 of the ADP include:

- Program Management / Professional Services
- Land Acquisition for New Runway
- Northwest Land Acquisition
- New Runway
- Relocation of Missouri Air National Guard (MoANG)
- Northeast Quadrant Infrastructure
- Program Contingency

The cost of Phase 1 of the ADP is approximately $1.11 billion, as summarized in **Table I-2.** Section II provides a detailed discussion of the anticipated sources of funding for Phase 1 of the ADP.

Figure I-1 depicts the land acquisition program in Phase 1 of the ADP. **Figure I-2** depicts the major elements of the new runway project.

1. Program Management/Professional Services

This element of the ADP includes program management services, general (planning and financial) consulting services, information technology and systems management services, geotechnical consulting services, environmental consulting and anticipated mitigation measures, surveying, and materials testing.

The City has retained the joint venture of Sverdrup/Parsons/Kwame (SPK) to serve as program managers and Unison-Maximus, Inc. (Unison) to serve as general aviation consultant for the ADP. A Program Management Office (PMO) has been established--which is staffed by SPK, Unison, the City's Bureau of Public Service, and the Airport's Planning and Development Department--to oversee the planning, budgeting, scheduling, contracting, engineering design,

[8] Source: FAA Benefit-Cost Analysis for Lambert-St. Louis International Airport Capacity Enhancement Project, July 31, 1997.
[9] The FAA is expected to fund a substantial portion of the costs of the navigational aids required for the new runway from its Facilities & Equipment budget.

construction management, and cost control for the program. The program management element of the budget includes all of these program management functions.

Table I-2
SUMMARY OF ESTIMATED PROJECT COSTS
PHASE 1 OF AIRPORT DEVELOPMENT PROGRAM
(in thousands)

Element	Estimated Cost	
Program Management / Professional Services		$110,922
Land Acquisition for New Runway		437,473
Northwest Land Acquisition		50,000
New Runway		
Design Services	$20,911	
Site Utilities	14,043	
Site Preparation	80,364	
Construction Staging Areas	468	
Road Construction	107,391	
Runway Construction	105,459	
Navigational Aids (City-funded)	3,800	
Relocations / Demolitions	38,348	
		370,784
Northeast Quadrant Infrastructure		27,343
Relocation of Missouri Air National Guard		35,000
Program Contingency		78,000
Total Phase 1 of the ADP		$1,109,522
Additional Costs to be Paid by Others		
Tenant Replacement Facilities		$27,339
Navigational Aids (FAA F&E Funded)		$18,900

Figure I-1

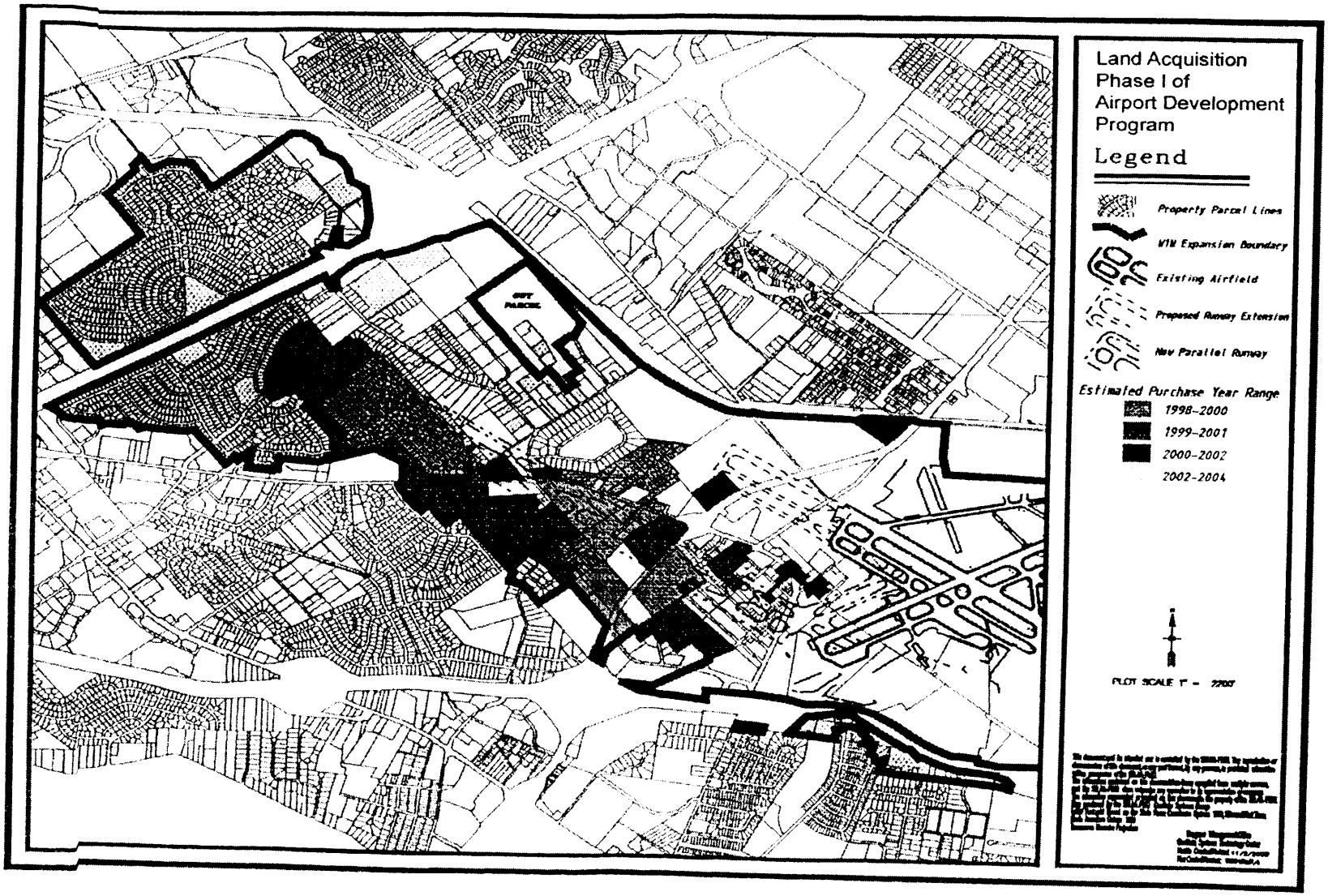
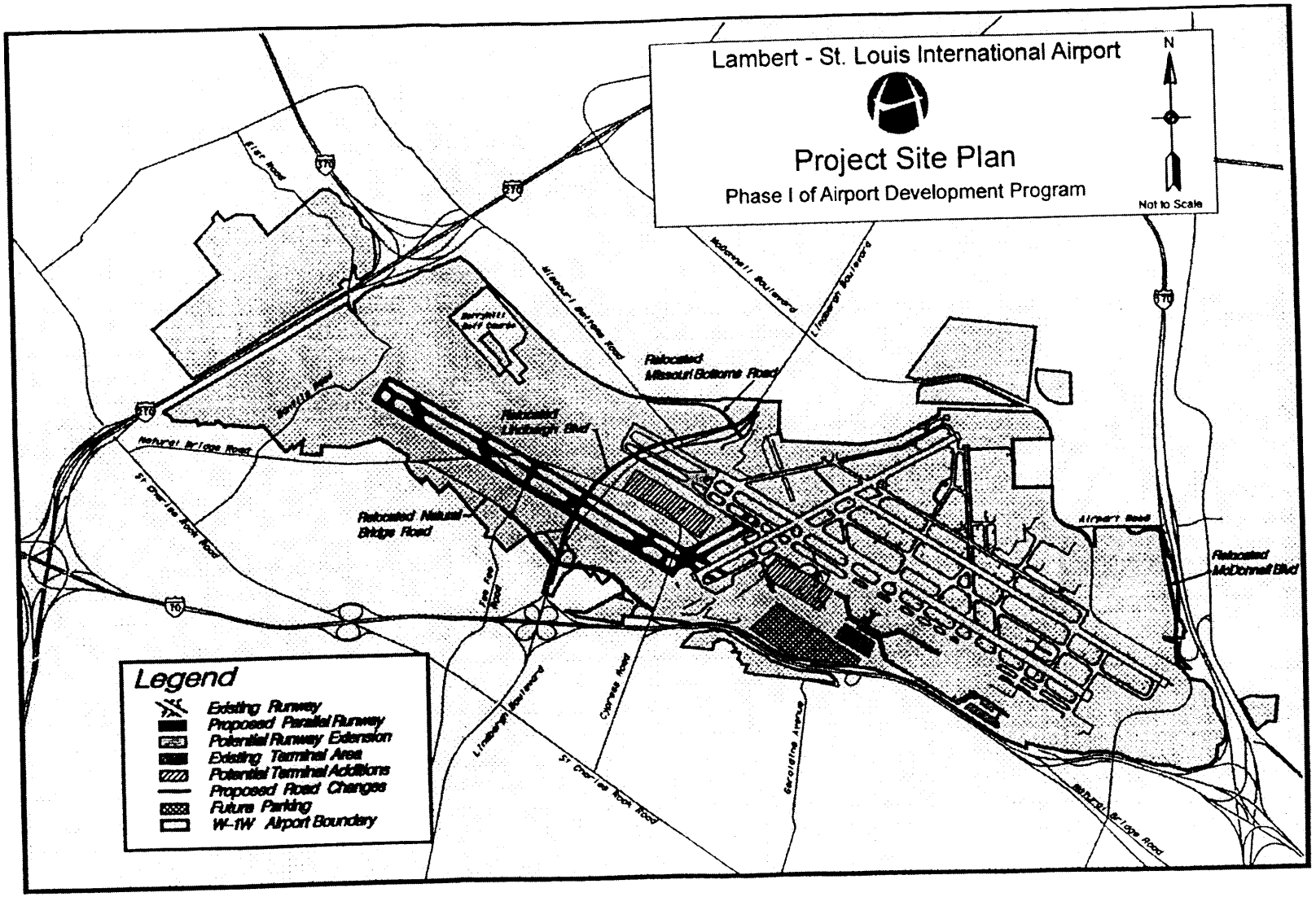

Land Acquisition
Phase I of
Airport Development
Program
Legend
Property Parcel Lines
MIM Expansion Boundary
Existing Airfield
Proposed Runway Extension
New Parallel Runway
Estimated Purchase Year Range
1998-2000
1999-2001
2000-2002
2002-2004

Figure I-2


Lambert - St. Louis International Airport
Project Site Plan
Phase I of Airport Development Program
N
Not to Scale
Relocated Missouri Bottoms Road
Relocated Lindbergh Blvd
Relocated Natural Bridge Road
Relocated McDonnell Blvd
Airport Road
Legend
Existing Runway
Proposed Parallel Runway
Potential Runway Extension
Existing Terminal Area
Potential Terminal Additions
Proposed Road Changes
Future Parking
W-1W Airport Boundary

2. Land Acquisition for New Runway

The project acquisition area is located predominantly to the west of the existing Airport in the City of Bridgeton, Missouri, a community consisting mainly of single family residential development. The acquisition area consists of single-family residences, multi-family dwellings, commercial properties and other facilities. The land acquisition program will require the acquisition of 2,005 parcels, as follows:

Type	Number of Parcels
Residences	1,925
Businesses	69
Churches	6
Schools	4
Cemetery	1
Total	2,005

The project area encompasses approximately 11.4% of Bridgeton, or 1.36 square miles. Approximately 5,700 Bridgeton residents and business owners will be relocated. The land acquisition program is expected to occur over a 5 to 6 year period.

The budget of $437.5 million for land acquisition also includes both management of the land acquisition program and demolition of existing structures on the acquired parcels. The City has retained O. R. Colan to coordinate and administer the land acquisition program under the oversight of the PMO.

3. Northwest Land Acquisition

Phase 1 of the ADP includes the planned acquisition of approximately 76-acre parcel of land. In addition, the land includes aircraft manufacturing facilities comprising approximately 20 buildings situated on such parcel (the MDC Facilities) from McDonnell Douglas Corporation, a Maryland Corporation and a wholly owned subsidiary of The Boeing Company (MDC), on the northern boundary of the Airport immediately west of the crosswind runway. The City plans to redevelop this property for Airport support facilities, including the relocation of the Missouri Air National Guard, and potentially the development of new airport maintenance facilities, the

relocation of the Airport PMO, the relocation of AMR Sub's line maintenance hangar and the relocation of the St. Louis Ground Operations Center (SGOC).[10]

The City, MDC and The Boeing Company have entered into a Memorandum of Understanding regarding the City's acquisition of the MDC Facilities (the MOU). Under the terms of the MOU, the total cost of the acquisition ($50 million) is payable in equal monthly installments over a 10-year period at an interest rate of below or equal to 8% from the date of closing of the transaction. The City has decided to finance the acquisition of the MDC Facilities with a portion of the proceeds of the 2001A ADP Bonds in order to achieve lower borrowing costs. Formal documents are now being prepared, and the acquisition is expected to close in July 2001. Under the terms of the MOU, MDC will then lease the MDC Facilities back from the City, at $5 million per year, for an interim period of three years while it 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 is $15 million, payable to the City in advance at the closing of the MDC transaction. At the end of the three-year interim period, the MDC Facilities will be available for redevelopment by the City.

4. New Runway

The new runway project involves design, site utilities, site preparation, roadway relocations, facility relocations, and construction of a new 9,000-foot air carrier runway, Runway 12L-30R, together with associated lighting, instrument landing systems, navigational aids and facility demolitions and relocations.

As depicted in **Figure I-2**, the new runway requires the relocation of certain arterial and secondary roads including:

- Lindbergh Boulevard (a major north-south arterial road which bisects the site)
- Natural Bridge Road (a major secondary road situated generally along the alignment of the new runway which is to be relocated to the south of the runway)
- Missouri Bottom Road (a secondary road on the northern part of the site which requires a new interchange with the relocated Lindbergh Boulevard)
- Bonfils Drive (a residential street on the west side of the site that will be relocated and upgraded to provide a connection between Natural Bridge Road on the south and Gist Road on the north).

The relocation of Lindbergh Boulevard and Natural Bridge Road each requires construction of temporary bypasses to facilitate the construction of a new interchange between the two roads in

[10] The City and AMR Sub are evaluating alternative sites for the relocation of the hangar and the SGOC -- one in the northwest acquisition area and one in the northeast quadrant.

their planned final alignment. The project also includes a major bridge structure for the runway and parallel taxiway over the relocated Lindbergh Boulevard.

As indicated in **Table I-2**, the budget for the new runway includes the following cost categories:

- Design services
- Site utilities
- Site preparation
- Construction Staging Areas
- Road Construction
- Runway Construction
- Navigational aids (City-funded)
- Relocations and demolition

The relocations element includes a new west airfield rescue and fire fighting (ARFF) facility that will be required to meet FAA response time criteria once the new runway is operational. The new runway project also requires the demolition and relocation of the Airport field maintenance complex, and the PMO building. The Airport currently plans to relocate these facilities to new sites in the expanded northwest quadrant of the Airport. Also, the U.S. Navy Marine Corps Reserve Center, situated to the west of the existing terminal complex on land owned by the U.S. Government, is an airspace obstruction to the new runway and must be demolished before the new runway is made operational. The City plans to relocate the Marine Corps facility to a new off-Airport site as part of the project, with a land exchange so that the City controls the future use and development of this site. Demolition of the TWA SGOC is also required for the new runway to be made operational.

5. Northeast Quadrant Infrastructure

Phase 1 of the ADP requires the redevelopment of the existing northeast quadrant of the Airport to facilitate the possible relocation of certain tenant facilities as well as potential future cargo and airline maintenance facilities. A portion of the infrastructure required for such potential relocations is being provided in Phase 1.

The northeast quadrant site includes a high school complex that was recently acquired from the City of Berkeley. A replacement high school complex is being developed on another site as part of the Part 150 Noise Mitigation Program. Once the relocation is complete, the existing school will be demolished and the property redeveloped for airport purposes. An additional Airport parcel in the northeast quadrant is occupied by a specialty restaurant (the 94th Aero Squadron), which will be closed and demolished.

The northeast quadrant infrastructure includes relocation of McDonnell Boulevard (the perimeter access road), construction of interior site roads, relocation of existing utilities, and general grading of the site. Future infrastructure investments may include extension of Taxiway F by approximately 2,500 feet to the end of Runway 30R and construction of a new aircraft apron.

6. Relocation of MoANG

The existing MoANG facilities occupy approximately 40 acres west of the terminal complex. The location of those facilities is an airspace obstruction to the new runway and must be removed before the new runway is made operational. The relocation of MoANG to replacement facilities and the demolition of the existing facilities are included as Phase 1 costs. The City currently plans to relocate MoANG to the new Northwest Land Acquisition area.

7. Program Contingency

The PMO has established an overall program contingency for Phase 1 of the ADP in the amount of $78 million to cover potential program scope changes and unanticipated cost increases. This allowance is over and above estimating contingencies built into each line item of the program budget and equates to approximately 7% of the total Phase 1 ADP budget.

8. Replacement Tenant Facilities

The existing SGOC is situated to the west of the existing terminal complex and is an airspace obstruction to the new runway. The obstruction must be removed before the new runway is made operational, and demolition of the existing facility is included as an ADP cost. In 1993, the City acquired TWA's leasehold interest with respect to the existing SGOC premises and facilities and has no obligation with respect to relocating TWA to a replacement facility. However, the City plans to work with the hub airline to plan, finance and construct a replacement ground operations center facility, the costs of which would be paid for entirely by the airline. The new facility would include an aircraft apron and buildings designed to support the functions required by the hub airlines.

Dobbs currently has two flight kitchens at the Airport—one on-Airport property and one situated off-Airport on Cypress Road. Both flight kitchens must be demolished to accommodate the new runway, and demolition costs are included as a cost of the ADP. The lease of the on-Airport facility has expired and the City has no financial obligation with respect to any existing leasehold interest. The City plans to acquire and demolish the off-Airport facility. The current plan calls for the construction of a single new replacement facility in the northwest quadrant of the Airport adjacent to the relocated Missouri Bottom Road. The City plans to work with Dobbs regarding the potential financing of a replacement flight kitchen for Dobbs, the costs of which would be paid for entirely by Dobbs.

9. Navigational Aids

It is expected that a significant portion ($19.0 million) of the navigational aids (navaids) required for the runway will be funded directly by the Federal Aviation Administration from its Facilities & Equipment budget (F&E). The costs of these items are not included in the budget for Phase 1

of the ADP. The balance of the cost of the navaids ($3.8 million) will be funded by the City as part of the ADP.

D. FY 2001-FY 2005 CAPITAL IMPROVEMENT PROGRAM

The FY 2001-FY 2005 CIP is summarized by major element in **Table I-3**. The total estimated cost of the current CIP is $132.8 million, of which $99.1 million is programmed to be undertaken in FY 2001 and FY 2002 and the balance, $33.7 million, in FY 2003–FY 2005. The portion of the FY 2001 and FY 2002 elements of the CIP are to be financed with the 2001B CIP Bonds.

The FY 2001-FY 2005 CIP includes a variety of terminal, airfield, parking and infrastructure projects. Projects in the "rate base cost centers" (terminal and airfield) programmed for FY 2001 and FY 2002 have, for the most part, been approved by a majority-in-interest of the signatory airlines under procedures of the Use Agreements. Projects in the rate base cost centers programmed for FY 2003-FY 2005 have not yet been submitted to the airlines for MII approval.

The FY 2001-FY 2005 CIP includes certain planned improvements to the existing International Area, related gate expansion on Concourse D, and improvements to Concourse C that have been requested and approved by TWA, in the total amount of $47.5 million.[11] These improvements are designed to modernize the International Area, facilitate planned expansion of international service by TWA, reuse the existing TWA international facility in Concourse C for other purposes and upgrade concession areas in Concourse C. The Airport has discussed these projects with American, which currently has them under review. The major airfield elements of the FY 2001-FY 2005 CIP are the FY 2001 and FY 2002 Taxiway Programs in the total amount of $10 million. These represent a continuation of a program begun in 1997 to upgrade existing taxiway pavements throughout the airfield. The CIP also includes the first phase (centerline panels) of the reconstruction of Runway 12L/30R in the amount of $5 million.

The FY 2001-FY 2005 CIP includes a major new parking structure ($20 million), annual budget allowances for ongoing major maintenance and repair of existing parking facilities ($5 million), and certain terminal roadway and curbside improvements ($6 million). The parking structure will allow the City to consolidate a significant portion of the Airport's long-term public parking in a single facility. (Several existing long-term remote parking lots are to be demolished for the runway project.) The balance of the FY 2001-FY 2005 CIP includes smaller, routine capital and major maintenance projects

[11] These projects were previously approved by TWA and are currently under review by AMR Sub and upon approval, will be included exclusively in their rates and charges.

Table I-3
SUMMARY OF PROPOSED FY 2001-FY 2005 CAPITAL IMPROVEMENT PROGRAM AND MII PROJECT REQUESTS FOR FY 2001
(in thousands)

Project Component	Estimated Total Cost	Fiscal Year of Appropriation				
		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
PROJECTS IN RATE BASE						
AIRFIELD						
Replace 12L/30R Centerline Panels	$5,000	$5,000				
Differential GPS for Airport for Non-Precision Approaches	400	400				
Asphalt Overlay on Gravel Perimeter Road	250	250				
Taxiway Program	5,570	5,570				
Replace Sections of C Extension Ramp (1)	1,380		1,380			
Taxiway Program	4,325		4,325			
Future Airfield Projects	12,878			3,950	8,928	
TERMINALS						
Upgrade Access Control System	$1,440	$1,440				
Terminal Upgrades	1,120	1,120				
Replace Escalators, Center South	510	510				
Main Terminal Wall Finishes	1,120		1,120			
Replace Signage at Main Terminal	1,125		1,125			
Concourse Improvements	2,390			2,390		
Renovate International Area	11,557	4,587	6,970			
Renovate International Area	643		643			
Concourse D Improvements (New Gates)	7,255		7,255			
Concourse D Improvements (New Gates)	8,874	931	7,943			
Concourse C Improvements	4,134		4,134			
Concourse C Improvements	12167		12167			
Concourse C/D Connector	2,846			2,846		
TERMINAL INFRASTRUCTURE						
Terminal HVAC Improvements	$523	$523				
Replace Emergency Generator on A, B and C Concourses	1,470		1,470			
Construct Pump Station Sewer Line North of Utility Tunnel	1,320		1,320			
Future Infrastructure Projects	970	0	0	970	0	0
TERMINAL ROADWAY/CURBSIDE						
Terminal Roadway/Curbside Improvements	$742	$742				
SUPPORT BUILDINGS						
Miscellaneous Support Building Improvements	$628		$628			
MAJOR MAINTENANCE						
Airfield	$280	$280				
Terminal	793	793				
Airfield	165		165			
Terminal	44		44			
Infrastructure	210		210			

SUMMARY OF PROPOSED FY 2001-FY 2005 CAPITAL IMPROVEMENT PROGRAM AND MII PROJECT REQUESTS FOR FY 2001
(in thousands)

Project Component	Estimated Total Cost	Fiscal Year of Appropriation				
		FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Airfield Projects	$1,500	$0	$0	$1,313	$187	$0
Terminal Projects	750	0	0	250	250	250
Infrastructure Projects	750	0	0	250	500	0
ROOF REPLACEMENT FOR ELECTRICAL SHOP	$141	$141				
VISUAL PAGING - PHASE II	$575	$575				
OTHER FUTURE PROJECTS	$350	$0	$0	$0	$250	$100
ANNUAL CONTRACTS						
Airfield Pavement Maintenance - Annual Contract	$200	$200				
Fence Replacement (Security) - Annual Contract	25	25				
TOTAL PROJECTS IN RATE BASE	$96,420	$23,087	$50,899	$11,969	$10,115	$350
PROJECTS NOT IN RATE BASE						
TERMINAL ROADWAY/CURBSIDE						
Terminal Roadway/Curbside Improvements	$2,017	$2,017				
PUBLIC PARKING	$20,000	$0	$20,000	$0	$0	$0
PARKING GARAGE AND LOTS						
Parking Garage	$4,476	$0	$63	$3,913	$500	$0
Parking Garage	165	165	0	0	0	0
Parking Lots	440	0	0	330	110	0
ROADWAYS / GROUND TRANSPORTATION	$3,003	$358	$220	$1,675	$750	$0
SUPPORT BUILDINGS						
Airport Maintenance Facilities	$1,000	$0	$0	$0	$250	$750
Airport Program Management Office	246	246	0	0	0	0
MAJOR MAINTENANCE						
Parking	$2,500	$500	$500	$500	$500	$500
Roadways	2,000	400	400	400	400	400
Support Facilities	500	100	100	100	100	100
TOTAL PROJECTS NOT IN RATE BASE	$36,346	$3,786	$21,283	$6,918	$2,610	$1,750
TOTAL FY 2001 - 2005 CIP	$132,767	$26,873	$72,182	$18,887	$12,725	$2,100

E. 1997 BOND PROGRAM

In 1997, the City issued Airport Revenue 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.[12] The CIP projects financed with the 1997 Bonds are referred to as the 1997 Project. 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 Airport Development Program.

In 1999, the City and the airlines agreed to a temporary moratorium on implementing the 1997 Project in order to jointly review the need for certain elements that had not yet been bid. As a result of that review, the City and the airlines agreed to defer indefinitely projects in the total amount of approximately $11.6 million,[13] and the budget for the 1997 Project was revised to $103.8 million. The moratorium has ended, and the City is now continuing to bid the remaining elements of the 1997 Project.

As of June 30, 2000, the City had bid various elements of the 1997 Project that had an aggregate original budget of approximately $73.9 million, or 71% of the revised 1997 Project budget. The aggregate bid cost of these elements was $77.3 million, approximately $3.4 million (4.6%) over budget. However, through June 30, 2000, the City had obtained $10.7 million of AIP grants-in-aid for projects in the 1997 Project—grants that were not anticipated when the bonds were sold in 1997. After taking these grants into consideration, the net Bond-funded cost of 1997 Project is approximately $7.2 million under budget.

The City expects to bid all of the remaining elements of the 1997 Project by August 2001 and to complete the 1997 Project by June 2003.

F. PART 150 NOISE MITIGATION PROGRAM

The City has been undertaking a Part 150 Noise Mitigation Program (the Part 150 Program) for the past 14 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 June 30, 2000, the City had appropriated approximately $218 million (of which approximately $198 million had been expended) for various noise mitigation measures, including (1) property acquisition, (2) purchase of avigation easements, (3) acoustical treatment of schools, (4) a pilot

[12] The final cost of the East Terminal project exceeded the original budget. PFC resources were applied to cover the additional costs; reducing the amount of PFC resources reimbursed from 1997 Bond proceeds to $42 million.

[13] All but one of these projects has now been removed from the Airport's five-year capital improvement program. The City is proceeding with the design of a new communications center that the airlines requested be deferred. The City intends to apply the 1997 Bond proceeds originally allocated for these remaining projects (in the amount of $10.5 million) to projects of similar scope (airfield, terminal, and parking improvements) in the FY 2001-FY 2005 CIP.

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.[14] The City expects to appropriate an additional $72 million for the Part 150 Program over the next several years, bringing the total cost of the program to $290 million. The additional program expenditures are anticipated to include $30 million for the completion of the Berkeley High School project, $10 million for additional residential sound insulation, and $32 million for additional property acquisition.

To date, the Part 150 Program has been funded almost entirely from AIP grants-in-aid and PFC resources. The City expects to complete the Part 150 Program with anticipated future AIP discretionary grants, with matching funds to be provided from currently approved PFC resources and, if necessary, moneys in the Airport Development Fund. The timing of the balance of the program will depend, in part, on the availability of such grants.[15] No bond funds are currently anticipated to be used for the Part 150 Program.

The City may undertake additional noise mitigation measures in connection with the Airport Development Plan and the new runway project. Such measures, if any, have not yet been determined and are not part of the currently approved Part 150 Program.

[14] The acquisition of the Berkeley High School site was recommended in both the original Part 150 Study and the Part 150 Update. Replacement of Berkeley High School is an essential first step in redeveloping the Northeast Quadrant of the Airport for other airport purposes. The City has acquired the Berkeley High School site and is in the process of developing the replacement school facility at an off-Airport site.

[15] The City is optimistic that the FAA will fund most, if not all, of the federal share of the remaining Part 150 Program with noise discretionary funds now that Congress has passed a new multi-year authorization of the AIP program that includes substantial additional discretionary funding for noise mitigation. Additional PFC resources may also become available for this project as other elements of the Part 150 Program are completed and closed out.

SECTION II
PLAN OF FINANCING

This section discusses the plan of financing for Phase 1 of the ADP and the FY 2001-FY 2005 CIP. The first portion of the section discusses the various financing sources available to the City for Airport capital improvements when the specific financing plan for each program is presented.

A. FUNDING SOURCES

The financing plan for Phase 1 of the ADP involves the coordinated use of the following funding sources:

- Airport equity funds in the Airport Development Fund (ADF)
- AIP grants-in-aid, including the LOI and LOI Bonds
- PFC revenues
- General Airport Revenue Bonds (GARBs), including 2001A ADP Bonds

Each of these funding sources is briefly described below.

1. Airport Development Fund

The Airport generates cash flow each year from the operation of the Airport. Net Revenues generated after payment of Operation and Maintenance Expenses, Aggregate Debt Service on outstanding bonds, and the replenishment of certain reserves, flow to the ADF where they can be appropriated for capital projects. As of June 30, 2000 the Airport had a balance of $49.4 million in the ADF, of which $13.7 million was appropriated for various ongoing or planned capital projects, leaving a balance of $35.7 million available for appropriation for other (new) capital projects. Since the inception of the ADP, the Airport has appropriated $55 million in the ADF for the program.

In future years, the Airport should continue to generate Net Revenues that will flow into the ADF. These amounts will be available to fund projects in the FY 2001-FY 2005 CIP. In addition, the ADF may occasionally be used to advance funds that are anticipated to be reimbursed from LOI payments and PFC revenues.

2. AIP Grants-in-Aid

Public airport operators are eligible to receive grants-in-aid for airport capital projects under the FAA's AIP. AIP grants are provided from any of three categories:

- Entitlement funds—amounts apportioned among commercial-service airports based on their passenger enplanements

- General discretionary funds—grants made at the discretion of the Secretary of Transportation for projects which are considered to have a high priority (particularly, rehabilitation of runway and taxiway pavements and new capacity-enhancing projects)

- Discretionary funds under other "set-asides"—grants made from moneys set aside each year for certain dedicated purposes, including noise mitigation, reliever airports, etc.

The Airport's computed apportionment of entitlement funds in FFY 2000 was approximately $8 million. Large and medium hub airports that impose PFCs (including the Airport) are required by federal regulations to forfeit 50% of their annual entitlement funds. The amount of the forfeiture increases to 75% when a $4.50 PFC is imposed. Currently the Airport, based on a $3.00 PFC, is eligible for approximately $4 million in annual entitlement funds—an amount that should gradually increase as passenger traffic increases. The new FAA authorization legislation modifies the entitlement formula such that, if AIP appropriations reasonably approximate the amounts authorized in the bill, annual levels of AIP entitlement funds will increase substantially. On the other hand, those airports that choose to impose a $4.50 PFC will be required to forego 75% of their entitlement funds rather than the current 50%. For large hub airports, such as the Airport, the increased AIP appropriation and the proposed 75% reduction are expected to largely offset each other, such that airports imposing a $4.50 PFC will receive entitlements substantially similar to the amount they receive today.

Over the years, the City has been successful in obtaining discretionary AIP grants for airport projects—both general discretionary grants and grants under the noise discretionary "set-aside." Since the inception of the AIP, the Airport has received approximately $148 million in AIP grants for land acquisition and noise mitigation, including a $13 million grant in 1998.

In addition, in October 1998, the Airport received a letter of intent (LOI) from the FAA to provide $141.4 million of AIP grants for the ADP over the 10-year period FY 1999-FY 2008. The LOI commitment incorporates the Airport's entitlement funds grant and establishes a minimum discretionary fund commitment over the 10-year period. This major infusion of federal grant money evidences strong federal government support for the ADP. The LOI is payable in annual installments. The FAA recently agreed to modify the payment schedule to provide higher installment payments in the early years of the LOI. The original and revised LOI payment schedule is as follows:

Federal Fiscal Year	Entitlement	Discretionary	Original Total	Revised Total
1998-99	$4,202,000	$4,000,000	$8,202,000	$7,186,365
1999-00	4,313,000	9,500,000	13,813,000	21,425,496
2000-01	4,410,000	9,500,000	13,910,000	17,910,000
2001-02	4,506,000	9,500,000	14,006,000	12,006,000
2002-03	4,601,000	12,000,000	16,601,000	14,601,000
2003-04	4,695,000	12,000,000	16,695,000	14,695,000
2004-05	4,783,000	10,000,000	14,783,000	12,789,000
2005-06	4,882,000	10,000,000	14,882,000	12,882,000
2006-07	4,973,000	10,000,000	14,973,000	14,973,000
2007-08	5,063,000	8,500,000	13,563,000	12,966,139
Total	$48,434,000	$95,000,000	$141,434,000	$141,434,000

On August 2, 2000, the City issued the City of St. Louis, Missouri Letter of Intent Double Barrel Revenue Bonds, Series 2000 (Lambert St. Louis International Airport Project) (the LOI Bonds) in the approximate amount of $87.2 million to fund a portion of the initial funding requirements of Phase 1 of the ADP, and costs of issuance and financing costs. Of the approximately $141.4 million payable pursuant to the LOI, annual LOI payments in the aggregate amount of approximately $114.3 million will be used for the payment of debt service on the LOI Bonds. The balance of the LOI payments, approximately $29.8 million, will be used to fund a portion of the Phase 1 costs of the ADP on a pay-as-you-go basis.

Under the terms of the LOI, the City will remain eligible for additional AIP discretionary grants for the ADP (and for other capital projects not in the ADP) based on individual project applications to be made in the future.[1]

3. Passenger Facility Charges

In 1990, Congress authorized public airport operators to impose passenger facility charges (PFCs) of up to $3.00 per eligible enplaned passenger and use the proceeds of such charges to fund airport capital improvements—primarily projects that improve airport capacity, mitigate noise, or enhance airline competition. PFCs have become a major source of equity capital for financing airport projects and are currently being imposed at most of the major airports in the U.S.

[1] The FFY 2001 transportation appropriation bill recently approved by Congress provides $20.4 million of additional funding for the St. Louis Airport: $10 million for general Airport expansion purposes (Phase 1 of the ADP), $7.1 million for navigational aids for the new runway, and $3.3 million for the FAA's new Terminal Radar Approach Control (TRACON) located at the Missouri Research Park near the Airport. These potential additional AIP funds have not been taken into consideration in this analysis pending a decision by the FAA to award an additional grant.

PFC revenues and the interest income earned thereon (collectively referred to as "PFC resources") may be used in one of two ways: (1) to pay directly the costs of approved projects (referred to as "pay-as-you-go" funding) and (2) to pay debt service on bonds issued for approved PFC projects (referred to as "leveraging" the PFC revenue stream).

The Airport has obtained the approval--under four PFC Record of Decisions (R.O.D's) (PFC #1, PFC #2, PFC #3 and PFC #4)--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 City is presently collecting PFCs under PFC #3 and PFC #4 which will be used for Phase 1 of the ADP, as summarized in the following table:

ADP Project Element	Approved Application	Proposed Amendments	Total
PFC #3			
Land Acq-Natural Bridge Road	$46,442,000	$0	$46,442,000
Land Acq-New Runway	39,654,000	0	39,654,000
Early Road Work	20,000,000	19,945,000	39,945,000
Land Acq-Natural Bridge Road Ph II	43,660,000	0	43,660,000
Design Fees	29,000,000	1,556,000	30,556,000
Sub-Total PFC #3	$178,756,000	$21,501,000	$200,257,000
PFC #4			
Land Acquisition	$200,759,000		$200,759,000
Carrolton School Replacement Facilities	16,877,000		16,877,000
Program Management/Professional	71,281,000		71,281,000
Site Development	131,060,000	8,325,000	139,385,000
Sub-Total PFC #4	$419,977,000	$8,325,000	$428,302,000
Total (PFC #3 & #4)	$598,733,000	$29,826,000	$628,559,000

The new FAA authorization bill increases the amount of the maximum allowable PFC rate from $3.00 to $4.50 subject to certain conditions.[2] Therefore, the Airport intends to begin the process of applying to increase the PFC rate to the maximum allowable $4.50 rate. Once approved, this new PFC application (PFC #5), along with amendments to existing PFC applications, will give the City the authority to impose a $4.50 PFC and use the increased PFC resources to fund additional ADP project costs on a pay-as-you-go basis through the completion of the project in FY 2006. The City currently expects to receive approval on or about November 1, 2001, with collection to begin on or about January 1, 2002. The anticipated increase in the PFC rate is expected to substantially increase the amount of PFC resources available for the ADP and,

[2] Among these conditions, certain airports such as Lambert-St. Louis International Airport, whose traffic is dominated by a single hub carrier, are required to file a "competition plan" with the FAA. The City filed its competition plan on August 7, 2000 and the plan was determined by the FAA to be in accordance with the requirements of Section 155 of the Wendell H. Ford Aviation Investment and Reform Act of the 21st Century Pub. L. 106-181.

therefore, reduce the amount of GARBs required to finance the balance of the program, which is reflected in this analysis. However, if the $4.50 rate is not approved the City would have the ability to issue the additional GARBs that would be required.

The ADP projects to be included in PFC #5 are summarized as follows:

ADP Project Element	Amount of PFCs
New Runway, Perimeter Road and Security Fences	$52,254,000
Northeast Quadrant Roads	2,937,000
New West ARFF Building	2,803,000
Deicing Pads and Glycol Recovery	13,838,000
Total	$71,832,000

The City also intends to apply to use $23 million of PFCs under PFC #5 for the public use portions of certain terminal improvements that are included in the FY 2001-FY 2005 CIP—namely, improvements to the International Area, related gate expansion on Concourse D, and improvements to Concourse C.

Table II-1 shows the calculation and anticipated application of projected PFC resources. The projection of PFC revenues is based on the assumption that approximately 95% of Airport passenger enplanements are PFC eligible—an assumption validated by recent PFC revenue data. The $3.00 PFC currently generates approximately $42 million in annual PFC revenues at the Airport. As a result of increasing enplanements, the $4.50 PFC rate is expected to generate approximately $65 million in annual PFC revenues. Projected PFC revenues are based on the forecasts of passenger enplanements presented in Section IV of this Report.

4. General Airport Revenue Bonds

GARBs are bonds payable from the Revenues of the Airport. The City has the ability to issue additional GARBs under the Trust Indenture so long as it can meet the Additional Bonds Test. The Additional Bonds Test requires that projected debt service coverage on Airport Revenue Bonds equal at least 125% in the three fiscal years immediately following completion of the projects being financed.

The 2001A ADP Bonds are secured by a pledge of both GARB Revenues and Pledged PFC Revenues. (The Pledged PFC Revenues represent that portion of the PFC revenue stream, equal to 1.25 times debt service on the PFC-Eligible Debt Service for the 2001A ADP Bonds).

Table II - 1
PROJECTED PASSENGER FACILITY CHARGES - BASE CASE
For Fiscal Years Ending June 30
(in thousands)

		Actual		Forecast								
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
		ADP Phase I Implementation Period										
Projected PFC revenues												
Total enplaned passengers		14,563	15,259	15,259	15,034	15,205	15,608	16,045	16,474	16,892	17,308	17,725
Percent of enplaned passengers eligible (a)		95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
PFC-eligible enplaned passengers		13,800	14,500	14,500	14,300	14,400	14,800	15,200	15,700	16,000	16,400	16,800
Amount of PFC charge (b)		$3.00	$3.00	$3.00	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less airline retention		(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)	(0.08)
Net PFC charge		$2.92	$2.92	$2.92	$4.42	$4.42	$4.42	$4.42	$4.42	$4.42	$4.42	$4.42
Computed Net PFC revenue to Airport (c)		$40,296	$42,340	$42,340	$48,906	$63,648	$65,416	$67,184	$69,394	$70,720	$72,488	$74,256
Available PFC Resources												
Previous year's unused balance		$92,237	$92,733	$74,751	$31,867	$0	$0	$0	$0	($0)	$0	$0
Current year collections		37,158	43,827	42,340	48,906	63,648	65,416	67,184	69,394	70,720	72,488	74,256
plus: interest earned		6,408	6,588	2,665	2,019	1,591	1,635	1,680	1,735	1,768	1,812	1,856
PFC reimbursement from 1997 Bonds (East Terminal and others)		0	0	42,229	0	0	0	0	0	0	0	0
		$135,803	$143,149	$161,985	$82,793	$65,239	$67,051	$68,864	$71,129	$72,488	$74,300	$76,112
Application of Available PFC Resources												
PFC #1		$6,473	($898)	$8,716	$8,716							
PFC #2		$13,106	$8,169	$22,436	$22,436							
PFC #3												
ADP Project Elements	$200,258	$23,491	$61,128	$81,173	$20,513	$8,796	$5,100	$0	$58			
PFC # 4 (debt service on PFC-eligible Airport Revenue Bonds)												
Debt service on PFC-eligible bonds				$7,834	$16,989	$16,989	$16,989	$16,989	$16,989	$22,619	$22,619	$22,617
Funded 25% coverage on PFC-eligible bond debt service				1,958	4,247	4,247	4,247	4,247	4,247	5,655	5,655	5,654
Credit for prior year coverage redeposited in PFC Account				0	(1,958)	(4,247)	(4,247)	(4,247)	(4,247)	(4,247)	(5,655)	(5,655)
PFC # 4 Pay-As-You-Go												
ADP Project Elements	$128,028			$8,000	$175	$14,130	$6,456	$45,184	$54,082			
PFC #5 Pay-As-You-Go												
ADP Project Elements	$71,832				$7,088	$6,965	$38,507	$6,690	$0	$12,582		
Interim Terminal Improvements	$22,946				$4,587	$18,359	$0	$0	$0			
Future Airport Development or Bond Retirement (after FY 2006)										$35,880	$51,681	$53,496
Cumulative unused PFCs		$92,733	$74,751	$31,867	$0	$0	$0	$0	($0)	$0	$0	$0

a Reflects average collections during FY 1997- FY 2000 period.

b Assumes effective date of $4.50 PFC will be January 1, 2001.

c FY 2002 amount assumes two month lag in collection from January 1, 2001.

B. FINANCING PLAN FOR THE ADP

Table II-2 is a summary of the project costs and anticipated funding sources for Phase 1 of the ADP. **Table II-3** shows project costs and funding sources by detailed project element. The financing plan (sources and uses of funds) for Phase 1 of the ADP is summarized in **Table II-4**. The financing plan addresses the period of acquisition, design, and construction of Phase 1 of the ADP—FY 1999–FY 2006 as well as the additional period of time during which LOI payments are anticipated (through FY 2009).

In **Table II-4**, sources of funds include the LOI Bonds, the 2001A ADP Bonds, future GARBs anticipated to finance the program contingency, remaining LOI funds applied on a pay-as-you-go basis, remaining PFC resources applied on a "pay-as-you-go" basis, federal and state highway funding, FAA F&E funding for navaids, ADF moneys, and interest income. Uses of funds include Phase 1 ADP project costs, FAA-funded navigational aids, and financing costs (e.g., costs of issuance, underwriters' discount, bond insurance premium, accrued interest, capitalized interest, and funding of bond reserve funds).

As indicated in Table II-4, the financing plan for Phase 1 of the ADP has six distinct segments:

- Segment 1—***ADF funding*** (initial equity funding of ADP start-up costs including program management costs and land acquisition)

- Segment 2—***FHWA funding*** of certain roadway design and construction costs

- Segment 3—***AIP funding and LOI financing*** (leveraging a portion of the LOI grant commitments and applying the balance as equity funding on a pay-as-you-go basis)

- Segment 4—***PFC pay-as you-go funding*** (pay-as-you-go PFC funding under PFC #3, #4, and #5)

- Segment 5—***Series 2001A ADP Bonds*** (issuing GARBs to leverage a portion of the PFC revenue stream, to fund the balance of the program, and to fund the Northwest Acquisition)

- Segment 6—***Future funding*** (issuing future GARBs to finance the program contingency, if required, as well as FAA F&E funding of navigational aids)

Table II-2
PROJECT COST SUMMARY (FY1999 - 2006)
Phase I of Airport Development Program
(in thousands)

	Total 1999-2006	Program Elements									
		ADF Funding	Highway Funding	LOI Funding	PFC Pay-As-You-Go			Series 2001A ADP Bonds			Future Funding
					PFC # 3	PFC # 4	PFC # 5	PFC # 4	Balance of Program	Northwest Acquisition	
AIRPORT DEVELOPMENT PROGRAM - PHASE I											
Program Management / Professional Services	$110,922	$7,073	$0	$2,012	$30,555	$22,477	$0	$48,804	$0	$0	$0
Land Acquisition	$437,473	$25,182	$0	$64,900	$129,756	$86,610	$0	$131,024	$0	$0	$0
Northwest Acquisition	$50,000	$0	$0	$0	$0	$0	$0	$0	$0	$50,000	$0
	$487,473	$25,182	$0	$64,900	$129,756	$86,610	$0	$131,024	$0	$50,000	$0
New Runway											
Design Services	$20,911	$10,162	$4,603	$289	$5,000	$74	$0	$312	$470	$0	$0
Site Utilities	14,043	0	0	0	7,643	0	0	6,400	0	0	0
Site Preparation	80,364	6,878	0	0	19,094	8,988	0	45,404	0	0	0
Construction											
Construction Staging Areas (CSA)	468	173	0	0	295	0	0	0	0	0	0
Roads	107,391	15,834	9,833	0	3,280	0	0	33,308	45,135	0	0
Runway	76,899	0	0	38,355	0	0	38,545	0	0	0	0
Runway Perimeter Road	13,709	0	0	0	0	0	13,709	0	0	0	0
Deicing Pads & Glycol Recovery	14,850	0	0	1,013	0	0	13,838	0	0	0	0
Navaids	3,800	3,800	0	0	0	0	0	0	0	0	0
Relocations	38,348	10,416	0	0	0	0	2,803	25,129	0	0	0
	$370,784	$47,264	$14,436	$39,656	$35,313	$9,062	$68,895	$110,552	$45,605	$0	$0
Northeast Quadrant Infrastructure											
Taxiway Extension	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Apron	0	0	0	0	0	0	0	0	0	0	0
Relocation of McDonnell Boulevard	8,410	0	0	0	573	0	0	7,837	0	0	0
Grading / Site Work / Roads	18,933	0	0	0	4,061	9,879	2,937	2,056	0	0	0
	$27,343	$0	$0	$0	$4,634	$9,879	$2,937	$9,893	$0	$0	$0
Relocation of the Missouri Air National Guard	$35,000	$0	$0	$0	$0	$0	$0	$0	$35,000	$0	$0
ADP Contingency	$78,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$78,000
TOTAL	$1,109,522	$79,520	$14,436	$106,568	$200,258	$128,028	$71,832	$300,274	$80,605	$50,000	$78,000
ADDITIONAL COSTS TO BE PAID FOR BY OTHERS											
Replacement Tenant Facilities											
AMR Sub Ground Operations Center	$24,094	$0	$0	$0	$0	$0	$0	$0	$24,094	$0	$0
Dobbs Flight Kitchen	3,246	0	0	0	0	0	0	0	3,246	0	0
	$27,339	$0	$0	$0	$0	$0	$0	$0	$27,339	$0	$0
Navaids (FAA-funded)	$18,900	$0	$0	$0	$0	$0	$0	$0	$18,900	$0	$0
TOTAL - OTHER COSTS	$46,239	$0	$0	$0	$0	$0	$0	$0	$46,239	$0	$0

Source: Program Management Office

Table II-3
PROJECT COST DETAIL (FY1999-FY2006)
Phase 1 of Airport Development Program
(in thousands)

		Program Elements									
					PFC Pay-As-You-Go			Series 2001A ADP Bonds			
	Total 1999-2006	ADF Funding	Highway Funding	LOI Funding	PFC # 3	PFC # 4	PFC # 5	PFC # 4	Balance of Program	Northwest Acquisition	Future Funding
PROGRAM MANAGEMENT/ PROFESSIONAL SERVICES											
Program Management Consultant	$57,700	$5,100	$0	$0	$17,456	$0	$0	$35,144	$0	$0	$0
Surveying Services	$2,435	0	0	0	2,435	0	0	0	0	0	0
Environmental Consultant / Mitigation Services	$16,200	716	0	0	2,147	13,337	0		0	0	0
Materials Testing Lab	$3,921	0	0	0	0	0	0	3,921	0	0	0
Planning Services	$15,850	0	0	0	6,450	9,140	0	260	0	0	0
Information Technology Consultant	$10,800	0	0	0	2,000	0	0	8,800	0	0	0
Geotechnical Services	$4,016	1,257	0	2,012	67	0	0	679	0	0	0
	$110,922	$7,073	$0	$2,012	$30,555	$22,477	$0	$48,804	$0	$0	$0
LAND ACQUISITION											
Land Acquisition Phase 1 (blue)	$11,881	$11,881	$0	$0	$0	$0	$0		$0	$0	$0
Land Acquisition Phase 2 (yellow)	$129,756	0	0	0	129,756	0	0		0	0	0
Land Acquisition Phase 3 (brown)	$64,900	0	0	64,900	0	0	0		0	0	0
Land Acquisition Phase 4 (green)	$214,058	13,301	0	0	0	86,610	0	114,147	0	0	0
Carrollton School Replacement	$16,877	0	0	0	0	0	0	16,877	0	0	0
	$437,473	$25,182	$0	$64,900	$129,756	$86,610	$0	$131,024	$0	$0	$0
Northwest Acquisition	50,000		0	0	0	0	0			50,000	
	$487,473	$25,182	$0	$64,900	$129,756	$86,610	$0	$131,024	$0	$50,000	$0
NEW RUNWAY											
Design Services											
Design Field Office	$223	$0	$0	$0	$223	$0	$0		$0	$0	$0
General Grading (Area A)	$4,921	1,200	0	0	3,721	0	0		0	0	0
New Runway	$6,083	6,083	0	0	0	0	0		0	0	0
New Runway Perimeter Road & Security Fences	$1,192	1,192	0	0	0	0	0		0	0	0
New West ARFF Building	$244	244	0	0	0	0	0		0	0	0
Demolish AMR Sub Maintenance Hangar (SGOC)	$188	0	0	0	0	74	0	114	0	0	0
Lindbergh Blvd. - Runway/Taxiway Bridge/Tunnel	$4,777	1,194	3,583	0	0	0	0		0	0	0
Lindbergh Blvd. - North of Bridge	$855	0	0	0	385	0	$0		470	0	0
Natural Bridge Road - East	$385	0	96	289	0	0	0		0	0	0
Lindbergh South Temporary Bypass	$265	0	0	0	66	0	0	199	0	0	0
Natural Bridge Road - West	$407	102	305	0	0	0	0		0	0	0
Natural Bridge/Lindbergh Interchange & Ramps	$825	86	619	0	120	0	0		0	0	0
Ancillary Roads	$485	0	0	0	485	0	0		0	0	0
Construction Staging Area - West	$35	35	0	0	0	0	0		0	0	0
Construction Staging Area - South	$26	26	0	0	0	0	0		0	0	0
	$20,911	$10,162	$4,603	$289	$5,000	$74	$0	$312	$470	$0	$0

PROJECT COST DETAIL (FY1999 - 2006) page 2 of 3
Phase 1 of Airport Development Program

	Total 1999-2006	Program Elements									
					PFC Pay-As-You-Go			Series 2001A ADP Bonds			
		ADF Funding	Highway Funding	LOI Funding	PFC # 3	PFC # 4	PFC # 5	PFC # 4	Balance of Program	Northwest Acquisition	Future Funding
Site Utilities											
Utilities	$14,043	$0	$0	$0	$7,643	$0	$0	$6,400	$0	$0	$0
Site Preparation											
Demolition of Existing Structures	$2,067	$0	$0	$0	$0	1,960	0	107	$0	$0	$0
Drainage Improvements	$20,670	0	0	0	0		0	20,670	0	0	0
General Grading											
Runway	$46,829	$2,914	$0	$0	$17,016	$7,028	0	19,871	$0	$0	$0
Lindbergh Boulevard	$10,798	3,964	0	0	2,079	$0	0	$4,755	0	0	0
	$80,364	$6,878	$0	$0	$19,094	$8,988	$0	$45,404	$0	$0	$0
Construction											
Construction Staging Areas											
CSA West	$307	$12	$0	$0	$295	$0	$0		$0	$0	$0
CSA South	$161	161	0	0	0	0	0		0	0	0
	$468	$173	$0	$0	$295	$0	$0	$0	$0	$0	$0
Roads											
Lindbergh Blvd. - Runway / Taxiway Bridge / Tunnel	$63,141	11,852	$9,833	$0	$0	$0	$0	$4,020	$37,435	$0	$0
Lindbergh Blvd. - North of Bridge	$9,325	0	0	0	0	0	$0	4,625	$4,700	$0	$0
Lindbergh Blvd. - South Temporary Bypass	$2,606	0	0	0	2,606	0	0		0	0	0
Lindbergh Blvd. / Natural Bridge - Interchange and Ramp	$14,874	0	0	0	0	0	$0	11,874	$3,000	$0	$0
Demolish Cypress North of Hunter	$1,467	0	0	0	0	0	0	1,467	0	0	0
Natural Bridge Road - East	$4,554	3,880	0	0	674	0	0		0	0	0
Natural Bridge Road - West	$5,286	102	0	0	0	0	0	5,184	0	0	0
Ancillary Roads (Bonfils, Fee Fee, etc.)	6,138	0	0	0	0	0	0	6,138	0	0	0
	$107,391	$15,834	$9,833	$0	$3,280	$0	$0	$33,308	$45,135	$0	$0
Runway	$76,899	$0	$0	$38,355	$0	$0	$38,545		$0	$0	$0
Runway Perimeter Road and Security Fences	13,709	0	0	0	0	0	13,709		0	0	0
	$90,609	$0	$0	$38,355	$0	$0	$52,254	$0	$0	$0	$0
Subtotal -- Construction	$198,468	$16,007	$9,833	$38,355	$3,575	$0	$52,254	$33,308	$45,135	$0	$0
Deicing Pads & Glycol Recovery	$14,850	$0	$0	$1,013	$0	$0	$13,838		$0	$0	$0
Navaids (City-funded)	$3,800	$3,800	$0	$0	$0	$0	$0		$0	$0	$0
Relocations / Demolitions											
New West ARFF Building	$2,803	$0	$0	$0	$0	$0	$2,803		$0	$0	$0
Airport Maintenance Building - Ntr. Brdg.	$9,869	9,869	0	0	0	0	0		0	0	0
Navy	$16,682	0	0	0	0		0	16,682	0	0	0
Airport Office Building Relocation	$6,835	547	0	0	0	0	0	6,288	0	0	0
Demolish AMR Sub Maintenance Center (SGOC)	2,160	0	0	0	0	0	0	2,160	0	0	0
	$38,348	$10,416	$0	$0	$0	$0	$2,803	$25,129	$0	$0	$0
TOTAL -- NEW RUNWAY	$370,784	$47,264	$14,436	$39,656	$35,313	$9,062	$68,895	$110,552	$45,605	$0	$0

PROJECT COST DETAIL (FY1999 - 2006) page 3 of 3

Phase 1 of Airport Development Program

	Total 1999-2006	Program Elements									
		ADF Funding	Highway Funding	LOI Funding	PFC Pay-As-You-Go			Series 2001A ADP Bonds			Future Funding
					PFC # 3	PFC # 4	PFC # 5	PFC # 4	Balance of Program	Northwest Acquisition	
NORTHEAST QUADRANT (INFRASTRUCTURE)											
Taxiway Extension											
Design	$0	$0	$0	$0	$0	$0	$0		$0	$0	$0
Construction	0	0	0	0	0	0	0		0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Apron											
Design	$0	$0	$0	$0	$0	$0	$0		$0	$0	$0
Construction	0	0	0	0	0	0	0		0	0	0
	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Relocation of McDonnell Boulevard											
Design	$573	$0	$0	$0	$573	$0	$0		$0	$0	$0
Construction	7,837	0	0	0	0	0	0	7,837	0	0	0
	$8,410	$0	$0	$0	$573	$0	$0	$7,837	$0	$0	$0
Grading / Site Work / Roads											
Utilities	$6,117	$0	$0	$0	$4,061	$0	$0	$2,056	$0	$0	$0
Northeast Quadrant Internal Roads - Design	$215	0	0	0	0	0	215		0	0	0
Northeast Quadrant Internal Roads - Construction	$2,722	0	0	0	0	0	2,722		0	0	0
General Grading - Design	$635	0	0	0	0	$635	0		0	0	0
General Grading - Construction	$9,244	0	0	0	0	$9,244	0		0	0	0
	$18,933	$0	$0	$0	$4,061	$9,879	$2,937	$2,056	$0	$0	$0
TOTAL -- NORTHEAST QUADRANT INFRASTRUCTURE	$27,343	$0	$0	$0	$4,634	$9,879	$2,937	$9,893	$0	$0	$0
Terminal Renovations	$0	$0	$0	$0	$0	$0	$0		$0		
Relocation of the Missouri Air National Guard	$35,000	$0	$0	$0	$0	$0	$0		$35,000	$0	$0
ADP Contigency	$78,000	$0	$0	$0	$0	$0	$0			$0	$78,000
TOTAL - AIRPORT DEVELOPMENT PROGRAM (PHASE I)	$1,109,522	$79,520	$14,436	$106,568	$200,258	$128,028	$71,832	$300,274	$80,605	$50,000	$78,000
ADDITIONAL COSTS TO BE PAID FOR BY OTHERS											
New AMR Sub Ground Operations Center (Northeast Quadrant)											
Design	$1,927	$0	$0	$0	$0	$0	$0		$1,927	$0	$0
Construction	$22,166	0	0	0	0	0	0		22,166	0	0
	$24,094	$0	$0	$0	$0	$0	$0	$0	$24,094	$0	$0
New Dobbs Flight Kitchen											
Design	$260	$0	$0	$0	$0	$0	$0		260	0	0
Construction	$2,986	0	0	0	0	0	0		2,986	0	0
	$3,246	$0	$0	$0	$0	$0	$0	$0	$3,246	$0	$0
TOTAL -- TENANT REPLACEMENT FACILITIES	$27,339	$0	$0	$0	$0	$0	$0	$0	$27,339	$0	$0
Navaids -- FAA Funded	$18,900	$0	$0	$0	$0	$0	$0		$18,900	$0	$0
TOTAL -- OTHER COSTS	$46,239	$0	$0	$0	$0	$0	$0	$0	$46,239	$0	$0

Source: Program Management Office

Table II-4
SUMMARY OF ADP PROGRAM FINANCING - BASE CASE
Fiscal Years Ending June 30
(in thousands)

		Program Elements									
					PFC Pay-As-You-Go			Series 2001A ADP Bonds (a)			
	Total	ADF Funding	Highway Funding	LOI Funding	PFC #3	PFC #4	PFC #5	PFC #4	Balance of Program	Northwest Acquisition	Future Funding
SOURCES OF FUNDS											
Principal amount of bonds											
Letter of Intent Double Barrel Revenue Bonds	$87,165			$87,165							
Original Issue Discount	(125)			(125)							
General Airport Revenue Bonds											
Series 2001A ADP Bonds Par Amount	435,185							286,710	99,045	49,430	
Net Premium	891							584	203	104	
Accrued Interest	(1,049)							(2,012)	(461)	1,423	
Series 2004 ADP Bonds	93,367										93,367
AIP funding											
Letter of Intent - Pay-As-You-Go	29,749			29,749							
FAA F&E funding--navigational aids	18,900										18,900
PFC revenues											
PFC Pay-As-You-Go	400,117				200,258	128,028	71,832				
Development Fund											
Appropriations for ADP	79,520	79,520									
less: credit for interest income	(5,559)			(5,559)							
Federal/state highway funds	14,436		14,436								
Interest income											
Construction Fund	32,699			2,059				20,410	7,428		2,803
Capitalized Interest Account	7,003			3,500					3,048		455
Debt Service Reserve Fund	0										
Total Sources	$1,192,300	$79,520	$14,436	$116,789	$200,258	$128,028	$71,832	$305,691	$109,263	$50,957	$115,525
USES OF FUNDS											
Phase I ADP Project Costs	$1,109,522	$79,520	$14,436	$106,568	$200,258	$128,028	$71,832	$300,274	$80,605	$50,000	$78,000
Tenant Replacement Facilities (b)	0										
FAA-funded Navigational Aids	18,900										18,900
	1,128,422										
Financing costs											
Cost of Issuance	5,085			1,504				1,126	387	200	1,867
Underwriter's Discount	3,231							2,126	735	371	
Bond Insurance Premium	1,921							1,260	436	225	
Surety	490							321	111	57	
Accrued Interest	891							584	203	104	
Capitalized interest	35,889								26,786		9,103
Bond Reserve Fund	16,371			8,717							7,654
Total Uses	$1,192,300	$79,520	$14,436	$116,789	$200,258	$128,028	$71,832	$305,691	$109,263	$50,957	$115,525

a. Source: Goldman, Sachs & Co., Senior Managing Underwriter for the 2001 ADP Bonds.
b. May be financed with additional bonds when and if lease arrangements are negotiated with tenants.

The financing plan has been developed to; (1) place maximum reliance on AIP, PFC, and ADF equity resources and, thereby, (2) minimize the issuance of GARBs. The ability to carry out the plan is made possible by leveraging both the anticipated LOI payments and the PFC revenue stream. The six segments of the financing plan are described below.

1. ADF Funding

The Airport has committed $79.5 million of ADF moneys to the ADP. These funds have been allocated primarily to program management costs and early land acquisition.

2. FHWA Funding

The Federal Highway Administration (FHWA) administers a grant program for highway construction projects. The City obtained $14.4 million of federal FHWA highway funding under the 1991 federal highway bill that is to be used for design and construction of certain roadway improvements associated with the ADP.

3. AIP / LOI Funding

In order to provide additional capital for the early costs of the ADP, on August 2, 2000, the City issued the LOI Bonds in the principal amount of approximately $87.2 million. The LOI Bonds have a term of approximately eight (8) years, roughly coincident with the remaining term of the LOI. Principal and interest on the LOI Bonds will be paid from LOI grant reimbursement payments received from the FAA during FFY 2001 through FFY 2008. Most of the LOI payments anticipated during the FFY 2001–FFY 2008 period will be used for debt service on the LOI Bonds, leaving a small portion of the LOI payments to be applied on a pay-as-you-go basis to eligible ADP project costs. (All of the LOI payments received in FY 1999 and FY 2000 were applied on a pay-as-you-go basis.) The proceeds of the LOI Bonds and remaining LOI payments will be applied to the following elements of the ADP:

ADP Project Element	LOI Proceeds
LOI Bond net proceeds:	
Land Acquisition	$64,900,000
Program Management	2,010,000
Runway Construction	9,909,000
	$76,819,000
Remaining LOI grants (pay-as-you-go)	
Design Services	$248,000
Runway Construction	$29,501,000
	$29,749,000
Total LOI applied to project costs	$106,568,000
LOI Interest	$24,520,000
LOI Bond financing costs & discount	$10,346,000
Total LOI	$141,434,000

4. PFC Pay-As-You-Go

PFC pay-as-you-go funding includes PFC resources on hand and being accumulated under PFC #3, a portion of the PFC resources to be accumulated under the recently-approved PFC #4, and PFC resources anticipated to be accumulated under future PFC #5.

As part of the financing plan for the ADP, the Airport refinanced, from the proceeds of the 1997 Bonds, a portion of the costs of the East Terminal that were originally financed with PFCs. This refinancing freed up certain PFC resources under PFC #1 and #2 for the ADP. These funds, together with PFC collections for approximately four fiscal years (FY 1999 - FY 2002) are forecast to generate the $178.8 million of PFC resources needed to cover the project costs approved in PFC #3.[3] PFC #3 is currently in the process of being amended to increase the total approved funding to $200.3 million, largely using moneys to be released from PFC #1 and PFC #2.

PFC #4 was approved in late September 2000 in the amount of $420 million. The City plans to amend PFC #4 to include an additional $8 million of site development and roadway costs, bringing the amended total of project costs to be funded by PFC #4 to $428 million. The financial plan for PFC #4 calls for the application of approximately $128 million of PFCs on a

[3] PFC #1 and PFC #2 were over-funded because of changes in the scope of the Part 150 Program and additional grant moneys received for that program.

pay-as-you-go basis and approximately $300 million from the proceeds of GARBs that are to be paid from PFCs (a portion of the 2001A ADP Bonds).

The City expects to obtain approval of PFC #5 by November 1, 2001. PFC #5 will allow the City to increase the PFC rate to $4.50 and collect an additional $72 million of PFCs for the ADP.

Tables II-2 and **II-3** show the projects included in PFC #3, #4, and #5. As further discussed below, PFC #4 also permits the City to impose and use PFC revenues to pay debt service on GARBs (a portion of the 2001A ADP Bonds), the net proceeds of which will be used to fund designated PFC #4 projects.

5. Series 2001A ADP Bonds

While the 2001A ADP Bonds will be issued in a single series, the financing can be considered as the aggregate of three distinct components:

- Leveraged PFC financing (under PFC #4)
- Financing of the balance of the ADP
- Financing of the Northwest Land Acquisition

In **Table II-4**, estimates of the sources and uses of funds for the components of the 2001A ADP Bonds have been provided by Goldman, Sachs & Co., the senior managing underwriter for the 2001A ADP Bonds.

Leveraged PFC Financing. Currently, PFC revenues are excluded from the application of Revenues under the Trust Indenture. PFC revenues flow directly to a PFC Fund from which they are expended for approved projects. Interest earnings on the PFC Fund are retained in the Fund and constitute a part of PFC resources. However, through the Eighth Supplemental Indenture, the City will pledge a portion of the annual PFC revenue stream in the amount of 1.25 times debt service on that portion of the 2001A ADP Bonds issued to fund, any projects (1) approved by the Federal Aviation Administration (FAA) as part of PFC #4 application for the imposition of PFCs and (2) designated by the City as a PFC-Eligible project. These PFC Pledged Revenues will then flow as Revenues under the Trust Indenture and provide the resources to pay debt service on the portion of the 2001A ADP Bonds used to finance PFC-Eligible Projects.

The 2001A ADP Bonds have been sized so that annual debt service on the portion of the 2001A ADP Bonds for which PFCs are pledged will be only about 45% of the PFC revenue stream projected to be available (at the currently approved $3.00 PFC rate) in FY 2007—the first year following the anticipated date of beneficial occupancy of the runway. With the approval of PFC #5, the amount of PFCs pledged to the payment of debt service on a portion of 2001A ADP Bonds issued to fund the PFC-Eligible Projects will represent only about 29% of the PFC revenue stream projected to be available in FY 2007. Thus, the financing plan will reserve significant PFC resources over and above the amount required to pay debt service on the portion of the 2001A ADP Bonds used to finance PFC-Eligible Projects. (See **Table II-1**.) In the financing plan, all remaining PFC resources will be made available on a pay-as-you-go basis for approved PFC projects through FY 2006. Thereafter, the remaining PFC resources could also be

applied toward the costs of any future airport development assuming FAA approval and/or bond redemption.

The portion of the 2001A ADP Bonds to be issued to finance PFC-Eligible Projects is approximately $300 million. The proceeds from this portion of the 2001A ADP Bonds will be used to pay the costs of projects approved in PFC #4. The 2001A ADP Bonds will be structured to have payments of interest only through FY 2006 and level annual debt service for 25 years thereafter. Interest on the 2001A ADP Bonds, prior to the completion of the runway, will be funded from PFC resources. Interest will not be capitalized and will not be payable from the airline rate base prior to the termination of the Use Agreement. PFC revenues in the amount of 125% of the annual debt service on the portion of the 2001A ADP Bonds to be paid from PFCs will be designated as Pledged PFC Revenues under the Indenture. The 25% of funded PFC bond "coverage" not required to pay debt service each year would be re-deposited in the PFC Fund and made available to fund approved PFC-Eligible projects on a pay-as-you-go basis in the following year.

Balance of Program. The balance of Phase 1 of the ADP will be funded by the proceeds of the 2001A ADP Bonds. The 2001A ADP Bonds have been sized to fund all of the "balance of program" project costs other than the program contingency ($78 million) and the potential tenant replacement facilities ($27 million). Interest on the non-PFC-eligible portion of the 2001A ADP Bonds is to be capitalized through FY 2006 and debt service is structured for level annual payments of principal and interest commencing with FY 2007.

Northwest Land Acquisition. Under the terms of the MOU, the total cost of the Northwest Land Acquisition ($50 million) is payable in equal monthly installments over a 10-year period at an interest rate below or equal to 8% from the date of closing of the transaction. The City originally planned to make these payments from the Airport Development Fund. However, the City has decided to finance the Northwest Land Acquisition from the proceeds of the 2001A ADP Bonds in order to achieve lower borrowing costs. The Northwest Land Acquisition is assumed to close in July 2001. Debt service on this component of the 2001A ADP Bonds is being structured as interest only for the first five years (FY 2002-FY 2006) and level annual debt service over the next 16 years for a total term of 21 years.

The City expects that the proceeds of the 2001A ADP Bonds—when combined with currently approved PFC, LOI, and FHWA resources, moneys in the ADF, and PFC resources anticipated under the pending PFC #3 and PFC #4 amendments and the anticipated PFC #5 application—will provide all of the funding required to complete Phase 1 of the ADP, except for the program contingency ($78 million) and the potential tenant replacement facilities ($27 million). The City may issue additional GARBs in the future to fund the program contingency, tenant replacement facilities, or other unanticipated increases in ADP program costs.

The funding requirements for Phase 1 of the ADP are summarized below.

Funding Requirements	Amount
Phase I ADP project costs	$1,109,522,000
FAA-funded navaids	18,900,000
Northwest land acquisition interest	
Financing costs	63,878,000
Total Funding Requirements	$1,192,300,000

These funds are to be provided from the following sources:

Funding Sources	Amount
LOI Bonds (net of original issue discount)	$87,040,000
2001A Bonds	435,026,000
Future GARBs	93,367,000
LOI "pay-as-you-go"	29,749,000
FAA F&E Funding	18,900,000
PFC revenues applied on a "pay-as-you-go" basis	
PFC #3	200,258,000
PFC #4	128,028,000
PFC #5	71,832,000
Development Fund moneys	73,961,000
Federal/State Highway Funds	14,436,000
Interest income	39,703,000
Total Funding Sources	$1,192,300,000

C. FINANCING PLAN FOR FY 2001-FY 2005 CIP

The City has historically financed capital projects from a combination of sources, including the ADF, PFC resources, AIP grants-in-aid, and, when necessary, GARBs. However, as ADF, PFC, and AIP funds have largely been committed to the ADP, the City expects to place greater reliance on GARBs in financing future CIP projects—at least until the ADP is completed. The City anticipates financing the FY 2001-FY 2005 CIP with two bond issues currently estimated to total $97.7 million—one in early 2001 (the Series 2001B CIP Bonds in the estimated amount of $70.4 million) to finance the FY 2001 and FY 2002 projects in the CIP and one in FY 2003 (in the estimated amount of $26.5 million) to finance the balance of the projects in the CIP.

Table II-5 shows the estimated sources and uses of funds associated with these planned financings. The uncommitted balance of the City of St. Louis, Missouri Airport Revenue Bonds, Series 1997, 1997 Capital Improvement Program (1997 Bonds) ($10.5 million) is to be applied as a source of funds for the first of the two GARB financings. The City plans to apply approximately $23 million of PFC resources under PFC #5 to finance most of the costs of the public use portions of the International Area expansion. It is assumed that the Series 2001B CIP Bonds would be issued at an effective interest cost of 5.41 and the 2003 Series Bonds would be issued at an effective interest cost of 6.5% with interest capitalized through completion of construction of the projects.

For the purposes of this Report, debt service on the proposed Series 2001B CIP Bonds (for the FY 2001 and FY 2002 projects in the CIP) and the potential 2003 Bonds is taken into consideration in the forecasts of debt service coverage. (The projects to be funded with the Series 2001B CIP Bonds have been approved, where required, by a majority-in-interest of the Signatory Airlines under the procedures of the Use Agreements.)

D. DEBT SERVICE REQUIREMENTS

Table II-6 summarizes debt service requirements for each series of outstanding and proposed Bonds. Estimates of debt service requirements on the 2001A ADP Bonds have been provided by Goldman, Sachs & Co., the senior managing underwriter for the 2001A ADP Bonds.

The City currently has outstanding six series of GARBs: Series 1992, Series 1993, Series 1993A, Series 1996 (which refunded the Series 1987 Bonds), Series 1997 and Series 1998 (which refunded a portion of the Series 1992 Bonds). The Series 1992, Series 1993 and Series 1993A Bonds are scheduled to be retired in FY 2005, and the Series 1996 Bonds in FY 2007. Final payment of these GARBs is anticipated to be made from available moneys in the Debt Service Reserve Account of the Bond Fund (in amounts equal to the Debt Service Reserve Requirement associated with each such series). Total debt service on these outstanding Bonds is estimated to decrease from $49 million in FY 2004 to $24 million in FY 2007 just as the principal component of the 2001A ADP Bonds becomes due.

Table II-5
SOURCES AND USES OF FUNDS - BASE CASE
5-Year Capital Improvement Program (FY 2001 - FY 2005)
Fiscal years Ending June 30

		Forecast				
	Total	2001	2002	2003	2004	2005
SOURCES OF FUNDS						
Balance carried forward		$0	$48,986	$0	$11,288	$750
Principal amount of new bonds	$96,859	70,381		26,478		
Reallocation of 1997 Bonds (deferred projects) (a)	$10,514	7,724	2,790	0	0	0
Development Fund	$12,075	2,709	2,047	3,783	2,187	1,350
PFC revenues (b)	$22,946	4,587	18,359	0	0	0
Interest income						
Construction Fund	$5,010	2,395		2,615		
Capitalized Interest Account	$389	389		0		
Total sources of funds	$147,793	$88,185	$72,182	$32,875	$13,475	$2,100
USES OF FUNDS						
Project costs (c)	$132,767	26,873	72,182	18,887	12,725	2,100
Financing costs						
Issuance expenses	$1,938	1,408		530		
Capitalized interest	$5,715	5,715				
Bond Reserve Fund	$7,373	5,203		2,171		
Total uses of funds	$147,793	$39,199	$72,182	$21,587	$12,725	$2,100
Balance carried forward	$0	$48,986	$0	$11,288	$750	$0

a Moneys originally committed for projects that have been deferred indefinitely
b See Table II-1
c See Table I-3; project costs are reflected in the year of appropriation

The balance of **Table II-6** shows the estimated debt service requirements associated with the additional series of bonds to be issued for the ADP and the FY 2001-FY 2005 CIP. Debt service on a portion of the 2001A ADP Bonds will be paid from Pledged PFC Revenues.

As indicated in **Table II-6**, as a result of the retirement of outstanding Bonds, aggregate debt service on the GARBs is estimated to *decrease* from $72 million in FY 2004 to $53 million in FY 2006—the first year that the new runway is expected to be fully operational and then increase to $71 million in FY 2007, the first full fiscal year in which debt service on the 2001A ADP Bonds is due.

Table II-6 also shows the debt service associated with the LOI Bonds—bonds that are secured only by a pledge of LOI payments and moneys available in the ADF. These bonds are limited obligations that are not secured by a pledge of the Revenues of the Airport except to the extent that moneys are available for transfer to the ADF after payment of debt service and other payments pursuant to the GARB Indenture.

Table II-6
DEBT SERVICE REQUIREMENTS - BASE CASE
(in thousands)

	Actual FY 2000	Forecast FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
AIRPORT REVENUE BONDS										
Outstanding Bonds (a)										
Series 1992 Refunding (1990) and Improvement Bonds										
Principal	$3,765	$3,970	$4,190	$4,435	$750	$795	$840	$890	$945	$1,005
Interest	1,700	1,497	1,273	1,030	769	724	676	626	572	515
less: transfer from debt service reserve										
	$5,465	$5,467	$5,463	$5,465	$1,519	$1,519	$1,516	$1,516	$1,517	$1,520
Series 1993 Refunding (1984) Bonds										
Principal	$8,900	$9,800	$9,460	$10,390	$11,410	$12,545				
Interest	6,248	5,356	4,379	3,434	2,393	1,250				
less: transfer from debt service reserve						(12,366)				
	$15,148	$15,156	$13,839	$13,824	$13,803	$1,429	$0	$0	$0	$0
Series 1993A TWA Buyout Bonds										
Principal	$5,625	$5,965	$6,330	$6,735	$7,165	$7,635				
Interest	2,517	2,180	1,810	1,408	977	508				
less: transfer from debt service reserve						(8,143)				
	$8,142	$8,145	$8,140	$8,143	$8,142	$0	$0	$0	$0	$0
Series 1996 Refunding Bonds										
Principal	$2,985	$3,125	$3,270	$3,465	$3,680	$3,865	$4,065	$4,275		
Interest	1,521	1,380	1,231	1,035	827	641	452	229		
less: transfer from debt service reserve							(97)	(4,504)		
	$4,506	$4,505	$4,501	$4,500	$4,507	$4,506	$4,420	$0	$0	$0
Series 1997 Bonds	$10,615	$11,615	$12,572	$13,305	$13,644	$13,683	$14,720	$14,970	$14,944	$14,912
Series 1998 Refunding Bonds										
Principal	$315	$325	$340	$350	$4,310	$4,530	$4,760	$4,950	$5,145	$5,410
Interest	3,412	3,402	3,389	3,375	3,361	3,146	2,919	2,729	2,531	2,267
less: transfer from debt service reserve										
	$3,727	$3,727	$3,729	$3,725	$7,671	$7,676	$7,679	$7,679	$7,676	$7,677
Total -- Outstanding Bonds (b)	$47,603	$48,614	$48,244	$48,962	$49,286	$28,813	$28,335	$24,165	$24,137	$24,109
General Purpose Airport Revenue Bonds for the ADP										
Series 2001A ADP Bonds (c)										
PFC Projects (Leveraged)			$17,515	$15,013	$15,013	$15,013	$15,013	$20,803	$20,805	$20,804
Balance of Program								$7,194	$7,195	$7,196
Northwest Acquisition			$3,115	$2,670	$2,670	$2,670	$2,670	$4,685	$4,684	$4,688
Series 2004 ADP Bonds (Program Contingency)								7,654	7,654	7,654
	$0	$0	$20,630	$17,683	$17,683	$17,683	$17,683	$40,336	$40,339	$40,342
Series 2001B				2,744	5,487	5,487	5,487	5,487	5,487	5,487
Series 2003						2,171	2,171	2,171	2,171	2,171
	$0	$0	$0	$2,744	$5,487	$7,658	$7,658	$7,658	$7,658	$7,658
TOTAL -- ALL AIRPORT REVENUE BONDS (d)	**$47,603**	**$48,614**	**$68,874**	**$69,247**	**$72,172**	**$53,869**	**$53,392**	**$71,875**	**$71,850**	**$71,825**
LIMITED OBLIGATION BONDS										
Letter of Intent Double Barrel Revenue Bonds for ADP (e)										
Series 2000		$17,730	$11,882	$14,452	$14,548	$12,661	$12,753	$14,823	$12,836	$0

a. The City is planning a refunding bond issue to reclassify certain outstanding bonds as non-AMT debt. This could result in lower debt service on the outstanding bonds
b. Total outstanding bond obligation balance assumes final debt service payment is paid from debt service reserve.
c. Source: Goldman Sachs & Co.
d. Aggregate Debt Service does not include Capitalized Interest
e. Payable from LOI payments and ADF.

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 economic development contribute to the overall demand for air transportation in a specific region. Local economic and demographic factors are particularly important in determining the strength of the origin and destination (O&D) component of an airport's passenger traffic. O&D traffic refers to travelers who originate from and terminate their flights at an airport, as opposed to those who use an airport as a connection to another airport. In 2000, O&D traffic constituted approximately 47.5% of passenger traffic at the Airport. This section defines the air service area of the Airport, and reviews the demographic and economic trends of the Airport's air service area.

A. 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 St. Louis MSA consists of the City of St. Louis, six counties in Missouri, and five counties in Illinois shown in **Figure III-1**. The counties in Missouri are Franklin, Jefferson, Lincoln, St. Charles, St. Louis, and Warren; while the counties in Illinois are Clinton, Jersey, 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 St. Louis MSA 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 the St. Louis MSA. **Figure III-1** shows the six other airports identified by the FAA as general aviation reliever airports. They are the Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports do not have runway lengths sufficient to accommodate large commercial aircraft.

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

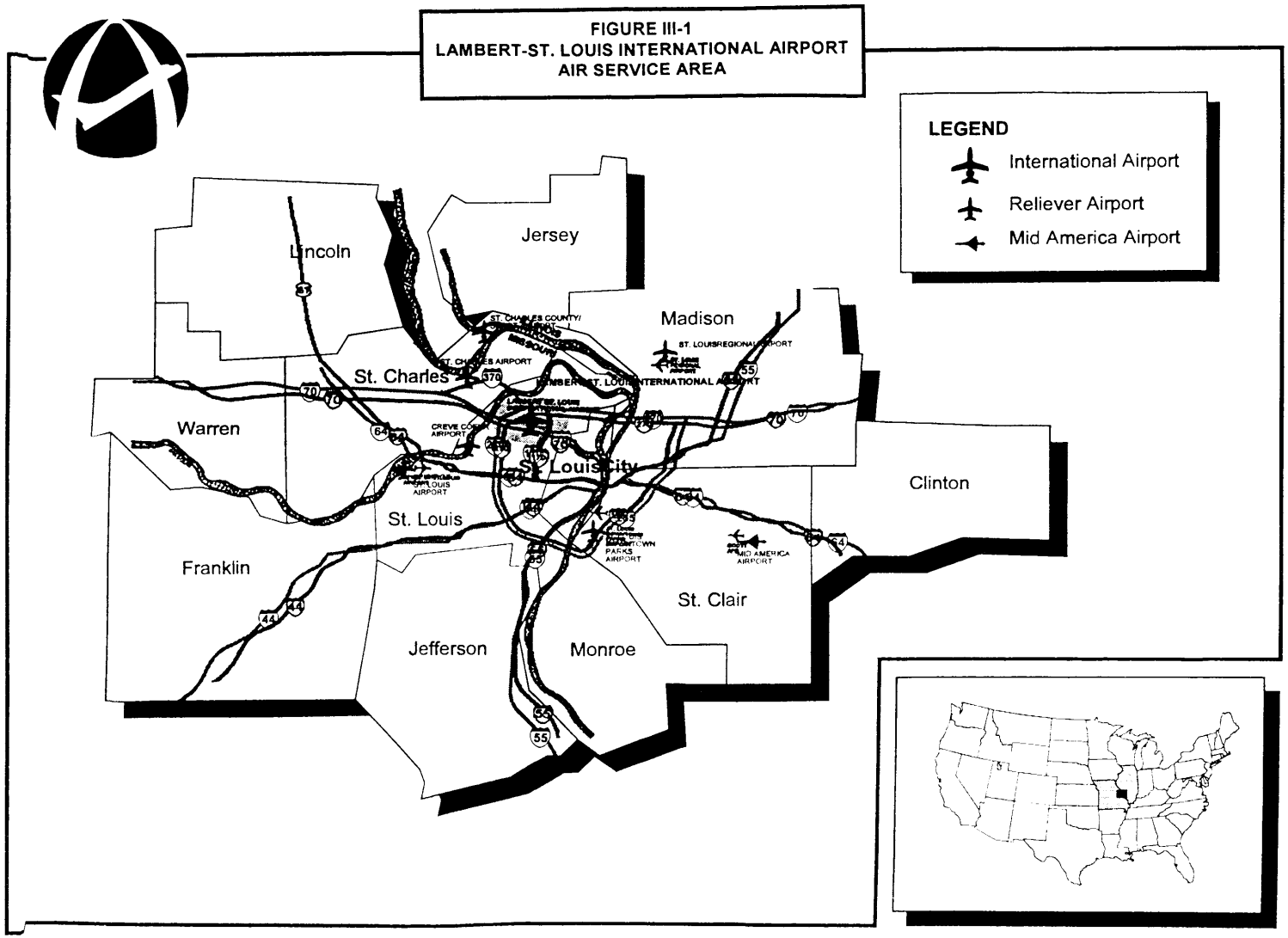
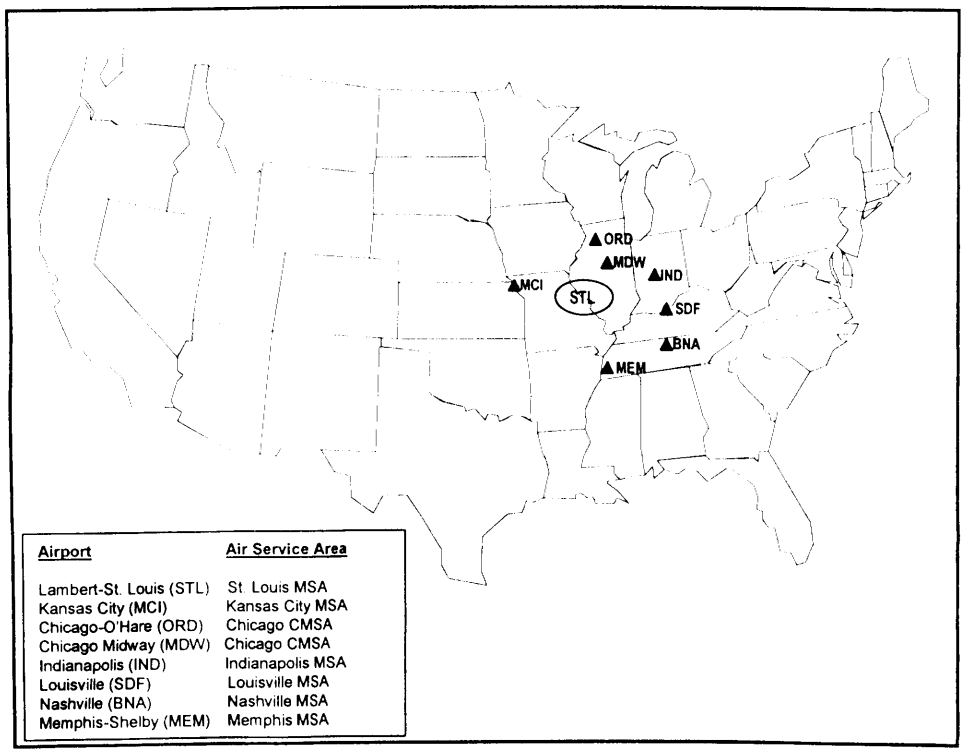


Figure III-2 shows that no other major airport air service area overlaps with the Airport's air service area. The nearest major airports are Kansas City (MCI), Memphis-Shelby (MEM), Chicago O'Hare (ORD), Midway (MDW), Nashville (BNA), Louisville (SDF), and Indianapolis (IND).

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



In St. Clair County, Illinois, a new airport, Mid America Airport, started operations in November 1997. The passenger terminal opened in April 1998 with four gates, but has the capacity to expand to 85 gates. Under its full configuration, Mid America Airport will have the capacity to accommodate 1.25 million enplanements annually – much smaller than the Airport, which served approximately 15.3 million enplanements in 2000. Hence, Mid America Airport is not expected to compete with the Airport and has been designated by the FAA as a potential reliever for demand that cannot be accommodated at the Airport. This issue is discussed further in Section IV.

B. POPULATION

The population of an area is the primary source of air travel demand in that area. **Table III-1** presents the historical and projected population of the Airport's air service area. There were an estimated 2.57 million residents in the MSA in 1999, an increase from 2.49 million residents in 1990, which translates into an average annual growth of 0.3%. The area's population is projected to increase at an average annual rate of 0.3%, and reach approximately 2.62 million by 2005. These population trends are similar to the trends observed at the state and national levels. The population of Missouri increased at an average annual rate of 0.7% between 1990 and 1999, while the U.S. population grew at an average annual rate of 1.0% over that period. Missouri's population is projected to increase at an average annual rate of 0.7% and the national population is projected to increase at an average annual rate of 0.8% over the 1999-2005 period.

TABLE III-1
COMPARISON OF POPULATION TRENDS
1990-2005

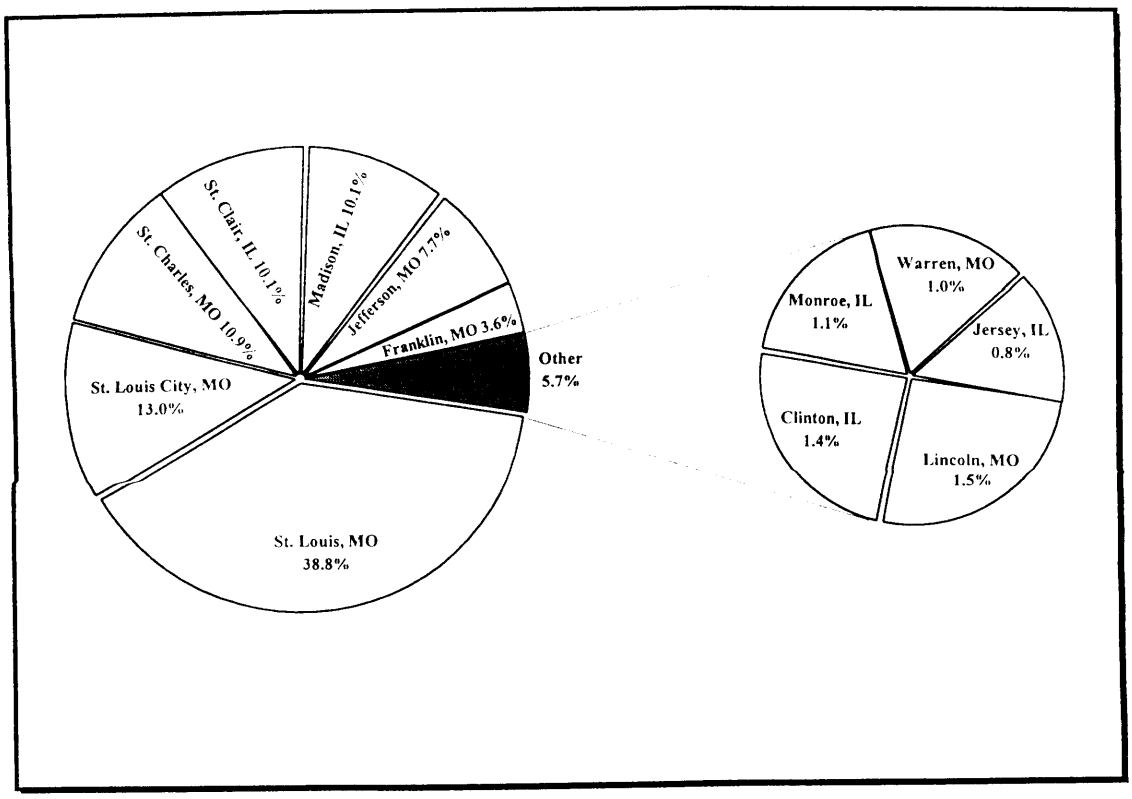
	Population			Avg. Annual Growth Rate	
	Actual	Actual	Projected	Actual	Projected
County/Area	1990	1999	2005	1990-1999	1999-2005
St. Louis MSA					
Franklin, MO	80,603	93,128	97,509	1.6%	0.8%
Jefferson, MO	171,380	198,116	216,238	1.6%	1.5%
Lincoln, MO	28,892	37,733	38,723	3.0%	0.4%
St. Charles, MO	212,751	280,448	305,165	3.1%	1.4%
St. Louis City, MO	396,685	333,960	293,350	-1.9%	-2.1%
St. Louis, MO	993,508	996,181	996,102	0.0%	0.0%
Warren, MO	19,534	25,435	25,872	3.0%	0.3%
Clinton, IL	33,944	35,682	36,574	0.6%	0.4%
Jersey, IL	20,539	21,573	23,845	0.5%	1.7%
Madison, IL	249,238	259,434	265,765	0.4%	0.4%
Monroe, IL	22,422	27,289	29,105	2.2%	1.1%
St. Clair, IL	262,852	260,050	289,841	-0.1%	1.8%
Total MSA	**2,492,348**	**2,569,029**	**2,618,089**	**0.3%**	**0.3%**
MISSOURI	**5,116,901**	**5,468,338**	**5,718,000**	**0.7%**	**0.7%**
UNITED STATES	**249,439,545**	**272,690,813**	**285,981,000**	**1.0%**	**0.8%**

Sources: i) U.S. Bureau of the Census, at www.census.gov/publications.
ii) Illinois State University, at www.socialresearch.ilstu.edu.
iii) Office of Social and Economic Data Analysis, at www.oseda.missouri.edu.
iv) State of Missouri, Division of Budget & Planning, at www.oa.state.mo.us/bp/popproj.

Table III-1 also shows that most of the projected population increase in the Airport's primary ASA will occur in the counties of Jefferson, St. Charles, Jersey, and St. Clair, each of which is projected to experience more than one percentage point growth in their population during the 1999-2005 period. Travel demand generally benefits from a growing population. The resultant larger population base consolidates the local economy and sustains the momentum of economic expansion in the area.

Figure III-3 presents the population distribution of the Airport's primary air service area in 1999. The most populous county in the ASA is St. Louis, which accounted for 38.8% of the area's population in 1999. The St. Louis City accounted for 13% of the population, making it the second largest entity in the ASA. The third largest county in the air service area is St. Charles, which had a population share of 10.9% in 1999.

FIGURE III-3
ST. LOUIS MSA POPULATION DISTRIBUTION BY COUNTY
1999



Source: U.S. Bureau of the Census, at www.census.gov

C. LABOR FORCE

Table III-2 shows the trends in the labor market in the Airport's primary ASA during the 1990-2000 period. The labor force increased from 1.28 million in 1990 to an estimated 1.32 million in 2000, representing an average growth rate of 0.6% per year. Over the same period, the number of employed persons increased at an average annual rate of 0.9%, from approximately 1.21 million workers in 1990 to an estimated 1.3 million workers in 2000.

TABLE III-2
ST. LOUIS MSA CIVILIAN LABOR FORCE
1990-2000

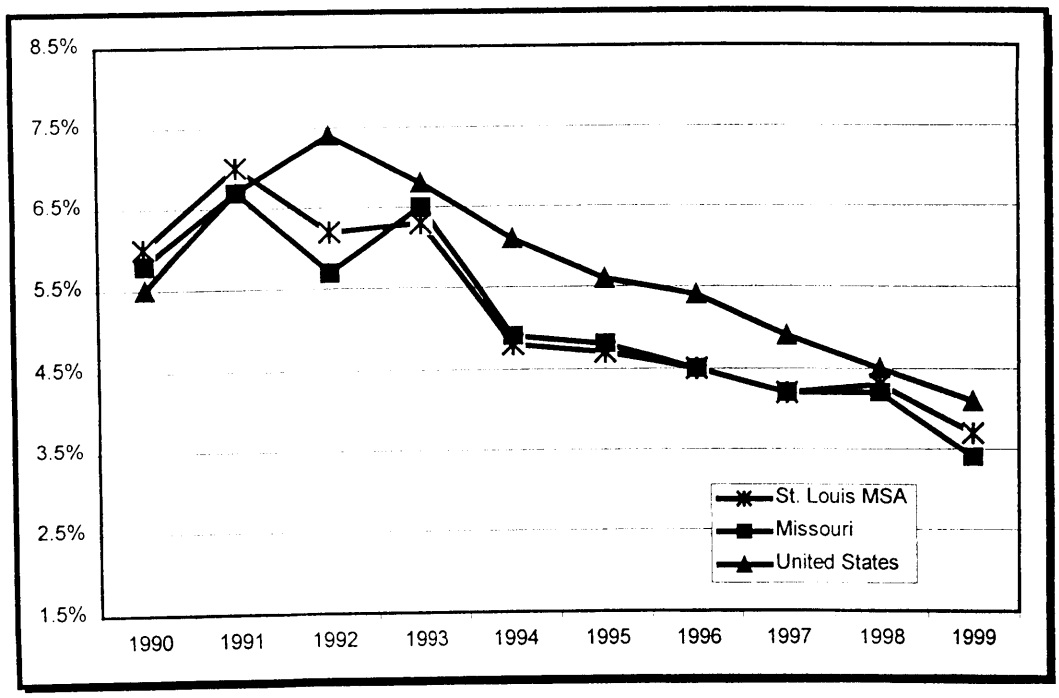
Year	Labor Force			Unemployment Rate
	Total	Employed	Unemployed	
1990	1,283,197	1,205,637	77,560	6.0%
1991	1,297,908	1,207,114	90,794	7.0%
1992	1,293,072	1,213,305	79,767	6.2%
1993	1,275,989	1,195,753	80,236	6.3%
1994	1,285,596	1,224,244	61,352	4.8%
1995	1,332,198	1,268,959	63,239	4.7%
1996	1,360,434	1,298,952	61,482	4.5%
1997	1,332,316	1,276,711	55,605	4.2%
1998	1,324,585	1,267,239	57,346	4.3%
1999	1,321,714	1,273,333	48,381	3.7%
2000P	1,361,773	1,317,363	44,410	3.3%
Average Annual Growth Rate				
1990-2000	0.6%	0.9%	-5.4%	-

P = Preliminary data

Sources: i) Illinois Department of Employment Security, at www.ili.ides.state.il.us.
ii) Missouri Department of Economic Development, at www.mp.works.state.mo.us

The number of unemployed members of the civilian labor force decreased from 77,560 in 1990 to an estimated 44,410 in 2000, representing an average decrease of 5.4% per year. The unemployment rate in the air service area dropped steadily, from a high 7% in 1991 to an estimated 3.3% in 2000. **Figure III-4** compares the ASA's unemployment rate with the state and national unemployment rates. The trend in the area's unemployment rate closely tracked the unemployment trend in the State of Missouri, and was consistently lower than the national unemployment rate during the 1990-1999 period. The overall picture of the Airport's ASA is one of an active workforce.

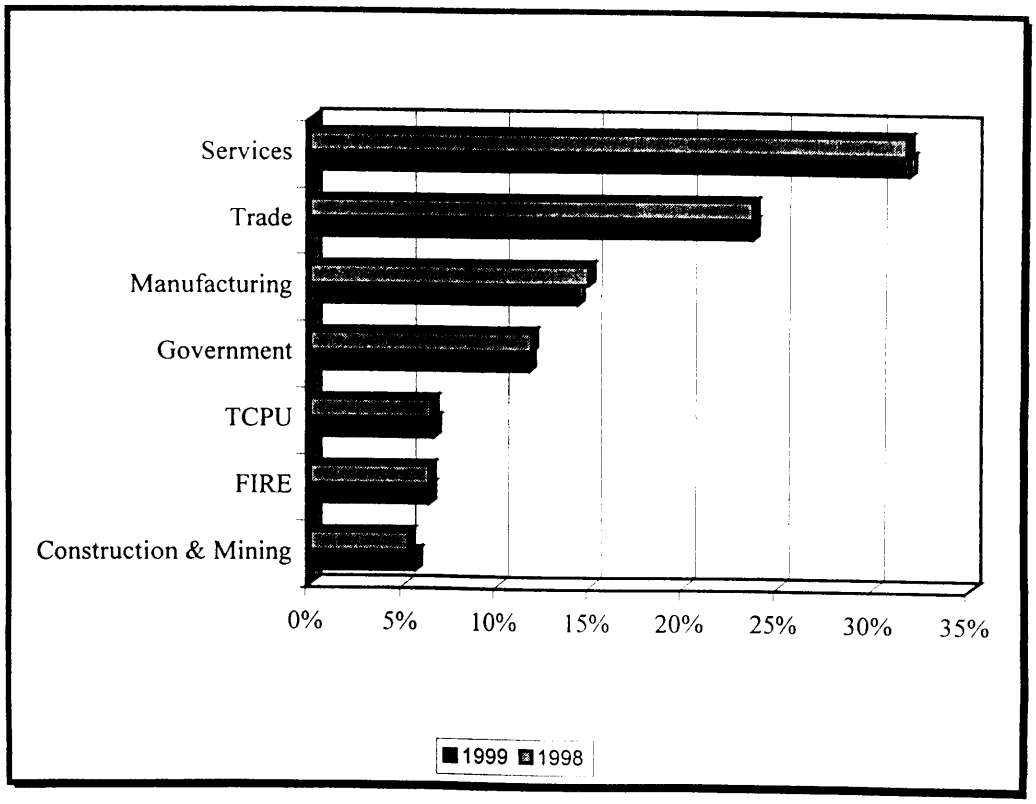
FIGURE III-4
COMPARISON OF UNEMPLOYMENT RATES
1990-1999



Sources: i) U.S. Bureau of the Census, at www.census.gov/publications.
ii) Missouri Department of Economic Development, at www.mo.works.state.mo.us

A breakdown of non-agricultural employment in the Airport's air service area presented in **Figure III-5** *illustrates* the diversity of the local economy. In terms of number of employees, the leading private sector industries in 1998 and 1999 were Services, Trade, and Manufacturing. Together, these three industry sectors accounted for approximately 70% of non-agricultural jobs in the area in 1998 and 1999. The Government sector, which includes all levels of government (local, state and federal) accounted for 11.9% of the area's jobs in 1998, which dipped slightly to 11.7% of jobs in 1999.

FIGURE III-5
ST. LOUIS MSA NON-AGRICULTURAL EMPLOYMENT
1998 and 1999



TCPU is transportation, communications, and public utilities.
FIRE is finance, insurance, and real estate.
Trade includes wholesale and retail trade.

Source: Missouri Department of Economic Development, at www.mo.works.mo.us/lmi.

Table III-3 lists selected major employers in the St. Louis region in 1999. It reflects the broad base of job creation in the region, including diverse manufacturing, defense, education, telecommunications, transportation, trade, health care and other services.

TABLE III-3
SELECTED MAJOR EMPLOYERS IN ST. LOUIS REGION
1999

Company/No. of Employees	Industry
10,000 and above	
BJC Health System	Health Care
Boeing (formerly MCDonnell Douglas)	Aircraft Manufacturing
Schnuck Markets	Grocery Retail
U.S. Air Force	Defense (Scott AFB)
Unity Health System	Health Care
5,000-9,999	
Nations Bank	Banking
Chrysler Motors	Automobile Manufacturing (minivans & trucks)
May Department Stores Co.	Retail
Southwestern Bell Telephone	Telecommunications
SSM Health Care System	Health Care
Saint Louis University	Higher Education (private university)
St. Louis Public School District	Education
Trans World Airlines Inc. (Subsequently acquired by American)	Air Transportation
U.S. Postal Service	Communications
Washington University	Higher Education (private university)
2,000-4,999	
Ameren UE+A60	Public Utilities (electricity)
Anheuser-Busch Companies Inc.	Brewery
AT&T	Telecommunications
Deaconess Health System	Health Care
Dillard's Department Stores Inc.	Retail
Edison Brothers Stores Inc.	Retail
A.G.Edwards & Sons Inc.	Finance (brokerage)
Emerson Electric Co.	Electronics
Enterprise Rent-A-Car	Services (auto rentals & sales)
Ford Motors Co.	Automobile Manufacturing
General American Life Insurance Co.	Insurance
General Motors	Automobile Manufacturing (vans)
Granite City Steel	Manufacturing (steel mill)
Laclede Gas	Public Utilities (natural gas)
MEMC Electronic Materials	Manufacturing (silicon wafers)
Magna Group	Banking
Mallinckrodt Group Inc.	Manufacturing (medical chemicals)
Maritz Inc.	Services (motivational services)
Mercantile Bancorporation	Banking
Monsanto	Manufacturing (agricultural & industrial chemicals)
Olin Corporation (Brass & Winchester Divisions)	Manufacturing (copper products & ammunition)
Ralston Puina Company	Manufacturing (pet foods & batteries)
St. Louis County	County Government
Union Pacific Railroad	Transportation (railroad)
United Parcel Service	Services (package delivery)
Walgreen Co.	Retail (drugstore)

Source: Regional Chamber and Growth Association at www.econdev.stlrcga.org.

With ten Fortune 500 companies headquartered in the region, St. Louis ranked 5th among major metropolitan areas in *Fortune* magazine's list of America's top business locations in 2000. In addition, fourteen St. Louis companies were included in the *Forbes* 500 list. The companies that made it into these prestigious lists include Ameren, Anheuser-Busch Companies, Inc., Emerson Electric Co., Express Scripts, General American Life Insurance Co., Graybar Electric Company, Inc., May Department Stores, Monsanto, Purina Company, Ralston Primcor, and Trans World Airlines, Inc. Several Fortune 1000 companies also have their headquarters in the St. Louis region, including Agribrands International, Brown Group, Inc., Earthgrains, A.G. Edwards & Sons, Inc., Furniture Brands International, Kellwood Corp., Mallinckrodt Group, Inc., Sigma-Aldrich Corp., and Solutia.[1]

D. INCOME

The level of income is an important determinant of local consumer demand. Two commonly used measures of income are the median household effective buying income (EBI) and the distribution of income by household. The EBI is a measure of disposable income. **Table III-4** presents these two measures of income in the Airport's ASA in 1999. Overall, the median household income in the St. Louis MSA was higher than the average for the State of Missouri and the national average in 1999. In 1999, the MSA's median household income of $41,602 was 20.8% higher than the state average of $34,429, and 12.8% higher than the U.S. average of $37,233. Among the counties in the Airport's air service area, residents of St. Charles County recorded the highest median household income in 1999. In addition, the counties of Jefferson, St. Louis, Clinton, and Monroe reported median household incomes that were higher than the state and national averages in 1999.

The pattern of income distribution in the Airport's ASA was similar to the state and national household income distributions in 1999. Overall, approximately 38.1% of the households in the air service area reported an annual income between $20,000 and $50,000 in 1999. This compares with 40% of households in that income bracket at the state level, and 38.8% of households at the national level in 1999. Compared to other counties in the St. Louis MSA, the state average, and the U.S. average, St. Charles County reported the highest percentage of households (53%) with incomes of $50,000 and more. On the other hand, a significantly higher percentage of households in St. Louis City (40.2%) reported incomes below $20,000 in 1999.

[1] Regional Chamber and Growth Association (RCGA), "Fortune Magazine Ranks St. Louis Fourth," *Press Release*, April 13, 1999 and April 17, 2000, at www. econdev.stlrcga.org.

TABLE III-4
ST. LOUIS MSA HOUSEHOLD INCOME DISTRIBUTION
1999

County/Area	Median Household EBI	Percent of Households by EBI Group			
		Under $20,000	$20,000-$34,999	$35,000-$49,999	$50,000 & Over
St. Louis MSA	**$41,602**	**21.9%**	**19.8%**	**18.3%**	**40.0%**
Franklin, MO	$36,426	24.0%	24.0%	20.7%	31.3%
Jefferson, MO	$40,427	19.8%	21.3%	23.5%	35.4%
Lincoln, MO	$36,070	25.9%	22.7%	20.2%	31.2%
St. Charles, MO	$52,091	11.8%	16.3%	18.9%	53.0%
St. Louis, MO	$49,087	15.3%	17.7%	18.1%	48.9%
St. Louis City, MO	$25,438	40.2%	23.5%	15.4%	20.9%
Warren, MO	$33,528	30.1%	21.9%	21.5%	26.5%
Clinton, IL	$38,834	23.3%	21.4%	20.5%	34.8%
Jersey, IL	$36,651	26.0%	21.9%	18.4%	33.7%
Madison, IL	$37,482	25.5%	21.2%	18.5%	34.8%
Monroe, IL	$44,061	17.9%	20.5%	20.1%	41.5%
St. Clair, IL	$35,333	28.2%	21.3%	17.0%	33.5%
MISSOURI	**$34,429**	**28.2%**	**22.6%**	**17.9%**	**31.3%**
UNITED STATES	**$37,233**	**25.8%**	**21.3%**	**17.5%**	**35.4%**

EBI is Effective Buying Income, which is a measure of disposable income. EBI is in current dollars, unadjusted for inflation.

Source: Sales & Marketing Management. *Survey of Buying Power*, September 2000.

E. BUSINESS ENVIRONMENT

The Regional Chamber and Growth Association (RCGA) recently opined that the St. Louis region is becoming a "21st century entrepreneurial powerhouse," indicating the end of a period of flat job growth and out-migration of people and jobs. The RCGA credits the new and expanding small and mid-size entrepreneurial companies with this positive outlook. Within the past few years, several high tech businesses had moved into the area, turning St. Louis into one of the highest concentrations of entrepreneurial incubators in the nation.[2] Candidates for the entrepreneurial incubator program must demonstrate cutting-edge research and possess a business plan with potential economic impact on the St. Louis region. Six business incubators in the metropolitan area currently house 90 tenant companies, many of which are developing advanced medical technology, plant science technology, and information technology. Among these incubators are the Monsanto-backed Nidus Center for Scientific Enterprise and the St. Louis Center for Emerging Technologies. It is therefore not surprising that the St. Louis area has received numerous favorable mentions in the press in recent years. A sample of some of the positive press reviews include the following:

- *Entrepreneur* has ranked St. Louis among the top 10 places for small business in four out of the past five years.

[2] These are business centers that house small start-up firms.

- St. Louis was ranked second in 1998 in the annual Dun & Bradstreet assessment of metropolitan areas.
- *Inc.* magazine recently placed St. Louis among the top ten areas for growing firms.
- *Industry Week* magazine ranked St. Louis 22nd on its list of 315 regions included in "The Atlas of U.S. Manufacturing". The magazine cites the area's manufacturing diversity and entrepreneurial strengths as the primary factors in its success story.
- *The Christian Science Monitor* recently dubbed St. Louis the "Silicon Valley of Biotech," in recognition of the cutting-edge biotechnology and genetic engineering research activities of some of the area's incubator companies.
- *Black Enterprise* magazine named St. Louis one of the six new business areas for African-Americans.
- *Upstart,* supplement to *Telephony* magazine, recently labeled St. Louis a "hotbed" for telecommunications.

The steady annual growth in the number of business establishments in the Airport's air service area shown in **Table III-5** illustrates the area's positive business environment. Between 1992 and 1999, the ASA consistently ranked among the top 20 metro markets in the United States. The number of business establishments increased from 59,047 in 1992 to 65,346 in 1999, representing a 10.7% increase between 1992 and 1999. This compares favorably with the trend observed at the national level during that period. Among the new firms entering the St. Louis region in the near future is Cascades Plastics, Inc., a Canadian company based in Quebec. According to the RCGA, Cascades Plastics began production of polystyrene foam trays for the food industry in its new St. Louis facility in September 2000.[3]

[3] See various press releases by the St. Louis Regional Chamber and Growth Association (RCGA) at www.stlrcga.org.

TABLE III-5
ST. LOUIS MSA BUSINESS ESTABLISHMENTS
1992-1999

Year	St. Louis MSA		United States
	# of Establishments	National Ranking	# of Establishements
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
Percentage Change			
1992-1999	10.7%	-	15.9%

Source: Sales & Marketing Management, *Survey of Buying Power,* 1993-2000.

The local construction industry has responded positively to the business opportunities in the air service area. **Table III-6** shows the upward trend in residential construction activity during the 1990-2000 period. The number of housing units added each year increased at an average rate of 3.9%, from 8,340 units in 1990 to 12,226 in 2000. The value of these residential investments increased at an average rate of 7.5% per year, from $678.2 million in 1990 to $1.4 billion in 2000.

TABLE III-6
ST. LOUIS MSA NEW RESIDENTIAL CONSTRUCTION ACTIVITY
1990-2000

Year	Number of Housing Units	Valuation of Investment ($000)
1990	8,340	678,167
1991	8,350	663,606
1992	10,434	928,179
1993	11,566	1,051,986
1994	13,134	1,227,223
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	12,226	1,401,827
Average Annual Growth Rate		
1990-2000	3.9%	7.5%

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

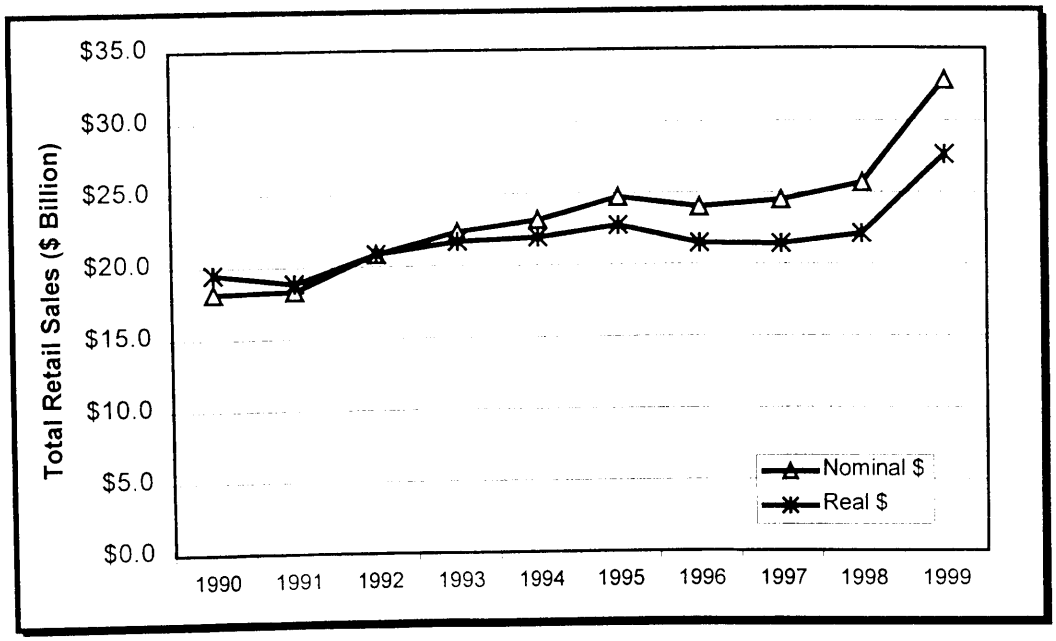
F. TRADE

Trade (comprising wholesale and retail trade) is a vital sector of an economy primarily because it represents the distributive end of the production process. The Trade sector is also a significant source of employment and revenues. As shown earlier in **Figure III-5**, the Trade sector is the second largest employer in the Airport's air service area, accounting for 23.6% of non-agricultural jobs in 1999.

Figure III-6 shows the positive trend in retail sales in the St. Louis area during the 1990-1999 period. Retail revenues increased from $18.2 billion in 1990 to $32.8 billion in 1999, representing an average annual growth of 6.8% over that period. This translates into an average annual growth rate of 3.9% in real (inflation-adjusted) terms over the 1990-1999 period. Such strong performance confirms the role of trade, and the overall strength of the Airport's local economy.

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, and provides spacious warehousing and industrial facilities. 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.

FIGURE III-6
ST. LOUIS MSA RETAIL SALES
1990-1999



"Nominal $" refers to current dollar values, while "Real $" refers to constant 1992 dollars.

Source: Sales & Marketing Management, *Survey of Buying Power,* 1991-2000.

Foreign trade is desirable for the diversification of the economy, as well as a source of employment and revenues. The St. Louis region has recorded significant increases in its total merchandise exports to the world in recent years. During the 1995-1999 period, trade between the region and each of the global market blocks showed remarkable growth, with the highest increases occurring in trade with Africa, the Near East nations, the Caribbean, and Central America. **Table III-7** shows that total exports from the St. Louis region increased by 22.1%, from approximately $4 billion in 1995 to $4.9 billion in 1999.

TABLE III-7
ST. LOUIS MSA MERCHANDISE EXPORTS
1995 and 1999

Market Block	1995 ($000)	1999 ($000)	% Change 1995-99
NAFTA Countries	$1,194,199	$1,464,456	22.6%
Caribbean & Central America	$143,837	$227,931	58.5%
South America	$397,999	$509,933	28.1%
Europe	$1,219,877	$1,379,749	13.1%
Asia	$806,572	$954,758	18.4%
Africa	$57,623	$104,205	80.8%
Near East	$67,223	$119,362	77.6%
Australia	$107,254	$118,784	10.8%
Rest of the World	$3,092	$0	-
TOTAL EXPORTS	$3,997,676	$4,879,178	22.1%

Source: U.S. Department of Commerce, Office of Trade and Economic Analysis, International Trade Administration at www.ita.doc.gov/td/industry.

G. TOURISM[4]

Hospitality is one of St. Louis' largest industries. It employs more than 46,000 people, who serve over 6 million visitors a year, and brings $8 billion into the local economy.

Located in the heart of downtown St. Louis, the newly expanded America's Center convention complex hosts some of the country's largest meeting groups. The center's Trans World 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 (Year 2000 Super Bowl Champions).

St. Louis has a wealth of professional teams and events that draw visitors into the area. These are the St. Louis Rams, the St. Louis Cardinals, the St. Louis Blues, and the St. Louis Ambush teams. 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, 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. Moreover, St. Louis' diverse ethnic heritage is celebrated through various visitor attractions and special events throughout the year.

[4] 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 www.st-louis-cvc.com.

H. COST OF LIVING

Fortune magazine recently rated Greater St. Louis as the nation's third best place to live and work. One attractive attribute of the area is its relatively low cost of living.[5]

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. **Table III-8** compares the cost of living in the St. Louis MSA with that of selected U.S. metropolitan areas. During the third quarter of 2000, the cost of living in the St. Louis MSA was 97.2, which was 2.1% lower than the average for the United States and the second lowest index among the selected comparable metropolitan areas.

TABLE III-8
COST OF LIVING COMPARISON - SELECTED METROPOLITAN AREAS
Third Quarter, 2000

Metropolitan Area	Composite Index	Component Consumer Goods & Services					
		Grocery	Housing	Utilities	Transportation	Health Care	Misc.
Indianapolis, IN	91.5	92.8	90.4	99.3	96.3	94.7	87.9
St. Louis, MO-IL	**97.2**	**94.9**	**90.8**	**98.2**	**100.4**	**103.8**	**101.5**
Des Moines, IA	98.7	92.5	88.4	127.2	98.9	103.4	102.9
Kansas City MO-KS	99.3	99.3	92.5	108.5	112.0	101.5	98.8
Dallas, TX	99.9	97.0	98.8	95.0	105.6	101.4	101.4
Milwaukee-Waukesha, WI	103.0	96.9	113.5	104.2	101.6	99.4	97.8
Detroit, MI	108.9	110.8	123.7	103.8	110.3	110.7	95.9
Minneapolis, MN	109.2	101.9	108.5	111.2	112.2	127.6	109.1
Cleveland , OH	109.8	104.4	108.0	140.5	108.8	115.0	106.1
Denver, Co	110.0	113.1	123.4	82.9	107.0	128.5	101.7

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

Source: American Chamber of Commerce Researchers Association (ACCRA), *Cost of Living Index - Comparative Data for 317 Urban Areas, Third Quarter 2000"*, January 2001.

I. SUMMARY

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

[5] RCGA at www.econdev.stlrcga.org.

- **A stable population base**. The Airport's primary ASA has a stable population base, which grew at a moderate pace of 0.3% per year between 1990 and 1999. The area's population is projected to continue to grow at that rate through 2005. A growing population represents an expanding market base and is a vital factor for sustained economic growth.

- **An active labor market.** Consistent with population growth trends, the primary ASA's labor force grew at a moderate pace of 0.6% per year between 1990 and 2000. The number of employed persons increased at a higher rate of 0.9% per year, while the number of unemployed persons decreased by 5.4% per year. The primary ASA had an unemployment rate of 3.3% in 2000.

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

- **A nationally comparable income distribution.** In 1999, the median household income the Airport's air service area was higher than the average for the State of Missouri and the U.S. average.

- **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. Recent trends in the number and diversity of business establishments point to a healthy business environment in the primary ASA.

- **A global trade connection.** The airport's primary ASA is well positioned for international trade. The presence of two Foreign Trade Zones and four sub-zones create an atmosphere that facilitates international business. The area is home to the headquarters of several Fortune 500, Forbes 500 and Fortune 1000 companies. Total merchandise exports from the area increased by 22.1% between 1995 and 1999.

- **A strong tourism industry.** Tourism is one of St. Louis' largest industries. The area boasts state-of-the-art convention facilities in the newly expanded America's Center convention complex. St. Louis is a popular destination that offers a variety of cultural attractions, recreational amenities, and sport events. The RCGA estimates that over 6 million people visit St. Louis annually, infusing approximately $8 billion into the local economy.

- **Affordable cost of living.** St. Louis was recently rated by *Fortune* magazine as the nation's third best place to live and work, partly due to its relatively low cost of living. In the third quarter of 2000, the composite cost of living index of St. Louis MSA was 2.1% lower than the average for the United States.

SECTION IV
ANALYSIS AND FORECAST OF AVIATION ACTIVITY

This section presents the historical trends in passenger traffic and air cargo at Lambert-St. Louis International Airport, as well as forecasts of aviation activity for the period 2001 through 2010. The factors underlying the historical trends and forecasts are discussed below. Historical trends are presented mainly on a calendar year (CY) basis. Where feasible, data for the last two years are reported on a fiscal year (FY) basis to reflect the transition in the airport activity reporting system from a calendar year basis to a fiscal year basis. The forecasts are presented by fiscal year.

A. HISTORICAL AVIATION ACTIVITY

1. The Airport

The FAA classifies the Airport as a "large hub airport", a class of airports that enplanes 1% or more of total passengers in the United States. The Airport has been serving the St. Louis metropolitan area for about 80 years and currently offers daily scheduled passenger service to over 100 cities across the United States and abroad. In CY 2000, the Airport served 30.5 million passengers and ranked 16th among U.S. airports in passenger traffic, based on preliminary data collected by the ACI. In the same year, the Airport also ranked 14th among U.S. airports in terms of aircraft movements.[1]

Ten signatory airlines operate at the Airport. These are America West, American Airlines (American), Continental, Delta, Northwest, Southwest, Trans States, Trans World Airlines (TWA), United, and US Airways. Trans States, TWA's commuter code-sharing partner, operates under the name Trans World Express (TWE).[2] Non-signatory passenger airlines include commuter carriers such as Air Canada, Chautauqua, Comair, Continental Express, Corporate Air, Mesa, Mesaba, Skyways, and US Airways Express. Both Chautauqua and Corporate Air also operate as TWA's regional partners.[3] The Airport's air cargo carriers are American International, Airborne Express, BAX Global, DHL Airways, Emery, Federal Express, Mountain Air, United Parcel Service, and Zantop International.

In CY 2000, TWA – together with its regional partners, namely, Trans States, Chautauqua, and Corporate Air – accounted for 76.7% of the Airport's total enplanements. During that year, TWA had approximately 329 flights departing daily from the Airport. Trans States, Chautauqua

[1] Airports Council International, Preliminary Traffic Data for CY 2000, in http:\\www.airports.org.
[2] On April 9, 2001, 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.
[3] Ibid

and Corporate Air, operating as TWE, operated an additional 112 daily departures, bringing the combined total of daily departures by TWA and TWE to 441, or 72.2% of the total commercial passenger aircraft departures from the Airport. TWA provided nonstop passenger service from the Airport to over 70 cities in the United States and abroad.

On January 10, 2001, TWA filed a petition for reorganization under Chapter 11 of the Bankruptcy Code. The sale of substantially all assets of TWA to American was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001 and the United States Department of Justice on March 16, 2001, and closed on April 9, 2001. In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City. In a letter to the Airport dated March 28, 2001, American expressed its intent "to continue operating a hub at the Lambert-St. Louis International Airport...". American also indicated that it does "not anticipate any disruption to TWA operations and customers in St. Louis".[4]

The Airport is also among the top ten airports served by Southwest.[5] In CY 2000, Southwest accounted for 11.7% of the Airport's enplanements and operated approximately 79 daily departures, or 13.0% of total aircraft departures by passenger air carriers at the Airport. Southwest provides nonstop service from St. Louis to 17 U.S. cities.

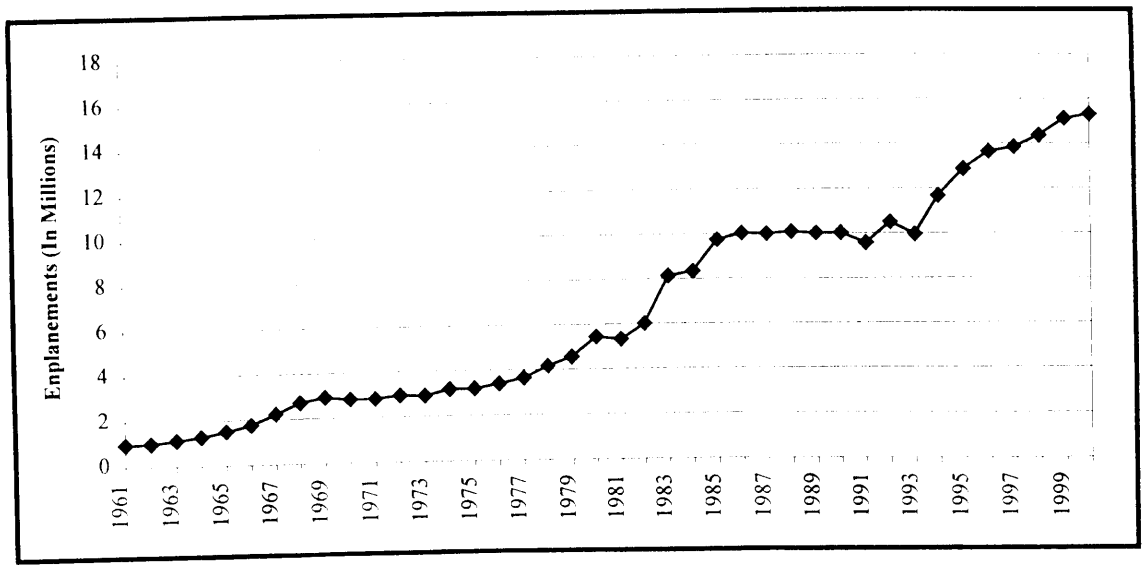
2. Enplanements

Figure IV-1 shows the historical enplanement trends at the Airport from CY 1961 through CY 2000. Enplanements increased from slightly less than one million in CY 1961 to approximately 15.3 million in CY 2000. This represents an average annual increase of 7.3% over 40 years. Enplanement growth averaged 14.8% per year in the 1960s, 5.4% per year in the 1970s, 7.0% per year in the 1980s, and 4.3% per year between CY 1990 and CY 2000. There have been fluctuations in the level of enplanements from year to year; however, in the last seven years, the Airport has experienced consistent growth in enplanements.

The enplanement growth trends at the Airport generally reflect prevailing conditions in the U.S. economy, as well as worldwide economic conditions. Enplanement growth accelerated during periods of economic expansion and slowed during periods of economic recession. An example is the decrease in enplanements in CY 1991 that coincided with an economic contraction and the overall trend of growth in enplanements in subsequent years of U.S. economic expansion.

[4] Letter of American Airlines, Inc. to Lambert-St. Louis International Airport dated March 28, 2001.
[5] Southwest Airlines' Top Ten Airports in Southwest Airlines Fact Sheet – July 2000, http://www.southwest.com.

FIGURE IV-1
HISTORICAL ENPLANEMENT TRENDS
CY 1961-2000



Source: Airport management.

Enplanement growth trends also reflect operational decisions made by air carriers. For example, the designation of the Airport as the major system hub of TWA in December 1982 was followed by a 35.3% increase in enplanements in CY 1983. In CY 1993, TWA's financial difficulties caused some operational changes at the Airport and the temporary transfer of some of TWA's St. Louis service to a "mini-hub" operation at Hartsfield Atlanta International Airport. As a result, enplanements dropped 5.1% in CY 1993. The trend was reversed by a 17.3% increase in enplanements in CY 1994, partly due to the restoration of TWA's "normal" hub operations at the Airport.

Despite setbacks caused by economic downturns and the financial problems of TWA in the 1990s, the overall trend in enplanements at the Airport shows remarkable growth. The Airport's enplanement growth rates have been above the national average in five of the last seven years. The nationwide economic expansion and the expansion of TWA's hub operations at the Airport contributed to the strong growth in passenger traffic in the second half of the 1990s. Positive stimulus has been provided by two other factors, namely, the continuing decline in the real price of air travel and the expansion of low-cost air carrier operations by Southwest at the Airport.

Airport Enplanements versus U.S. Total Enplanements

Table IV-1 shows the relative position of the Airport in the U.S. aviation market. The Airport's share of nationwide enplanements is consistent with its classification as a large hub airport. The Airport's market share ranged from 1.9% to 2.1% during the calendar years 1990 through 1994, remained at 2.2% during the calendar years 1995 through 2000.

TABLE IV-1
SHARE OF U.S. TOTAL ENPLANEMENTS
CY 1990-2000

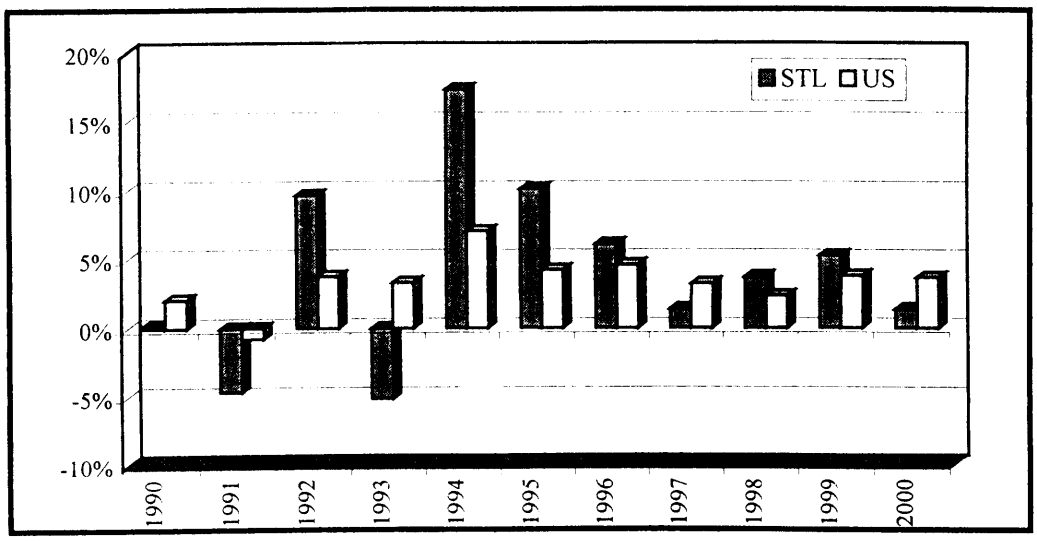
Calendar Year	Airport Enplanements[1]	U.S. Enplanements[2]	Airports 's Market Share
1990	10,019,581	494,825,000	2.0%
1991	9,555,630	491,025,000	1.9%
1992	10,478,501	509,375,000	2.1%
1993	9,942,073	526,100,000	1.9%
1994	11,666,667	563,125,000	2.1%
1995	12,847,080	586,800,000	2.2%
1996	13,631,454	613,725,000	2.2%
1997	13,820,579	633,550,000	2.2%
1998	14,334,329	648,350,000	2.2%
1999	15,092,981	673,025,000	2.2%
2000	15,301,578	697,775,000	2.2%
Average Annual Growth Rate			
1990-2000	4.3%	3.5%	2.1%

[1] Source: Airport management.

[2] Source: Federal Aviation Administration, *Aerospace Forecasts, FY 2001-2012*, March 2001, and earlier versions titled *Aviation Forecasts*. Federal fiscal year data were converted to calendar year data.

Figure IV-2 compares the growth rate of enplanements at the Airport with the growth rate of U.S. total enplanements during the CY 1990-2000 period. During six of the last eleven years, the growth rate of Airport enplanements far exceeded the growth rate in U.S. enplanements. Between CY 1990 and CY 2000, the Airport recorded an average annual enplanement growth rate of 4.3%, higher than the 3.5% national average.

FIGURE IV-2
ANNUAL GROWTH RATE OF STL AND U.S. ENPLANEMENTS
CY 1990-2000



Sources: Airport management; and Federal Aviation Administration, *Aerospace Forecasts, FY 2001-2012*, March 2001, and earlier versions titled *Aviation Forecasts*.

Origin and Destination (O&D) and Connecting Enplanements

Table IV-2 presents historical data on O&D and connecting enplanements at the Airport. The share of O&D traffic was highest at 63.1% in CY 1993 and lowest at 47.2% in CY 1999. In CY 2000, the share of O&D traffic increased slightly to 47.5%. Between CY 1990 and CY 2000, O&D traffic increased at an average annual rate of 2.7% and connecting traffic increased at an average annual rate of 6.1%. In CY 2000, 94.3% of connecting traffic at the Airport was carried by TWA and its regional partners, and 5.7% by Southwest.

TABLE IV-2
O&D AND CONNECTING ENPLANEMENTS
1990-2000

Year	O&D[1]		Connecting		Total Enplanements
	Actual	Share	Actual	Share	
CY 1990	5,575,331	55.6%	4,444,250	44.4%	10,019,581
1991	5,544,783	58.0%	4,010,847	42.0%	9,555,630
1992	6,181,234	59.0%	4,297,267	41.0%	10,478,501
1993	6,270,884	63.1%	3,671,189	36.9%	9,942,073
1994	6,938,220	59.5%	4,728,447	40.5%	11,666,667
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
CY 2000	7,260,756	47.5%	8,040,822	52.5%	15,301,578
FY 1999	7,156,835	49.1%	7,422,499	50.9%	14,579,334
FY 2000	7,213,573	47.3%	8,045,584	52.7%	15,259,157
Average Annual Growth Rate					
CY 1990-2000	2.7%	-	6.1%	-	4.3%
FY 1999-2000	0.8%	-	8.4%	-	4.7%

[1] Prior to 1990, the share of O&D traffic was as follows: 1985, 46.9%; 1986, 48.8%; 1987, 49.0%; 1988, 51.9%; and 1989, 53.5%. Prior to the establishment of the TWA hub at the Airport, O&D traffic had a share of 71.1% in 1981 and 61.8% in 1982.

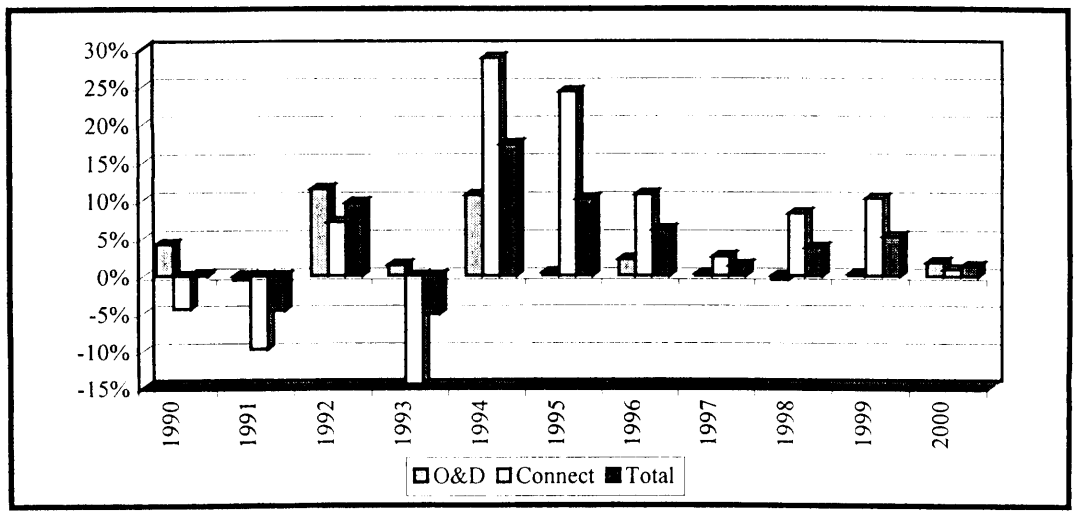
Source: Airport management.

Figure IV-3 provides some interesting insights into the growth patterns of the O&D and connecting components of passenger traffic at the Airport. O&D traffic led the growth in Airport enplanements during the early 1990s. Between CY 1990 and CY 1994, O&D enplanements increased at an average annual growth rate of 5.6%, while connecting enplanements increased at an average annual growth rate of 1.6%. In CY 1993, there was a large decrease in connecting traffic due to the temporary transfer of some of TWA's hub operations to Hartsfield Atlanta International Airport.

Connecting traffic led the growth in the Airport's total enplanements during calendar years 1994-1999. Connecting enplanements increased by 28.8% in CY 1994, following the restoration of TWA's hub operations at the Airport. Connecting enplanements grew at double-digit rates in CY 1995, 1996 and 1999, resulting in a high average annual growth rate of 11.0% over the CY 1994-1999 period. In contrast, O&D enplanements posted a modest average growth rate of 0.5% per year between CY 1994 and CY 1999. O&D enplanements decreased slightly (-0.5%) in CY

1998 and then resumed a positive growth trend (+0.3%) in CY 1999. In CY 2000, O&D enplanements increased by 1.9%, while connecting enplanements increased by 0.9%.

FIGURE IV-3
ANNUAL GROWTH RATES OF O&D, CONNECTING AND TOTAL ENPLANEMENTS
CY 1990-2000



Source: Airport management.

The flat trend in O&D traffic at the Airport in recent years may be attributed to the following factors:

- *Southwest's overall capacity growth trends.* Fleet expansion by Southwest contributed to the significant growth in Southwest's operations and O&D traffic at the Airport in the early 1990s. In recent years, the growth in Southwest's fleet capacity has leveled off, and this constrained the allocation of aircraft to the St. Louis market. Consequently, Southwest's enplanements at the Airport grew only slightly in recent years, and this explains in part the relatively flat trend in O&D traffic.

- *Recent population and employment growth trends in the St. Louis region.* Population growth in the St. Louis MSA slowed to 0.2% in 1998 – lower than the 0.4% average annual population growth between 1990 and 1997. Moreover, local employment decreased by 1.7% in 1997 and 1.0% in 1998.

Current indications point to a possible change in the rates of growth in Southwest fleet capacity and operations at the Airport. At present, Southwest is expanding its fleet of aircraft. Southwest added thirty-two new aircraft to its fleet in CY 1999 and another 11 aircraft in CY 2000. In June 2000, Southwest announced an order of up to 290 "Next Generation" Boeing 737-700 aircraft over the next eight years – this is the largest single order made by Southwest Airlines and the

largest order ever for the Next Generation family of aircraft.[6] Meanwhile, Southwest is actively pursuing marketing strategies to boost travel to St. Louis.[7] The Airport also added terminal capacity with the completion of the East Terminal expansion in March 1999, and increased the number of gates available to Southwest from eight to twelve. The increase in Southwest's gates at the Airport, together with future aircraft deliveries, will afford opportunities for further growth in Southwest's service at the Airport. With the addition of four gates, Southwest now averages 6.8 turns per gate, well below its previous average of 12.7 turns per gate at the Airport and its system average of 12 turns per gate. This shows that there is room for further growth in Southwest operations at the Airport.

With respect to the local economy, Section III shows that the current and future economic growth prospect in the St. Louis region is positive, and this bodes well for the growth in O&D traffic at the Airport.

Domestic and International Enplanements

Table IV-3 presents historical data on domestic and international enplanements. The Airport serves primarily domestic passengers, which constituted approximately 98.7% of total enplanements in CY 2000. On average, over the eleven-year period CY 1990-2000, domestic enplanements increased by 4.3% per year, and international enplanements increased by 8.4% per year.

[6] BACK Information Services/Lundkvist Fleet Database; and Southwest Airlines, "Southwest Airlines and the Boeing Company Announce Largest "Next Generation" Aircraft Order to Date," *Press Releases*, June 29, 2000, in http://www.southwest.com.
[7] Southwest Airlines, "Southwest Airlines Sets St. Louis on Fire with $30 Fares," *Press Releases*, August 10, 2000, in http://www.southwest.com.

TABLE IV-3
DOMESTIC AND INTERNATIONAL ENPLANEMENTS
1990-2000

Year	Domestic		International		Total Enplanements
	Actual	Share	Actual	Share	
CY 1990	9,930,856	99.1%	88,725	0.9%	10,019,581
1991	9,398,684	98.4%	156,946	1.6%	9,555,630
1992	10,284,088	98.1%	194,413	1.9%	10,478,501
1993	9,810,109	98.7%	131,964	1.3%	9,942,073
1994	11,507,038	98.6%	159,629	1.4%	11,666,667
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
CY 2000	15,103,678	98.7%	197,900	1.3%	15,301,578
FY 1999	14,387,966	98.8%	175,456	1.2%	14,563,422
FY 2000	15,080,187	98.8%	178,970	1.2%	15,259,157
Average Annual Growth Rate					
CY 1990-2000	4.3%	-	8.4%	-	4.3%
FY 1999-2000	4.8%	-	2.0%	-	4.8%

Source: Airport management.

3. Airline Market Share

Table IV-4 shows the trends in airline market shares at the Airport. TWA's share decreased slightly from 73.2% in CY 1990 to 72.3% in CY 2000. Over the last ten years, TWA enplanements increased by an average rate of 4.2% per year from 7.3 million in CY 1990 to approximately 11.1 million in CY 2000. Rapid growth in TWA enplanements – averaging 8.1% per year – occurred between 1994 and 1999. On average, TWA enplanements increased by 14.4% between CY 1994 and CY 1995, and 6.5% per year between CY 1995 and CY 1999. Until CY 1999, TWE service was provided solely by Trans States, which increased its market share from 2.8% in CY 1990 to 3.5% in CY 2000. Its enplanements increased from approximately 284,000 in CY 1990 to approximately 538,000 in CY 2000, recording an average annual increase of 6.6%. Much of the growth in Trans States' enplanements occurred during the early part of the decade. Between CY 1990 and CY 1994, Trans States' enplanements increased by an average rate of 26.4% per year. Between CY 1994 and CY 2000, Trans States posted decreases in enplanements at an average annual rate of 4.8% per year.

TABLE IV-4
AIRLINE MARKET SHARE
CY 1990, 1994 and 2000

Airline	Enplanements			Market Share		
	1990	1994	2000	1990	1994	2000
Air Carrier						
America West	-	125,986	70,156	0.0%	1.1%	0.5%
American	297,214	318,955	329,229	3.0%	2.7%	2.2%
American Trans Air	-	-	-	0.0%	0.0%	0.0%
Continental	77,504	223,233	96,169	0.8%	1.9%	0.6%
Delta	190,613	253,113	229,404	1.9%	2.2%	1.5%
Eastern	146,457	-	-	1.5%	0.0%	0.0%
Northwest	276,423	299,590	260,308	2.8%	2.6%	1.7%
Southwest	569,201	1,555,975	1,788,794	5.7%	13.3%	11.7%
TWA	7,331,217	7,435,965	11,064,976	73.2%	63.7%	72.3%
United	246,750	292,703	226,383	2.5%	2.5%	1.5%
US Airways	134,179	207,894	177,539	1.3%	1.8%	1.2%
Other	24,309	-	-	0.2%	0.0%	0.0%
Subtotal-Air Carrier	**9,293,867**	**10,713,414**	**14,242,958**	**92.8%**	**91.8%**	**93.1%**
Commuter						
Air Midwest	301,544	-	-	3.0%	0.0%	0.0%
Air Canada	-	-	22,774	0.0%	0.0%	0.1%
Aspen/Executive	5,907	5,060	-	0.1%	0.0%	0.0%
Champion Air[1]			31,974	0.0%	0.0%	0.2%
Chautauqua (TWE)[2]	-	-	101,000	0.0%	0.0%	0.7%
Comair	7,316	28,452	74,572	0.1%	0.2%	0.5%
Continental Express	-	-	53,808	0.0%	0.0%	0.4%
Corporate Air (TWE)[3]	-	-	29,862	0.0%	0.0%	0.2%
Frontier	-	-	-	0.0%	0.0%	0.0%
Flagship	-	18,860	-	0.0%	0.2%	0.0%
Mesa[2]	-	-	8,836	0.0%	0.0%	0.1%
Mesaba[4]	-	-	64,174	0.0%	0.0%	0.4%
Skyway Airlines	-	3,735	4,434	0.0%	0.0%	0.0%
Trans States (TWE)	283,724	724,533	538,254	2.8%	6.2%	3.5%
US Airways Express	-	-	12,054	0.0%	0.0%	0.1%
Others	1,643	806	-	0.0%	0.0%	0.0%
Subtotal-Commuter	**600,134**	**781,446**	**941,742**	**6.0%**	**6.7%**	**6.2%**
Subtotal-Charter	**125,580**	**171,807**	**116,878**	**1.3%**	**1.5%**	**0.8%**
Total Enplanements	**10,019,581**	**11,666,667**	**15,301,578**	**100.0%**	**100.0%**	**100.0%**

[1] Began service in July 2000.
[2] Began service in April 2000.
[3] Began service in May 2000.
[4] Began service in March 2000.

Source: Airport management.

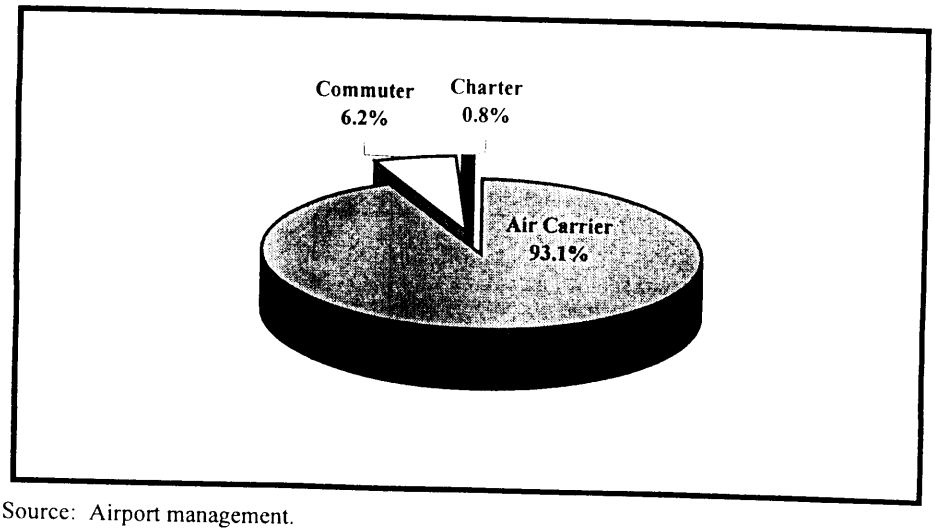
In CY 2000, TWA entered into code-sharing agreements with two other airlines, Chautauqua and Corporate Air, to expand its regional/commuter service. Chautauqua and Corporate Air captured a combined market share of 0.9% during CY 2000.

Southwest has also established a significant presence at the Airport. Its market share more than doubled from 5.7% in CY 1990 to 11.7% in CY 2000. Southwest now has the second largest market share at the Airport. Its enplanements tripled from over 569,000 in CY 1990 to nearly 1.8 million in CY 2000, posting an annual average growth rate of 12.1%. Between CY 1990 and CY 1994, Southwest's enplanements increased at an annual average rate of 28.6%. Between CY 1994 and CY 2000, Southwest's enplanements continued a positive growth trend, albeit at a more modest pace of 2.4% per year.

The last decade has seen the entry and exit of airlines that provide scheduled service at the Airport. Those that have entered and remained in the market are America West, Air Canada, Champion Air, Chautauqua, Continental Express, Corporate Air, Mesa, Mesaba, Skyway, and US Airways Express. Among those that have left the market are Eastern (which ceased operations altogether), Air Midwest, Executive Express (which stopped operating at the Airport in November 1998), and American Trans Air (which stopped operating at the Airport in June 1999). Two other airlines operated briefly at the Airport: Frontier, which operated in CY 1996 and CY 1997, and Flagship, which operated in CY 1994.

Overall, air carriers served approximately 93.1% of enplanements in CY 2000, up slightly from an aggregate share of 92.8% in CY 1990. Commuter air carriers served less than 6.2% of CY 2000 enplanements, up slightly from an aggregate share of 6.0% in CY 1990. The share of charter/non-scheduled air carriers decreased from 1.3% in CY 1990 to approximately 0.8% in CY 2000. **Figure IV-4** shows the enplanement share by carrier type in CY 2000.

FIGURE IV-4
ENPLANEMENT SHARE BY TYPE OF CARRIER
CY 2000



Source: Airport management.

4. Air Service Markets

Table IV-5 lists the top 32 O&D markets for the Airport in FY 2000. The list includes cities that have a share of 1% or more of the Airport's O&D passengers. Each of the 32 cities is served by daily direct flights from the Airport by at least two air carriers. **Figure IV-5** shows the top ten O&D markets in FY 2000. Chicago, which is approximately 260 air miles from St. Louis, had the largest market share of 9.1%. New York City, which is approximately 870 air miles away, had the second largest share of 4.3%. Los Angeles, which is approximately 1,600 air miles from St. Louis, had the third largest market share of 4.2%.

Based on OAG data on published nonstop departures in FY 2000, there were approximately 637 scheduled flights per day from the Airport to over 100 airport and city destinations in the United States and abroad. The foreign nonstop destinations were Bermuda City, Bermuda; Paris (DeGaulle), France; Cancun, Mexico; Cozumel, Mexico; London (Gatwick), England; Montego Bay, Jamaica; Mexico City, Mexico; Ontario, Canada; Vancouver, Canada; and Ixtapa/Zihuatanejo, Mexico.[8]

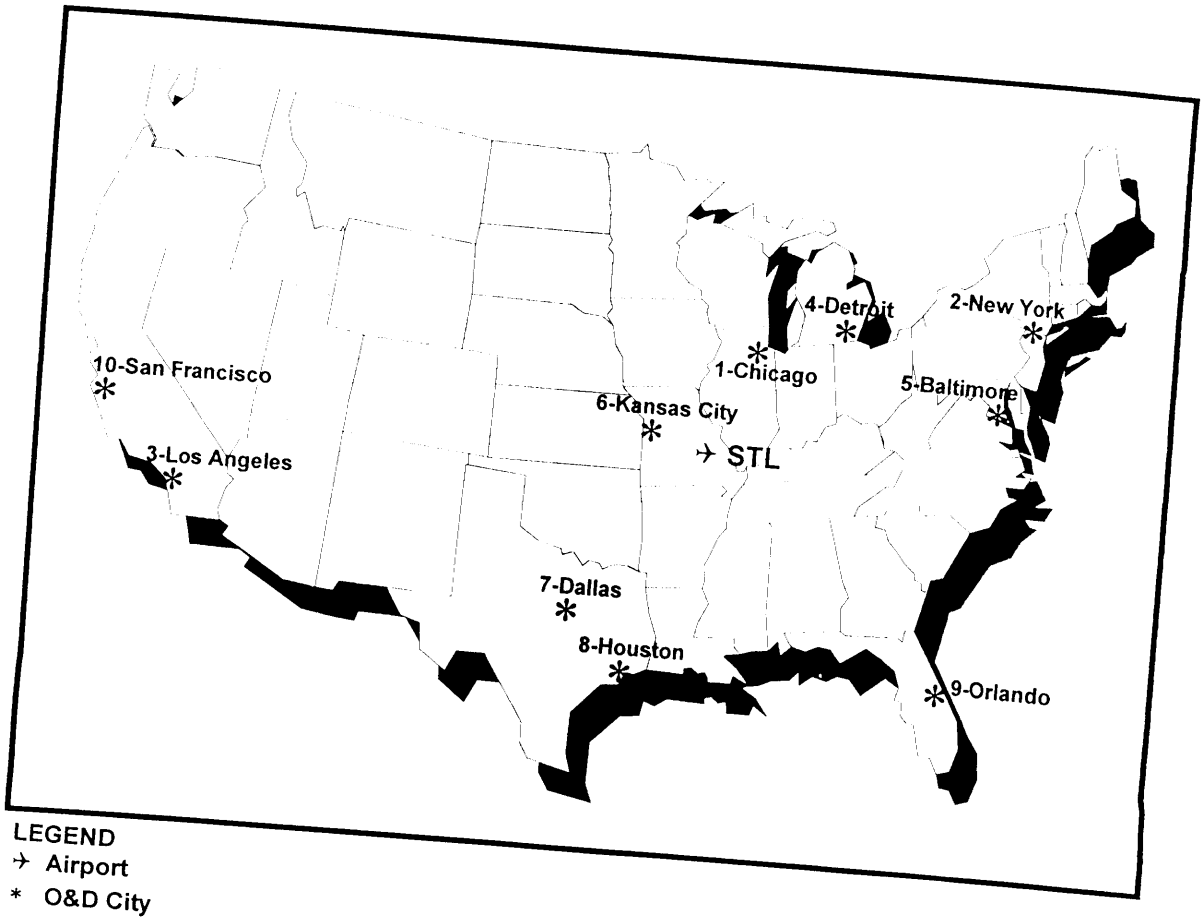
[8] BACK Aviation Solutions and Official Airline Guide, Inc., *Published Nonstop Passenger Departures from STL*, FY 2000.

TABLE IV-5
O&D DESTINATIONS WITH MARKET SHARES OF 1% OR GREATER
FY 2000

Rank	City	Airports	Air Miles from St. Louis[1]	O&D Market Share[2]	Daily Nonstop Departures[3]	Airlines Serving the Market[4]
1	Chicago, IL	ORD, MDW	261	9.1%	34	**TW, WN, UA, AA**
2	New York, NY	EWR, LGA, JFK	872	4.3%	20	**TW, AA, CO**, NW, *UA*
3	Los Angeles, CA	LAX, ONT, SNA, BUR, LGB	1,597	4.2%	12	**TW, AA**, WN, *UA, HP*
4	Detroit/Ann Arbor, MI	DTW	453	3.7%	17	**NW, WN, TW**
5	Baltimore, MD	BWI	726	3.5%	9	**TW, WN**, *UA*
6	Kansas City, MO	MCI	239	3.4%	17	**TW, WN**
7	Dallas, TX	DFW	547	3.1%	16	**TW, AA**, GQ
8	Houston, TX	IAH, HOU	684	2.9%	16	**WN, TW, CO**
9	Orlando, FL	MCO	861	2.7%	8	**TW, WN**
10	San Francisco, CA	SFO, SJC, OAK	1,743	2.7%	8	**TW**, UA, WN
11	Phoenix, AZ	PHX	1,268	2.5%	14	**TW, WN, HP**
12	Atlanta, GA	ATL	469	2.4%	15	**TW, DL**
13	Washington, DC	DCA, IAD	707	2.3%	13	**TW**, AA, UA
14	Cleveland, OH	CLE	481	2.0%	11	**TW, WN, CO**, *DL*
15	Tampa/St. Petersburg, FL	TPA	857	2.0%	7	**TW, WN**, *DL, NW*
16	Florida South, FL	FLL, MIA	1,055	2.0%	8	**TW, WN**, *DL, NW*
17	Las Vegas, NV	LAS	1,378	1.9%	5	**TW, WN**, *UA, AA*
18	Denver, CO	DEN	778	1.9%	10	**TW, UA**
19	Minneapolis/St. Paul, MN	MSP	461	1.9%	16	**TW, NW, SY**
20	Seattle, WA	SEA	1,717	1.6%	6	**TW**, UA, WN
21	Omaha, NE	OMA	354	1.5%	8	**TW, WN**
22	Columbus, OH	CMH	401	1.5%	8	**TW, WN**, *DL*
23	Philadelphia, PA	PHL	803	1.4%	10	**TW, US**, *UA*
24	San Diego, CA	SAN	1,561	1.4%	4	**TW**, WN, *UA*
25	Boston, MA	BOS	1,037	1.2%	6	**TW**, US, UA
26	Little Rock, AR	LIT	291	1.2%	9	**TW, WN**
27	Indianapolis, IN	IND	222	1.2%	11	**TW, WN**
28	Oklahoma City, OK	OKC	466	1.1%	8	**TW, WN**
29	San Antonio, TX	SAT	785	1.1%	5	**TW**, WN, *CO, AA*
30	Tulsa, OK	TUL	354	1.1%	10	**TW, WN**
31	New Orleans, LA	MSY	598	1.1%	5	**TW, CO**, *NW*
32	Salt Lake City, UT	SLC	1,164	1.0%	6	**TW, WN**, *UA*
	Subtotal-Top 32 cities			**73.8%**	**351**	
	Subtotal-All other cities			**26.2%**	**286**	
	TOTAL			**100.0%**	**637**	

[1] Source: *OAG Flight Guide*, February 2001.
[2] Source: BACK Aviation Solutions and U.S. Department of Transportation OD1A Database.
[3] Source: BACK Aviation Solutions and Official Airline Guide, Inc., *Published Nonstop Passenger Departures from STL*, FY 2000. Average daily departures equal annual departures divided by 365 days.
[4] Source: *OAG Flight Guide*, February 2001. **Bold** - nonstop direct flight. Regular - direct flight with 1 or more stop. *Italic* - with connection.

FIGURE IV-5
TOP TEN O&D MARKETS
FY 2000



LEGEND
✈ Airport
* O&D City

RJs are currently in use at the Airport. Canadair Regional Jets (CRJs) are operated by Comair, US Airways Express, and Air Canada to serve non-stop destinations such as Cincinnati, Ohio; Philadelphia, Pennsylvania; and Ontario, Canada, respectively. Embraer Regional Jets (ERJs) are operated by Continental Express to Cleveland, Ohio. In CY 2000, TWA launched RJ operations with marketing partner Chautauqua Airlines and Corporate Air to supplement the Trans World Express and Trans World Connection turboprop service at the Airport.[9]

The increasing use of RJs is seen as one of the growth factors in the airline industry. The FAA projects that the use of RJs will lead to further route rationalization by large commercial air carriers, including low density markets in the 500-mile range and beyond. Selected routes would be handed off to RJs because RJs can serve these markets with greater service frequency than would be economically feasible with larger jet aircraft.[10]

5. Air Cargo

The Airport handles a large volume of air cargo annually. **Table IV-6** shows that the volume of air cargo increased from 238.20 million pounds in CY 1990 to approximately 287.02 million pounds in CY 2000, growing at an average rate of 1.9% per year. Air cargo consists of freight and mail. The bulk of air cargo handled at the Airport is freight, which accounted for 74.8% of total air cargo in CY 2000.

[9] Trans World Airlines, Inc., *Press Releases*, in http://www.twa.com.
[10] FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, page IV-17.

TABLE IV-6
HISTORICAL AIR CARGO (In Pounds)
1990-2000

Year	Freight		Mail		Total
	Pounds	Share	Pounds	Share	
CY 1990	177,366,423	74.5%	60,832,874	25.5%	238,199,297
1991	175,349,875	75.5%	57,051,009	24.5%	232,400,884
1992	182,369,502	74.1%	63,840,674	25.9%	246,210,176
1993	173,670,151	71.6%	68,933,027	28.4%	242,603,178
1994	206,420,853	73.4%	74,947,308	26.6%	281,368,161
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
CY 2000	214,749,669	74.8%	72,268,005	25.2%	287,017,674
FY 1999	212,210,557	73.3%	77,140,818	26.7%	289,351,375
FY 2000	215,916,204	74.0%	75,701,181	26.0%	291,617,385
Average Annual Growth Rate					
CY 1990-2000	1.9%	-	1.7%	-	1.9%
FY 1999-2000	1.7%	-	-1.9%	-	0.8%

Source: Airport management.

6. Aircraft Operations

The Airport is one of the busiest in the nation in terms of aircraft operations, ranking 14th in the United States and 15th in the world according to ACI preliminary traffic data for CY 2000. **Table IV-7** shows the FAA Tower records of aircraft operations at the Airport for the period CY 1990-2000. The general trend is that of an increase in commercial operations and a decrease in general aviation and military operations.

In CY 2000, there were nearly 457,000 commercial operations that accounted for 95.0% of total aircraft operations at the Airport.[11] Commercial operations consist largely of air carrier operations, which have increased by an average of 2.1% per year over the last ten years, and regional/commuter operations, which have increased by an average of 0.01% over the same

[11] According to the FAA tower records, there were a total of 456,827 commercial operations in CY 2000. The Airport management records of arrivals and departures show a total of 445,186. The Airport management records of arrivals are the basis for calculating landed weight and will therefore be used later in the section as a basis for developing forecasts of aircraft departures, arrivals, and landed weight.

period. The growth in commercial aircraft operations has generally lagged behind the growth in passenger traffic due to increasing load factors.

TABLE IV-7
HISTORICAL AIRCRAFT OPERATIONS
1990-2000

Year	Air Carrier[1]	Commuter/ Air Taxi	General Aviation	Military	Total
CY 1990	281,497	110,037	37,772	9,696	439,002
1991	262,371	105,589	35,985	9,267	413,212
1992	273,069	109,268	36,573	8,845	427,755
1993	283,579	115,171	45,508	9,010	453,268
1994	317,576	116,161	38,744	7,462	479,943
1995	351,291	123,123	37,693	7,049	519,156
1996	357,916	117,103	33,083	5,837	513,939
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
CY 2000	346,637	110,190	20,639	3,559	481,025
FY 1999[2]	287,423	185,134	25,858	4,866	503,281
FY 2000[2]	357,149	110,735	22,813	3,867	494,564
Average Annual Growth Rate					
CY 1990-2000	2.1%	0.0%	-5.9%	-9.5%	0.9%
FY 1999-2000	24.3%	-40.2%	-11.8%	-20.5%	-1.7%

[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).

General aviation operations cover a wide range of aviation activities, including pilot training, recreational flying, sightseeing, flying for corporate or personal reasons, and the movement of large heavy loads by helicopter. General aviation operations at the Airport have declined in share and number as a result of the transfer of many general aviation operations to other airports that are more conducive for general aviation activity. The decline in the number of general aviation operations at the Airport is also consistent with the nationwide trend of decline that resulted from the high cost of owning and operating general aviation aircraft, and other economic reasons.

Military operations at the Airport are conducted mostly by the Missouri Air National Guard and have also declined significantly in recent years.

7. Commercial Aircraft Landed Weight

Table IV-8 presents historical data on commercial aircraft landed weight at the Airport. Total landed weight increased from 19.89 billion pounds in CY 1990 to 24.13 billion pounds in CY 2000, at an average annual growth rate of 2.0%. In CY 2000, signatory airlines accounted for 93.6% of total commercial aircraft landed weight.

TABLE IV-8
HISTORICAL AIRCRAFT LANDED WEIGHT
1990-2000

Year	Signatory Airlines[1] (1,000 lbs.)	Signatory Airlines[1] Share	Nonsignatory Airlines[2] (1,000 lbs.)	Nonsignatory Airlines[2] Share	Total (1,000 lbs.)
CY 1990	18,724,978	94.1%	1,168,341	5.9%	19,893,319
1991	17,337,530	94.1%	1,083,884	5.9%	18,421,414
1992	18,238,986	95.5%	862,255	4.5%	19,101,240
1993	18,275,376	95.8%	808,218	4.2%	19,083,594
1994	20,583,663	95.4%	986,681	4.6%	21,570,343
1995	22,355,464	94.9%	1,200,090	5.1%	23,555,554
1996	22,795,464	95.8%	998,248	4.2%	23,793,712
1997	22,891,567	96.0%	948,814	4.0%	23,840,381
1998	22,075,935	94.9%	1,198,195	5.1%	23,274,130
1999	22,790,458	95.6%	1,059,565	4.4%	23,850,023
CY 2000	22,598,390	93.6%	1,536,365	6.4%	24,134,755
FY 1999	22,248,697	95.0%	1,171,989	5.0%	23,420,686
FY 2000	23,147,129	95.2%	1,165,017	4.8%	24,312,146
Average Annual Growth Rate					
CY 1990-2000	1.9%	-	2.8%	-	2.0%
FY 1999-2000	4.0%	-	-0.6%	-	3.8%

[1] The signatory airlines are America West, American, Continental, Delta, Northwest, Southwest, Trans World Airways, United, US Airways, and Trans States.

[2] Nonsignatory airlines include other commuter air carriers, charters, and all-cargo carriers. However, Airport data on charter landed weight are incomplete.

Source: Airport management.

B. FORECASTS OF AVIATION ACTIVITY

In this sub-section, forecasts of aviation activity are developed based upon the historical trends discussed in sub-section IV-A, as well as reasonable assumptions about measurable changes in the factors that are relevant to aviation activity at the Airport.

Unison's preferred enplanement forecast methodology is the multivariate regression approach. In summary, the multivariate regression approach is selected because it allows forecasts to be linked systematically to projected changes in economic activity and dynamics in the airline industry, thereby reducing reliance on subjective inputs. For the same reason, in 1997 the FAA began to adopt the regression approach in developing its annual aviation forecasts for the nation.[12]

As part of forecast evaluation, the forecasts obtained from the multivariate regression approach are compared to alternative forecasts such as forecasts developed from a market share approach, trendline forecasts, FAA Terminal Area Forecasts (TAF), and the Master Plan forecasts.

1. The Multivariate Regression Approach

Traditional approaches to aviation forecasting include judgmental estimation, trendline fitting, and other variants of trend extrapolation. These approaches essentially assume that historical trends will be replicated in the forecast period. The resulting forecasts may be flawed to the extent that future conditions deviate significantly from the past. More importantly, these approaches fail to isolate the individual determinants of demand, and hence are not useful for examining the sensitivity of demand to changes in specific market factors.

The regression method used in this report is a systematic approach to quantifying economic relationships, performing sensitivity analyses, and generating forecasts. A model of air travel demand is developed based on sound economic theory and knowledge of the salient features of the Airport market.

Multivariate regression analysis permits the assessment of the impact of multiple variables on air travel demand. The multivariate regression model developed for this study relates annual enplanements to the following explanatory variables: (1) the local economic base of the Airport as approximated by non-agricultural employment in the St. Louis MSA; (2) the price of air travel as measured by real passenger yields; (3) air traveler's income as approximated by U.S. real Gross Domestic Product (GDP) per capita; (4) TWA hub operations – specifically, the establishment of TWA's hubbing operations at the Airport beginning in December 1982 and the temporary transfer of some of TWA's hub operations to Hartsfield Atlanta in 1993. Each explanatory variable is discussed below:

[12] FAA, *Aerospace Forecasts, FY 1999-2010*, March 1999, page III-19.

- ***Local economic base.*** As discussed in Section III, the demographic and economic trends in the St. Louis MSA reflect a diverse and growing socio-economic base that will continue to support growth in air travel demand in the area. In the regression model developed for this study, local socio-economic trends are represented by non-agricultural employment in the St. Louis MSA. Enplanements are expected to increase with local non-agricultural employment. Historical and forecast data on local non-agricultural employment were obtained from the Standard and Poor's DRI economic database. Local non-agricultural employment increased at an average annual rate of 1.2% over the period 1990-1999, and is assumed to continue increasing at an annual average rate of 0.9% over the next ten years.[13]

- ***Price of air travel.*** The demand for air travel is an inverse function of its price. In general, people tend to travel more frequently when airfares are lower and travel less frequently when airfares are higher. In the regression model, the trend in airfares is represented by real passenger yields.[14] Since the airline industry deregulation in 1978, competition among air carriers, the entry of low-cost carriers, and increased productivity have resulted in a decline in real passenger yields. This, in turn, stimulated growth in air travel demand. Enplanements are expected to increase with a continued decline in real passenger yields. Historical and forecast data on real passenger yields on domestic traffic were obtained from the FAA Statistics and Forecast Branch and the published FAA Aerospace Forecasts. Real passenger yields decreased at an average annual rate of 1.9% between 1990 and 2000. The FAA projects real passenger yields to continue decreasing at an average annual rate of 1.4% over the period 2000-2010. The FAA expects that the rate of decline in real passenger yields to be lower in the short run – 0.3% per year in 2001, 2002 and 2003 – and higher in the long run – 1.9% per year during 2004 through 2010.[15]

- ***Consumer income.*** The demand for air travel is a direct function of income, and income is determined by national economic trends. Economic expansion increases incomes and boosts air travel demand. By contrast, economic recession results in income and job losses, and dampens air travel demand. In the regression model, income is represented by the U.S. real GDP per capita. Enplanements are expected to increase with the U.S. real GDP per capita. Historical and forecast data on the U.S. real GDP per capita were obtained from the Standard and Poor's DRI economic database. The U.S. real GDP per capita increased at an average annual rate of 2.3% between 1990 and 2000 and is projected to increase at an average annual rate of 2.5% over the next ten years. Standard and Poor's DRI economic forecast anticipates a slowdown in economic growth in the short run. The annual growth in U.S. real GDP per capita is projected to slow down to

[13] Economic data and forecasts were obtained from Standard and Poor's DRI.
[14] Real passenger yields equal total revenues divided by revenue passenger miles.
[15] FAA, *Aerospace Forecasts, Fiscal Years 2000-2011*, March 2000.

0.6% in 2001 and 1.8% in 2002, then accelerate to 3.2% in 2003 and 2004, and range between 2.4% and 3.1% during the remaining years of the forecast period.[16]

- ***TWA's former hub operations.*** Another important factor for consideration in modeling and forecasting air travel demand at the Airport is AMR Sub's hub operations. As discussed in sub-section IV-A, the establishment of TWA's former hub operations at the Airport in December 1982 was followed by a marked upward shift in enplanements at the Airport. The regression model includes a variable that permits the measurement of the demand shift that occurred in 1983. This variable is crucial for developing forecasts of Airport enplanements under different scenarios with respect to AMR Sub's hub operations. The regression model also includes another variable to capture the effect of the temporary transfer of some of TWA hub operations to Hartsfield Atlanta International Airport in 1993.

  On January 10, 2001, TWA, for the third time, filed for protection under Chapter 11 of the U.S. Bankruptcy Code. On April 9, 2001, 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. Prior to the acquisition of TWA, American expressed its intent to continue operating a hub at the Airport in a letter dated March 28, 2001.[17] The announcements that have so far been made by both TWA and American indicate no change in hub operations at the Airport that could negatively affect the level of air traffic activity at the Airport, although no assurances are given that this will happen. However, for purposes of the financial feasibility study, Unison prepared alternative forecasts assuming different scenarios with respect to the level of hub operations at the Airport.

The regression model was estimated using annual historical data from 1961 to 2000.[18] Appropriate trend variables were included to account for the correlation between past and present levels of enplanements that is typically inherent in time series data.[19] The model fits the data very well as evidenced by an *adjusted R-squared*[20] of 0.99. This means that, collectively, the explanatory variables explained 99% of the variations in annual enplanements. The regression coefficient of each explanatory variable confirmed the anticipated effect on enplanements.

[16] Economic data and forecasts were obtained from Standard and Poor's DRI.

[17] Letter from American Airlines, Inc. to Lambert-St. Louis International Airport, March 28, 2001.

[18] The final forecasting model included the following explanatory variables: real passenger yields, real U.S. GDP per capita, and the variables that indicated changes in TWA hub operations. Local non-agricultural employment was excluded because of its high positive correlation with real U.S. per capita GDP.

[19] The correlation in time series data is called *serial correlation* and is accounted for by including appropriate *auto-regressive factors* in the regression model.

[20] The R-squared (R^2) is a measure of goodness-of-fit, and is the proportion of the total variation in the dependent variable that is explained by the regression model. An R-squared of 0 occurs when the linear regression model does nothing to help explain the variation in the dependent variable. An R-squared of 1 represents a perfect fit.

2. Regression Forecasts of Enplanements

As presented in **Table IV-9,** forecasts are generated for fiscal years 2001 through 2010 under two scenarios:

Base Case: The current level of hub operations will continue over the forecast period; however, beginning in FY 2002, a small number of scheduled flights may be discontinued due to route rationalization by AMR Sub.

The Base Case essentially assumes the continuation of the current level of hubbing activity at the Airport. It also assumes that AMR Sub has the capability to continue and expand hub operations at the Airport. American views the addition of the St. Louis hub as a strategic advantage in improving American's position as "an east/west carrier." In the letter dated March 28, 2001, American indicated the following: "the St. Louis hub is a significant addition to the American Airlines network. It gives us a third powerful connecting hub – along with DFW and Chicago – in the middle of the country, thereby strengthening our position as a leading east-west carrier, and giving customers flying from one side of the country to the other a new travel option within the American system."[21] Announcements made by both American and TWA indicate the likely continuation of the current level of hub operations at the Airport, though no assurances can be given. In connection with the sale of TWA's assets to AMR Sub on April 9, 2001, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City.

Under the Base Case, regression forecasts of enplanements were developed based on projected economic and air fare trends, and assuming that American will continue operating a system hub at the Airport. For the purpose of the financial feasibility analysis, Unison has assumed the discontinuation of certain flights due to route rationalization. Unison explored two hypothetical approaches to route rationalization: (1) elimination of overlaps in current departures by AMR Sub and American from the Airport; and (2) reduction in the frequency of current AMR Sub departures to certain destinations, whereby the average boarding load factor falls below 75% of AMR Sub's average boarding load factor on all its departures from STL.

Unison analyzed detailed data on TWA and American market shares, enplanements, daily departures and flight destinations from the Airport during FY 2000 to determine overlaps in the service provided by AMR Sub and American, and to identify airport destinations that AMR Sub currently serves and that have boarding load factors less than 51.4%, which is 75% of TWA average boarding load factor on all departures from the Airport in FY 2000.[22] The findings from this analysis are summarized below:

- American's current market share at the Airport is very small. Based on FY 2000 data, American accounted for 2.0% of enplanements, 1.8% of aircraft departures, and 1.8% of landed weight. Therefore, any potential service overlap would affect no more than 1.8% of total aircraft departures at the Airport. An examination of all scheduled nonstop

[21] Letter from American Airlines, Inc. to Lambert-St. Louis International Airport dated March 28, 2001.
[22] The average boarding load factor on all TWA departures from the Airport in FY 2000 was 68.6%

departures from the Airport by TWA and American during the week ending February 17, 2001 revealed even fewer potential overlaps, involving as little as 0.8% of total aircraft departures from the Airport.[23]

- In addition to service overlaps, Unison identified TWA flights to 20 airport destinations, whereby the average boarding load factor during FY 2000 was estimated to fall below 75% of the average boarding load factor of TWA on all its departures from the Airport.[24] Unison assumed a 50% reduction in the frequency of flights to these destinations.

- The combined effects of the two hypothetical route rationalization approaches are estimated as follows: the elimination of approximately 19,600 to 22,500 annual aircraft departures, the loss of approximately 507,800 to 695,400 connecting enplanements; and the loss of approximately 2.6 to 2.9 billion pounds in aircraft landed weight.

The findings from this analysis provided the empirical basis for determining the number of flights that may be discontinued. Then appropriate adjustments – based on the upper limit of the range estimated for the number of discontinued flights – were made to the regression forecasts of enplanements, aircraft departures, and aircraft landed weight for the fiscal years 2002-2010. For example, in FY 2002, the adjustments translate into the following percentage reduction from the regression forecasts: approximately 4% reduction from the forecast enplanements for FY 2002, approximately 10% reduction from the forecast aircraft departures, and approximately 12% reduction from the forecast aircraft landed weight. In subsequent years, the adjustments translate into slightly smaller percentage reductions from the forecasts.

Table IV-9 presents the resulting enplanement forecasts. Total enplanements for FY 2001 are assumed to remain at the FY 2000 level of 15.26 million, based on the actual growth trend observed for the July 2000-February 2001 period and assumptions about the growth trend during the remaining four months of FY 2001.[25] Under the Base Case, enplanements are projected to decrease slightly to 15.03 million in FY 2002, and thereafter, increase gradually to 18.14 million in FY 2010. This represents an average annual growth rate of 1.7% over the forecast period.

The enplanement forecasts under the Base Case anticipate the elimination of certain flights due to route rationalization; however, American and TWA have not made any announcements about specific plans. If American were to maintain the current level of existing hub operations at the Airport, the projected slight decrease in enplanements in FY 2002 may not occur. Instead, enplanements would be projected to increase to 15.66 million in FY 2002 and then continue

[23] For the purpose of the analysis, a service overlap is defined to occur when an American flight and a TWA flight to the same destination are scheduled to depart within a 30-minute interval.

[24] In FY 2000, TWA's average boarding load factor on all its departures from the Airport was approximately 68.6%.

[25] Total enplanements were 9.8 million during the July 2000-February 2001 period, 0.16% lower than total enplanements during the same period in FY 2000. Data for the July 2000-January 2001 period showed a positive enplanement growth of 0.7% compared to data for the same period in FY 2000. However, the enplanement count in February 2001 – the month following TWA's bankruptcy filing and the announcement of American's acquisition of TWA – was 7.2% lower compared to February 2000 and reflected a reduction in ticket sales for TWA after the announcement. Keeping total enplanements in FY 2001 at the FY 2000 level assumes that enplanement growth during the remaining months of FY 2001 will return to a positive trend to offset the decline in February, especially after the closing of the TWA sale on April 9, 2001.

increasing to 18.77 million in FY 2010. The resulting average annual growth rate in enplanements over the forecast period would be 2.1%.

TABLE IV-9
REGRESSION MODEL FORECASTS OF ENPLANEMENTS
FY 2000-2010

Fiscal Year	Base Case[1]	Sensitivity Analysis[2]
2000A	15,259,157	15,259,157
2001E	15,259,000	15,259,000
2002	15,034,000	12,404,000
2003	15,205,000	12,539,000
2004	15,608,000	12,858,000
2005	16,045,000	13,205,000
2006	16,474,000	13,544,000
2007	16,892,000	13,876,000
2008	17,308,000	14,205,000
2009	17,725,000	14,535,000
2010	18,143,000	14,867,000
Average Annual Growth Rate		
2000-2010	1.7%	-0.3%

A-Actual; E-Estimate based on actual data for the July 2000-February 2001 period.

[1] Forecast enplanement growth is determined by future trends of real per capita GDP, local employment, and real passenger yields. It is assumed that AMR Sub will continue hub operations at its current level; however, certain flights may be eliminated beginning in FY 2002 due to route rationalization.

[2] Assumes that AMR Sub would significantly scale down, or discontinue, hub operations at the Airport beginning in FY 2002. None of AMR Sub's O&D traffic is lost, but approximately 45% of its share of connecting traffic is lost.

Sensitivity Analysis: AMR Sub would significantly scale down, or discontinue, hub operations at the Airport; none of AMR Sub's O&D traffic is lost, but approximately 45% of AMR Sub's share of connecting traffic is lost.

An alternative regression forecast of enplanements was developed based on the assumption that AMR Sub would significantly scale down, or discontinue, hub operations at the Airport beginning in FY 2002, resulting in a downward shift in the enplanement level. Thereafter, the projected growth trend in enplanements results from the combined effect of anticipated growth in real income and local employment, as well as the continuing trend of decline in real passenger yields. The resulting alternative forecasts, also shown in **Table IV-9**, are to be used for sensitivity analysis in Section V.

The Sensitivity Analysis looks into the continuation of the historical growth trend of enplanements at the Airport, both O&D and connecting, as if the TWA hub were not established

at the Airport in December 1982. The regression model included a variable that measured the upward shift in the level of enplanements that occurred in 1983, following the designation of the Airport as TWA's system hub. This variable was then used to estimate the downward shift in the level of enplanements if the newly created AMR Sub would significantly scale down, or discontinue, hub operations at the Airport beginning in FY 2002. The result is a reduction in the annual enplanement forecasts by approximately 18%, which is equivalent to the elimination of approximately 45% of TWA's average share of connecting enplanements over the last five years. Given this result, it is assumed that: (1) all of the Airport's O&D traffic will be retained, and (2) more than one-half of the Airport's connecting traffic will be retained – a return to pre-TWA hub level of connecting traffic. It is also assumed that other airlines would provide adequate replacement service to capture all of AMR Sub's O&D traffic and carry the remaining connecting traffic at the Airport.

The level of O&D traffic is largely a function of the size and characteristics of the local air service area. As demonstrated in Section III, the Airport's primary ASA has a strong and stable socio-economic base that is expected to support growth in O&D travel demand. It is therefore reasonable to expect that O&D traffic will be retained and that another airline or group of airlines will likely provide replacement service to meet O&D demand in St. Louis. (**Table IV-5** shows the other airlines that currently serve the Airport's top 32 O&D markets.)

Unlike O&D traffic, connecting traffic is largely a function of airline operating strategy. The Sensitivity Analysis provides lower forecasts by assuming a scaled-down level of hubbing activity at the Airport. However, the Airport will retain a significant level of connecting traffic, a result that is highly conceivable for a number of reasons:

a) Historical data provide evidence that connecting traffic already constituted a significant component of total enplanements prior to the designation of the Airport as a TWA hub in December 1982. Connecting traffic was approximately 29% of total enplanements in 1981 and approximately 38% in 1982, and was carried by American, Delta, Ozark, Republic, Texas International, TWA, and US Airways. In the Sensitivity Analysis, connecting traffic is projected to account for 40% of total enplanements in FY 2002; this share is projected to increase gradually to 42% in FY 2010.

b) AMR Sub or another airline may likely utilize the Airport for connections. St. Louis' central location in the country makes the Airport a strategic choice for airline system hub operations. The Airport has modern airfield and terminal facilities already in place. The Airport is also embarking on various development projects for further capacity expansion, including the construction of the new runway to be financed in part by the Series 2001 Bonds. Moreover, the Airport generates a significant level of O&D traffic that can support schedule frequencies required to service connecting traffic.

c) The Airport will remain attractive for hubbing activity because other major hub airports are now operating at capacity and are experiencing congestion and delay problems. According to the FAA, most of the major hub airports, including American's hubs Chicago O'Hare and Dallas-Fort Worth, currently experience annual aircraft delay in

excess of 20,000 hours and are projected to continue experiencing excessive delays until 2007. Most of these airports ranked among the top 20 airports in terms of the number of aircraft operations delayed 15 minutes or more in 1998.[26]

Table IV-10 presents the allocation of the regression forecasts of enplanements between O&D and connecting traffic. O&D enplanements are projected to increase from approximately 7.21 million in FY 2000 to approximately 8.55 million in FY 2010, at an average annual growth rate of 1.7% per year – lower than the ten-year historical growth rate of 2.7% in annual O&D enplanements. Under the Base Case, the O&D traffic share is projected to range between 47% and 49% over the forecast period. Under the Sensitivity Analysis, the O&D traffic share is projected to increase from 47% in FY 2000 to approximately 60% in FY 2002, and then decrease slightly to 58% in FY 2010.

Connecting enplanements represent the difference between the projected total enplanements and the projected O&D enplanements. Under the Base Case, connecting enplanements are projected to decrease from approximately 8.04 million in FY 2000 to 7.64 million in FY 2002, and then gradually increase to 9.59 million in FY 2010. The average growth rate in connecting traffic is projected at 1.8% per year over the forecast period. The share of connecting enplanements is projected to decrease slightly from 53% in FY 2000 to 51% in FY 2002, and then gradually increase to 53% in FY 2010. Under the Sensitivity Analysis, connecting enplanements are projected to decrease to 5.01 million, or 40% of total enplanements, in FY 2002 and then gradually increase to 6.31 million, or 42% of total enplanements, in FY 2010. Connecting enplanements are projected to decrease at an average rate of 2.4% per year over the forecast period.

[26] FAA, *1999 Aviation Capacity Enhancement Plan*, December 1999, pp. 27-31.

TABLE IV-10
REGRESSION MODEL FORECASTS OF ENPLANEMENTS
ALLOCATION BETWEEN O&D AND CONNECTING TRAFFIC[1]
FY 2000-2010

Fiscal Year	O&D Enplanements	Connecting Enplanements	
		Base Case	Sensitivity Analysis
2000A	7,213,573	8,045,584	8,045,584
2001E	7,246,350	8,012,650	8,012,650
2002	7,397,555	7,636,445	5,006,445
2003	7,462,190	7,742,810	5,076,810
2004	7,614,187	7,993,813	5,243,813
2005	7,778,189	8,266,811	5,426,811
2006	7,938,345	8,535,655	5,605,655
2007	8,093,611	8,798,389	5,782,389
2008	8,247,396	9,060,604	5,957,604
2009	8,400,836	9,324,164	6,134,164
2010	8,553,945	9,589,055	6,313,055
Average Annual Growth Rate			
2000-2010	1.7%	1.8%	-2.4%

A-Actual; E-Estimate based on actual growth trend for the July 2000-February 2001 period

[1] See **Table IV-9** for total enplanement forecasts.

3. Alternative Enplanement Forecasts

Table IV-11 compares the regression forecasts with forecasts developed from the following approaches and independent sources, assuming that AMR Sub will continue to operate at the Airport at the same levels as TWA operated historically:

Linear Trendline: This approach assumes that the historical trend in domestic enplanements at the Airport will be replicated during the forecast period. The projections were derived by fitting a regression line with time as the only explanatory variable. To the extent that the future closely mirrors the past, trendline forecasting is an acceptable planning tool. However, there are future uncertainties that may not be accounted for by trendline projections. More importantly, this method does not identify the specific market factors that influence enplanements, and hence does not provide a useful guide for interpreting the relative impact of the contributing factors. Based on the historical trends, the fitted trendline projects an average annual growth rate of 1.5% in enplanements at the Airport between FY 2000 and FY 2010, lower than the average annual growth rate of enplanements in the regression forecast.

TABLE IV-11
ALTERNATIVE FORECASTS OF ENPLANEMENTS[1]
FY 2000-2010

Fiscal Year	Regression[2]	Trendline[3]	Market Share[4]	FAA TAF[5]	Master Plan[6]
2000A	15,259,157	15,259,157	15,259,157	15,259,157	15,259,157
2001	15,259,000	14,901,000	15,627,000	15,597,000	15,025,000
2002	15,034,000	14,691,000	16,127,000	16,204,000	15,450,000
2003	15,205,000	15,071,000	16,787,000	16,941,000	15,888,000
2004	15,608,000	15,451,000	17,505,000	17,713,000	16,339,000
2005	16,045,000	15,831,000	18,228,000	18,520,000	16,803,000
2006	16,474,000	16,210,000	18,988,000	19,337,000	17,281,000
2007	16,892,000	16,590,000	19,762,000	20,163,000	17,773,000
2008	17,308,000	16,970,000	20,547,000	21,026,000	18,282,000
2009	17,725,000	17,350,000	21,355,000	21,926,000	18,810,000
2010	18,143,000	17,729,000	22,190,000	22,865,000	19,355,000
Average Annual Growth Rate					
2000-2010	1.7%	1.5%	3.8%	4.1%	2.4%

[1] These alternative forecasts assume status quo in the level of hub operations at the Airport.

[2] The enplanement figure for FY 2001 is an estimate based on actual data for the July 2000-February 2001 period. The enplanement forecasts for the FY 2002-2010 period were generated from the multivariate regression model and adjusted for possible route rationalization. See **Table IV-9.**

[3] These are the results from fitting a linear trendline on historical data from 1961-2000.

[4] These are the results from projecting a constant share of 2.2% of U.S. enplanements, which is the average share achieved by the Airport over the five calendar year period 1996-2000.

[5] These are FAA Terminal Area Forecasts for the Airport, downloaded from the FAA on-line database in October 2000.

[6] These are the latest forecasts developed under the Master Plan.

Market Share Approach: This approach assumes that the Airport's historical average annual share of U.S. domestic enplanements will remain the same over the forecast period. The resulting trend in future enplanements at the Airport essentially mirrors the trend forecasted for national enplanements. The forecasts of U.S. enplanements are developed by the FAA and published in its annual *Aerospace Forecasts* publication.[27] Between FY 2000 and FY 2010, the market share approach projects an average annual growth rate of 3.8% in enplanements at the Airport, higher than the average annual growth rate predicted by the regression model. The market share approach does not identify the specific market factors that influence enplanements at the Airport.

[27] FAA, Aerospace Forecasts, FY 2001-2012, March 2001.

FAA Terminal Area Forecast (TAF): The FAA develops forecasts of aviation activity for FAA-towered airports within the National Plan of Integrated Airport System (NPIAS). The TAF is based on the FAA's national forecasts and includes, where possible, the most recent available historical data on individual airports. Due to the lag in reporting time, the most recent data is frequently one to two years old. More importantly, the terminal area forecasts are developed independent of the ability of airports and the air traffic control system to supply the capacity to meet the projected demand. This means that the TAF essentially assumes an unconstrained demand for commercial air services.[28] It is, therefore, not surprising that the TAF is frequently too aggressive. The TAF of domestic enplanements at the Airport projects an average annual growth rate of 4.1% over the FY 2000-2010 period, higher than the average annual growth rate predicted by the regression model.

Master Plan: The forecasts shown in **Table IV-11** represents the latest update of the enplanement forecasts in the Lambert-St. Louis International Airport Master Plan. The average annual growth rate in enplanements is projected at 2.4%, higher than the growth rate projected by the regression model.

4. Air Cargo Forecasts

Forecasts of air cargo were developed separately, as shown in **Table IV-12**. Freight and mail cargo are projected to continue their historical rate of growth. Freight cargo is projected to increase from 215.9 million pounds in FY 2000 to 257.5 million pounds in FY 2010 at an average annual growth rate of 1.8%. Mail cargo is projected to increase from 75.7 million pounds in FY 2000 to 85.1 million pounds in FY 2010 at an average annual growth rate of 1.2%. In total, air cargo is projected to increase from 291.6 million pounds in FY 2000 to 342.7 million pounds in FY 2010, representing an average annual growth rate of 1.6%.

5. Forecasts of Commercial Aircraft Operations and Landed Weight

The regression forecasts of enplanements in **Table IV-9** and the air cargo forecasts in **Table IV-12** served as the basis for projecting the number of commercial aircraft operations and landed weight. The regression forecasts of enplanements were distributed among the three types of service: air carrier, commuter, and charter. We then applied reasonable assumptions with respect to aircraft seat capacity, boarding load factors, and aircraft landed weight to arrive at projections of aircraft departures (and arrivals) and landed weight for passenger air carriers. With respect to all-cargo carriers, we divided the all-cargo carrier's share of air cargo by the current ratio of the total number of pounds of air cargo carried per operation to project the number of all-cargo aircraft departures and arrivals, and then multiplied the result by the average landed weight of all-cargo carriers to determine aircraft landed weight. The assumptions regarding the trends in aircraft seat capacity, boarding load factor, and average aircraft landed weight were based on industry-wide trends forecasted by the FAA.[29] The Base Case forecasts are

[28] FAA, *Terminal Area Forecasts Summary, FY 2000-2015*, December 2000, pages 3-4.
[29] FAA, Aerospace Forecasts, FY 2001-2012, March 2001.

presented in **Table IV-13A,** and the Sensitivity Analysis forecasts are presented in **Table IV-13B**.

Under the Base Case (**Table IV-13A**), the forecasts of aircraft departures and landed weight take into account the elimination of certain flights that may result from route rationalization – a hypothetical scenario discussed on pages IV-22 and IV-23. If such route rationalization does not take place, the forecasts of annual aircraft departures would be 10%-11% higher, and the forecasts of annual aircraft landed weight would be 11%-14% higher.

We multiplied the number of commercial aircraft departures by two to estimate total commercial aircraft operations and added projections of general aviation and military operations to arrive at total aircraft operations. The results are presented in **Table IV-14A** and **Table IV-14B.**

TABLE IV-12
AIR CARGO ACTIVITY FORECASTS
FY 2000-2010

Fiscal Year	Air Cargo (Pounds)		
	Freight[1]	Mail[2]	Total
2000A	215,916,204	75,701,181	291,617,385
2001	216,823,000	72,896,000	289,719,000
2002	221,010,000	74,162,000	295,172,000
2003	225,277,000	75,451,000	300,728,000
2004	229,627,000	76,762,000	306,389,000
2005	234,061,000	78,095,000	312,156,000
2006	238,581,000	79,452,000	318,033,000
2007	243,188,000	80,833,000	324,021,000
2008	247,884,000	82,237,000	330,121,000
2009	252,670,000	83,666,000	336,336,000
2010	257,549,000	85,120,000	342,669,000
Average Annual Growth Rate			
2000-2010	**1.8%**	**1.2%**	**1.6%**

A-Actual

[1] Freight cargo is assumed to increase at 1.9% per year beginning in CY 2001, based on the average annual growth rate during the period CY 1990-2000.

[2] Mail cargo is assumed to increase at 1.7% per year beginning in CY 2001, based on the average annual growth rate during the period CY 1990-2000.

TABLE IV-13A
FORECASTS OF COMMERCIAL AIR TRAFFIC ACTIVITY - BASE CASE
FY 2000-2010

Aviation Activity	Actual FY 2000	Estimate FY 2001	Forecast FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Enplaned passengers[1]											
Air carrier	14,316,192	14,101,000	13,847,000	14,006,000	14,381,000	14,787,000	15,186,000	15,574,000	15,961,000	16,348,000	16,737,000
Commuter	808,911	1,073,000	1,102,000	1,114,000	1,142,000	1,173,000	1,203,000	1,233,000	1,262,000	1,292,000	1,321,000
Charter	134,054	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Total	**15,259,157**	**15,259,000**	**15,034,000**	**15,205,000**	**15,608,000**	**16,045,000**	**16,474,000**	**16,892,000**	**17,308,000**	**17,725,000**	**18,143,000**
Enplanements per departure											
Air carrier	82.58	85.62	93.94	94.19	94.86	94.91	95.27	95.90	96.50	97.02	97.59
Commuter	16.64	20.92	21.63	22.26	22.85	23.29	23.63	24.08	24.48	24.89	25.34
Charter	71.92	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71
Aircraft departures											
Air carrier	173,352	164,700	147,400	148,700	151,600	155,800	159,400	162,400	165,400	168,500	171,500
Commuter	48,604	51,300	50,900	50,000	50,000	50,400	50,900	51,200	51,500	51,900	52,100
Charter	1,864	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Subtotal-Passenger	**223,820**	**217,400**	**199,700**	**200,100**	**203,000**	**207,600**	**211,700**	**215,000**	**218,300**	**221,800**	**225,000**
Cargo	4,038	3,800	3,900	3,900	4,000	4,100	4,200	4,300	4,300	4,400	4,500
Total	**227,858**	**221,200**	**203,600**	**204,000**	**207,000**	**211,700**	**215,900**	**219,300**	**222,600**	**226,200**	**229,500**
Weight per landing (lbs.)											
Air carrier	128,414	129,120	128,772	129,630	130,172	130,398	130,941	132,106	133,162	134,107	135,160
Commuter	27,739	35,614	36,629	37,552	38,290	38,843	39,305	39,858	40,412	40,873	41,427
Charter	36,475	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571
Cargo	166,982	192,368	192,922	194,029	194,721	194,998	195,690	197,212	198,596	199,842	201,226
Landed weight (1,000 lbs.)											
Air carrier	22,226,658	21,266,000	18,981,000	19,276,000	19,734,000	20,316,000	20,872,000	21,454,000	22,025,000	22,597,000	23,180,000
Commuter	1,343,082	1,827,000	1,864,000	1,878,000	1,914,000	1,958,000	2,001,000	2,041,000	2,081,000	2,121,000	2,158,000
Charter	68,136	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Subtotal-Passenger	**23,637,875**	**23,189,000**	**20,941,000**	**21,250,000**	**21,744,000**	**22,370,000**	**22,969,000**	**23,591,000**	**24,202,000**	**24,814,000**	**25,434,000**
Cargo	674,271	731,000	752,000	757,000	779,000	799,000	822,000	848,000	854,000	879,000	906,000
Total	**24,312,146**	**23,920,000**	**21,693,000**	**22,007,000**	**22,523,000**	**23,169,000**	**23,791,000**	**24,439,000**	**25,056,000**	**25,693,000**	**26,340,000**

[1] See Base Case forecast in **Table IV-9**.

TABLE IV-13B
FORECASTS OF COMMERCIAL AIR TRAFFIC ACTIVITY - SENSITIVITY ANALYSIS
FY 2000-2010

Aviation Activity	Actual FY 2000	Estimate FY 2001	Forecast FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Enplaned passengers[1]											
Air carrier	14,316,192	14,101,000	11,217,000	11,340,000	11,631,000	11,947,000	12,256,000	12,558,000	12,858,000	13,158,000	13,461,000
Commuter	808,911	1,073,000	1,102,000	1,114,000	1,142,000	1,173,000	1,203,000	1,233,000	1,262,000	1,292,000	1,321,000
Charter	134,054	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Total	**15,259,157**	**15,259,000**	**12,404,000**	**12,539,000**	**12,858,000**	**13,205,000**	**13,544,000**	**13,876,000**	**14,205,000**	**14,535,000**	**14,867,000**
Enplanements per departure											
Air carrier	82.58	85.62	83.40	83.75	84.47	84.67	85.11	85.84	86.47	87.08	87.69
Commuter	16.64	20.92	21.63	22.26	22.85	23.29	23.63	24.08	24.48	24.89	25.34
Charter	71.92	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71	60.71
Aircraft departures											
Air carrier	173,352	164,700	134,500	135,400	137,700	141,100	144,000	146,300	148,700	151,100	153,500
Commuter	48,604	51,300	50,900	50,000	50,000	50,400	50,900	51,200	51,500	51,900	52,100
Charter	1,864	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Subtotal-Passenger	**223,820**	**217,400**	**186,800**	**186,800**	**189,100**	**192,900**	**196,300**	**198,900**	**201,600**	**204,400**	**207,000**
Cargo	4,038	3,800	3,900	3,900	4,000	4,100	4,200	4,300	4,300	4,400	4,500
Total	**227,858**	**221,200**	**190,700**	**190,700**	**193,100**	**197,000**	**200,500**	**203,200**	**205,900**	**208,800**	**211,500**
Weight per landing (lbs.)											
Air carrier	128,414	129,120	127,955	128,685	129,136	129,327	129,792	130,793	131,708	132,535	133,459
Commuter	27,739	35,614	36,629	37,552	38,290	38,843	39,305	39,858	40,412	40,873	41,427
Charter	36,475	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571	68,571
Cargo	166,982	192,368	192,922	194,029	194,721	194,998	195,690	197,212	198,596	199,842	201,226
Landed weight (1,000 lbs.)											
Air carrier	22,226,658	21,266,000	17,210,000	17,424,000	17,782,000	18,248,000	18,690,000	19,135,000	19,585,000	20,026,000	20,486,000
Commuter	1,343,082	1,827,000	1,864,000	1,878,000	1,914,000	1,958,000	2,001,000	2,041,000	2,081,000	2,121,000	2,158,000
Charter	68,136	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000	96,000
Subtotal-Passenger	**23,637,875**	**23,189,000**	**19,170,000**	**19,398,000**	**19,792,000**	**20,302,000**	**20,787,000**	**21,272,000**	**21,762,000**	**22,243,000**	**22,740,000**
Cargo	674,271	731,000	752,000	757,000	779,000	799,000	822,000	848,000	854,000	879,000	906,000
Total	**24,312,146**	**23,920,000**	**19,922,000**	**20,155,000**	**20,571,000**	**21,101,000**	**21,609,000**	**22,120,000**	**22,616,000**	**23,122,000**	**23,646,000**

[1] See Sensitivity Analysis forecast in Table IV-9.

TABLE IV-14A
AIRCRAFT OPERATIONS FORECASTS - BASE CASE
FY 2000-2010

Fiscal Year	Air Carrier[1]	Commuter/ Air Taxi[2]	General Aviation	Military	Total
2000A	358,246	97,023	22,813	3,867	481,949
2001	339,800	102,600	22,800	3,900	469,100
2002	305,400	101,800	22,800	3,900	433,900
2003	308,000	100,000	22,800	3,900	434,700
2004	314,000	100,000	22,800	3,900	440,700
2005	322,600	100,800	22,800	3,900	450,100
2006	330,000	101,800	22,800	3,900	458,500
2007	336,200	102,400	22,800	3,900	465,300
2008	342,200	103,000	22,800	3,900	471,900
2009	348,600	103,800	22,800	3,900	479,100
2010	354,800	104,200	22,800	3,900	485,700
Average Annual Growth Rate					
2000-2010	-0.1%	0.7%	0.0%	0.1%	0.1%

A - Actual
[1] Air carrier operations include scheduled air carrier, charter, and all-cargo. See **Table IV-13A**.
[2] See **Table IV-13A**.

TABLE IV-14B
AIRCRAFT OPERATIONS FORECASTS - SENSITIVITY ANALYSIS
FY 2000-2010

Fiscal Year	Air Carrier[1]	Commuter/ Air Taxi[2]	General Aviation	Military	Total
2000A	358,246	97,023	22,813	3,867	481,949
2001	339,800	102,600	22,800	3,900	469,100
2002	279,600	101,800	22,800	3,900	408,100
2003	281,400	100,000	22,800	3,900	408,100
2004	286,200	100,000	22,800	3,900	412,900
2005	293,200	100,800	22,800	3,900	420,700
2006	299,200	101,800	22,800	3,900	427,700
2007	304,000	102,400	22,800	3,900	433,100
2008	308,800	103,000	22,800	3,900	438,500
2009	313,800	103,800	22,800	3,900	444,300
2010	318,800	104,200	22,800	3,900	449,700
Average Annual Growth Rate					
2000-2010	-1.2%	0.7%	0.0%	0.1%	-0.7%

A - Actual
[1] Air carrier operations include scheduled air carrier, charter, and all-cargo. See **Table IV-13B**.
[2] See **Table IV-13B**.

C. OTHER FACTORS AFFECTING AVIATION DEMAND

The forecasts presented in this section focused on the immediate factors that influence aviation activity at the Airport. There are broader factors that might influence future air travel demand at the Airport. Some of these factors are discussed below:

National economic conditions: As with most consumer goods, air travel demand is affected by prevailing economic conditions. Periods of economic expansion boost consumer confidence and stimulate demand for most consumer goods and services. By contrast, economic downturns represent negative prospects and dampen business and consumer demand. The current U.S. economic expansion is into its 10th year, making this the longest expansion since World War II.[30] The U.S. economy is beginning to show signs of a slowdown in growth due to cutbacks in business spending. In the fourth quarter of 2000, the GDP posted an increase of only 1%, slower than the 2.2% growth rate in the third quarter, 5.6% in the second quarter, and 4.8% in the first quarter.[31] The sharp decline in the equities market in recent months may contribute to a

[30] FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, page II-1.
[31] Jennifer Corbett Dooren, "Economic Growth Waned in 4th Period, Hurt by Cutbacks in Business Spending," *The Wall Street Journal*, March 31, 2001.

continued slowing down of the economy in 2001. However, independent economic forecasting units such as the Office of Management and Budget, Standard and Poor's DRI, and WEFA predict economic growth to continue at moderate pace over the long run.[32] Passenger traffic and related aviation activity at the Airport are likely to continue to respond to national business cycles.

Changes in airline operating costs: The year 2000 marked the eighth consecutive year that operating revenues for U.S. commercial airline industry exceeded operating expenses. The industry operating profit was $7.6 billion in 2000. According to the FAA, a major contributing factor to the financial success of the airline industry in 2000 was the strong growth in traffic and yields offsetting higher fuel and labor costs.[33] However, fuel prices continue to rise, in part, because of an OPEC agreement to limit crude oil supply. One positive indication is that some non-OPEC member countries may act independently to relieve the global crude oil shortage. Moreover, the U.S. government is taking actions to prevent further increases in fuel prices such as the release of oil from its strategic reserves.[34] The airline industry has responded to recent fuel cost increases by raising air fares – and, at some airports, by imposing discrete fuel charges – without dampening air travel demand. The airline industry also continues to benefit from structural changes that keep operating costs in check. One such change is the entry of new, low-cost, low-fare carriers, who are attracted to the industry by the financial success of Southwest. Another change in the airline industry is the continuing restructuring by most high-cost carriers, including route rationalization, the use of more efficient aircraft equipment, and agreements that enhance worker productivity.[35]

Emerging trends in the U.S. airline industry: The U.S. airline industry appears to be entering a new phase of consolidation through proposed acquisitions, mergers, and alliances. Examples of this trend are the recently approved acquisition by American of TWA, the proposed acquisition by American of certain strategic assets from US Airways and significant ownership of substantially all assets of the newly formed DC Air, and the United-US Airways merger plans. According to the FAA, airline consolidations and alliances involving joint marketing and service agreements could significantly alter the structure of the airline industry.[36]

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 GA reliever airports: the Spirit of St. Louis, St. Louis Downtown Parks (in Illinois), St. Louis Regional (in Illinois), St. Charles Municipal, St. Charles County/Smart, and Creve Coeur. These airports' runways are not sufficiently long to accommodate large commercial aircraft. A new airport, Mid America

[32] FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001.
[33] FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, pp. III-1 and III-2.
[34] Various articles in the *Wall Street Journal*.
[35] FAA, *Aerospace Forecasts, FY 2001-2012*, March 2001, pp. III-15 and III-17.
[36] FAA, *Aerospace Forecasts*, FY 2001-2012, March 2001, p. III-16.

Airport, opened in November 1997 in St. Clair County, Illinois, approximately 25 miles from downtown St. Louis. Mid America Airport, a joint-use facility with Scott Air Force Base, has a 10,000-foot runway and a four aircraft gate terminal, with capacity for 1.25 million annual enplanements[37] – much smaller than the Airport. The airport currently owns land that can accommodate the expansion of the terminal to 85 gates; however, the current airport boundary is not sufficient to accommodate the construction of a second runway. Beginning on August 16, 2000, Pan American Airlines offers daily flights from MidAmerica Airport to Gary, Indiana and Sanford, Florida.

Acquisition of Trans World Airlines by American Airlines: On January 10, 2001, TWA, for the third time, filed a petition for reorganization and a motion for authority to sell potentially all of its assets. The sale of substantially all assets of TWA to American was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001 and the United States Department of Justice on March 16, 2001, and closed on April 9, 2001. In connection with the sale, TWA assumed and assigned to AMR Sub all agreements and leases between TWA and the City.

Strong Southwest presence: Southwest lists the Airport in its corporate Internet site as one of its "Top Ten Airports," based on the number of Southwest daily departures. Southwest has been operating at the Airport since 1985 and now occupies 12 gates in the East Terminal, operating 85 daily departures to over 20 cities in the United States. [38] As a provider of low-cost air transportation, Southwest's presence at the Airport is expected to remain a positive stimulus to travel demand. Southwest's low fares are expected to elicit a similar competitive response from other airlines that will result in better fare and service to customers.

D. SUMMARY

This section presented a comprehensive assessment of historical trends in air traffic activity at the Airport and developed forecasts of various measures of aviation activity. The main findings of this section are outlined below:

- Enplanements increased from slightly less than one million in CY 1961 to 15.3 million in CY 2000. This represents an annual average increase of 7.3% over 40 years. During the CY 1990-2000 period, enplanements increased at an annual average rate of 4.3%, higher than the 3.4% national average. In CY 2000, the Airport had a 2.2% share of U.S. total enplanements.

- The Airport posted strong growth in O&D enplanements, averaging 2.7% per year over the CY 1990-2000 period. O&D traffic accounted for 47.5% of total enplanements in CY 2000. Connecting enplanements also recorded significant increases, averaging 6.1% per year.

[37] *Scott Joint-Use Airport Revenue Forecasts*, February 8, 1993.
[38] *Southwest Airlines' Top Ten Airports in Southwest Airlines Fact Sheet – July 2000*, in http://www.southwest.com.

- Domestic traffic constituted the large majority of enplanements – 98.7% in CY 2000.

- TWA sold its assets to American in April 2001, and American expressed its intent to continue the hub operations at the Airport. In CY 2000, TWA, together with its regional code-sharing partners, accounted for approximately 73.2% of enplanements. Southwest had the second largest share of 11.7% in CY 2000.

- In FY 2000, there were approximately 637 scheduled flights per day from St. Louis to over 100 destinations across the country and abroad.

- The volume of air cargo handled by the Airport increased from over 238 million pounds in CY 1990 to over 287 million pounds in CY 2000, at an average annual growth rate of 1.9%. In CY 2000, 74.8% of annual air cargo was freight, and 25.2% was mail.

- Estimates of aviation activity for FY 2001 were developed based on actual trends observed for the July 2000-February 2001 period. Forecasts of aviation activity for the FY 2002-2010 period were developed using a multivariate regression approach. Forecasts were generated under two scenarios with respect to the continuation of the hub operations at the Airport. If the current level of hub operations will continue (Base Case), enplanements are projected to increase from 15.26 million in FY 2000 to 18.14 million in FY 2010 at an average annual growth rate of 1.7%. If AMR Sub would significantly scale down, or discontinue, hub operations (Sensitivity Analysis), the projected annual enplanements will be reduced by approximately 18%.

- O&D enplanements are projected to increase from approximately 7.21 million in FY 2000 to approximately 8.55 million in FY 2010, at an average annual growth rate of 1.7% per year – lower than the ten-year historical growth rate of 2.7% in annual O&D enplanements. Under the Base Case, the O&D traffic share is projected to range between 47% and 49% over the forecast period under the base case. Under the Sensitivity Analysis, the O&D traffic share is projected to increase from 47% in FY 2000 to approximately 60% in FY 2002, and then decrease slightly to 58% in FY 2010.

- Under the Base Case, connecting enplanements are projected to decrease from approximately 8.04 million in FY 2000 to 7.64 million in FY 2002, and then gradually increase to 9.59 million in FY 2010 – on average, increasing at 2.1% per year over the forecast period. The share of connecting enplanements is projected to decrease slightly from 53% in FY 2000 to 51% in FY 2002, and then gradually increase to 53% in FY 2010. Under the Sensitivity Analysis, connecting enplanements are projected to decrease to 5.01 million, or 40% of total enplanements, in FY 2002 and then gradually increase to 6.31 million, or 42% of total enplanements, in FY 2010. Connecting enplanements are projected to decrease at an average rate of 2.4% per year over the forecast period.

- The volume of air cargo is projected to increase from 291.62 million pounds in FY 2000 to 342.7 million pounds in FY 2010, posting an average annual growth rate of 1.6%.

- The enplanement and air cargo forecasts are translated into corresponding projections of aircraft operations and landed weight, using reasonable assumptions with respect to the trends in aircraft seat capacity, boarding load factors, and average aircraft landed weight.

SECTION V
FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Airport (including key provisions of the Trust 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 2001 through FY 2009) to (1) pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Trust Indenture and (2) satisfy the Additional Bonds Test. The section also discusses the information and assumptions underlying the financial forecasts. The financial forecasts, which are set forth in various tables in this section, include Revenues, Operation and Maintenance Expenses, Net Revenues, Aggregate Debt Service, debt service coverage, and the application of revenues to funds and accounts established under the Trust Indenture. The section also presents a sensitivity analysis regarding changes in certain key assumptions.

A. FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

1. Trust Indenture

The 2001A ADP Bonds are being issued pursuant to the Amended and Restated Indenture of Trust (the Restated Indenture) dated as of October 15, 1984, and amended and restated as of September 10, 1997 and the Eighth Supplemental Indenture dated as of May 1, 2001 (collectively, the Trust Indenture). The 2001A ADP Bonds are limited obligations of the City payable solely from (1) the revenues to be derived by the City from the operation of the Airport—revenues that are currently pledged to the payment of the City's outstanding general airport revenue bonds under the Amended and Restated Indenture of Trust—(the GARB Revenues) and (2) certain PFC Revenues that are to be pledged to the payment of that portion of the 2001A ADP Bonds under the Eighth Supplemental Indenture (the Pledged PFC Revenues). Currently, pursuant to the Trust Indenture, Revenues consist of the GARB Revenues; upon the issuance of the 2001A ADP Bonds, Revenues will be defined as the sum of the GARB Revenues and the Pledged PFC Revenues.[1]

Section 811 of the Restated Indenture requires the City to:

> ...at all times while any Bonds shall be outstanding, establish, fix, prescribe and collect such rates, fees, rentals and other charges for the use of the Airport as shall be reasonably anticipated to provide in each Airport Fiscal Year an amount so that the Revenues shall be sufficient to pay the Aggregate Debt Service for such Airport Fiscal Year and to

[1] Revenues are also defined to include "...any other available moneys deposited, at the discretion of the City, with the Trustee for deposit in the Revenue Fund."

> provide the funds necessary to make the required deposits in and maintain the several Funds and Accounts established in Article V of the Restated Indenture, and in any event, as shall be required to pay or discharge all indebtedness, charges and liens whatsoever payable out of Revenues under the Restated Indenture.

This provision is referred to as the Rates and Charges Covenant.

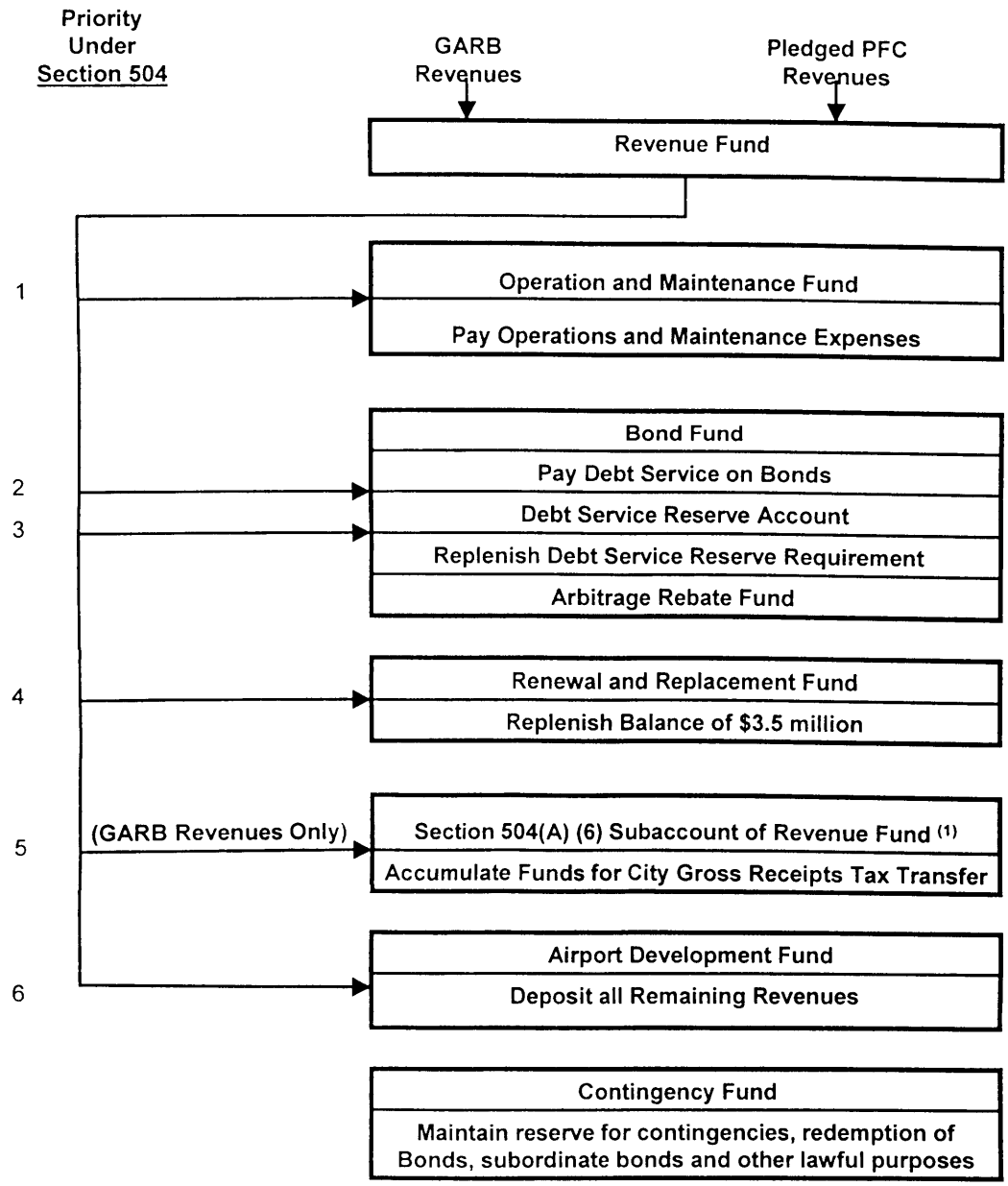
The 2001A ADP Bonds are to be Additional Bonds under the Trust Indenture. As a condition for the issuance of Additional Bonds, the Trust Indenture requires, among other provisions,

> (3) 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 ADF;
>
> (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... (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...

These provisions are 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.

Section V of the Restated Indenture establishes certain funds and accounts and the priority for the application of Revenues to those funds and accounts. **Exhibit V-1** depicts the application of Airport Revenues to the funds and accounts established by the Restated Indenture. The Airport Revenues are first deposited to the Airport Revenue Fund and then to the Operation and Maintenance (O&M) Fund to pay O&M Expenses. The remaining Airport Revenues are then deposited, in the following order of priority: to the Bond Fund (for payment of Aggregate Debt Service); to the Debt Service Reserve Account (to restore any deficiency and maintain a balance equal to the Debt Service Reserve Requirement); to the Arbitrage Rebate Fund (the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount); to the Renewal and Replacement Fund (to maintain a balance of $3.5 million); to the City General Fund (to pay the 5% gross receipts tax required under Section 504.B); and the remainder to the ADF.

Exhibit V-1
Application of Airport Revenues Under Under the Trust Indenture



(1) Referenced in Section 504 (A) (6) of Restated 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 Trust Indenture. Table V-1 summarizes historical *net income*, (as determined under GAAP) and historical *Net Revenues* (as determined under the accounting principles of the Trust 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 Trust 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 and interest; under the Trust Indenture, Operation and Maintenance Expenses specifically *exclude* depreciation and interest.

- Under GAAP, the "gross receipts tax" paid to the City under Section 5.04(B) of the Trust Indenture is recognized as an operating expense; under the Trust Indenture, this payment is a separate transfer that is subordinate to the payment of Operation and Maintenance Expenses.

- Under GAAP, bond interest is recognized as an expense in calculating net income; however, bond principal is not recognized as an expense; under the Trust 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 1996 through FY 2000. As indicated in **Table V-1**, Net Revenues have steadily increased since FY 1997.

Table V-1
SUMMARY OF HISTORICAL FINANCIAL OPERATIONS
For Fiscal Years Ending June 30
(all figures in thousands)

	Actuals				
	1996	1997	1998	1999	2000
STATEMENT OF NET INCOME (GAAP)					
Operating revenues	$88,655	$89,330	$95,790	$105,598	$115,743
Operating expenses					
Maintenance and operating expenses	46,440	52,519	53,796	58,670	57,990
Depreciation and amortization	24,791	25,420	26,358	30,865	32,347
City Gross Receipts Tax	3,623	3,781	4,076	4,787	5,052
Other	0	0	0	0	
Total	$74,854	$81,720	$84,230	$94,322	$95,389
Operating income	$13,801	$7,610	$11,560	$11,276	$20,354
Nonoperating revenues (expenses)					
PFC revenues	36,778	37,617	38,766	37,158	43,819
Interest income	13,719	13,203	24,193	20,093	17,293
Interest expense	(20,756)	(18,636)	(26,207)	(27,635)	(25,997)
Other	375	(240)	(1,060)	201	629
Total	$30,116	$31,944	$35,692	$29,817	$35,744
Net income	$43,917	$39,554	$47,252	$41,093	$56,098
STATEMENT OF NET REVENUES (TRUST INDENTURE)					
Revenues					
GARB Revenues	88,747	88,687	95,790	105,596	115,743
Operating revenue	7,567	7,735	7,330	6,914	6,533
Interest income (excluding construction funds)	$96,314	$96,422	$103,120	$112,510	$122,276
Total GARB Revenues	0	0	0	0	0
Pledged PFC Revenues	$96,314	$96,422	$103,120	$112,510	$122,276
Total Revenues	45,484	49,313	52,833	57,736	56,688
Operation and Maintenance Expenses	$50,830	$47,109	$50,287	$54,774	$65,588
Net Revenues					
Transfers					
Bond Fund (for Aggregate Debt Service)	0	0	0	0	0
Renewal & Replacement Fund	3,623	3,781	4,076	4,787	5,052
City General Fund (Sec 5.04(B) transfer)					
Development Fund					
Total	$3,623	$3,781	$4,076	$4,787	$5,052
RECONCILIATION OF NET INCOME TO NET REVENUE					
Net income	$43,917	$39,554	$47,252	$41,093	$56,098
add back:					
Depreciation and amortization	24,791	25,420	26,358	30,865	32,347
Interest expense	20,756	18,636	26,207	27,635	25,997
City Gross Receipts Tax	3,623	3,781	4,076	4,787	5,052
Air Cargo Settlement	0	2,300	0	0	0
Write-off of portion of Old East Terminal	0	0	1,500	0	0
deduct:					
PFC revenues	(36,778)	(37,617)	(38,766)	(37,158)	(43,819)
Interest income on construction bonds / PFC	(6,152)	(5,468)	(16,863)	(13,179)	(10,760)
Other adjustments (net)	673	503	523	731	673
Net Revenues	$50,830	$47,109	$50,287	$54,774	$65,588

The audited financial statements of the Airport for the Fiscal Year ended June 30, 2000 are included in their entirety in Appendix D of the Official Statement.

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 (further divided into specific terminal and concourse areas)
- 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 has entered into essentially identical Airport Use Agreements with all of the major and regional airlines serving the Airport. The term of the use and lease agreements extends to December 31, 2005. The Airport Use Agreements set forth the procedures for calculating landing fees and terminal rents as well as certain other ancillary fees. Airline rates and charges are assessed to the airlines to support the primary activities of the Airport—the Airfield and the Terminal Complex (including the Main Terminal, the East Terminal, and the concourses). In FY 2000, landing fees and terminal rents for signatory and nonsignatory airlines together accounted for $62 million, or 51%, of total Revenues.

Landing Fees. Under the terms of the Airport Use Agreements, the Signatory Airlines are responsible for paying landing fees in the amounts necessary to recover net annual airfield expenses after deducting the fees and charges paid by other airfield users. This method is known as a "cost center residual" rate methodology. Total airfield expenses include airport maintenance and operating expenses, depreciation and interest on Airfield assets placed in service prior to 7/1/97, amortization of Airfield assets placed in service on or after 7/1/97, and interest on the City's investment in Airfield land. Credits against these costs include general aviation fuel; flowage fees and nonsignatory airline landing fees. It is the City's policy to charge nonsignatory airlines 125% of the Signatory Airline landing fee rate. At the end of each fiscal year, any overpayments or underpayments are properly adjusted on the subsequent year's billing for Signatory Airlines. Beginning with FY 1999, Non-Signatory Airlines' billings are also adjusted for the overpayments and underpayments.

Terminal Rents. Under the terms of the Airport Use Agreements, the Signatory Airlines are charged annual terminal rental rates to recover costs allocable to terminal cost centers. These costs include: maintenance and operating expenses, depreciation and interest charges on assets placed in service prior to July 1, 1997, and amortization of terminal assets placed in service on or after July 1, 1997. The total costs attributable to each terminal sub-cost/revenue center are divided by the gross space associated with that cost center to determine the applicable rate. In this way, the airlines pay only for the space they occupy and use, and the City absorbs costs attributable to nonairline and unoccupied airline space from concession and other nonairline revenues generated in the terminals and in other cost/revenue centers (e.g., parking and ground transportation). Nonsignatory airlines are charged terminal rental rates equal to the rates charged to the Signatory Airlines.

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, and overpayments credited back, to the Signatory Airlines (and Non-Signatory Airlines for landing fees).

5. TWA Asset Use Charge

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 allows 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 TWA's Airport Use Agreement (which expires December 31, 2005). The TWA asset use charges amount to approximately $7.8 million annually. This charge has become the obligation of AMR Sub resulting from the sale by TWA to AMR Sub on April 9, 2001, and the assumption of all of TWA's agreements with the City. Additionally, any other airline that uses these AMR Sub assets would be subject to the asset charge.

B. REVENUES

Under the Trust Indenture, Revenues consist of GARB Revenues, Pledged PFC Revenues and any other available moneys deposited in the Revenue Fund. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, TWA asset use charges, and interest income. Historical Revenues for Fiscal Years 1996 through 2000 are shown in **Table V-2**. There were no Pledged PFC Revenues during the FY 1996 to FY 2000 period. The average annual increase in Revenues over the four-year period was approximately 6.1%. The growth in revenues was largely due to increases in Signatory Airlines Fees (as various airfield and terminal projects were completed and placed in service) and increases in concession revenues (as a result of growth in passenger enplanements).

TABLE V- 2
SUMMARY OF HISTORICAL REVENUES
For Fiscal Years Ending June 30
(in thousands)

	Growth Rat	Actuals 1				
	1996-2000	1996	1997	1998	1999	2000
SIGNATORY AIRLINES FEES						
Airfield Landing Fees	5.2%	$29,348	$30,794	$33,243	$37,201	$37,887
Terminal Rents	9.7%	13,248	12,976	15,050	16,900	21,016
Total	6.7%	$42,595	$43,770	$48,293	$54,101	$58,903
CONCESSION FEES						
Terminal Concessions	8.0%	$7,283	$7,803	$7,827	$9,434	$10,713
Public Parking	2.6%	10,875	9,201	9,691	10,949	12,394
Car Rentals	5.7%	7,459	7,757	8,640	9,249	9,834
Space Rental	-0.3%	689	642	776	1,200	678
In-Flight Catering	2.2%	886	889	860	828	987
Other	8.2%	1,701	1,660	1,297	1,447	2,519
Total	5.1%	$28,892	$27,953	$29,091	$33,107	$37,126
OTHER						
Non-Signatory Landing Fees	7.3%	$1,969	$1,769	$1,900	$2,263	$2,805
Non-Signatory Airlines-Terminal	-8.1%	432	191	269	276	283
Total	5.2%	$2,401	$1,960	$2,169	$2,539	$3,088
Cargo	6.4%	$1,586	$1,610	$1,633	$1,841	$2,165
Hangar	-5.7%	661	665	694	565	492
Tenant Improvement Surcharge	-19.2%	534	534	534	(164)	184
Employee Lot	1.5%	1,477	1,736	1,665	1,543	1,593
Gain/(Loss) on Sale of Investment	-100.0%	92	(643)	0	(1)	0
Other Miscellaneous	10.2%	2,680	3,274	3,882	4,238	4,362
Total Other-Operating	4.7%	$9,432	$9,135	$10,578	$10,560	$11,885
TWA ASSET USE CHARGES	0.0%	$7,829	$7,829	$7,829	$7,829	$7,829
TOTAL OPERATING REVENUE	5.5%	$88,747	$88,687	$95,790	$105,596	$115,743
INTEREST INCOME 2	-2.9%	$7,567	$7,735	$7,330	$6,914	$6,533
TOTAL GARB REVENUES 3	4.9%	$96,315	$96,422	$103,119	$112,510	$122,276
PFC PLEDGED REVENUES						
PFC Revenue		$0	$0	$0	$0	$0
TOTAL REVENUES 4	6.1%	$96,315	$96,422	$103,119	$112,510	$122,276

1. Audited Financial Statements; FY'96 through FY '00
2. Excludes Construction Fund, PFC 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. Based on Audited Financial Statements except for the exclusion of certain revenues as noted in the Restated Indenture dated 9/10/97 as further supplemented by the 8th Supplemental Indenture.

Table V-3 presents forecasts of Revenues for the nine-year period FY 2001 through FY 2009. The components of the major revenue accounts and the underlying assumptions for the forecasts are discussed below.

Table V-3
FORECASTED AIRPORT REVENUES - BASE CASE
FOR FISCAL YEARS ENDING JUNE 30
(in thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate 1996-2000	Avg. Annual Growth Rate 2000-2009	Forecast 2001	2002	2003	2004	2005	2006	2007	2008	2009
Signatory Airlines											
Airfield Landing Fees	5.2%	7.8%	$37,649	$39,763	$40,684	$42,810	$44,909	$47,193	$71,803	$73,406	$73,783
Terminal Rents	9.5%	3.1%	21,885	24,348	26,331	26,577	27,208	27,347	27,850	28,525	28,883
Total	6.6%	6.2%	$59,534	$64,111	$67,015	$69,388	$72,117	$74,540	$99,653	$101,931	$102,666
Concession Fees											
Terminal Concessions	8.0%	5.5%	$10,535	$11,536	$12,028	$12,747	$13,534	$14,356	$15,209	$16,105	$17,048
Public Parking	2.6%	7.4%	12,314	13,803	14,370	16,963	17,247	17,380	22,416	23,326	23,442
Car Rentals	5.7%	4.3%	10,411	11,012	11,615	12,195	12,749	13,322	13,913	14,523	15,152
Space Rental	-0.3%	2.7%	475	489	504	519	534	550	567	584	601
In-Flight Catering	2.2%	4.4%	914	927	966	1,021	1,081	1,144	1,208	1,275	1,344
Other	9.0%	2.7%	2,150	2,214	2,280	2,349	2,419	2,492	2,567	2,644	2,723
Total	5.2%	5.6%	$36,798	$39,982	$41,763	$45,793	$47,565	$49,243	$55,879	$58,457	$60,311
Other											
Non-Signatory Landing Fees	7.3%	8.5%	$2,681	$3,079	$3,131	$3,300	$3,448	$3,621	$5,513	$5,564	$5,596
Non-Signatory Airlines-Terminal	-8.1%	2.7%	451	464	478	493	507	523	538	554	571
Cargo	6.4%	2.7%	$1,935	$1,993	$2,053	$2,114	$2,178	$2,243	$2,310	$2,380	$2,451
Hangars and Other Buildings	-5.7%	11.7%	1,282	6,590	6,918	6,973	2,273	2,676	3,326	3,391	3,460
Tenant Improvement Surcharge	-19.2%	-100.0%	301	301	301	301	301	151	0	0	0
Employee Lot	1.5%	2.7%	1,641	1,690	1,741	1,793	1,847	1,902	1,959	2,018	2,079
Other Miscellaneous	10.2%	2.6%	5,106	5,256	5,410	5,569	5,732	5,901	6,074	6,253	6,437
Total Other-Operating	4.7%	4.9%	$13,397	$19,372	$20,032	$20,543	$16,287	$17,016	$19,721	$20,161	$20,593
TWA ASSET USE CHARGES	0.0%	-100.0%	$7,829	$7,829	$7,829	$7,829	$7,829	$3,914	$0	$0	$0
TOTAL OPERATING REVENUES (1)	5.4%	5.1%	$117,559	$131,294	$136,639	$143,552	$143,797	$144,714	$175,253	$180,548	$183,570
INTEREST INCOME	-2.9%	6.3%	$6,576	$7,629	$8,015	$9,095	$9,362	$9,238	$10,438	$10,690	$11,394
TOTAL GARB REVENUES	4.9%	5.1%	$124,135	$138,923	$144,654	$152,647	$153,159	$153,952	$185,691	$191,238	$194,964
PFC PLEDGED REVENUES											
PFC Revenue	0.0%	2.2%	$0	$21,894	$18,766	$18,766	$18,766	$18,766	$26,004	$26,007	$26,004
TOTAL REVENUES	6.1%	6.6%	$124,135	$160,817	$163,420	$171,413	$171,925	$172,718	$211,695	$217,245	$220,969
Total Airport Revenues	6.1%	6.6%	$124,135	$160,817	$163,420	$171,413	$171,925	$172,718	$211,695	$217,245	$220,969
Enplanements (2)		1.7%	15,259	15,034	15,205	15,608	16,045	16,474	16,892	17,308	17,725
$/Enplanement		4.9%	$8.14	$10.70	$10.75	$10.98	$10.72	$10.48	$12.53	$12.55	$12.47

1. Excludes PFC Revenues, and PFC Interest Income.
2. Enplanements are on a fiscal year basis.

1. Signatory Airline Rates and Charges

Signatory Airline fees consist of landing fees and terminal building space rentals received from the airlines that are signatory to the Airport Use Agreement. Ten major air carriers have executed Airport Use Agreements with the Airport: American, America West, Continental, Delta, Northwest, US Airways, Southwest, TWA,[1] Trans States (TWA Express), and United.

As shown in **Table V–2,** Signatory Airline fees increased from $42.6 million in FY 1996 to $58.9 million in FY 2000. The increase is primarily attributable to the capitalization of various projects and equipment placed in service during this period.

As shown in **Table V–3,** Signatory Airline fees are projected to increase from $58.9 million in FY 2000 to $102.7 million by FY 2009. Much of this increase is projected to occur in FY 2007, the year following the estimated completion of Phase 1 of the ADP and beneficial occupancy of the new runway. Beginning in FY 2007, the City intends to recover amortization of ADP-related projects costs financed with ADF funds and Bonds as well as certain historical (pre-ADP) costs that have been deferred by agreement with the airlines.

The increases in Signatory Airline fees that are forecast to occur between FY 2000 and FY 2007 (prior to the completion of Phase 1 of the ADP) result largely from the amortization of costs of various other new airfield and terminal projects—projects that were financed with the 1997 Bonds or are to be financed with the proposed 2001A Bonds.

Table V-4 summarizes the calculation of Signatory Airline landing fees and terminal rents for the FY 2001–FY 2009 forecast period and shows the calculation of average Signatory Airline cost per enplaned passenger. Although the Airport Use Agreement expires December 31, 2005, the calculations in **Tables V-4** and **V-5** are based on the procedures of the existing Airport Use Agreement. The average Signatory Airline cost per enplaned passenger is forecast to increase from $3.99 in FY 2001 to $6.04 in FY 2007 when the new runway opens. The increase in the forecast Signatory Airline cost per enplaned passenger is significantly mitigated as a result of the substantial investment of PFC and LOI funding in Phase 1 of the ADP. Under federal law, project costs funded with PFC and LOI resources cannot be amortized in the airline rate base.

[1] On April 9, 2001, 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.

Table V-4
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES - BASE CASE
For Fiscal Years Ending June 30
(in thousands)

	Forecast								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
SIGNATORY AIRLINE REVENUES									
Landing Fees	$37,649	$39,763	$40,684	$42,810	$44,909	$47,193	$71,803	$73,406	$73,783
Terminal Building Rentals									
Main terminal	$6,594	$7,383	$7,822	$7,996	$8,283	$8,193	$8,388	$8,620	$8,895
Concourses A, B & C	5,147	5,812	6,053	5,872	6,078	6,240	6,513	6,766	7,025
Concourse C extension	3,291	3,900	4,699	4,773	4,699	4,606	4,365	4,291	3,842
Concourse D	1,833	2,015	2,328	2,378	2,445	2,496	2,581	2,665	2,754
East connector	451	473	500	512	527	541	564	583	597
East terminal	4,571	4,765	4,928	5,046	5,177	5,271	5,438	5,600	5,770
	$21,885	$24,348	$26,331	$26,577	$27,208	$27,347	$27,850	$28,525	$28,883
TOTAL SIGNATORY AIRLINE REVENUES--BASIC RATES AND CHARGES	$59,534	$64,111	$67,015	$69,388	$72,117	$74,540	$99,653	$101,931	$102,666
Signatory airline enplaned passengers	14,913	14,693	14,860	15,254	15,681	16,100	16,509	16,915	17,323
Cost per enplaned passenger	$3.99	$4.36	$4.51	$4.55	$4.60	$4.63	$6.04	$6.03	$5.93
SIGNATORY AIRLINE RATES									
Landing Fee Rate (per 1,000 pounds)	$1.66	$1.95	$1.96	$2.02	$2.06	$2.11	$3.12	$3.11	$3.05
Average Terminal Building Rental Rates									
Main Terminal	$37.85	$43.06	$45.95	$47.10	$48.99	$48.40	$49.69	$51.22	$53.04
Concourses A, B, and C	$26.96	$30.45	$31.71	$30.76	$31.84	$32.69	$34.12	$35.45	$36.80
Concourse C Extension	$39.68	$47.02	$56.66	$57.55	$56.66	$55.53	$52.64	$51.74	$46.33
Concourse D	$31.80	$35.01	$40.51	$41.39	$42.57	$43.47	$44.97	$46.43	$48.00
East Connector	$26.22	$27.52	$29.11	$29.79	$30.69	$31.46	$32.81	$33.93	$34.76
East Terminal	$39.43	$41.45	$43.15	$44.37	$45.73	$46.71	$48.45	$50.13	$51.90

TABLE V-5
SUMMARY OF HISTORICAL OPERATION AND MAINTENANCE EXPENSES
For Fiscal Years Ending June 30
(all figures in thousands)

	Avg. Annual Growth Rate FY '96-'00	Actuals 1				
		1996	1997	1998	1999	2000
Personal Services						
Salaries & Wages	6.4%	$19,997	$21,822	$23,528	$26,638	$27,299
Fringe Benefits	-2.6%	2,549	2,429	3,073	2,249	2,237
Overtime - Regular Employees	6.7%	807	995	948	1,222	1,116
	5.6%	$23,353	$25,246	$27,549	$30,110	$30,653
Supplies, Materials & Equipment						
Deicing & Misc. Supplies	-0.9%	$1,006	$1,229	$1,224	$1,403	$963
Electrical Materials	-4.2%	453	362	447	443	366
Other	4.5%	1,872	2,193	2,022	2,138	2,332
	1.9%	$3,332	$3,784	$3,693	$3,984	$3,661
Contractual Services						
Utilities	3.1%	$4,708	$4,473	$5,136	$5,241	$5,475
Rental & Lease of Equipment	-12.6%	2,462	2,367	1,225	2,449	1,254
Cleaning Services	10.5%	1,247	1,568	1,641	1,777	2,056
Reimbursement for City Services	10.5%	1,045	1,045	1,433	1,386	1,718
Repairs to Equipment	2.2%	712	1,312	1,264	1,021	794
Employee Carfare	5.2%	826	914	1,008	1,070	1,063
Other	3.4%	1,979	2,003	2,284	2,945	2,334
	2.5%	$12,978	$13,681	$13,991	$15,889	$14,694
Miscellaneous						
Shuttle, Misc., Acoustical	4.9%	$1,434	$1,549	$2,468	$2,213	$1,818
Legal	2.2%	938	1,002	923	1,100	1,048
Security Service	1.7%	1,173	1,394	1,211	1,327	1,275
Other	9.2%	2,276	2,657	2,998	3,113	3,539
	5.7%	$5,821	$6,602	$7,600	$7,753	$7,680
Total Operation & Maintenance Expenses 2	4.5%	$45,484	$49,313	$52,833	$57,736	$56,688

1. Audited Financial Statements, FY'96 through FY' 00
2. Balances to Audited Financial Statements in total, however, the individual accounts/categories comprising Total Airport Expenses may not correspond to the categorization of expenses in the Audited Financial Statements

The Signatory landing fee rate is forecast to increase from $1.66 in FY 2001 to $3.12 in FY 2007. Terminal building rental rates are forecast to increase gradually during the forecast period largely as a result of increases in O&M expenses.

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. It should be noted again, however, that Phase 1 of the ADP does not include major terminal expansion that may be undertaken at the Airport during the forecast period. Such expansion, if undertaken, could substantially increase projected airline rates and average cost per enplaned passenger.

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 and other (comprised of utility reimbursements and advertising).

During the FY 1996-FY 2000 period, concession fees increased at an average annual rate of 5.1%. However, the rate of growth has been approximately 13.0% during the last two years as a result of the opening of the new East Terminal in April 1998, the completion of other concession space improvements in the Main Terminal, and recent increases in public parking rates.

Concession fees are forecast to increase from $37.1 million in FY 2000 to $60.3 million in FY 2009, an average annual growth rate of 5.6%. The forecast growth in concession revenues is largely attributable to:

- Anticipated growth in parking revenues as a result of (i) recent and planned capacity enhancements (the East Terminal structure, the conversion of rental car ready spaces to public parking spaces in the Main Terminal structure, and a planned new consolidated long-term remote lot, which will increase capacity approximately 3,000 spaces) and (ii) an assumed increase in both long-term and short-term parking rates in FY 2007.

- Anticipated increase in revenues generated from concession space improvements planned in the Main Terminal, Concourse C, and the renovated International Area.

- Forecast increases in passenger enplanements.

- Projected growth in car rental fees due to the addition of two new car rental agencies and establishing a uniform fee structure among all agencies.

The major categories of concessions are discussed below.

a) *Terminal Concessions.* During the FY 1996-FY 2000 period, revenues from terminal concessions increased at an average annual rate of 8%. Again, however, the rate of growth was substantially higher (17%) in the last two years.

Food and beverage is the major source of terminal concession revenue. Host International, Inc., operates the food and beverage concessions at the Airport under a contract that extends to January 31, 2013. Host pays the City percentages of its gross revenues, which range from 10-12% for food and 15-17% for alcoholic beverages. Food and beverage revenues have increased significantly in the past two years as a result of the addition of new "branded" concessions in the new East Terminal (Burger King, Cinnabon, and Starbucks) and new fast food operations in the Main Terminal (California Pizza Kitchen and Chili's Too). Terminal space devoted to food and beverage concessions have expanded by 20% since 1997. In FY 2000, the Airport received $5.5 million from food and beverage concessions, representing approximately 51.4% of terminal concession revenues.

News/gift and other merchandising concessions accounted for 28.6% of terminal concession revenues in FY 2000. The Paradies Shops Inc. operates the news and gifts concession at the Airport under a contract that extends to June 30, 2008. Paradies pays the City various percentage fees based on the type of outlet: 18% for the PGA Shop merchandise, 5% on newspapers, 10% on magazines and sundries, and 12% on retail court merchandise. This category also includes a bookstore. Since 1997, the total square footage devoted to news/gift and merchandising concessions has also increased by approximately 20%, largely as a result of new locations in the East Terminal. In FY 2000, the Airport received approximately $3.1 million in revenue from news/gift and merchandising concessions.

Concession for coin-operated machines is the last major component of terminal concessions. This category generated revenues during FY 2000 of $2.1 million of which approximately $1.8 million was attributed to the long-term contract with Southwestern Bell. The current contract is scheduled to expire June 30, 2001, however the forecast anticipates continuation of the current contract through the contract period.

The Airport is in the process of overhauling its terminal concession program with the objective of increasing the variety and appeal of its food/beverage and the retail offerings. The plan includes remodeling of almost all of the concession areas in the Main Terminal as well as the addition of new food/beverage and retail concepts. Planned new concessions include a California Pizza Kitchen and two other food & beverage locations in Concourse A; several specialty stores in the Main Terminal; several revised restaurant concepts in Concourse C; and an Internet café in Concourse D. In November 1999, the Airport opened up for bid nine new specialty retail spaces totaling 3,700 square feet in order to attract additional retail concepts.

Gross terminal concession revenues have been forecast based on passenger enplanements and an assumed annual inflation rate of 2.0%. Allowances were also made for increases in

gross revenue per enplaned passenger anticipated as a result of the concession space expansion and remodeling program now in process. Net concession revenues to the City have then been computed based on the terms (percentages and minimum guarantees) of the individual concession agreements.

b) *Public Parking.* APCOA Parking operates public parking facilities at the Airport on a management contract basis under a contract that extends to June 30, 2001. Under this arrangement, APCOA also operates the shuttle bus services connecting the terminals to the intermediate and remote lots. APCOA collects all public parking revenues, retains amounts for approved operating and administrative expenses and any capital improvements, and pays the balance to the City. The City is currently undertaking a study to assess different strategies to market the parking facilities and increase net revenues. In addition, the City anticipates initiating the rebidding process for the public parking contract during the first quarter of 2001.

During the FY 1996-FY 2000 period, net public parking revenues increased at an average annual rate of 2.6%. However, during the last two years, parking revenues increased at an average annual rate of over 13% as a result of (i) completion of the transition to the East Terminal and the elimination of construction disruption, (ii) rate adjustments implemented during 1999, and (iii) an increase in the rate of growth of O&D traffic.

Net public parking revenues are forecast to increase with O&D passengers and as a result of (i) planned capacity enhancements outlined earlier for long-term lots in FY 2004 and (ii) an assumed rate increase in FY 2007. Net public parking revenues are projected to increase from $12.4 million in FY 2000 to $23.4 million in FY 2009.

c) *Car Rentals.* Eight car rental companies currently operate at the Airport: Alamo, National, Avis, Budget, Hertz, Missouri Rental and Leasing (d/b/a Dollar-Rent-A-Car), and, as of December 1998, CJ Rental (d/b/a/ Thrifty Car Rental) and Enterprise. The companies base their operations at off-airport facilities and pick up and drop off their customers at the terminal curbsides. The companies pay the City 10% of their gross revenues against individual minimum airline guarantees. During the FY 1996–FY 2000 period, rental car revenues increased at an average annual rate of 5.7%. Car rental revenues are forecast to increase with O&D passengers and inflation.

d) *Space Rentals.* Space rentals are generated from Airport Terminal Services (which provides ground handling and terminal services in the East Terminal and the International Area) and certain other nonairline tenants of terminal space.

e) *In-Flight Catering.* Dobbs provides in-flight catering services to airlines at the Airport from two flight kitchens—one situated on airport and the other off airport-and pays the City 5% of its gross revenues. In-flight catering revenues are forecast to increase with passenger enplanements and inflation.

f) *Other Concession Revenues.* Other Concession Revenues include advertising, utility reimbursements, and other miscellaneous concession revenues.

3. Other Revenues

Other Revenues include 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 1996-FY 2000 period, other revenues increased at an average annual rate of 4.7%.

a) *Nonsignatory Airline Revenues.* Nonsignatory airline revenues consist of landing fees and terminal rents. Landing fee rates for nonsignatory airlines are set at 125% of the signatory rate; however, no premium is charged for terminal space. Nonsignatory landing fees, which account for the vast majority of the revenues in this category, decreased in FY 1997 when America West became a signatory airline, but have increased steadily since then as a result of recent landing fee rate increases. Non-signatory airline landing fees are projected to increase from $3.1 million in FY 2000 to $6.2 million by FY 2009 as a result of forecast increases in Signatory Airline landing fee rates.

b) *Cargo.* Cargo revenues include ground rent, building rent, and tenant improvement charges. Cargo revenues were approximately $2.2 million in FY 2000 and are projected to increase to $2.5 million in FY 2009 based on the provisions of existing agreements.

c) *Hangar and Other Building Area.* Hangar and Other Building Area revenues include building and ground rent for various support facilities. Hangar and Other Building Area revenues are forecast to increase based on the rate adjustment provisions of existing agreements, which include annual lease payments from MDC at the rate of $5 million for three consecutive years beginning in FY 2002.

d) *Tenant Improvement Surcharge.* The Tenant Improvement Surcharge is paid by TWA for space occupied on Concourse D. Beginning in FY 1999, an adjustment was made for interest savings associated with a previous bond refinancing. The revised Tenant Improvement Surcharge is $0.3 million, which is expected to remain constant through FY 2005.

e) *Employee Lot.* Employee parking lot revenues were $1.6 million in FY 2000. By FY 2009, Employee Lot revenues are projected to increase to $2.1 million as a result, in part, of the additional capacity being provided by a new employee parking facility presently under construction.

f) *Other Miscellaneous Revenues.* Other miscellaneous revenues include U.S. government rental revenues, TWA ramp charges (associated with their hangar), air cargo services, rent from other tenants in the Airfield and Terminal Area, utility reimbursements, and other miscellaneous revenues. In FY 2000, the Other miscellaneous revenues totaled $4.4

million. Other miscellaneous revenues are forecast to increase to $6.4 million by FY 2009 based on enplanements and inflation.

As mentioned in Section I, the City is acquiring property from MDC adjacent to the Airport northwest of the existing airfield. Under the terms of the MOU, the City will lease back the MDC Facilities to MDC for three years at $5 million per year, with the lease period to begin when the transaction closes (assumed to occur July 1, 2001, the beginning of FY 2002). The total rental amount for the three-year term is payable to the City in advance at the closing. The City plans to redevelop this property for Airport support facilities, including the relocation of the Missouri Air National Guard and potentially the development of new airport maintenance facilities, the relocation of the Airport PMO, the relocation of AMR's Sub's line maintenance hangar, and the relocation of the St. Louis Ground Operations Center (SGOC). Under the MOU, MDC will also lease an additional 35-acre parcel from the City and will have the option to lease an additional 34-acre parcel, both at fair market ground rental rates. The State of Missouri Research Center plans to lease a parcel for $1.4 million a year by 2003. To maintain conservative projections, these revenues have not been included. These ground leases and facility rentals are forecast to generate revenues of approximately $3 million a year by FY 2007.

The Northwest Land Acquisition is required for the relocation of the Missouri Air National Guard that in turn is required for Phase I of the ADP. Therefore, a portion of the amount of the acquisition is recoverable from landing fees as an airfield cost.

The City plans to finance the Northwest Land Acquisition with a segment of the Series 2001A ADP Bonds. Debt service on that segment will be structured as interest only for the first 5 years and the level debt service over the next 16 years for a total term of 21 years. Based on estimates provided by Goldman, Sachs & Co., debt service allocable to the Northwest Land Acquisition is estimated to be about $3.1 million on FY 2002, $2.7 million per year during the next four years (FY 2003 – FY 2006) and $4.7 million per year for the next 16 years. The MDC leaseback will provide the primary source of revenues to cover the debt service obligations on the Northwest Land Acquisition bond segment during the five-year interest only period (1 year at $3.1 million and 4 years at $2.7 million).

The Series 2001A ADP Bonds--including the segment used to finance the Northwest Land Acquisition will be payable from the Revenues of the Airport on a parity with all other outstanding Bonds. By financing the acquisition with Bonds rather than with payments from the ADF and stretching the financing out an additional five years, the City will achieve significant present value savings relative to the costs that would be incurred by financing the acquisition under the terms of the MOU. Also, the financial forecast for the Base Case indicates that the annual flow to the ADF should be more than adequate to absorb any cost relating to the acquisition that may be in excess of revenues received.

4. 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 Trust Indenture. Interest income amounted to $6.5 million by FY 2000. Interest income has been forecast based on projected balances in each fund and account assuming average annual interest yields of 5.73% on current Debt Service Reserve Funds and 5.0% for all other funds and accounts.

5. TWA Asset Use Charge

As discussed earlier, TWA paid the City asset use charges 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 TWA's Airport Use Agreement. The asset use charges are fixed at $7.8 million a year. This charge has become the obligation of AMR Sub resulting from the sale by TWA to AMR Sub on April 9, 2001, and the assumption of all of TWA's agreements with the City. Additionally, any other airline that uses these AMR Sub assets would be subject to the asset charge.

C. OPERATION AND MAINTENANCE EXPENSES

Table V-5 summarizes historical Operation and Maintenance (O&M) Expenses for the historical FY 1996-FY 2000 period by major object category. These categories include: personal services; salaries, materials, and equipment; contractual services; and miscellaneous. During the past four years, O&M Expenses increased at an average annual growth rate of 4.5% (although O&M Expenses declined in absolute dollars in FY 2000 as a result of economy measures put in place by Airport management last year).

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 major factors contributing to increases in personal services expenses during the FY 1996-FY 1999 period were (a) additional personnel to provide increased operational support for snow removal and maintenance of heavy equipment, (b) additional cleaning crews to address the more frequent cleaning requested by the airlines, (c) additional police officers to address increases in security levels, (d) the requirements of the new East Terminal, and (e) the filling of previously vacant positions.

Supplies, materials and equipment expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. Expenses for de-icing and miscellaneous supplies, a large component of this category, tend to fluctuate with the degree of severity of winter weather conditions. The increase in cleaning supplies (part of the "other" category) over the past few years resulted from increased cleaning frequencies in the public areas of the Main Terminal and the added square footage of the public areas of the new East Terminal.

Contractual services expenses represent the cost of services provided to the Airport by independent vendors, contractors, and consultants as well as by the City. These services include utilities, rental and lease of 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. Cleaning services increased from $1.2 million in FY 1996 to $2.2 million in FY 2000 because the City modified its outside cleaning services contract to include concourses A, B, C and D, and the East Terminal. The reimbursement for City-provided services increased approximately 10.5% during the period FY 1996 through FY 2000, primarily due to additional charges associated with a new accounting process implemented by the City Controller's Office. However, the rental and lease of equipment decreased as a result of the acquisition of new snow removal equipment and the relatively mild winter conditions in recent years.

Miscellaneous. Miscellaneous contractual services include costs of administering the Airport's noise mitigation program, contract shuttle services to the employee parking lots, security services, lobbying services, and ambulatory emergency services.

Table V-6 presents forecast O&M Expenses for the FY 2001-FY 2009 period. The forecast of O&M Expenses is based on the approved FY 2001 operating budget for the Airport, historical trends in O&M expense growth, allowances for future inflation (assumed at 5% per year), and judgment estimates, reviewed with Airport management, as to the effect the new runway and other significant capital projects will have on future O&M requirements and costs.

Airport management does not anticipate any significant changes in the scope of its maintenance and operating responsibilities during the forecast period. However, the completion of major new capital facilities will result in material increases in its O&M Expenses. In particular, the new runway will drive increases in personal service expenses for field maintenance, security patrol, and airfield rescue and fire fighting, as well as increases in utilities and contract snow removal services. Allowances have been made in the forecast to anticipate these additional requirements.

As indicated in **Table V-6**, O&M Expenses are forecast to increase from $58.8 million in FY 2000 to $92.7 million by FY 2009. This represents an annual average growth rate of 5.1% over the nine-year period, with a significant portion of the increase expected to occur in FY 2006 as the new runway comes on line.

D. APPLICATION OF REVENUES

Table V-7 shows the forecast application of Revenues to funds and accounts under provisions of the Trust Indenture for the nine-year forecast period, FY 2001–FY 2009.

Table V-6
OPERATION AND MAINTENANCE EXPENSES - BASE CASE
For Fiscal Years Ending June 30
(in thousands)

	Avg. Annual Growth Rate FY '96-'00	Avg. Annual Growth Rate FY '00-'09	Forecast 2001	2002	2003	2004	2005	2006	2007	2008	2009
Personal Services											
Salaries & Wages	6.40%	4.94%	$28,386	$29,750	$31,179	$32,678	$34,248	$35,893	$39,608	$41,691	$43,880
Fringe Benefits	-2.60%	4.94%	2,291	2,401	2,517	2,638	2,764	2,897	3,197	3,365	3,542
Overtime - Regular Employees	6.70%	5.42%	1,179	1,245	1,314	1,388	1,465	1,547	1,708	1,797	1,892
	5.60%	4.96%	$31,856	$33,396	$35,010	$36,703	$38,477	$40,338	$44,512	$46,853	$49,314
Supplies, Materials & Equipment											
Deicing & Misc. Supplies	-0.90%	6.55%	$1,166	$1,224	$1,285	$1,349	$1,417	$1,488	$1,642	$1,728	$1,819
Electrical Materials	-4.20%	3.86%	376	388	399	411	424	436	481	507	533
Other	4.50%	5.15%	2,471	2,598	2,731	2,872	3,019	3,175	3,503	3,688	3,881
	1.90%	5.41%	$4,013	$4,209	$4,416	$4,632	$4,860	$5,099	$5,626	$5,922	$6,233
Contractual Services											
Utilities	3.10%	3.35%	$5,596	$5,717	$5,841	$5,967	$6,096	$6,228	$6,873	$7,234	$7,614
Rental & Lease of Equipment	-12.60%	9.30%	1,951	2,049	2,151	2,259	2,371	2,490	2,748	2,892	3,044
Cleaning Services	10.50%	8.09%	2,410	2,654	2,921	3,216	3,541	3,898	4,302	4,528	4,766
Reimbursement for City Services	10.50%	5.79%	1,825	1,938	2,059	2,187	2,323	2,467	2,723	2,866	3,016
Repairs to Equipment	2.20%	3.86%	906	933	961	990	1,020	1,051	1,159	1,220	1,284
Employee Carfare	5.20%	3.08%	1,079	1,098	1,116	1,136	1,155	1,175	1,297	1,365	1,437
Other	3.40%	3.86%	1,935	1,993	2,053	2,115	2,178	2,244	2,476	2,606	2,743
	2.50%	5.16%	$14,614	$16,382	$17,103	$17,869	$18,685	$19,553	$21,577	$22,712	$23,904
Miscellaneous											
Shuttle, Misc., Acoustical	4.90%	3.86%	$1,810	$1,864	$1,920	$1,978	$2,037	$2,098	$2,316	$2,437	$2,565
Legal	2.20%	4.61%	1,090	1,137	1,185	1,235	1,288	1,343	1,481	1,559	1,641
Security Service	1.70%	5.22%	1,487	1,565	1,647	1,734	1,825	1,921	2,120	2,232	2,349
Other	9.20%	6.17%	3,909	4,177	4,463	4,769	5,097	5,446	6,010	6,326	6,658
	5.70%	5.31%	$8,296	$8,743	$9,216	$9,717	$10,247	$10,808	$11,927	$12,554	$13,214
Total Operation & Maintenance Expenses		5.09%	$58,778	$62,730	$65,745	$68,922	$72,269	$75,798	$83,642	$88,041	$92,665

Table V-7
APPLICATION OF REVENUES UNDER THE TRUST INDENTURE - BASE CASE
For Fiscal years Ending June 30

	Forecast								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues (a)									
GARB Revenues									
Airline revenues	$59,534	$64,111	$67,015	$69,388	$72,117	$74,540	$99,653	$101,931	$102,666
Nonairline revenues	58,025	67,183	69,624	74,165	71,680	70,174	75,601	78,618	80,905
Interest income	6,576	7,629	8,015	9,095	9,362	9,238	10,438	10,690	11,394
Pledged PFC Revenues									
Passenger facility charges (b)	0	21,894	18,766	18,766	18,766	18,766	26,004	26,007	26,004
	$124,135	$160,817	$163,421	$171,414	$171,926	$172,719	$211,696	$217,245	$220,969
Application of Revenues									
Operating and Maintenance Expenses (c)	$58,778	$62,730	$65,745	$68,922	$72,269	$75,798	$83,642	$88,041	$92,665
Debt Service Account (Annual Debt Service) (d)									
Outstanding Bonds	$48,614	$48,244	$48,962	$49,286	$28,813	$28,335	$24,165	$24,137	$24,109
General Airport Revenue Bonds for the ADP									
Series 2001A (e)	0	20,630	17,683	17,683	17,683	17,683	32,682	32,685	32,688
Series 2004 (f)	0	0	0	0	0	0	7,654	7,654	7,654
General Airport Revenue Bonds for the CIP									
Series 2001B	0	0	2,602	5,203	5,203	5,203	5,203	5,203	5,203
Series 2003	$0	$0	$0	$0	$2,171	$2,171	$2,171	$2,171	$2,171
	$48,614	$68,874	$69,247	$72,172	$53,869	$53,392	$71,875	$71,850	$71,825
PFC Debt Service Coverage	0	0	4,379	3,753	3,753	3,753	3,753	5,201	5,201
Payment to City (5% of Revenues) (g)	$5,061	$5,193	$5,328	$5,466	$5,609	$5,754	$5,904	$6,057	$6,215
Subtotal	$112,454	$136,797	$144,699	$150,313	$135,501	$138,698	$165,174	$171,150	$175,907
Net deposit to Development Fund	$11,681	$24,021	$18,722	$21,101	$36,425	$34,021	$46,521	$46,096	$45,062

a. Table V-3
b. Under the Eighth Supplemental Indenture, the City will pledge certain PFC revenues as Revenues sufficient to provide 125% of debt service on the 2000A bonds.
c. Table V-6
d. Table II-6. Excludes debt service on the LOI Bonds.
e. To fund PFC 4 & Balance of Program Projects
f. To fund Program Contingency
g. 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

Revenues consist of GARB Revenues, Pledged PFC Revenues, and other available moneys deposited in the Revenue Fund as presented earlier in this section in **Table V-3**. Under the Eighth Supplemental Indenture, Pledged PFC Revenues will equal 125% of the anticipated annual debt service on the portion of the 2001A ADP Bond proceeds used to finance PFC-Eligible Projects.

Revenues will first be applied to pay Operation and Maintenance Expenses and then to pay Debt Service on GARBs. Remaining Revenues will then be applied to restore any deficiencies in the Debt Service Reserve Account in the Bond Fund and in the Renewal and Replacement Fund, and then to the payment to the City required under Section 5.04(B) (the 5% "gross receipts tax"). All remaining Revenues are then deposited in the ADF.

The annual transfer to the ADF will provide moneys to meet certain obligations built into the financing plan, including:

- Funding the LOI Contingency Fund ($3.3 million a year during FY 2001-FY 2003)
- Other project costs

These transactions are shown in **Table II-4** in Section II.

As of June 30, 2000, the unappropriated balance in the Airport ADF was $35.7 million. This balance, coupled with the forecast transfers of Revenues into the ADF indicated in **Table V-7**, should provide adequate resources to meet these various obligations. In addition, **Table V-7** suggests that the Airport should generate sufficient discretionary cash flow to the ADF to fund a manageable amount of equipment replacement, major maintenance, and small capital projects on an ongoing basis.

As indicated in **Table V-7**, given the assumptions set forth in this Report, Revenues are forecast to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Trust Indenture in each year of the forecast period FY 2001 through FY 2009.

E. DEBT SERVICE COVERAGE/ADDITIONAL BONDS TEST

Table V-8 shows the Base Case forecast of Net Revenues and the calculation of debt service coverage for the nine-year forecast period, FY 2001-FY 2009. Debt service coverage is projected to increase in FY 2005 as certain outstanding bonds are retired. In comparison, **Table V-8a** shows the Sensitivity Analysis forecast of Net Revenues and the calculation of debt service coverage for the same period.

The test period for the Additional Bonds Test is the three-year period immediately following completion of the project. The City currently anticipates the new runway to be completed and operational in the first quarter of CY 2006. As indicated in **Table V-8**, given the assumptions set

Table V-8
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
BASE CASE
For Fiscal Years Ending June 30

	2001	2002	2003	2004	2005	2006	2007	2008	2009
ANNUAL DEBT SERVICE COVERAGE									
Total Revenues (a)	$124,135	$160,817	$163,421	$171,414	$171,926	$172,719	$211,696	$217,245	$220,969
less: Operation and Maintenance Expenses (b)	58,778	62,730	65,745	68,922	72,269	75,798	83,642	88,041	92,665
Net Revenues	$65,357	$98,088	$97,676	$102,492	$99,656	$96,920	$128,053	$129,204	$128,304
Debt Service (c)	$48,614	$68,874	$69,247	$72,172	$53,869	$53,392	$71,875	$71,850	$71,825
Debt service coverage ratio	**1.34**	**1.42**	**1.41**	**1.42**	**1.85**	**1.82**	**1.78**	**1.80**	**1.79**
ADDITIONAL BONDS TEST									
Forecast debt service coverage							**1.78**	**1.80**	**1.79**
Required debt service coverage							**1.25**	**1.25**	**1.25**
							Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. Table V-3
b. Table V-6
c. Table II-6

Table V-8a
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
SENSITIVITY ANALYSIS
For Fiscal Years Ending June 30

	2001	2002	2003	2004	2005	2006	2007	2008	2009
ANNUAL DEBT SERVICE COVERAGE									
Total Revenues (a)	$124,137	$149,888	$151,040	$158,629	$158,824	$160,461	$201,123	$206,227	$209,726
less: Operation and Maintenance Expenses (b)	58,778	61,560	64,518	67,907	71,149	74,758	82,635	87,088	91,777
Net Revenues	$65,359	$88,328	$86,522	$90,722	$87,675	$85,703	$118,489	$119,140	$117,949
Debt Service (c)	$48,614	$68,874	$69,260	$72,199	$51,725	$51,248	$71,028	$71,003	$70,979
Debt service coverage ratio	**1.34**	**1.28**	**1.25**	**1.26**	**1.70**	**1.67**	**1.67**	**1.68**	**1.66**
ADDITIONAL BONDS TEST									
Forecast debt service coverage							**1.67**	**1.68**	**1.66**
Required debt service coverage							**1.25**	**1.25**	**1.25**
							Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.		

a. Table V-3
b. Table V-6
c. Table II-6

forth in this 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 Phase 1 of the ADP, FY 2007–FY 2009, resulting in a debt coverage range between 1.78 and 1.80, thereby satisfying the Additional Bonds Test. In comparison, **Table V-8a** also shows that Net Revenues are forecast to exceed 1.25 Aggregate Adjusted Debt Service, although at a reduced debt coverage range between 1.66 and 1.68. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unexpected events and circumstances may occur. Therefore, the actual results achieved will vary from the forecasts, and the variations could be material.

F. SENSITIVITY ANALYSIS

Although not anticipated, the possibility that AMR Sub may significantly reduce its operation at the Airport exists. Therefore, a sensitivity analysis has been prepared to illustrate the consequences of a significant reduction or cessation of AMR Sub's operation at the Airport. A sensitivity analysis has been prepared to illustrate the consequences of a cessation of AMR Sub's operations at the Airport. In Section IV of this Report, enplanement forecasts were developed for two scenarios:

> ***Base Case – The current level of hub operations will continue over the forecast period; however, beginning in FY 2002, a small number of scheduled flights may be discontinued due to route rationalization by AMR Sub.***
>
> The Base Case assumes the continuation of the current level of hubbing activity at the Airport, however, beginning in FY 2002, a small number of scheduled flights may be discontinued due to route rationalization. The Base Case further assumes that AMR Sub has the capability to continue and expand hub operations at the Airport.
>
> ***Sensitivity Analysis – AMR Sub would significantly scale down, or discontinue hub operations at the Airport; none of AMR Sub's O&D traffic is lost, but approximately 45% of AMR Sub's share of connecting traffic is lost.*** This analysis assumes: (1) AMR Sub would significantly scale down, or discontinue service at the Airport at the beginning of Fiscal Year 2002, (2) other airlines would provide sufficient replacement service to capture all of AMR Sub's O&D traffic, and (3) approximately 45% of AMR Sub's connecting traffic is lost.

In examining the Sensitivity Analysis the following assumptions were made:

- The number of operations and landing weights would be reduced in proportion to the reduction in the number of forecasted enplanements.
- The number of gates leased and occupied was based on an average of 6.8 turns per day/per gate for carriers at the Airport.

- Corresponding reductions in the amount of leased space were made in relation to the estimated reduction in the number of gates occupied.

- M&O expenses associated with the space that is estimated to no longer be leased would be reduced by 40%, reflecting the need to continue to operate current HVAC and other systems even though the space will no longer be occupied.

- The TWA Asset Use Charge would be charged to and collected from AMR Sub.

- Parking, car rental, and ground transportation revenues would not be affected because of their relationship to O&D passengers.

- All other concession revenues and expenses were reduced based on the forecasted reduction in enplanements.

- The Series 2003 CIP Bonds were eliminated due to the cancellation of the AMR Sub projects included in the Series 2001B CIP Bonds and substituted with projects initially planned for the Series 2003 CIP Bonds.

With respect to the financing of Phase 1 of the ADP, the major consequence of AMR Sub significantly reducing or ceasing service would be a significant reduction in PFC revenues that, in turn, would require the issuance of additional Bonds to complete the financing of the program. The additional debt results in significantly higher airline landing fee rates and resultant airline cost per enplaned passenger and significantly reduces debt service coverage margins for the Sensitivity Analysis.

Table V-9 compares the findings of the Base Case versus the Sensitivity Analysis for the three-year Additional Bonds Test period, FY 2007 through FY 2009. **Table V-9** shows that even with a reduction in revenues that would result from a significant reduction or cessation of AMR Sub service at the Airport assuming different assumptions, the debt coverage ratio remains adequate to meet the Additional Bonds Test ranging from a low of 1.66 for the Sensitivity Analysis to a high of 1.80 for the Base Case. In addition, the cost per enplaned passenger is believed to remain reasonable when compared to costs at similar airports.

Table V-9
SENSITIVITY ANALYSIS - SUMMARY TABLE
For Fiscal Years Ending June 30
(in thousands)

	2007		2008		2009	
	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis	Base Case	Sensitivity Analysis
Airline Revenues	$99,653	$96,418	$101,931	$98,980	$102,666	$100,232
Enplaned Passengers	16,509	13,561	16,915	13,883	17,323	14,205
Airline Cost per Passenger	$6.04	$7.11	$6.03	$7.13	$5.93	$7.06
Signatory Landing Fee Rate	$3.12	$3.49	$3.11	$3.49	$3.05	$3.43
Net Revenues	$128,053	$118,489	$129,204	$119,140	$128,304	$117,949
Debt Service	$71,875	$71,028	$71,850	$71,003	$71,825	$70,979
Debt Service Coverage	1.78	1.67	1.80	1.68	1.79	1.66

APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE AIRPORT

[This page intentionally left blank]

KPMG

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)

Financial Statements and Supplementary Information

June 30, 2000 and 1999

(With Independent Auditors' Report Thereon)

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)

Financial Statements and Supplementary Information

June 30, 2000 and 1999

TABLE OF CONTENTS

		Page
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS:		
Balance Sheets		2
Statements of Revenues and Expenses		4
Statements of Changes in Fund Equity		5
Statements of Cash Flows		6
Notes to Financial Statements		7
	Schedule	
SUPPLEMENTARY INFORMATION:		
Analysis of Cash and Investment Accounts Required by Bond Ordinances	I	25
Schedule of 1992 Revenue Refunding and Improvement Bonds Payable	II	27
Schedule of 1993 Taxable Revenue Refunding Bonds Payable	III	28
Schedule of 1993A Taxable Revenue Bonds Payable	IV	29
Schedule of 1996 Revenue Refunding Bonds Payable	V	30
Schedule of 1997 Taxable Revenue Bonds Payable	VI	31
Schedule of 1998 Revenue Refunding Bonds Payable	VII	32
Schedule of Insurance	VIII	33

KPMG

10 South Broadway
Suite 900
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 financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri (the City) as of and for the years ended June 30, 2000 and 1999, as listed in the accompanying table of contents. These financial statements are the responsibility of the City'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. 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 Lambert – St. Louis International Airport, and are not intended to present fairly the City's financial position, and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States of America.

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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made 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. Such 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

October 20, 2000

[This page intentionally left blank]

FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Balance Sheets
June 30, 2000 and 1999
(Dollars in thousands)

Assets		2000	1999
Current assets:			
Unrestricted assets:			
Cash and cash equivalents	$	15,050	11,610
Accounts receivable, net		15,374	18,150
Inventories		2,432	2,615
Due from the City of St. Louis, Missouri		27	24
Other current assets		629	585
		33,512	32,984
Restricted assets:			
Cash and cash equivalents		49,577	57,977
Accrued interest receivable		3,690	3,960
Passenger facility charge receivable, net		7,281	6,772
Government grants receivable		–	255
		60,548	68,964
Total current assets		94,060	101,948
Restricted investments, at fair value		296,776	317,814
Property, plant, and equipment, net		777,325	697,080
Deferred bond issue costs		5,789	6,658
Intangible and other assets, net		20,380	22,981
Total assets	$	1,194,330	1,146,487

See accompanying notes to financial statements.

Liabilities and Fund Equity		2000	1999
Current liabilities:			
Payable from unrestricted assets:			
Accounts payable and accrued expenses	$	9,062	11,896
Due to the City of St. Louis, Missouri		3,443	3,547
		12,505	15,443
Payable from restricted assets:			
Current maturities of revenue bonds payable		23,615	21,990
Accrued interest payable		11,995	12,872
Contracts and retainage payable		9,141	15,164
Deferred revenue – passenger facility charge		7,281	6,772
		52,032	56,798
Total current liabilities		64,537	72,241
Long-term liabilities:			
Revenue bonds payable		403,221	425,071
Other long-term liabilities		4,684	5,704
		407,905	430,775
Total liabilities		472,442	503,016
Fund equity:			
Contributed capital:			
Government grants and other aid		207,823	190,710
City of St. Louis, Missouri		24,045	24,045
		231,868	214,755
Retained earnings:			
Reserved for revenue bond requirements		91,020	89,921
Unreserved		399,000	338,795
		490,020	428,716
Total fund equity		721,888	643,471
Total liabilities and fund equity	$	1,194,330	1,146,487

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Revenues and Expenses
Years ended June 30, 2000 and 1999
(Dollars in thousands)

		2000	1999
Operating revenues:			
Aviation revenue:			
Airfield	$	42,156	40,684
Terminal and concourses		23,475	18,870
Hangars and other buildings		492	565
Cargo buildings		2,165	1,841
Concessions		37,126	33,106
Parking and miscellaneous		2,500	2,703
Lease revenue		7,829	7,829
Total operating revenue		115,743	105,598
Operating expenses:			
Personal services		30,653	30,110
Supplies		2,229	2,721
Materials		974	1,038
Equipment		458	226
Contractual services		14,694	15,889
Miscellaneous and fixed charges		14,034	13,473
Amortization		3,172	3,172
Depreciation:			
Noncontributed assets		23,969	22,531
Contributed assets		5,206	5,162
Total operating expenses		95,389	94,322
Income from operations		20,354	11,276
Nonoperating income (expenses):			
Investment income		17,293	20,093
Interest expense		(25,997)	(27,635)
Passenger facility charges		43,819	37,158
Other, net		629	201
Total nonoperating income, net		35,744	29,817
Net income	$	56,098	41,093

See accompanying notes to financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Statements of Changes in Fund Equity
Years ended June 30, 2000 and 1999
(Dollars in thousands)

	Contributed Capital			Retained Earnings			
	Government Grants and Other Aid	City of St. Louis, Missouri	Total	Reserved for Revenue Bond Requirements	Unreserved	Total	Total Fund Equity
Balance at June 30, 1998	184,545	24,045	208,590	88,379	294,082	382,461	591,051
Net income	–	–	–	–	41,093	41,093	41,093
Depreciation on contributed assets	(5,162)	–	(5,162)	–	5,162	5,162	–
Government grants	11,327	–	11,327	–	–	–	11,327
Increase in reserve for revenue bond requirements	–	–	–	1,542	(1,542)	–	–
Balance at June 30, 1999	190,710	24,045	214,755	89,921	338,795	428,716	643,471
Net income	–	–	–	–	56,098	56,098	56,098
Depreciation on contributed assets	(5,206)	–	(5,206)	–	5,206	5,206	–
Government grants	22,319	–	22,319	–	–	–	22,319
Increase in reserve for revenue bond requirements	–	–	–	1,099	(1,099)	–	–
Balance at June 30, 2000	$ 207,823	24,045	231,868	91,020	399,000	490,020	721,888

See accompanying notes to 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, 2000 and 1999
(Dollars in thousands)

		2000	1999
Cash flows from operating activities:			
Income from operations	$	20,354	11,276
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Depreciation and amortization		32,347	30,865
Changes in assets and liabilities:			
Accounts receivable, net		2,776	(831)
Inventories		183	(279)
Intangible and other assets, net		(615)	251
Accounts payable and accrued expenses		(2,834)	(90)
Due to/from the City of St. Louis, Missouri		(107)	552
Contracts and retainage payable		(6,023)	1,693
Other long-term liabilities		(1,020)	(767)
Total adjustments		24,707	31,394
Net cash provided by operating activities		45,061	42,670
Cash flows from noncapital financial activities – cash paid to the City of St. Louis, Missouri for financing of retirement plan		(311)	(381)
Cash flows from capital and related financing activities:			
Cash collections from passenger facility charges		43,819	37,158
Receipt of federal financial assistance		23,375	15,960
Acquisition and construction of capital assets		(110,361)	(106,751)
Proceeds from sale of property and equipment		956	–
Proceeds from issuance of revenue bonds		–	72,342
Cash paid for bond issuance and underwriting costs		–	(1,337)
Principal paid on revenue bond maturities		(21,990)	(20,875)
Cash paid for advance refunding of revenue bonds		–	(73,373)
Interest paid on revenue bonds		(24,240)	(23,673)
Net cash used in capital and related financing activities		(88,441)	(100,549)
Cash flows from investing activities:			
Purchases of investments		(672,012)	(267,178)
Proceeds from sales and maturities of investments		691,635	318,096
Investment income		19,108	24,308
Net cash provided by investing activities		38,731	75,226
Net increase (decrease) in cash and cash equivalents		(4,960)	16,966
Cash and cash equivalents:			
Beginning of year:			
Unrestricted		11,610	13,355
Restricted		57,977	39,266
		69,587	52,621
End of year:			
Unrestricted		15,050	11,610
Restricted		49,577	57,977
	$	64,627	69,587

Supplemental disclosure for noncash financing activities:

During the year ended June 30, 2000, the Airport exchanged equipment with a fair market value of $2,250 for similar equipment with a fair market value of $2,077.

See accompanying notes to 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 financial statements of the Airport are not intended to present the financial position and results of operations of the City as a whole in conformity with 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, 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 Procedure.

(b) Accounts Receivable/Accounts Payable

Accounts receivable is comprised primarily of amounts due from air carriers and concessionaires with operations at the Airport. Such amounts are net of allowances for uncollectible accounts of $283 and $290 at June 30, 2000 and 1999.

In addition, accounts receivable includes unbilled aviation revenue for the fiscal year amounting to $(2,590) and $6,685 at June 30, 2000 and 1999, respectively, determined in accordance with the provisions of long-term use agreements between the Airport and the applicable air carriers (commonly referred to as Signatory Airlines). At June 30, 2000 and 1999, TWA owed $(1,847) and $4,839, respectively, of the unbilled aviation receivables. Amounts due or payable under the use agreements are settled annually with Signatory Airlines (see Note 6).

As a result of the settlement process, as described in the preceding paragraph, made during fiscal year 2000 for fiscal year 1999, the airlines, at June 30, 2000, owe the Airport $3,384. TWA is responsible for $2,401 of this balance. These amounts will be paid from July through October 2000 and are included in accounts receivable at June 30, 2000. At June 30, 1999, the airlines owed the Airport $1,222 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) Government Grants Receivable

Government grants receivable represents amounts expected to be received from the Federal Aviation Administration (FAA) in connection with the Airport's participation in the FAA's noise mitigation and various airport improvement programs.

(e) Passenger Facility Charges (PFCs)

The Airport collects a $3 facility charge per enplaned passenger to fund approved FAA projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an $.08 per ticket operating fee retained by the airlines. PFC revenue is recognized when the earnings process is completed by the Airport and is classified as nonoperating revenue.

(f) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of property, plant and equipment are capitalized and amortized over the life of the related asset.

(g) Deferred Bond Issue Costs

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.

(h) Intangible and Other Assets

Intangible and other assets include $16,589 and $19,666 at June 30, 2000 and 1999, respectively, representing a leasehold interest in certain gates operated by TWA at the Airport. This asset is being amortized on the straight-line method over twelve years. Intangible and other assets also include easements of $3,220 and $3,315 at June 30, 2000 and 1999, respectively, which are being amortized on the straight-line method over forty years. Intangible and other assets also include $571 at June 30, 2000 representing a net pension asset related to the Airport's participation in the Employee's Retirement System of the City of St. Louis.

(i) Other Long-Term Liabilities

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of $7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bond Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bond Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bond Series 1993A). In exchange, the Airport has contracted to buy qualified eligible 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 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.

The Airport's obligation under the forward purchase agreement of $3,971 and $4,534, at June 30, 2000 and 1999, respectively, is recorded in other long-term liabilities.

(j) Capital Leases

Lease revenue during 2000 and 1999 represents income from Trans World Airlines, Inc. (TWA) relating to equipment leases (see Note 7).

(k) 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 the sick leave balance. As no historical data exists to estimate the portion of sick leave that will result in termination payments, a liability has been accrued on the accompanying financial statements within accounts payable and accrued expenses for those employees who retired in the first quarter of fiscal years 2001 and 2000, respectively, who received termination payments as a result of accrued sick leave. At June 30, 2000 and 1999, management estimates its liability for sick leave termination benefits to be $61 and $69, respectively.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled $2,543 and $2,412 as of June 30, 2000 and 1999, respectively, and is included in accounts payable and accrued expenses.

(l) Contributed Capital

Contributed capital represents government grants and other aid and contributions from the City used to fund capital projects. Such amounts are generally recognized as contributed capital when the expenditure is made and amounts become subject to claim for reimbursement. Depreciation recorded on property, plant and equipment acquired through government grants is charged to operations and reclassified to the related contributed capital account.

(m) 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.

(n) 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.

(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, 2000 and 1999, the carrying amount of the Airport cash deposits was $38,914 and $41,717 and the bank balances were $46,187 and $52,673, respectively. The bank balances at June 30, 2000 and 1999 were entirely covered by collateral held in the pledging bank's trust department or agent in the City'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.

	Carrying value		
	2000	1999	Category
Investments:			
United States Government agency securities	$ 283,076	313,047	3
Money market mutual funds	39,413	32,637	N/A
	$ 322,489	345,684	

(3) Restricted Assets

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2000 and 1999:

	2000	1999
Airport Bond Fund		
Debt Service Account	$ 36,107	35,058
Debt Service Reserve Account	55,064	55,006
Airport Renewal and Replacement Fund	3,500	3,500
Passenger Facility Charge Fund	32,547	54,228
Airport Development Fund	49,949	15,400
Airport Construction Fund	166,026	209,528
Airport Contingency Fund	3,160	3,071
	$ 346,353	375,791

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 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.

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 ordinar. es.

(4) Property, Plant, and Equipment

Property, plant, and equipment at June 30, 2000 and 1999 consist of the following:

	2000	1999
Pavings	$ 262,083	235,824
Buildings and facilities	354,093	333,092
Equipment	58,059	57,555
	674,235	626,471
Less accumulated depreciation	350,469	324,109
	323,766	302,362
Land	390,356	285,095
Construction in progress	63,203	109,629
	$ 777,325	697,086

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 property, plant and equipment are as follows:

	Years
Pavings	18-25
Buildings and facilities	20-30
Equipment	2-20

(5) Revenue Bonds Payable

Bonds outstanding at June 30, 2000 and 1999 are summarized as follows:

	2000	1999
Bond Series 1992, interest rates ranging from 5.4% to 6.125%, payable in varying amounts through 2016	$ 28,995	32,570
Bond Series 1993, interest rates ranging from 5.7% to 6.2%, payable in varying amounts through 2006	70,195	80,440
Bond Series 1993A, interest rates ranging from 6.0% to 6.65%, payable in varying amounts through 2006	39,455	44,775
Bond Series 1996, interest rates ranging from 4.75% to 6%, payable in varying amounts through 2008	28,730	31,580
Bond Series 1997, interest rates ranging from 4.1% to 6%, payable in varying amounts through 2028	199,605	199,605
Bond Series 1998, interest rates ranging from 3.4% to 5.125%, payable in varying amounts through 2016	69,260	69,260
	436,240	458,230
Less:		
Current maturities	23,615	21,990
Unamortized discounts and premiums	(175)	(272)
Deferred amounts on refunding	9,579	11,441
	33,019	33,159
	$ 403,221	425,071

Interest payments on the above issues are due semiannually on January 1 and July 1.

On December 17, 1998 the Airport issued $69,260 in Airport Revenue Refunding Bonds, Series 1998, with an average interest rate of 4.97% to advance refund $66,815 of outstanding Series 1992 Revenue Bonds with an average interest rate of 5.85%. The net proceeds of $71,005 (after the addition of an original issue premium of $3,082 and the payment of $1,337 in underwriting fees and other issuance costs) plus an additional $2,368 of Series 1992 Debt Service Fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the $66,815 Series 1992 Revenue Bonds. As a result, this portion of the Series 1992 Revenue Bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. At June 30, 2000, $66,815 of the defeased Series 1992 Revenue Bonds are outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $7,084. This difference, reported in the accompanying financial statements as a reduction from revenue bonds payable, is being charged to operations through 2015 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 16 years by $5,259, and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,786.

The deferred amount related to the refunded Bond Series 1984, Bond Series 1987, and Bond Series 1992 of $9,579 and $11,441 at June 30, 2000 and 1999, respectively, is included in revenue bonds payable within the accompanying balance sheets and is amortized using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 2000 and 1999.

As of June 30, 2000, the Airport's aggregate debt service requirements for the next five years and thereafter of the above issues are as follows:

Year ending June 30:	Principal	Interest	Total
2001	$ 23,615	23,331	46,946
2002	25,940	21,933	47,873
2003	27,050	20,396	47,446
2004	29,365	18,724	48,089
2005	31,435	16,934	48,369
Thereafter	298,835	162,517	461,352
	$ 436,240	263,835	700,075

In prior years, the Airport additionally advance refunded $154,900 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, 2000 and 1999, $56,760 and $64,100, respectively, of these bonds are considered defeased.

(6) 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 2000 and 1999, revenues from signatory air carriers accounted for 62% and 63%, respectively, of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the years ended June 30, 2000 and 1999:

	2000		
	Signatory	Non-signatory	Total
Airfield	$ 38,091	4,065	42,156
Terminal and concourses	23,011	464	23,475
Hangars and other buildings	465	27	492
Cargo buildings	2,141	24	2,165
	$ 63,708	4,580	68,288

	1999		
	Signatory	Non-signatory	Total
Airfield	$ 37,407	3,277	40,684
Terminal and concourses	18,427	443	18,870
Hangars and other buildings	524	41	565
Cargo buildings	1,841	–	1,841
	$ 58,199	3,761	61,960

(7) Financial Condition of and Transactions With Major User

Trans World Airlines, Inc. (TWA) represents the major air carrier providing air passenger service at the Airport. TWA provided 43% and 45%, respectively, of the Airport's total operating revenues and 67% and 68%, respectively, of total revenues from signatory air carriers for the fiscal years ended June 30, 2000 and 1999.

During the period from 1992 through 1995, TWA underwent two separate Chapter 11 reorganizations, the first in 1992-93 and the second in 1995.

The City purchased from TWA, all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building and a flight training facility (Purchased Assets).

(Continued)

TWA has a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. If during any month TWA has an average of less than 190 regularly scheduled departures, the City has the right to reclaim and redesignate the use of gates and terminal support facilities and equipment to other airlines so that TWA would retain only that number of gates which represents an average of 3.33 daily flight departures per gate. Also under the lease agreements, if TWA fails to make a payment of any rents, fees or charges, the City may terminate all of TWA's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue from TWA was $7,829 for the years ended June 30, 2000 and 1999. Accounts receivable at June 30, 2000 and 1999 contained $9,870 and $11,699, respectively, relating to amounts owed to the Airport by TWA.

TWA's independent public accountants issued an unqualified opinion within their report dated January 28, 2000, on the financial statements of TWA as of and for the year ended December 31, 1999. TWA reported a net loss of $353.4 million for the twelve months ended December 31, 1999, compared to a net loss of $120.5 million for the same period in 1998. In addition, the reported net loss for the six month period ended June 30, 2000, increased to $80 million from a net loss of $26 million posted during the six months ended June 30, 1999. TWA's management attributes these continued net losses to the competitive environment within the airline industry and the rapid growth of regional jet airline affiliates with lower operating costs. TWA's current business strategy includes, among other things, modernizing its fleet, reducing costs and improving productivity, implementing revenue-enhancing marketing initiatives and scheduling realignments to attract higher-yield business travelers, implementing employee-related initiatives to reinforce TWA's focus on operational performance, optimizing TWA's route structure through the opening of "focus cities" and the use of regional jet feed into TWA's system, and better coordination of commuter feed, turbo prop products and schedules. Although TWA has adopted various strategies designed to increase revenues and improve its results of operations, there can be no assurance that TWA will attain its objectives or return to profitability in the future.

Various other factors could adversely affect TWA. The resolution of claims arising from the crash of TWA Flight 800 on July 17, 1996 and the availability of insurance to cover such claims could adversely affect TWA's financial condition or its public image. TWA is currently a defendant in a number of lawsuits related to the crash. Failure to implement successfully current plans to reduce the average age of TWA's planes and to meet federal noise reduction standards could adversely affect operations. Adverse results to ongoing litigation between TWA and Karabu Corporation and Carl C. Icahn related to an agreement to market and sell tickets to the public could have an adverse affect on TWA's revenue. Any or all of these or other factors could result in a material adverse affect on TWA's operations or financial condition and adversely affect its financial viability.

Should the Airport incur a substantial loss of revenue from TWA and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on outstanding bonds is insured by a bonds insurance policy.

(8) 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:		
2001	$	16,889
2002		15,906
2003		16,547
2004		11,646
2005		2,827
Thereafter		24,169
Total minimum future rentals	$	87,984

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to $28,106 and $27,243 for the years ended June 30, 2000 and 1999, respectively.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements which expire at various dates through 2003. Expenses for operating leases and service agreements were $1,254 and $2,449 for the years ended June 30, 2000 and 1999, respectively. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:		
2001	$	140
2002		101
2003		32
Total minimum future rentals	$	273

(Continued)

(9) Concessionaire Revenues

During fiscal years 2000 and 1999, revenues from concessionaires accounted for 32% of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2000 and 1999:

		2000	1999
Advertising	$	1,876	960
Transportation services		359	312
Automobile rental		9,817	8,924
General merchandise sales		2,478	2,380
Parking services		12,394	10,949
Food and catering services		5,927	5,095
Other		4,275	4,486
	$	37,126	33,106

(10) Related-Party Transactions

During the years ended June 30, 2000 and 1999, the City charged the Airport $1,718 and $1,386, respectively, for services rendered by various City departments, which are included in the Airport's operating expenses. Charges for such services will be recurring and are not necessarily related to the actual time spent by the employees of these City departments or to materials furnished in providing such services.

Each year the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the years ended June 30, 2000 and 1999, gross receipts tax expense of the Airport was $5,850 and $5,179, respectively. As of June 30, 2000 and 1999, $2,203 and $1,937, respectively, remain unpaid.

(11) 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-employee defined benefit retirement plan. All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer defined benefit retirement plan. Each system is administered by a separate Board of Trustees, who are appointed by City officials and plan participants. As Airport employees comprise only a portion of total plan participants, no separate accrued liabilities or segregation of net assets available for plan benefits is maintained related to the Airport's participation.

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 DROP plan the member will not receive credit for employer contributions or credit 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.

In August 1997, the Trustees of the Firemen's System approved a resolution to provide additional benefits for employees of the Firemen's System in the form of severance pay and a limited retirement package. The severance pay applies to employees who are dismissed for any reason other than for just cause based on the wrongful conduct of the employee. The dismissed employee would be entitled to one month's pay for each year or part of year that the employee has been employed by the Firemen's System. The retirement package is for employees who have completed five years of service. Upon completing five years of service, the employee will have five months salary credited to him or her. Thereafter the employee will be credited with a month's salary upon completion of each additional year of service. The employees' accounts will be credited each anniversary date with interest on the account at the same rate as earned by the Firemen's System.

(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 $284 were made to the Firemen's System by the Airport during the fiscal year ended June 30, 2000. The contributions consisted of $284 of normal cost in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at September 1, 1999. The following were some of the significant actuarial assumptions used in the valuation of the Firemen's System:

Date of actuarial valuation	September 1, 1999
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	8.125%, compounded annually
Projected salary increases	5.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

Three Year Trend Information – Firemen's System

System Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$ 284	100%	$ –
1998	658	51.2%	–
1997	926	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 no minimum years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service.

(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 1% of active member payroll effective July 1995. The Board of Trustees then elected to reduce the required employer contribution rate back to the actuarially required rate of zero effective July 1996. The 1% contribution rate was reinstated effective July 1997.

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.

(c) Annual Pension Cost

Contributions of $11 were made to the Employees' System by the Airport during the fiscal year ended June 30, 2000. The Airport has a net pension asset of $571 as of June 30, 2000, reflected as other assets in the accompanying financial statements. The following were some of the significant actuarial assumptions used in the valuation of the Employees' System:

Date of actuarial valuation	October 1, 1999
Actuarial cost method	Projected unit credit
Amortization method	Level percent, open
Remaining amortization period	1 year
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	7.75%
Projected salary increases	4.50 – 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

Three-Year Trend Information – Employees' System

System Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$ –	100%	$ –
1998	–	100%	–
1997	–	100%	–

(12) Commitments and Contingencies

At June 30, 2000, the Airport had outstanding commitments amounting to approximately $46,012, resulting primarily from contracts for construction projects. In addition, the Airport has $9,659 in outstanding commitments resulting from service agreements.

In connection with Federal grant programs, the Airport is obligated to administer the related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Airport to refund program monies.

Additionally, certain lawsuits were pending against the City which involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

(13) 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. At June 30, 2000 and 1999, the Airport owed PFPC $1,240 and $1,610, 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.

(14) Record of Decision

On September 30, 1998, the Airport 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;
- The modernization and renovation of existing terminal facilities;
- The addition of up to 25 new passenger gates;
- Additional terminal facilities, doubling the Airport's existing space;
- Renovation of Lambert's existing runway and taxiway system; and the
- Addition of more than 6,000 parking spaces.

The construction for this program will be funded with Airport Development Funds, Passenger Facilities Charges, FAA Improvement Program grants, and Airport Revenue Bonds.

Lawsuits have been filed by the Cities of St. Charles and Bridgeton, Missouri, but litigation has not delayed project implementation. In a local zoning case, the St. Louis Circuit Court ruled in favor of the City of St. Louis; this ruling was upheld by the Missouri Court of Appeals. In the Federal Master Plan/EIS case, the Appellate Court upheld the FAA's Record of Decision. Land acquisition activities are underway with approximately 2,000 parcels to be acquired. As of October 20, 2000, 596 offers have been accepted; of these, 539 real estate transactions have been closed; of these, 488 properties have been vacated by the sellers and are in the possession of the Airport; of these, 272 houses have been demolished with others to follow in the coming months.

Several design packages have been solicited with others to follow. An injunction to stop progress on this project is not anticipated by management.

(15) Subsequent Event

On July 15, 2000, the Airport issued $87,165 in Series 2000 Letter of Intent Double Barrel Revenue Bonds with an average interest rate of 6.07%. The Series 2000 bonds are limited obligations of the Airport, payable solely from moneys to be received from the FAA pursuant to Letter of Intent Number ACE-98-01 dated November 10, 1998 and amended May 1, 2000; moneys on deposit in the Airport Development Fund; and certain other funds pledged under the bond indenture. None of the general Airport revenues or properties of the Airport have been pledged or mortgaged to secure payment of the Series 2000 bonds. The proceeds of the Series 2000 bonds, together with other available funds, will be applied to pay a portion of the cost of the acquisition of certain land located adjacent to the Airport and the construction of certain improvements thereon.

[This page intentionally left blank]

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Analysis of Cash and Investment Accounts Required by Bond Ordinances
Year ended June 30, 2000
(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, 1999	$ 7,509	1,937	2,164	35,058	55,006
Cash deposited with City Treasurer	129,060	–	–	–	–
Cash receipts	–	–	–	1,468	4,959
Transfer in accordance with ordinance	(118,836)	5,430	63,593	47,730	(3,947)
Vouchers and requisitions paid	(11,458)	–	(59,185)	–	–
Bond proceeds	–	–	–	–	(21)
Payments:					
Interest	–	–	–	(26,159)	(933)
Redemption of bonds	–	–	–	(21,990)	–
Payments to the City of 5% of gross receipts	–	(5,164)	–	–	–
Receipts from FAA	–	–	–	–	–
Capital appropriation	–	–	–	–	–
Capital expenditures	–	–	–	–	–
Balance at June 30, 2000	$ 6,275	2,203	6,572	36,107	55,064

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	54,228	15,400	189,200	20,328	3,071	387,401
–	50,668	–	–	–	–	179,728
–	–	–	(1,266)	4,458	–	9,619
–	(17,349)	30,988	(321)	(7,377)	89	–
–	–	–	–	–	–	(70,643)
–	–	–	–	–	–	(21)
–	–	–	–	(62)	–	(27,154)
–	–	–	–	–	–	(21,990)
–	–	–	–	–	–	(5,164)
–	–	22,776	118	–	–	22,894
–	(55,000)	(19,215)	74,215	–	–	–
–	–	–	(113,267)	–	–	(113,267)
3,500	32,547	49,949	148,679	17,347	3,160	361,403

Schedule II

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of 1992 Revenue Refunding and Improvement Bonds Payable

June 30, 2000

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2000	5.40 %	$ 3,765
2001	5.63	3,970
2002	5.80	4,190
2003	5.90	4,435
2004	6.00	750
2005	6.00	795
2006	6.00	840
2007	6.00	890
2008	6.00	945
2009	6.13	1,005
2010	6.13	1,060
2011	6.13	1,125
2012	6.13	1,190
2013	6.13	1,265
2014	6.13	1,345
2015	6.13	1,425
		$ 28,995

See accompanying independent auditors' report.

Schedule III

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, 2000
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2000	5.70 %	$ 10,925
2001	5.90	11,555
2002	6.00	10,920
2003	6.10	11,560
2004	6.15	12,245
2005	6.20	12,990
		$ 70,195

See accompanying independent auditors' report.

Schedule IV

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1993A Taxable Revenue Bonds Payable
June 30, 2000
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2000	6.00 %	$ 5,625
2001	6.20	5,965
2002	6.35	6,330
2003	6.40	6,735
2004	6.55	7,165
2005	6.65	7,635
		$ 39,455

See accompanying independent auditors' report.

Schedule V

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1996 Revenue Refunding Bonds Payable
June 30, 2000
(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2000	4.75 %	$ 2,985
2001	4.75	3,125
2002	6.00	3,270
2003	6.00	3,465
2004	5.05	3,680
2005	5.15	3,865
2006	5.25	4,065
2007	5.35	4,275
		$ 28,730

See accompanying independent auditors' report.

Schedule VI

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of 1997 Taxable Revenue Bonds Payable
June 30, 2000
(Dollars in thousands)

Maturity on July 1	1997A Interest Rate	1997A Principal Maturity	1997B Interest Rate	1997B Principal Maturity	Total Principal Maturity
2001	4.10 %	$ 250	4.30 %	$ 750	$ 1,000
2002	4.20	500	4.40	1,500	2,000
2003	4.30	625	4.50	2,195	2,820
2004	4.40	715	5.25	2,570	3,285
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
		$ 40,420		$ 159,185	$ 199,605

See accompanying independent auditors' report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An enterprise fund of the City of St. Louis, Missouri)

Schedule of 1998 Revenue Refunding Bonds Payable

June 30, 2000

(Dollars in thousands)

Maturity on July 1	Interest Rate	Principal Maturity
2000	3.40 %	$ 315
2001	4.00	325
2002	4.00	340
2003	4.00	350
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
		$ 69,260

See accompanying independent auditors' report.

Schedule VIII

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An enterprise fund of the City of St. Louis, Missouri)
Schedule of Insurance
June 30, 2000
(Dollars in thousands)

Insurer	Amount	Expiration Date	Character of Coverage
National Union Fire Insurance	$ 250,000	10/1/01	General liability
National Union Fire Insurance	7,000	10/1/01	Public official's liability
Allendale Insurance	579,607	10/1/00	Comprehensive property damage
The Hartford Insurance Company	100	10/1/00	Employee honesty bond
The Cincinnati Insurance Company	5,000	10/1/00	Business auto and excess
Kemper National Insurance Company	2,680	10/1/00	Insurance on fine arts

See accompanying independent auditors' report.

APPENDIX D

FORM OF BOND INSURANCE POLICY

[This page intentionally left blank]

MBIA

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); 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 State Street Bank and Trust Company, N.A., 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 State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. 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

Attest:

Assistant Secretary

SPECIMEN

STD-R-6
4/95

[This page intentionally left blank]

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

[This page intentionally left blank]

APPENDIX E

FORM OF OPINION OF CO-BOND COUNSEL

May 15, 2001

The City of St. Louis, Missouri
St. Louis, Missouri

UMB Bank, N.A., as Trustee
St. Louis, Missouri

Re: $435,185,000 The City of St. Louis, Missouri Airport Revenue Bonds, Series 2001A (Airport Development Program)

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by The City of St. Louis, Missouri (the "City") of its Airport Revenue Bonds, Series 2001A (Airport Development Program) dated May 1, 2001 (the "Bonds").

The Bonds are authorized and issued under and pursuant to 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. 65087 (the "Ordinance") of the City adopted by the Board of Aldermen of the City on November 3, 2000 and approved by the Mayor of the City on November 22, 2000, 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)), 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 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 and the Eighth Supplemental Indenture of Trust between the City and the Trustee (the "Eighth Supplemental Indenture") dated as of May 1, 2001 (collectively, the "Indenture"). Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

The Bonds are being issued for the purpose of providing funds which, together with other funds available for such purposes, will be used (i) to finance a portion of the cost of the acquisition of certain land located adjacent to Lambert-St. Louis International Airport (the "Airport") and the acquisition, design, construction, improvement, renovation, expansion, rehabilitation and equipping of certain facilities at the Airport, (ii) to fund a deposit to a Debt Service Reserve Fund, (iii) to pay capitalized interest on the Bonds and (iv) to finance costs of issuance relating to the issuance of the Bonds.

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 April 23, 2001, 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 Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion herein relating thereto (excepting only the matters set forth in our opinion in the Official Statement).

For purposes of this opinion, we have assumed that the Indenture (other than the Eighth Supplemental Indenture) has been duly and lawfully executed and delivered by the City and is in full force and effect.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The 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 Bonds and the premium, if any, 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 Eighth 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 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 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 Bonds. The City has covenanted at all times to do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds shall be excludable from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and no funds of the City shall at any time be used directly or indirectly to acquire securities or obligations or other investment-type property the acquisition or holding of which would cause any such Bond to be an arbitrage bond as defined in the Code and any applicable regulations issued thereunder and, in furtherance thereof, to comply with the "Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986" with respect to the Bonds.

Under existing law and assuming compliance with the tax covenants described herein, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code and is exempt from income taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri, as amended. 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 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. No opinion is expressed regarding the applicability with respect to the Bonds or the interest on the Bonds of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

The Bonds maturing on July 1 in the years 2007 and 2011 (bearing interest at a rate of 5.00% per annum), 2008 through 2010 (bearing interest at a rate of 5.50% per annum), and 2012 through 2019 (bearing interest at a rate of 5.625% per annum) (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. We are of the opinion that 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.

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing July 1, 2007 (bearing interest at a rate of 4.125% per annum), July 1, 2008 (bearing interest at a rate of 4.25% per annum), July 1, 2020 through July 1, 2022, inclusive, July 1, 2026 and July 1, 2031 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for Federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

Except as stated in paragraph 5 above, we express no opinion as to any other Federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice of other bond counsel.

It is to be understood that the rights of the holders of the 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,

APPENDIX F

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

[This page intentionally left blank]

The following is a brief summary of the Continuing Disclosure Agreement, and is qualified in its entirety by reference thereto, 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 2001A ADP 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 Trustee a written acceptance of such designation.

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

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

"Obligated Person" means the City and each 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 April 24, 2001 and the Official Statement dated May 2, 2001 issued in connection with the 2001A ADP Bonds.

"Participating Underwriter" means any of the original underwriters of the 2001A ADP Bonds required to comply with the Rule in connection with the offering of the 2001A ADP Bonds.

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

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

"State" means the State of Missouri.

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

Purpose of the Disclosure Agreement

The Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the 2001A ADP 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 has also determined that AMR Sub is currently the only other Obligated Person. AMR, the parent company of AMR Sub, is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith, file reports and other information with the United States Securities and Exchange Commission (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, 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 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 (which currently ends on June 30 of each year), commencing with the report for the City's fiscal year ending on June 30, 1999, provide to each Repository an Annual Report which is consistent with the requirements of the Disclosure Agreement. The City will provide a written certificate with the Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under the Disclosure Agreement.

Not later than fifteen (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 by such date the Dissemination Agent has not received the Annual Report, the Dissemination Agent will contact the City and request that the City comply with the Disclosure Agreement.

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

The Dissemination Agent is required to:

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

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

Content of Annual Reports

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

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

2. 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 Carrier and Air Cargo Carriers at the Airport;

b. The table contained in the Official Statement under the caption "SELECTED HISTORICAL FINANCIAL INFORMATION – Revenues and Expenses" herein;

c. The rate of PFCs assessed by the City;

d. "TABLE IV-2 – O&D AND CONNECTING ENPLANEMENTS" in "APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

e. "TABLE IV-3 – DOMESTIC AND INTERNATIONAL ENPLANEMENTS" in APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

f. "TABLE IV-4 – AIR CARRIER MARKET SHARE" in "APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

g. "TABLE IV-6 – HISTORICAL AIR CARGO (In Pounds)" in "APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

h. "TABLE V-4 – SUMMARY OF AIR CARRIER REVENUES, COST PER ENPLANED PASSENGER AND RATES—BASE CASE" in "APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement;

i. "TABLE V-6 – OPERATION AND MAINTENANCE EXPENSES – BASE CASE" in "APPENDIX B — FINANCIAL FEASIBILITY REPORT" of the Official Statement; and

j. "TABLE V-8 – CALCULATION OF ANNUAL DEBT SERVICE COVERAGE – BASE CASE" in "APPENDIX B — 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" (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the United States Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City will clearly identify each such other document so included by reference.

Reporting of Significant Events

Pursuant to the provisions of the Disclosure Agreement, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2001A ADP Bonds, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of Bondholders;
4. bond calls;
5. defeasances;
6. rating changes;
7. adverse tax opinions or events affecting the tax-exempt status of the 2001A ADP Bonds;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform;
11. release, substitution or sale of property securing repayment of the 2001A ADP Bonds.

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

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

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

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

If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent will file a notice of such occurrence with (i) each

Repository or (ii) the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City, the Trustee and the Participating Underwriters. Notwithstanding the foregoing, notice of Listed Events described in the Disclosure Agreement need not be given under the Disclosure Agreement any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected 2001A ADP 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 2001A ADP 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 2001A ADP Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity will be responsible for compliance with the Disclosure Agreement in the same manner as if it were the City, and the City will have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the 2001A ADP Bonds, the City will give notice of such termination or substitution in the same manner as for a Listed Event under of the Disclosure Agreement.

Dissemination Agent

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

Amendment; Waiver

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

(a) If the amendment or waiver relates to the provisions of the Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the 2001A ADP Bonds, or the type of business conducted;

(b) 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 2001A ADP Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondholders of the 2001A ADP 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 2001A ADP Bonds.

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

Additional Information

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

Default

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

Duties, Immunities and Liabilities of Trustee and Dissemination Agent

The Indenture is made applicable to the Disclosure Agreement and the Dissemination Agent as if such provisions were (solely for this purpose) contained in the Disclosure Agreement. The Dissemination Agent will have only such duties as are specifically set forth in the Disclosure Agreement, and, to the extent permitted by applicable law, the City indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. 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 2001A ADP Bonds or any other person pursuant to the terms of the Indenture.

APPENDIX G

DTC INFORMATION

[This page intentionally left blank]

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2001A ADP Bonds. The 2001A ADP Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTCs partnership nominee). One fully registered 2001A ADP Bond certificate will be issued for each maturity of the 2001A ADP Bonds, each in the aggregate principal amount of such maturity of the 2001A ADP Bonds and will be deposited with DTC or its agent.

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

Purchases of 2001A ADP Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001A ADP Bonds on DTCs records. The ownership interest of each actual purchaser of the 2001A ADP Bonds (the "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2001A ADP 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 the 2001A ADP Bonds, except in the event that use of the book-entry system for the 2001A ADP Bonds is discontinued.

To facilitate subsequent transfers, all 2001A ADP Bonds deposited by Participants with DTC are registered in the name of DTCs partnership nominee, Cede & Co. The deposit of the 2001A ADP 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 2001A ADP Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the 2001A ADP Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Beneficial Owners of the 2001A ADP Bonds or those possessing interests in the 2001A ADP Bonds will not receive or have the right to receive physical delivery of such 2001A ADP Bonds, and will not be or be considered to be owners thereof under the Indenture. So long as Cede & Co. is the registered owner of the 2001A ADP Bonds, as nominee of DTC, references herein to the owners, holders or registered owners of the 2001A ADP Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the 2001A ADP Bonds are being redeemed, DTCs practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2001A ADP 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 2001A ADP Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the 2001A ADP Bonds will be made to DTC. DTCs practice is to credit Direct Participants accounts on the payment date in accordance with their respective holdings shown on DTCs records, unless DTC has reason to believe that it will not receive payment on a payment 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 Trustee 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 Trustee, 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 or any successor Clearing Agency that is, directly or through a nominee, the Registered Owner of all of the 2001A ADP Bonds may discontinue providing its services as securities depository with respect to the 2001A ADP Bonds at any time by giving reasonable notice to the City and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2001A ADP Bond certificates are required to be printed and delivered.

The City may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the 2001A ADP Bonds are to be delivered as described in the Indenture and the Trustee is entitled to rely on information provided by DTC and the Participants as to the names and principal amounts in which the 2001A ADP Bonds are to be registered.

The City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments on the 2001A ADP Bonds made to DTC or its nominee, as the registered owner, or any notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC and the Participants, or any successor depository, will serve and act in a manner described in this Official Statement.

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

DURING THE PERIOD THAT DTC IS THE REGISTERED OWNER OF THE 2001A ADP BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO DTC. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO

ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE PARTICIPANTS OR BY ANY PARTICIPANT TO THE BENEFICIAL OWNER. ANY FAILURE BY DTC TO ADVISE ANY PARTICIPANT, OR BY ANY PARTICIPANT TO NOTIFY THE BENEFICIAL OWNER, OR ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.