NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: SEE "RATINGS" herein**

*In the opinion of Armstrong Teasdale LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, under existing law and assuming, among other matters, continuing compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City described herein, interest on the Series 2017 Bonds (including any original issue discount properly allocable to any owner thereof) is excluded from gross income for federal income tax purposes under the Code, however, no opinion is expressed as to the status of interest on any Series 2017B Refunding Bond or Series 2017D Project Bond held by a "substantial user" of the facilities financed or refinanced by the Series 2017B Refunding Bonds or Series 2017D Project Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the Series 2017B Refunding Bonds or Series 2017D Project Bonds is treated as an item of preference for purposes of calculating the federal alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. Interest on the Series 2017A Refunding Bonds and the Series 2017C Project Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Co-Bond Counsel are also of the opinion that interest on the Series 2017 Bonds (including any original issue discount properly allocable to any owner thereof) is excluded from taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. For a more complete discussion of the tax aspects, see "**TAX MATTERS**" herein.*

$258,430,000
THE CITY OF ST. LOUIS, MISSOURI
AIRPORT REVENUE REFUNDING AND AIRPORT REVENUE BONDS
(St. Louis Lambert International Airport)
consisting of:

$125,410,000	$74,715,000	$31,700,000	$26,605,000
Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport)	**Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport)**	**Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport)**	**Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport)**

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

The City of St. Louis, Missouri (the "***City***") expects to issue its (i) Airport Revenue Refunding Bonds, Series 2017A (Non- AMT) (St. Louis Lambert International Airport) (the "***Series 2017A Refunding Bonds***") and (ii) Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport) (the "***Series 2017B Refunding Bonds***," and, together with the Series 2017A Refunding Bonds, the "***Series 2017 Refunding Bonds***") under and pursuant to the Indenture of Trust dated as of October 15, 1984 (the "***Original Indenture***"), which Original Indenture, as previously amended, supplemented and restated, was amended, restated and superseded by that certain Amended and Restated Indenture of Trust dated as of July 1, 2009 (the "***Restated Indenture***"), as amended and supplemented, including by the Twenty-First Supplemental Indenture of Trust dated as of June 1, 2017 (the "***Twenty-First Supplemental Indenture***"), between the City and UMB Bank, N.A., as Trustee (the "***Trustee***"), and (iii) Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the "***Series 2017C Project Bonds***") and (iv) Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the "***Series 2017D Project Bonds***," and, together with the Series 2017C Project Bonds, the "***Series 2017 Project Bonds***" and together with the Series 2017 Refunding Bonds, the "***Series 2017 Bonds***") under and pursuant to the Restated Indenture, as amended and supplemented, including by the Twenty-First Supplemental Indenture and the Twenty-Second Supplemental Indenture of Trust dated as of June 1, 2017 (the "***Twenty-Second Supplemental Indenture***" and together with the Restated Indenture and the Twenty-First Indenture, the "***Indenture***"), between the City and the Trustee.

The Series 2017 Bonds are limited obligations of the City, payable solely from Revenues, as defined herein, to be derived by the City from the operation of St. Louis Lambert International Airport (formerly Lambert-St. Louis International Airport) (the "***Airport***") and certain other funds pledged under the Indenture. The Series 2017 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2017 Bonds, either as to principal, premium (if any) or interest. The Series 2017 Bonds will be secured on a parity basis with the Outstanding Bonds, as defined herein, and any Additional Bonds issued under the Indenture as more fully described herein.

The proceeds of the Series 2017 Refunding Bonds, together with other available funds, will be used: (i) to refund a portion of the outstanding City of St. Louis Airport Revenue Refunding Bonds, Series 2007A (Non-AMT) (the "***Series 2007A Bonds***") and all of the outstanding City of St. Louis Airport Revenue Refunding Bonds, Series 2007B (AMT) (the "***Series 2007B Bonds***") issued under the Indenture (as more fully described herein), (ii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Refunding Bonds, and (iii) to pay costs of issuing the Series 2017 Refunding Bonds.

The proceeds of the Series 2017 Project Bonds, together with other available funds, will be used: (i) to fund a portion of the costs of the construction, extension and improvement of the Airport and to reimburse the City for certain prior Airport capital expenditures (collectively, the "***2017 Project***"), (ii) to fund all or a portion of capitalized interest on the Series 2017 Project Bonds through January 1, 2019, (iii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Project Bonds, and (iv) to pay costs of issuing the Series 2017 Project Bonds.

Interest on the Series 2017 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2018, until maturity. The Series 2017 Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company ("***DTC***"), New York, New York, pursuant to the book-entry-only system described herein. Beneficial ownership may be acquired in denominations of $5,000 or any integral multiples thereof. No physical delivery of the Series 2017 Bonds will be made to the purchasers. See "**THE SERIES 2017 BONDS - Book-Entry - Only System**."

The Series 2017 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

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

The scheduled payment of principal of and interest on the Series 2017 Bonds, with the exception of the Series 2017B Refunding Bonds maturing on July1, 2018 (collectively, the "***Insured Bonds***"), when due will be guaranteed under insurance policies to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp. See "**BOND INSURANCE**" herein.

ASSURED GUARANTY® MUNICIPAL

The Series 2017 Bonds are offered when, as and if issued by the City and received by the Underwriters (as defined herein) and subject to prior sale, withdrawal or modification of the offer without notice and the approval of legality of the Series 2017 Bonds by Armstrong Teasdale LLP, St. Louis, Missouri, and Hardwick Law Firm, LLC, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the office of the City Counselor, and for the Underwriters by Dentons US LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri, Co-Underwriters' Counsel. Certain legal matters will be passed upon for the City by its Co-Disclosure Counsel, Schiff Hardin LLP, New York, New York, and White Coleman & Associates, LLC, St. Louis, Missouri. It is expected that the Series 2017 Bonds in book-entry-only form will be available for delivery through the facilities of DTC on or about June 28, 2017.

*This cover page contains certain information for quick reference only. It is not a summary of this Official Statement. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, including, but not limited to, matters described in "**CERTAIN INVESTMENT CONSIDERATIONS**."*

Wells Fargo Securities
Stern Brothers & Co.
Joint Book Running Managers

Backstrom McCarley Berry & Co. LLC
HilltopSecurities
Loop Capital Markets
PNC Capital Markets LLC
The Williams Capital Group, L.P.

The date of this Official Statement is June 9, 2017.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS

$125,410,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017A (Non-AMT)
(St. Louis Lambert International Airport)

Maturity Date July 1	Principal	Interest Rate	Price	Yield	CUSIP†
2020	$16,500,000	4.000%	108.372%	1.160%	791638D22
2021	20,810,000	5.000	114.405	1.300	791638D30
2022	22,925,000	5.000	117.195	1.430	791638D48
2023	19,385,000	5.000	119.276	1.620	791638D55
2024	20,365,000	5.000	121.201	1.770	791638D63
2025	11,380,000	5.000	122.761	1.920	791638D71
2027	2,065,000	5.000	124.419	2.260	791638D89
2028	2,170,000	5.000	122.910*	2.410	791638D97
2029	2,275,000	5.000	121.916*	2.510	791638E21
2030	2,390,000	5.000	121.127*	2.590	791638E39
2031	2,510,000	5.000	120.442*	2.660	791638E47
2032	2,635,000	5.000	120.150*	2.690	791638E54

* Priced to first call date of July 1, 2027.

$74,715,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017B (AMT)
(St. Louis Lambert International Airport)

$2,365,000 Uninsured Serial Bond

Maturity Date July 1	Principal	Interest Rate	Price	Yield	CUSIP†
2018	$2,365,000	5.000%	103.776%	1.220%	791638E62

$72,350,000 Insured Serial Bonds

Maturity Date July 1	Principal	Interest Rate	Price	Yield	CUSIP†
2019	$9,800,000	4.000%	105.519%	1.210%	791638E70
2020	8,345,000	4.000	107.848	1.330	791638E88
2021	7,525,000	5.000	113.608	1.490	791638E96
2022	8,010,000	5.000	115.935	1.670	791638F20
2023	7,430,000	5.000	117.834	1.850	791638F38
2024	7,625,000	5.000	119.382	2.020	791638F46
2025	8,005,000	5.000	120.456	2.200	791638F53
2026	6,780,000	5.000	121.040	2.390	791638F61
2027	8,830,000	5.000	122.114	2.490	791638F79

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES, YIELDS AND CUSIP NUMBERS

$31,700,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017C (Non-AMT)
(St. Louis Lambert International Airport)

$13,930,000 5.000% Term Bond Due July 1, 2042 Price 116.709%* to Yield 3.050% CUSIP: 791638F87

$17,770,000 5.000% Term Bond Due July 1, 2047 Price 116.147%* to Yield 3.110% CUSIP: 791638F95

* Priced to first call date of July 1, 2027.

$26,605,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017D (AMT)
(St. Louis Lambert International Airport)

Maturity Date July 1	Principal	Interest Rate	Price	Yield	CUSIP†
2028	$2,115,000	5.000%	120.637%*	2.640%	791638G29
2029	2,220,000	5.000	119.665*	2.740	791638G37
2030	2,335,000	5.000	118.894*	2.820	791638G45
2031	2,450,000	5.000	118.319*	2.880	791638G52
2032	2,570,000	5.000	117.653*	2.950	791638G60
2033	2,700,000	5.000	116.992*	3.020	791638G78
2034	2,835,000	5.000	116.428*	3.080	791638G86
2035	2,975,000	5.000	116.054*	3.120	791638G94
2036	3,125,000	5.000	115.682*	3.160	791638H28
2037	3,280,000	5.000	115.311*	3.200	791638H36

* Priced to first call date of July 1, 2027.

THE CITY OF ST. LOUIS

ELECTED OFFICIALS

Lyda Krewson, Mayor
Darlene Green, Comptroller
Lewis Reed, President of the Board of Aldermen
Tishaura O. Jones, Treasurer

BOARD OF ALDERMEN

Sharon Tyus – Ward 1	Sarah Martin – Ward 11	John Collins-Muhammad – Ward 21
Dionne Flowers – Ward 2	Larry Arnowitz – Ward 12	Jeffrey L. Boyd – Ward 22
Brandon Bosley – Ward 3	Beth Murphy – Ward 13	Joseph Vaccaro – Ward 23
Samuel L. Moore – Ward 4	Carol Howard – Ward 14	Scott Ogilvie – Ward 24
Tammika Hubbard – Ward 5	Megan E. Green – Ward 15	Shane Cohn – Ward 25
Christine Ingrassia – Ward 6	Tom Oldenburg– Ward 16	Frank Williamson – Ward 26
John J. Coatar – Ward 7	Joseph D. Roddy – Ward 17	Pam Boyd – Ward 27
Stephen Conway – Ward 8	Terry Kennedy – Ward 18	Vacancy – Ward 28
Dan Guenther – Ward 9	Marlene E. Davis – Ward 19	
Joseph Vollmer – Ward 10	Cara Spencer – Ward 20	

OTHER CITY OFFICIALS

James M. Garavaglia, Deputy Comptroller for Finance and Development
Antonio Strong, Deputy Director – Finance and Administration
Michael Hernton, Fiscal Officer
Ryan Coleman, Financial Analyst
Denise Peeples, Accounting Coordinator
Julian L. Bush, City Counselor
Mario A. Pandolfo, Jr., Airport Counsel

CITY AIRPORT COMMISSIONERS

Rhonda Hamm-Niebruegge, Director and Chairperson

Jeff Aboussie	Samuel Jenkins	John Stelzer
John Bales	Benjamin A. Lipman	Marilyn Teitelbaum
Marlene E. Davis	Richard Nemanick, Jr.	Kevin Cantwell
Sean R. Fitzgerald	Kathleen Osborn	Vacancy
June McAllister Fowler	Lewis Reed	
Darlene Green	Richard A. Sauget	

BOARD OF ESTIMATE AND APPORTIONMENT

Lyda Krewson, Mayor
Darlene Green, Comptroller
Lewis Reed, President of the Board of Aldermen

CO-FINANCIAL ADVISORS

Siebert Cisneros Shank & Co., L.L.C.
Detroit, Michigan

PFM Financial Advisors LLC
Philadelphia, Pennsylvania

CO-BOND COUNSEL

Armstrong Teasdale LLP
St. Louis, Missouri

Hardwick Law Firm, LLC
St. Louis, Missouri

CO-DISCLOSURE COUNSEL

Schiff Hardin LLP
New York, New York

White Coleman & Associates, LLC
St. Louis, Missouri

TREASURER'S ADVISOR

Comer Capital Group, LLC
Jackson, Mississippi

AIRPORT CONSULTANT

Unison Consulting, Inc.
Chicago, Illinois

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This Official Statement is provided in connection with the initial offering and sale of the Series 2017 Bonds referred to herein, and may not be reproduced or used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the City, the Airport (each as hereinafter defined) and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. *The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.*

No dealer, broker, salesman or other person has been authorized by the City, the Airport or the Underwriters to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2017 Bonds, by any person in any state or jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein speak as of their date unless otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City or the Airport since the date hereof (or since the date of any information included herein that is dated other than the date hereof).

The Series 2017 Bonds have not been registered with the United States Securities and Exchange Commission (the "*SEC*") under the Securities Act of 1933, as amended (the "*Securities Act*"), in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2017 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2017 Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2017 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 OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Cautionary Statements Regarding Forward-Looking Statements in this Official Statement

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

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

Undue reliance should not be placed on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City or the Airport on the date hereof, and the City and the Airport assume no obligation to update any such forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur or fail to occur, other than as indicated under the caption "CONTINUING DISCLOSURE" and APPENDIX G – "Form of Continuing Disclosure Agreement."

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Assured Guaranty Municipal Corp. ("*AGM*") makes no representation regarding the Series 2017 Bonds or the advisability of investing in the Series 2017 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under "BOND INSURANCE" and "APPENDIX I - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

OFFICIAL STATEMENT
Relating to
$258,430,000
THE CITY OF ST. LOUIS, MISSOURI
AIRPORT REVENUE REFUNDING AND AIRPORT REVENUE BONDS
(St. Louis Lambert International Airport)
consisting of:

$125,410,000 Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport)	$74,715,000 Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport)	$31,700,000 Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport)	$26,605,000 Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport)

INTRODUCTION

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

This Official Statement is furnished in connection with the offering by The City of St. Louis, Missouri (the "***City***") of its (i) $125,410,000 Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport) (the "***Series 2017A Refunding Bonds***"), (ii) $74,715,000 Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport), (the "***Series 2017B Refunding Bonds***," and, together with the Series 2017A Refunding Bonds, the "***Series 2017 Refunding Bonds***"), (iii) $31,700,000 Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the "***Series 2017C Project Bonds***") and (iv) $26,605,000 Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the "***Series 2017D Project Bonds***" and, together with the Series 2017C Project Bonds, the "***Series 2017 Project Bonds***" and together with the Series 2017 Refunding Bonds, the "***Series 2017 Bonds***").

Authority for Issuance

The Series 2017 Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "***State***"), including Article VI, Section 27(a) and Section 28 of the Missouri Constitution, as amended, and Sections 108.140 and 108.170 of the Revised Statutes of Missouri, as amended, and Ordinance No. 70541, adopted by the Board of Aldermen of the City (the "***Board of Aldermen***") on April 28, 2017, and signed by the Mayor of the City on May 23, 2017 (which approved the issuance of the Series 2017 Bonds).

The Series 2017 Refunding Bonds are issued pursuant to an Indenture of Trust dated as of October 15, 1984 (the "***Original Indenture***") providing for the issuance from time to time of series of airport revenue bonds of the City, which Original Indenture, as previously amended, supplemented and restated, was amended, restated and superseded by that certain Amended and Restated Indenture of Trust dated as of July 1, 2009 (the "***Restated Indenture***"), as amended and supplemented, including by the

Twenty-First Supplemental Indenture of Trust dated as of June 1, 2017 (the "***Twenty-First Supplemental Indenture***") between the City and UMB Bank, N.A., as Trustee (the "***Trustee***").

The Series 2017 Project Bonds are issued pursuant to the Restated Indenture, as amended and supplemented, including by the Twenty-First Supplemental Indenture and the Twenty-Second Supplemental Indenture of Trust dated as of June 1, 2017 (the "***Twenty-Second Supplemental Indenture***" and together with the Restated Indenture and the Twenty-First Supplemental Indenture, the "***Indenture***") between the City and the Trustee.

The Indenture authorizes the issuance of bonds subject to the requirements specified in the Indenture and summarized under the section captioned "**THE SERIES 2017 BONDS — Outstanding Bonds, Additional Bonds and Refunding Bonds**." For a summary of the Indenture, see **APPENDIX C** - "**Summary of Certain Provisions of the Indenture**."

Pursuant to voter authorization on November 5, 1991 and April 8, 2003 (together, the "***Voter Approval***"), the City is authorized to issue up to $3.5 billion of bonds to finance capital projects at the Airport. To date, approximately $1.084 billion of Bonds have been issued pursuant to the Voter Approval, which leaves approximately $2.42 billion of authorized, but unissued Bonds approved for Airport purposes. Under state law and the City Charter, Refunding Bonds do not require voter approval. The Series 2017 Refunding Bonds will be subject to the refunding bonds test as provided in the Indenture and summarized herein. See **APPENDIX C** — "**Summary of Certain Provisions of the Indenture - Refunding Bonds**."

Parity Obligations

The Series 2017 Bonds will be issued on a parity with the Outstanding Bonds, defined herein, which are outstanding as of June 1, 2017, in the aggregate principal amount of $647,825,000[1] and are payable solely from Revenues derived from the operations of the Airport and certain other funds pledged under the Indenture. Such Outstanding Bonds, together with the Series 2017 Bonds and any Additional Bonds and Refunding Bonds hereafter issued and outstanding, are referred to herein as the "***Outstanding Bonds***." See "**THE SERIES 2017 BONDS - Outstanding Bonds, Additional Bonds and Refunding Bonds**."

The City and the Airport

The City is a constitutional charter city and political subdivision of the State. St. Louis Lambert International Airport (formerly Lambert-St. Louis International Airport) (the "***Airport***") is owned by the City and operated by the St. Louis Airport Authority (the "***Airport Authority***"). The Airport Authority was created by ordinance of the Board of Aldermen and consists of the St. Louis Airport Commission (the "***Airport Commission***"), the Airport's Chief Executive Officer (the "***Director of Airports***") and other managers and personnel required to operate the Airport. The Airport Commission is responsible for the planning, development, management and operation of the Airport. See "**AIRPORT MANAGEMENT - Introduction**."

Use of Proceeds

The proceeds of the Series 2017 Refunding Bonds, together with other available funds, will be used: (i) to refund a portion of the outstanding City of St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2007A (Non-AMT) (the "***Series 2007A Bonds***") and all of the outstanding City of

[1] Including the Refunded Bonds.

St. Louis, Missouri Airport Revenue Refunding Bonds, Series 2007B (AMT) (the "***Series 2007B Bonds***" and together with the Series 2007A Bonds, the "***Series 2007 Bonds***") issued under the Indenture (as more fully described herein), (ii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Refunding Bonds, and (iii) to pay costs of issuing the Series 2017 Refunding Bonds.

The Series 2007A Bonds to be refunded (collectively, the "***Series 2007A Refunded Bonds***") consist of the following:

Series 2007A Bonds to be Refunded

Stated Maturity July 1	Principal Amount	Interest Rate	CUSIP Number†	Redemption Price
7/1/2018	$2,410,000	5.000%	791638XK0	100%
7/1/2019	2,530,000	4.000%	791638XL8	100%
7/1/2020	18,625,000	5.000%	791638XM6	100%
7/1/2021	22,150,000	5.000%	791638XN4	100%
7/1/2022	24,335,000	5.000%	791638XP9	100%
7/1/2023	20,865,000	5.000%	791638XQ7	100%
7/1/2024	10,000,000	4.250%	791638XS3	100%
7/1/2024	11,915,000	5.000%	791638XR5	100%
7/1/2025	12,935,000	5.000%	791638XT1	100%
7/1/2032	24,680,000	4.250%	791638XW4	100%

The Series 2007B Bonds to be refunded (collectively, the "***Series 2007B Refunded Bonds***" and together with the Series 2007A Refunded Bonds, the "***Refunded Bonds***") consist of the following:

Series 2007B Bonds to be Refunded

Stated Maturity July 1	Principal Amount	Interest Rate	CUSIP Number†	Redemption Price
7/1/2017	$6,850,000	5.000%	791638WS4	100%
7/1/2018	6,760,000	5.000%	791638WT2	100%
7/1/2019	7,105,000	5.000%	791638WU9	100%
7/1/2020	7,460,000	5.000%	791638WV7	100%
7/1/2021	7,830,000	5.000%	791638WW5	100%
7/1/2022	8,220,000	5.000%	791638WX3	100%
7/1/2023	8,635,000	5.000%	791638WY1	100%
7/1/2024	9,065,000	5.000%	791638WZ8	100%
7/1/2025	9,520,000	5.000%	791638XA2	100%
7/1/2026	9,995,000	5.000%	791638XB0	100%
7/1/2027	10,490,000	5.000%	791638XC8	100%

The proceeds of the Series 2017 Project Bonds, together with other available funds, will be used: (i) to fund a portion of the costs of the construction, extension and improvement of the Airport and to reimburse the City for certain prior Airport capital expenditures (collectively, the "***2017 Project***"), (ii) to fund all or a portion of capitalized interest on the Series 2017 Project Bonds through January 1, 2019,

† CUSIP numbers appearing herein are included for the benefit of bondholders. Neither the Trustee nor the City shall be responsible for the selection or use of any such CUSIP number(s) nor are any representations made as to their correctness on the Refunded Bonds or as indicated herein.

(iii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Project Bonds, and (iv) to pay costs of issuing the Series 2017 Project Bonds.

For further information regarding the use of proceeds of the Series 2017 Bonds and the plan of finance, see "**PLAN OF FINANCE**."

Security and Sources of Payment

The Series 2017 Bonds are limited obligations of the City payable on a parity with the Outstanding Bonds from the Revenues derived solely from the operation of the Airport and certain other funds pledged under the Indenture, subject to the application thereof in accordance with the Indenture, including the Debt Service Stabilization Fund and the Debt Service Reserve Account, all as more fully described in "**THE SERIES 2017 BONDS - Security and Sources of Payment**." The principal sources of Revenues are the rates and charges generated under agreements between the City and the airlines serving the Airport and payments under concession contracts at the Airport. See "**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES**."

The Series 2017 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2017 Bonds, either as to principal or interest.

The Series 2017 Bonds will be issued on parity with the Outstanding Bonds. In addition, the City may issue from time to time subordinate debt, including subordinate commercial paper notes, which are currently authorized in a maximum principal amount outstanding at any time not to exceed $125,000,000. Currently there is no subordinate debt outstanding. The City may issue subordinate commercial paper notes or other subordinated debt in the future, but the City has no current plans to issue any such notes or other subordinated debt. See "**THE SERIES 2017 BONDS - Subordinated Indebtedness and Special Facilities Indebtedness**."

Bond Insurance Policy

The scheduled payment of principal of and interest on the Series 2017 Bonds, with the exception of the Series 2017B Refunding Bonds maturing on July 1, 2018 (collectively, the "***Insured Bonds***"), when due will be guaranteed under insurance policies (together, the "***Bond Insurance Policy***") to be issued by Assured Guaranty Municipal Corp. ("***AGM***") concurrently with the delivery of the Insured Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Bond Insurance Policy included as **APPENDIX I** to this Official Statement. See "**THE SERIES 2017 BONDS - Security and Sources of Payment – Bond Insurance Policy**" and "**BOND INSURANCE**" herein.

Debt Service Reserve Insurance Policy

Concurrently with the issuance of the Series 2017 Refunding Bonds, AGM will also issue its Municipal Bond Debt Service Reserve Insurance Policy for the Series 2017 Refunding Bonds (the "***Reserve Policy***") for the purpose of meeting the Debt Service Reserve Requirement for the Series 2017 Refunding Bonds. The Reserve Policy unconditionally guarantees the payment of that portion of principal of and interest on the Series 2017 Refunding Bonds that has become due for payment, but is unpaid by reason of nonpayment by the City, provided the aggregate amount paid under the Reserve Policy cannot exceed the maximum amount set in the Reserve Policy. See "**THE SERIES 2017 BONDS - Security and Sources of Payment – Debt Service Reserve Insurance Policy**" herein.

Additional Bonds and Refunding Bonds

Pursuant to the Indenture, subject to certain terms and conditions, the City may issue:

(1) Additional Bonds from time to time to finance capital improvements at the Airport; and

(2) Refunding Bonds for the purpose of refunding principal and/or interest components of any Outstanding Bonds, any Subordinated Indebtedness or Special Facilities Indebtedness.

Additional Bonds and Refunding Bonds will be equally and ratably secured on a parity with the Series 2017 Bonds and other Outstanding Bonds.

The City may issue Additional Bonds if (i) sufficient bonding authority remains pursuant to the Voter Approval and (ii) the requirements for the issuance of Additional Bonds under the Indenture (the "***Additional Bonds Test***") are met. The City may issue Refunding Bonds if (i) the Aggregate Debt Service in each Airport Fiscal Year prior to the final maturity date of then Outstanding Bonds after the refunding is no greater than the Aggregate Debt Service in each Airport Fiscal Year prior to the refunding or (ii) such Refunding Bonds satisfy certain portions of the Additional Bonds Test. See "**THE SERIES 2017 BONDS - Outstanding Bonds, Additional Bonds and Refunding Bonds**."

The Series 2017 Refunding Bonds are being issued as Refunding Bonds. The Series 2017 Project Bonds are being issued as Additional Bonds.

Certain Investment Considerations

The Series 2017 Bonds may not be suitable for all investors. Prospective purchasers of the Series 2017 Bonds should give careful consideration to the information set forth in this Official Statement, including, but not limited to, the matters discussed or referred to under "**CERTAIN INVESTMENT CONSIDERATIONS**." These considerations include, among others, the following: (1) changes in the level of airline activity at the Airport; (2) events adversely affecting the air transportation system and the Airport; (3) the possible effect of an airline bankruptcy on the Use Agreements (as defined herein); and (4) the financial health of the airline industry and certain airlines serving the Airport. See also "**FACTORS AFFECTING THE AIRPORT AND THE AIR CARRIER INDUSTRY,**" for a more comprehensive discussion of certain investment considerations.

Continuing Disclosure

The City and the Trustee, as dissemination agent (the "***Dissemination Agent***"), will enter into a Continuing Disclosure Agreement dated as of June 1, 2017 (the "***Continuing Disclosure Agreement***"), substantially in the form attached as **APPENDIX G** – "**Form of Continuing Disclosure Agreement**," pursuant to which the City will covenant for the benefit of holders and beneficial owners of the Series 2017 Bonds to provide audited financial statements of the Airport, certain statistical and operating data relating to the City and the Airport and notices of the occurrence of certain enumerated events. The audited financial statements, statistical and operating data and notices of events will be filed by or on behalf of the City in compliance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. See the section herein captioned "**CONTINUING DISCLOSURE**" and **APPENDIX G** – "**Form of Continuing Disclosure Agreement**."

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the Indenture, the Series 2017 Bonds, the City, the Airport, the Use Agreements, the Operating Agreements, the Continuing Disclosure Agreement, the audited financial statements of the Airport, certain unaudited financial information of the Airport, the Airport's capital improvement programs and the Airport Development Program. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to any documents are qualified in their entirety by reference to such documents, and references to the Series 2017 Refunding Bonds are qualified in their entirety by reference to the form of the Series 2017 Refunding Bonds included in the Twenty-First Supplemental Indenture and references to the Series 2017 Project Bonds are qualified in their entirety by reference to the form of the Series 2017 Project Bonds included in the Twenty-Second Supplemental Indenture. Upon the issuance of the Series 2017 Bonds, the Indenture, and the Continuing Disclosure Agreement will be available for inspection at the offices of the Trustee. All other documents referenced above are attached as appendices or available for inspection at the offices of the Airport.

The Report of the Airport Consultant is included as **APPENDIX A**. Certain audited financial statements of the Airport are included as **APPENDIX B**. Definitions and a summary of certain provisions of the Indenture are included as **APPENDIX C,** and all capitalized terms used in this Official Statement and not otherwise defined in this Official Statement shall have the meanings set forth in **APPENDIX C** or, with respect to terms defined in the Use Agreements and the Operating Agreements, in **APPENDIX D**. A summary of certain provisions of the Use Agreements and the Operating Agreements is included as **APPENDIX D**. A description of the book-entry-only system maintained by DTC is set forth in **APPENDIX E**. The substantially final text of the opinion to be delivered by Co-Bond Counsel, Armstrong Teasdale LLP, St. Louis, Missouri, and Hardwick Law Firm, LLC, St. Louis, Missouri, is included as **APPENDIX F**. A form of the Continuing Disclosure Agreement is attached as **APPENDIX G**. A description of the PFC Program, as defined herein, is included as **APPENDIX H**.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made pursuant hereto shall under any circumstances, create an implication that there has been no change in the affairs of the City or the Airport since the date hereof. This Official Statement is not to be construed as a contract or agreement between the City or the Underwriters and purchasers or owners of any of the Series 2017 Bonds.

THE SERIES 2017 BONDS

The Series 2017 Bonds are being issued under the Indenture. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to the Series 2017 Bonds.

General

The Series 2017 Bonds will be dated their date of delivery and will mature and bear interest as set forth on the inside cover page of this Official Statement. The Series 2017 Bonds are issued as fully registered bonds in denominations of $5,000 or integral multiples thereof. The principal of and redemption premium, if any, on the Series 2017 Bonds will be payable at maturity to the persons in whose name such Series 2017 Bonds are registered upon presentation and surrender of such Series 2017 Bonds at the principal corporate trust office of the Trustee in St. Louis, Missouri. Interest on the Series 2017 Bonds is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2018. Principal of the Series 2017 Bonds shall be paid on the maturity dates listed on the inside cover of this Official Statement. Registered Owners of Series 2017 Bonds of a principal amount of at least $1,000,000 may receive payments of interest by electronic transfer upon written request from the registered Owner to the Trustee providing relevant instructions not later than five days prior to the Record Date for such interest payment date.

Book-Entry-Only System

The Depository Trust Company ("***DTC***"), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each maturity of the Series 2017 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC's book-entry-only system, see **APPENDIX E - "DTC Information**."

In reading this Official Statement, it should be understood that while the Series 2017 Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2017 Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry only system, and (ii) except as described in ***APPENDIX E – "DTC Information,"*** *notices that are to be given to registered owners under the Indenture shall be given only to DTC.*

Redemption Provisions

The Series 2017 Bonds are subject to redemption prior to maturity as described below.

Optional Redemption of Series 2017A Refunding Bonds. The Series 2017A Refunding Bonds maturing on and after July 1, 2028 are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2027, at the Redemption Price of 100% of the principal amount of the Series 2017A Refunding Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Optional Redemption of Series 2017B Refunding Bonds. The Series 2017B Refunding Bonds are not subject to optional redemption prior to maturity.

Optional Redemption of Series 2017C Project Bonds. The Series 2017C Project Bonds are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2027, at the Redemption Price of 100% of the principal amount of the Series 2017C Project Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Optional Redemption of Series 2017D Project Bonds. The Series 2017D Project Bonds are subject to redemption prior to maturity in the sole discretion of the City from any source, in whole or in part at any time, as determined by the City (and within any maturity as selected by the Trustee in such equitable manner as it shall determine), on and after July 1, 2027, at the Redemption Price of 100% of the principal amount of the Series 2017D Project Bonds or portions thereof to be redeemed, together with accrued interest to the redemption date.

Mandatory Sinking Fund Redemption of the Series 2017C Project Bonds. The Series 2017C Project Bonds maturing July 1, 2042 are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:

July 1	Principal Amount
2038	$2,520,000
2039	2,645,000
2040	2,780,000
2041	2,920,000
2042*	3,065,000

* Final Maturity

The Series 2017C Project Bonds maturing July 1, 2047 are subject to mandatory redemption prior to maturity, upon notice as provided in the Indenture, in part, as selected by lot by the Trustee in such manner as it shall deem fair and appropriate, at par, plus accrued interest to the date of redemption on July 1 of each of the years set forth below, in the principal amounts set forth below:

July 1	Principal Amount
2043	$3,215,000
2044	3,375,000
2045	3,545,000
2046	3,725,000
2047*	3,910,000

* Final Maturity

With respect to the mandatory sinking fund redemption of Series 2017C Project Bonds which are subject to mandatory sinking fund redemption, amounts accumulated in the Debt Service Account or the Contingency Fund may be applied for such purpose prior to the 60th day preceding a sinking fund payment date to purchase such Series 2017C Project Bonds. After the 60th day, but on or prior to the 40th day preceding a sinking fund payment date, amounts on deposit in the Debt Service Account or the Contingency Fund may be applied to purchase such Series 2017C Project Bonds in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of the payment requirement for such sinking fund payment date. All such purchases of Series 2017C Project Bonds shall be at prices not exceeding the applicable sinking fund Redemption Price plus accrued interest.

Method of Selecting Series 2017 Bonds for Redemption. If less than all of the Series 2017 Bonds of like maturity shall be called for prior redemption, the particular Series 2017 Bonds or portions of Series 2017 Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any Series 2017 Bonds of a denomination of more than $5,000 to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof, and that, in selecting portions of such Series 2017 Bonds for redemption the Trustee shall treat each such Series 2017 Bond as representing that number of Series 2017 Bonds of $5,000 denomination which is obtained by dividing the principal amount of such Series 2017 Bond to be redeemed in part by $5,000.

Notice of Redemption. Notices of redemption will be mailed by the Trustee, postage prepaid, not less than 25 days prior to any redemption date, to the registered Owners of the Series 2017 Bonds that are to be redeemed. Each such notice will identify the Series 2017 Bonds to be redeemed (and, in the case of Series 2017 Bonds to be redeemed in part only, the principal amounts to be redeemed), will specify the redemption date and the Redemption Price, and will state that the Series 2017 Bonds to be redeemed will be payable at the principal corporate trust office of the Trustee. If, at the time of mailing of the notice of any optional redemption, there has not been deposited with the Trustee moneys sufficient to redeem all the Series 2017 Bonds called for redemption, the notice may state that it is conditional on the deposit of the redemption moneys with the Trustee not later than the opening of business on the redemption date. Such notice will be of no effect and the Redemption Price for such optional redemption will not be due and payable unless such moneys are so deposited. Upon the sending of notice as provided in the Indenture and the deposit with the Trustee of legally available moneys sufficient to pay the principal of and interest accrued to the redemption date on the Series 2017 Bonds called for redemption, the Series 2017 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.

Registration, Transfer and Exchange

Bonds, upon surrender thereof at the principal office of the Trustee or any other Bond Registrar with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered Owner or his duly authorized attorney, may, at the option of the Owner thereof, and upon payment by such Owner of any charges which the Trustee may make as provided in the Indenture, be exchanged for an equal aggregate principal amount of Bonds of the same Series, maturity and interest rate of any other authorized denominations.

Each Bond is transferable only upon the books of the City maintained by the Comptroller, which will be kept for that purpose at the principal office of the Trustee, by the Owner thereof in person or by the Owner's attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or the Owner's duly authorized attorney. Upon the transfer of any such Bond, the City will issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series and maturity as the surrendered Bond. The Trustee and any other Bond Registrar will cooperate with each other in maintaining accurate Bond registration books of the City at the principal office of the Trustee in accordance with the Indenture and in maintaining a copy thereof at the principal office of the Trustee and any other Bond Registrar.

The City and each Fiduciary may deem and treat the person in whose name any Bond will be registered upon the Bond registration books of the City as the absolute Owner of such Bond, whether such Bond will be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of, and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon such Owner's order will be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor any Fiduciary will be affected by any notice to the contrary.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the City will execute and the Trustee will authenticate and deliver Bonds in accordance with the provisions of the Indenture. All Bonds surrendered in any such exchanges or transfers will forthwith be canceled by the Trustee and disposed of in accordance with the Charter. For every such exchange or transfer of Bonds, whether temporary or definitive, the City, the Trustee or the Co-Registrar may make a charge sufficient to reimburse it for any tax, governmental fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City, the Trustee nor any other Bond Registrar will be required (a) to register the transfer or exchange of Bonds of any Series for a period of 15 days next preceding any selection of Bonds of such Series to be redeemed or thereafter until after the first mailing of any notice of redemption, or (b) to register the transfer or exchange of any Bonds called for redemption.

Security and Sources of Payment

General. The Series 2017 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter limitation or provision, and the taxing power of the City is not pledged to the payment of the Series 2017 Bonds, either as to principal or interest.

The Series 2017 Bonds are limited obligations of the City, payable solely from and secured, on a parity with the Outstanding Bonds, by a pledge of (i) the Revenues, subject to the application thereof to the purposes and on the conditions permitted by the Indenture, including for the payment of Operation and Maintenance Expenses, and (ii) the Funds established by the Indenture. None of the properties of the Airport have been pledged or mortgaged to secure payment on the Bonds, including the Series 2017 Bonds.

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

> <u>GARB Revenues</u>. 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 <u>not</u> 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 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 are 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; (h) insurance proceeds which are not deemed to be GARB Revenues in accordance with generally accepted accounting principles (other than proceeds that provide for lost revenue to the Airport for business interruption or business loss); (i) the proceeds of any condemnation or eminent domain award; (j) the proceeds of any sale of land, buildings or equipment; (k) any money received by or for the account of the Airport from the levy of taxes upon any property in the City; and (1) amounts payable to the City under an Interest Rate Exchange Agreement, unless and to the extent designated as GARB Revenues by the City in a Supplemental Indenture.

Pledged PFC Revenues. The Indenture defines "***Pledged PFC Revenues***" as the portion of PFC Revenues that have been pledged to the payment of Bonds pursuant to the terms, and subject to the qualification of the Indenture, designating a PFC-Eligible Projects or PFC-Eligible Debt Service. The Indenture defines "***PFC Revenues***" as the passenger facility charges imposed at the Airport from time to time pursuant to the PFC Act, the regulations thereunder and any record of decision of the FAA relating to passenger facility charges (the "***PFCs***") remitted to the City as a result of enplanements at the Airport, including any interest thereon See **APPENDIX H - "The PFC Program"** attached hereto.

Amounts in the Revenue Fund are deposited, on a monthly basis, in specified funds and accounts under the Indenture in the order set forth in the Indenture. For a summary of the application of Revenues under the Indenture, see **APPENDIX C - "Summary of Certain Provisions of the Indenture — Application of Revenues**."

The principal sources of Revenues are the rates and charges generated under agreements between the City and the airlines serving the Airport and payments under concession contracts at the Airport. See "**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES**."

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. For further discussion, see "**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES."**

Debt Service Reserve Account. The Indenture authorizes the establishment of the Series 2017 Refunding Debt Service Reserve Sub-Account and the Series 2017 Project Debt Service Reserve Sub-Account, each of the Debt Service Reserve Account within the Airport Bond Fund, each of which is to be held by the Trustee. Each such Debt Service Reserve Sub-Account is to be applied solely for the purposes specified in the Indenture and is pledged to secure the payment of the accrued Aggregate Debt Service on the Series 2017 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 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. 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 (the "***Reserve Facility***") pursuant to the requirements of the Indenture.

Pursuant to the Twenty-First Supplemental Indenture, the Debt Service Reserve Requirement with respect to the Series 2017 Refunding Bonds initially will be $21,607,050.11, which is to be satisfied by the deposit of the Reserve Policy purchased with a portion of the proceeds of the Series 2017 Refunding Bonds, together with other funds.

Pursuant to the Twenty-Second Supplemental Indenture, the Debt Service Reserve Requirement with respect to the Series 2017 Project Bonds initially will be $5,020,836.31, which is to be satisfied by a deposit from the proceeds of the Series 2017 Project Bonds, together with other funds.

Moneys in the Debt Service Reserve Account are to be withdrawn and deposited in the Debt Service Account each month to the extent that the amount in the Debt Service Account is less than the Accrued Aggregate Debt Service on such Bonds after all required transfers to the Debt Service Account pursuant to the Indenture and any transfers from the Debt Service Stabilization Fund. If amounts in the Debt Service Reserve Account are less than the Debt Service Reserve Requirement, or if any Reserve Facility is downgraded below the fourth highest rating category (without giving effect to gradations within a rating category) by any of the Rating Agencies, 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 or by the deposit of a new Reserve Facility rated in one of the three highest rating categories (without giving effect to gradations within a rating category). To the extent that such deficiency has not been made up from amounts in the Renewal and Replacement Fund, the Contingency Fund or the Development Fund, or by deposit of a new Reserve Facility, such deficiency shall be replenished from the first available Revenues after required deposits into the Operation and Maintenance Fund and the Debt Service Account pursuant to the Indenture. The Indenture provides that any such deficiency in the Debt Service Reserve Account shall be replenished over various time periods as specified in the Indenture. Moneys in the Debt Service Reserve Account in excess of the requirement may be withdrawn and applied in accordance with the Indenture. See **APPENDIX C - "Summary of Certain Provisions of the Indenture**."

As of June 1, 2017, the value of all amounts on deposit in the Debt Service Reserve Account, which secures, on a parity basis, all $647,825,000 Outstanding Bonds[1] issued under the Indenture, is approximately $76.5 million. Such amount is comprised of Reserve Facilities consisting of approximately $41.4 million of surety bonds provided by qualified financial institutions and the balance is in cash (which has been invested in accordance with the Indenture). Because of periodic recalculations of the Debt Service Reserve Requirements for Outstanding Series of Bonds required by the Indenture, the amount required to be on deposit in certain Debt Service Reserve Sub-accounts may increase or decrease from time-to-time. The City is meeting its obligations with respect to the Debt Service Reserve Requirement. The amount of the deposit may change over time due to the manner in which the Debt Service Reserve Requirement is calculated. See **APPENDIX C — "Summary of Certain Provisions of the Indenture - Debt Service Reserve Requirement**."

Bond Insurance Policy. AGM has issued its commitment to issue the Bond Insurance Policy concurrently with the issuance of the Insured Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Bond Insurance Policy included as **APPENDIX I** to this Official Statement. See "**BOND INSURANCE**" herein.

Debt Service Reserve Policy. AGM has issued its commitment to issue the Reserve Policy concurrently with the issuance of the Series 2017 Refunding Bonds. The Reserve Policy will provide that, upon notice from the Trustee to AGM of nonpayment of the principal of and interest on the Series 2017 Refunding Bonds, AGM will deposit with the Trustee an amount sufficient to pay the principal of an interest on the Series 2017 Refunding Bonds or the available amount of the Reserve Policy, whichever is less. AGM will make payments to the Trustee on the later of the Business Day on which the principal of and interest on the Series 2017 Refunding Bonds becomes due for payment or the Business Day next following the Business Day on which AGM shall have received a notice of nonpayment from the Trustee.

The amount available under the Reserve Policy for payment shall not exceed the Reserve Policy limit. The amount available at any particular time to be paid to the Trustee under the terms of the Reserve Policy shall be automatically reduced by any payment under the Reserve Policy. However, after such

[1] Including the Refunded Bonds.

payment, the amount available under the Reserve Policy shall be reinstated in full or in part, but only up to the Reserve Policy limit, to the extent of the reimbursement of such payment (exclusive or interest and expenses) to AGM by or on behalf of the City.

Debt Service Stabilization Fund. After making all required monthly deposits to or for the Operation and Maintenance Fund, the Debt Service Account, the Debt Service Reserve Account, the Arbitrage Rebate Fund, the payment of any Subordinated Indebtedness, the Renewal and Replacement Fund and the City Sub-Account in the Revenue Fund, the City will deposit the remaining Revenues in the Revenue Fund (i) in Fiscal Year 2017 and (ii) in each Fiscal Year thereafter, into the Debt Service Stabilization Fund up to an amount sufficient to cause the amount on deposit therein to equal the Debt Service Stabilization Fund Requirement. The Debt Service Stabilization Fund Requirement is an amount equal to 33% of the maximum annual Debt Service on the Bonds due in the then-current or any future Airport Fiscal Year, subject to change as described below. After such deposits, any remaining GARB Revenues will be deposited in the Development Fund and any remaining unused Pledged PFC Revenues will be deposited in the PFC Account.

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

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

In connection with the refunding of the Refunded Bonds, $7,772,156.75 will be received by the Trustee upon the liquidation of Debt Service Reserve Sub-Account relating to the Series 2007 Bonds and deposited into the Development Fund and $2,097,000.00 will be received by the Trustee as a termination payment upon the termination of an existing debt service fund forward agreement relating to the Series 2007A Bonds and deposited into the Debt Service Stabilization Fund.

The balance in the Debt Service Stabilization Fund is expected to be approximately $40 million as of June 30, 2017, including the amounts described above. For additional information regarding the Debt Service Stabilization Fund, see **APPENDIX C — "Summary of Certain Provisions of the Indenture — Description of Funds Established by the Indenture — Debt Service Stabilization Fund**."

Under the Use Agreements (as defined herein), the City is using a portion of the Debt Service Stabilization Fund held under the Indenture in order to mitigate rates on an annual basis during the term of the Use Agreements. In each Fiscal Year in which the City determines to mitigate rates, the City will withdraw approximately $13.7 million from the Debt Service Stabilization Fund and deposit such amount in the Revenue Fund, with the expectation that such amount will be redeposited in the Debt Service Stabilization Fund by the end of such Fiscal Year. The amounts so deposited in such years will be included in GARB Revenues and the debt service coverage calculations for such years. For additional information see the projections of the Airport Consultant in its Report of the Airport Consultant attached as **APPENDIX A** hereto.

Outstanding Bonds, Additional Bonds and Refunding Bonds

Outstanding Bonds. The following series of Bonds constitute the Outstanding Bonds under the Indenture, as of June 1, 2017.

Title	Dated Date	Original Amount of Issue	Amount Outstanding
Airport Revenue Refunding Bonds, Series 2005 (Non-AMT)	July 7, 2005	$263,695,000	$209,730,000
Airport Revenue Refunding Bonds, Series 2007A (Non-AMT)[1]	January 23, 2007	231,275,000	187,195,000
Airport Revenue Refunding Bonds, Series 2007B (AMT)[1]	April 3, 2007	104,735,000	91,930,000
Airport Revenue Bonds, Series 2009A-1	July 14, 2009	107,240,000	104,045,000
Airport Revenue Refunding Bonds, Series 2012 (AMT)	June 28, 2012	31,395,000	24,170,000
Airport Revenue Refunding Bonds, Series 2013 (Non-AMT)	June 20, 2013	31,460,000	13,445,000
Airport Revenue Refunding Bonds, Series 2015 (Non-AMT)	June 25, 2015	17,310,000	17,310,000
Total		$787,110,000.00	$647,825,000.00

The City maintains an investor information website at http://buystlbonds.com containing information on indebtedness of the City. *However, information on this website has not been verified for accuracy, timeliness or completeness and is not a part of this Official Statement.*

Additional Bonds. Additional Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2017 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions for the purpose of providing funds for costs of construction of Additional Projects, consisting of the extension, improvement, acquisition, construction and enlargement of the Airport. The City may issue Additional Bonds for an Additional Project only if (i) sufficient bonding authority remains pursuant to the Voter Approval and (ii) the Additional Bonds Test under the Indenture is met, including receipt by the Trustee of certain certificates, reports and information, including the following:

1. An Accountant's Certificate setting forth (a) the Net Revenues of the Airport for any period of 12 consecutive months out of the 18 months preceding the authentication and delivery of such Additional Bonds, and (b) the Aggregate Adjusted Debt Service for such 12-month period, and demonstrating that for such 12-month period that Net Revenues equaled at least 1.25 times the Aggregate Adjusted Debt Service; and

2. A certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Fiscal Years following the Fiscal Year in which the Additional Project will be completed is at least equal to 1.25 times Aggregate Adjusted Debt Service for each of such three Fiscal Years.

The Indenture contains a covenant (applicable so long as certain Bonds authorized thereby are Outstanding) which provides that the amount of Pledged PFC Revenues that may be counted for the purpose of meeting the Additional Bonds Test for any Fiscal Year may not exceed 125% of the sum of the outstanding and proposed PFC-eligible debt service for such Fiscal Year.

The Series 2017 Project Bonds are being issued as Additional Bonds.

[1] All or a portion of these bonds will be refunded upon the issuance of the Series 2017 Refunding Bonds.

Refunding Bonds. Refunding Bonds, equally and ratably secured under the Indenture on a parity with Outstanding Bonds, including the Series 2017 Bonds, may be authorized and issued by the City upon satisfaction of certain conditions, for the purpose of refunding all or a portion of the principal and/or interest components of Outstanding Bonds, Subordinated Indebtedness (described below) or Special Facilities Indebtedness (described below).

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

The Series 2017 Refunding Bonds are being issued as Refunding Bonds.

Subordinated Indebtedness and Special Facilities Indebtedness

The Indenture permits the City to issue or refund bonds, notes, commercial paper, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account and the Debt Service Reserve Account, and to secure such bonds, notes, commercial paper, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created under the Indenture for the payment of and security on the Bonds (the "***Subordinated Indebtedness***"). The City is currently authorized to issue commercial paper notes in a maximum principal amount outstanding at any time not to exceed $125,000,000. Currently there is no subordinate debt outstanding.

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

The Indenture permits the issuance of obligations other than Bonds by the City or otherwise ("***Special Facilities Indebtedness***") for the purpose of financing capital improvements or facilities to be located on Airport property, provided that such Special Facilities Indebtedness is not payable from Revenues. Special Facilities Indebtedness must be payable solely from rentals and other charges derived from a lease, sale or other agreement with 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 such 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 and maintaining the Special Facilities and all required sinking fund, reserve and other payments; 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 the 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, and the City has no current plans to incur any such Indebtedness.

BOND INSURANCE

*The following information has been furnished by Assured Guaranty Municipal Corp. ("**AGM**") for use in this Official Statement.*

Bond Insurance Policy

The scheduled payment of principal of and interest on the Series 2017 Bonds, with the exception of the Series 2017B Refunding Bonds maturing on July 1, 2018 (collectively, the "***Insured Bonds***"), when due will be guaranteed under an insurance policy (the "***Bond Insurance Policy***") to be issued by AGM concurrently with the delivery of the Insured Bonds. The Bond Insurance Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Bond Insurance Policy included as **APPENDIX I** to this Official Statement.

The Bond Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("***AGL***"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("***S&P***"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("***KBRA***") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("***Moody's***"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 14, 2016, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Capitalization of AGM.

At March 31, 2017, (i) the policyholders' surplus of AGM was approximately $2,204 million; (ii) the contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("***MAC***") (as described below) were approximately $1,263 million; and (iii) the net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately $1,349 million. The contingency reserve amount set forth above includes (i) 100% of AGM's contingency reserve, and (ii) 60.7% of MAC's contingency reserve. The net unearned premium reserve amount set forth above includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and (ii) 60.7% of the net unearned premium reserve of MAC. The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of Assured Guaranty (Europe) Ltd were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference.

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "***SEC***") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (filed by AGL with the SEC on February 24, 2017); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 (filed by AGL with the SEC on May 5, 2017).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2017 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "**BOND INSURANCE – Assured Guaranty Municipal Corp.**" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters.

AGM makes no representation regarding the Series 2017 Bonds or the advisability of investing in the Series 2017 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under "**BOND INSURANCE**".

PLAN OF FINANCE

General

The proceeds of the Series 2017 Refunding Bonds, together with other available funds, will be used: (i) to refund the Refunded Bonds issued under the Indenture (as more fully described herein), (ii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Refunding Bonds, and (iii) to pay costs of issuing the Series 2017 Refunding Bonds.

The proceeds of the Series 2017 Project Bonds will be used: (i) to fund a portion of the costs of the construction, extension and improvement of the Airport and to reimburse the City for certain prior Airport capital expenditures (collectively, the "***2017 Project***"), (ii) to fund all or a portion of capitalized interest on the Series 2017 Project Bonds through January 1, 2019, (iii) to provide for the funding of a Debt Service Reserve Account for the Series 2017 Project Bonds, and (iv) to pay costs of issuing the Series 2017 Project Bonds.

Plan of Refunding

The proceeds of the Series 2017A Refunding Bonds, together with other available funds, will be used to refund on a current basis the Series 2007A Refunded Bonds, which are outstanding as of June 1, 2017, in the aggregate principal amount of $150,445,000. Following the refunding of the Series 2007A Refunded Bonds, the Series 2007A Bonds will be outstanding in the aggregate principal amount of $36,750,000.

The proceeds of the Series 2017B Refunding Bonds, together with other available funds, will be used to refund on a current basis the Series 2007B Refunded Bonds, which are outstanding as of June 1, 2017, in the aggregate principal amount of $91,930,000. Following the refunding of the Series 2007B Refunded Bonds, the Series 2007B Bonds will be outstanding in the aggregate principal amount of $0.

See "**INTRODUCTION – Use of Proceeds**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein.

The 2017 Project

The proceeds of the Series 2017 Project Bonds will be used to provide funds to purchase and construct capital improvements under the Airport's CIP, as defined herein. See "**ESTIMATED SOURCES AND USES OF FUNDS**" and "**AIRPORT CAPITAL IMPROVEMET PROGRAMS**" herein and "**The Airport Capital Program**" in **APPENDIX A - "The Report of the Airport Consultant**" hereto.

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of the proceeds of the Series 2017 Bonds and other available funds:

Series 2017 Refunding Bonds

	Series 2017A Refunding Bonds	Series 2017B Refunding Bonds
Sources:		
Par Amount	$125,410,000	$74,715,000
Plus Original Issue Premium	22,014,423	11,405,100
Termination of Debt Service Fund	2,097,000	-
Debt Service Funds on Deposit with Trustee	3,618,425	2,127,000
Debt Service Reserve Funds on Deposit with Trustee	4,589,190	7,772,157
Total	$157,729,038	$96,019,257
Uses:		
Refunding Escrow Deposit	$154,063,425	$87,207,000
Deposit to Debt Service Stabilization Fund	2,097,000	-
Deposit to Development Fund	-	7,772,157
Costs of Issuance[1]	1,568,613	1,040,100
Total	$157,729,038	$96,019,257

[1] Includes Underwriters' discount and legal, accounting, administrative and miscellaneous fees and expenses and the premiums for the Bond Insurance Policy and the Reserve Policy.

Series 2017 Project Bonds

	Series 2017C Project Bonds	Series 2017D Project Bonds
Sources:		
Par Amount	$31,700,000	$26,605,000
Plus Original Issue Premium	5,196,886	4,611,096
Total	$36,896,886	$31,216,096
Uses:		
Deposit to Project Fund	$31,402,134	$26,598,134
Cash Deposit to Debt Service Reserve Fund	2,729,792	2,291,045
Capitalized Interest	2,390,708	2,006,460
Costs of Issuance[1]	374,252	320,457
Total	$36,896,886	$31,216,096

[1] Includes Underwriters' discount and legal, accounting, administrative and miscellaneous fees and expenses and the premium for the Bond Insurance Policy.

DEBT SERVICE REQUIREMENTS

The following table summarizes the debt service payments to be made by the City for all Outstanding Bonds, including the Series 2017 Bonds, based on when payments are required to be sent to the Trustee.

Period Ending July 1	Outstanding Bonds[1] Principal & Interest	Series 2017A Refunding Bonds		Series 2017B Refunding Bonds		Series 2017C Project Bonds		Series 2017D Project Bonds		Total Debt Service
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2017	$ 74,987,625	-	-	-	-	-	-		-	$74,987,625
2018	54,304,263	-	$6,156,379	$2,365,000	$3,583,919	-	$1,598,208	-	$1,341,335	69,349,105
2019	45,610,481	-	6,105,500	9,800,000	3,436,050	-	1,585,000	-	1,330,250	67,867,281
2020	29,495,806	$16,500,000	6,105,500	8,345,000	3,044,050	-	1,585,000	-	1,330,250	66,405,606
2021	27,003,700	20,810,000	5,445,500	7,525,000	2,710,250	-	1,585,000	-	1,330,250	66,409,700
2022	25,817,869	22,925,000	4,405,000	8,010,000	2,334,000	-	1,585,000	-	1,330,250	66,407,119
2023	24,201,113	19,385,000	3,258,750	7,430,000	1,933,500	-	1,585,000	-	1,330,250	59,123,613
2024	24,366,319	20,365,000	2,289,500	7,625,000	1,562,000	-	1,585,000	-	1,330,250	59,123,069
2025	34,369,188	11,380,000	1,271,250	8,005,000	1,180,750	-	1,585,000	-	1,330,250	59,121,438
2026	47,939,688	-	702,250	6,780,000	780,500	-	1,585,000	-	1,330,250	59,117,688
2027	44,169,388	2,065,000	702,250	8,830,000	441,500	-	1,585,000	-	1,330,250	59,123,388
2028	44,409,063	2,170,000	599,000	-	-	-	1,585,000	$2,115,000	1,330,250	52,208,313
2029	44,408,013	2,275,000	490,500	-	-	-	1,585,000	2,220,000	1,224,500	52,203,013
2030	44,406,713	2,390,000	376,750	-	-	-	1,585,000	2,335,000	1,113,500	52,206,963
2031	44,412,425	2,510,000	257,250	-	-	-	1,585,000	2,450,000	996,750	52,211,425
2032	13,663,838	2,635,000	131,750	-	-	-	1,585,000	2,570,000	874,250	21,459,838
2033	9,913,494	-		-	-	-	1,585,000	2,700,000	745,750	14,944,244
2034	9,910,794	-		-	-	-	1,585,000	2,835,000	610,750	14,941,544
2035	-	-		-	-	-	1,585,000	2,975,000	469,000	5,029,000
2036	-	-		-	-	-	1,585,000	3,125,000	320,250	5,030,250
2037	-	-		-	-	-	1,585,000	3,280,000	164,000	5,029,000
2038	-	-		-	-	$2,520,000	1,585,000	-		4,105,000
2039	-	-		-	-	2,645,000	1,459,000	-	-	4,104,000
2040	-	-		-	-	2,780,000	1,326,750	-	-	4,106,750
2041	-	-		-	-	2,920,000	1,187,750	-	-	4,107,750
2042	-	-		-	-	3,065,000	1,041,750	-	-	4,106,750
2043	-	-		-	-	3,215,000	888,500	-	-	4,103,500
2044	-	-		-	-	3,375,000	727,750	-	-	4,102,750
2045	-	-		-	-	3,545,000	559,000	-	-	4,104,000
2046	-	-		-	-	3,725,000	381,750	-	-	4,106,750
2047	-	-		-	-	3,910,000	195,500	-		4,105,500
Total	$643,389,775	$125,410,00	$38,297,129	$74,715,000	$21,006,519	$31,700,000	$41,065,958	$26,605,000	$21,162,585	$1,023,351,967

[1] Rounded to the nearest dollar. Excludes debt service on the Refunded Bonds.

THE CITY OF ST. LOUIS

General

The City of St. Louis, Missouri, a constitutional charter city not a part of any county, is organized and exists under and pursuant to its Charter and the Constitution and laws of the State. The Airport is owned by the City and operated by the Airport Authority, under the supervision of the Airport Commission. The Airport Authority was created by ordinance of the Board of Aldermen.

The City is located on the Mississippi River, the eastern boundary of the State, just below its confluence with the Missouri River. The City occupies approximately 61.4 square miles of land, and its area has remained constant since 1876. The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the world's tallest man-made monument, which is the focal point of the 86-acre Jefferson National Expansion Memorial on the downtown riverfront.

Government

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

The Mayor, elected to 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 the Mayor's general supervision and control. See "**AIRPORT MANAGEMENT**" herein.

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

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

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

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

THE AIRPORT

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 10 miles from the center of population of the St. Louis metropolitan area. The Airport is a "Medium Hub" by Federal Aviation Administration ("***FAA***") classification, since it enplaned less than 1% of the total passengers in the United States in calendar year 2014.

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 slightly more than 3,600 acres. In 2017, the Airport's name officially changed to St. Louis Lambert International Airport. Additional information on the Airport can be found on its website: http://flystl.com, *however, information on this website has not been verified for accuracy, timeliness or completeness and is not a part of this Official Statement.*

According to the Airports Council International North American traffic report for calendar year 2015, the Airport ranked as the 32nd busiest airport nationwide in terms of total passengers. Total enplanements at the Airport for calendar year 2016 were approximately 6.9 million, representing an increase of 9.6% from the prior year. Of the total calendar year 2016 enplanements, 83.2% were originating passengers and 16.8% were connecting passengers.

Based on calendar year 2016 enplanements, Southwest Airlines ("***Southwest***" or "***Southwest Airlines***") is currently the dominant carrier at the Airport, accounting for 54.8% of the enplanements, followed by American Airlines ("***American***" or "***American Airlines***")[1] and its affiliates, which accounted for 16.4% of the enplanements. See "**Airline Market Shares**" and "**Passenger Enplanements**" herein.

Service Area

The Airport's primary service area consists of the St. Louis Missouri-Illinois Statistical Area (the "***St. Louis Area***"), which includes the City, Crawford, Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren counties in Missouri and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair counties in Illinois. There are approximately 2.8 million residents in St. Louis Area. The Airport is the only major commercial service airport in the St. Louis Area. The FAA identifies six reliever airports, those being: Spirit of St. Louis Airport in west St. Louis County, Missouri; St. Louis Downtown Parks Airport in Cahokia, Illinois; St. Louis Regional Airport in Bethalto, Illinois; St. Charles County/Smart Airport in St. Charles County, Missouri; and Creve Coeur Airport in St. Louis County, Missouri.

In addition, the catchment area for the Airport has over 6 million residents. These residents have very few air service options other than the Airport. Therefore, the Airport's local market is close to 6 million residents.

MidAmerica Airport ("***MidAmerica***") is located on the grounds of Scott Air Force Base ("***Scott AFB***") in St. Clair County, Illinois. MidAmerica has access rights to Scott AFB runways for joint

[1] In April 2015, the FAA awarded American Airlines Group, Inc. ("***AAG***") a single operating certificate signaling its approval to combine the operations of American Airlines and US Airways. On December 30, 2015, US Airways Group merged with and into American Airlines, Inc. Efforts to integrate the airlines continue. Data regarding American Airlines and US Airways is combined in this Official Statement. See "**FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT – AAG**" for additional information.

military and civilian use. In exchange for those rights, Mid-America is responsible for maintenance of the east runway. MidAmerica can accommodate large jet aircraft and has a four-gate passenger terminal.

Airfield Facilities

The airfield at the Airport provides four all-weather runways and each runway end is served with an instrument landing system. Landings can be performed in all weather conditions, including the most inclement and adverse situations.

Commencing in calendar year 2004 and extending through calendar year 2014, the Airport experienced a substantial decline in flight operations. The reduction was initially predicated on American Airlines absorption of Trans World Airlines ("***TWA***") activity and the reallocation of TWA resources from the City to other American hub cities. Later, the economic recession of 2009 weakened demand for air travel and all airlines responded by cutting services system-wide. American would abandon the St. Louis hub in 2010 and provide direct service from the City only to other American hub cities.

Subsequently, demand for air travel returned slowly, but demand is increasing, leading to additional scheduled commercial air service. One bonus for the City has been the retirement of small 50-seat regional jets in favor of up-gauged mainline jets, which feature much greater comfort and seating capacity.

In calendar year 2014, the airlines serving the Airport averaged 225 daily, non-stop departures to 62 destinations. By close of calendar year 2016, peak daily activity had increased to 252 departures and destinations had risen to 68 non-stop markets.

Southwest Airlines has been responsible for most of the recent growth enjoyed by the Airport. In calendar year 2014, Southwest averaged 82 daily departures to 38 domestic destinations. This increased to 83 daily departures in calendar year 2015 and 92 daily departures in calendar year 2016. Starting in June 2017, Southwest will further increase service to 109 departures each day serving 42 destinations. The airline is leasing additional gate space to support this growth in activity.

Terminal Facilities

The Airport's terminal facilities include Terminal 1 and Terminal 2. Terminal 1 contains 1,193,988 usable square feet of building space and is comprised of the Terminal 1 domes and four concourses (Concourses A, B, C and all but four easternmost gates in Concourse D) with 68 aircraft gates in a mixed configuration. Terminal 2 has 379,381 usable square feet of building space with 18 aircraft gates (including the four easternmost gates of Concourse D).

Terminal 1 has two active concourses, A and most of C. Concourse A has 15 gates: six are leased by Delta Airlines, five by United Airlines, three are City Gates available for lease or per-turn use, and one gate in Concourse A is not currently in use. Concourse C has 30 gates: two are leased by Air Choice One, one by Alaska Airlines, seven by American Airlines, two by Cape Air, two by Frontier, two are City Gates available for lease or per-turn use, and 14 gates in Concourse C are not currently in use. Concourse B is available for rental on an occasional basis as a public event space and is not currently in use for airline purposes, but continues to remain available as holdroom space for passenger airlines. Concourse D of Terminal 1 is currently closed to the public.

Terminal 2 consists of one concourse. As of June 1, 2017, Southwest Airlines leases 17 gates at Terminal 2. In addition, three Terminal 2 gates are available for arriving flights requiring United States Customs and Border Protection services. There are no unused gates in Terminal 2.

Public Parking

The Airport currently has 9,001 public parking spaces. The Terminal 1 and Terminal 2 parking garages have a total of 3,006 spaces and surface parking lot spaces total 5,969. The Airport raised parking rates in April 2013. The Airport's parking facilities compete with a number of privately owned off-site parking lots.

The newest Airport parking lot, Lot E, is a surface lot adjacent to Terminal 2 containing 248 spaces. The lot opened in May 2015.

In addition to the 9,001 public parking spaces, the Airport operates two free cell phone parking lots open to the public, west of Terminal 1 and east of Terminal 2.

Recently, the Airport set aside 26 parking spaces in the Terminal 2 garage for a Reserved Parking program. The Reserved Parking program participants pay a premium rate for each reserved space.

Other Facilities

The other Airport facilities owned by the City at the Airport include two off-site office buildings, five warehouse type buildings designed for the handling and processing of air cargo and other related uses totaling 134,673 square feet located southeast of and connected to the airfield in "Cargo City" and leased to various tenants, eleven shops and service buildings, and hangars leased by American Airlines, JetLinx St. Louis, Trans States Airlines, Airport Terminal Services, Signature Flight Support, and MHS Travel & Charter. In 2016 one of the office buildings was leased on a long term basis to the Missouri Air National Guard (MoANG) and one of the buildings in Cargo City was leased on a long term basis to Southwest Airlines.

Additionally, there are other structures at the Airport that are not owned by the City but are located on grounds leased from the City. These sites include facilities owned by St. Louis Air Cargo Services, the Boeing Company, and MoANG.

Federal Express, and various freight forwarders lease space from St. Louis Air Cargo Services. The facility includes a 100,000 square foot cargo building and 448,000 square feet of adjacent aircraft parking space, on land leased from the Airport. Also on the St. Louis Air Cargo leasehold, United Parcel Service (UPS) owns an 18,000 square foot warehouse facility adjacent to a 200,000 square foot aircraft parking area.

The Spire Corporation (formerly the Laclede Group) operates a public access Compressed Natural Gas fueling station on a parcel of land owned by the City. Under the terms of the lease, Spire pays the City a set ground rent plus a royalty percentage for fuel pumped at the station.

In January 2017, the City entered into a long term lease agreement with Enterprise Leasing Company of St. Louis, LLC for a formerly vacant parking lot known as the "Springdale Lot," consisting of 17.86 acres of paved land with a small building. The Springdale Lot will be used for vehicle storage.

The airline fuel consortium STL Fuel Company, LLC currently leases approximately 88,000 square feet of fuel farm space and has begun the process of developing a replacement fuel farm. The replacement fuel farm will be located on the former "Brownleigh" site, to the northeast of the Airport, and is currently in the design and site investigation phase. Construction on the replacement fuel farm is expected to begin during Fiscal Year 2018. At that time, the old fuel farm will be decommissioned, remediated, and the land returned to the Airport for future redevelopment.

The City also owns certain former aircraft production facilities and grounds of approximately 61 acres on the north side of the Airport's airfield for which it is has entered into a long-term lease agreement with Bi-National Gateway Terminal, LLC, a Missouri limited liability company ("***Bi-National***") for the development, construction, and operation of an air cargo Dual Customs facility (for the processing of customs with the United Mexican States). The lease agreement grants Bi-National the right to redevelop the leased premises to accommodate, handle, and support air cargo operations and distribution facilities on the leased premises. Construction of Phase 1 of the development is scheduled to begin in summer 2017, with Phases 2 and 3 to follow.

Air Carrier Service

Listed below are scheduled air carriers currently serving the Airport (as of April 2017):

Major Air Carriers	Regional Air Carriers	Air Cargo Carriers
Air Canada[1]	Air Choice One[1]	Federal Express[1]
Alaska[1]	Air Georgian Limited[2] (Air Canada)	Southern Air[3]
American[1]	Air Wisconsin[2] (American)	United Parcel Service[1]
Delta[1]	Compass[2] (Delta)	
Frontier[1]	Endeavor Air[2] (Delta)	
Southwest[1]	Envoy[2] (American)	
United[1]	ExpressJet[2] (Delta, United)	
	GoJet[2] (Delta, United)	
	Hyannis Air Service, Inc., d/b/a Cape Air[1]	
	Mesa[2] (American, United)	
	PSA[2] (American)	
	Republic[2] (American, United)	
	Shuttle America[2] (Delta, United)	
	SkyWest[2] (Alaska, Delta, United)	
	TEM Enterprises, d/b/a XTRA Airways	
	Trans States[2] (American, United)	

1 Signatory Airline (holds current Use Agreement).
2 Non-Signatory Airline (holds current Operating Agreement and Terminal Building Space Permit) that has been named a Designated Affiliate of a Signatory Airline.
3 Non-Signatory Airline that has not been named a Designated Affiliate of a Signatory Airline.
Source: Airport Management Records

Airline Market Shares

In Fiscal Year 2016, Southwest Airlines had the largest share of enplanements at the Airport. Southwest's share of enplanements at the Airport was 52.5% of total enplanements during such fiscal year.

For the last four fiscal years, the number of enplanements and corresponding shares of the three largest carriers (including affiliate airlines) were as follows:

Annual Enplanements of Three Largest Carriers
Fiscal Year 2013-2016

Enplanements	2013	2014	2015	2016
Southwest*	3,212,162	3,170,384	3,240,935	3,503,850
American**	1,400,171	1,331,563	1,290,684	1,272,340
Delta	885,394	862,702	851,713	892,856
Total	5,497,727	5,364,649	5,383,332	5,669,046
All Others	888,747	812,496	884,402	1,003,512
Market Share	2013	2014	2015	2016
Southwest*	50.3%	51.3%	51.7%	52.5%
American**	21.9	21.6	20.6	19.1
Delta	13.9	14.0	13.6	13.4
Total	86.1%	86.8%	85.9%	85.0%
All Others	13.9%	13.2%	14.1%	15.0%

* Includes market share of AirTran, which merged with Southwest.
** Includes market share of US Airways, which merged with American Airlines.
Source: Airport Management Records

As a group, the three largest air carriers accounted for the majority of enplanements; their combined share decreased from 86.1% in Fiscal Year 2013 to 85.0% in Fiscal Year 2016.

Passenger Enplanements

Passenger enplanements at the Airport are categorized as either origination and destination ("***O&D***") activity or connecting activity. The following table shows the O&D activity and connecting activity for the period from Fiscal Year 2012 through Fiscal Year 2016. O&D activity is influenced by local market factors and trends which track economic and demographic trends. Connecting activity is determined primarily by airlines' network strategies.

ST. LOUIS LAMBERT INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
Fiscal Years 2012-2016

Fiscal	**O&D**		**Connecting**		
Year	**Actual**	**Share**	**Actual**	**Share**	**Total Enplanements**
2012	5,430,403	85.5%	923,188	14.5%	6,353,591
2013	5,411,319	84.7	975,155	15.3	6,386,474
2014	5,294,063	85.7	883,082	14.3	6,177,145
2015	5,393,476	86.1	874,258	13.9	6,267,734
2016	5,696,437	85.4	976,121	14.6	6,672,558

Source: Airport Management Records

The trends in O&D and connecting activity at the Airport show the fundamental changes in the Airport's role from a primary to a medium hub in American Airlines' route system and in the Airport's underlying traffic base. The downsizing of American Airlines' operations at the Airport has caused a significant decline in connecting traffic, with the connecting segment's share falling from more than 50% prior to Fiscal Year 2004 to 14.6% in Fiscal Year 2016. In Fiscal Year 2016, the O&D segment accounted for 85.4% of the total enplanements at the Airport.

Recent Air Service Trends

Beginning in 2004, American Airlines implemented cuts in service at the Airport that ultimately led to the elimination of its connecting hub. Such cuts, however, have been partly offset by the expansion of service by Southwest Airlines. In Fiscal Year 2016, there were 232 daily non-stop departures, on average, by all airlines from the Airport to over 71 destinations, on average, with 4 daily non-stop departures, on average, to as many as six airports outside the United States.

The 2008-2009 U.S. economic recession weakened demand for air transportation, including both cargo and passenger service. Airlines responded by cutting capacity system-wide. Traffic growth is beginning to return with the economic recovery. Total enplanements at the Airport posted a positive year-over-year growth of 10% for calendar year 2016 vs. 2015.

In the second quarter of calendar year 2015, Southwest Airlines averaged 104 daily non-stop departures from the Airport to 44 domestic airport destinations.

Recent Events

FAA Airport Privatization Pilot Program. On April 24, 2017, the FAA accepted the City's preliminary application for the participation of the Airport in the FAA's Airport Privatization Pilot Program (the "***APPP***"). The APPP, which began in 1997, was established to explore privatization as a means of generating access to various sources of private capital for airport improvement and development. By the FAA's acceptance of the City's preliminary application, the City, as the sponsor of the Airport, is permitted to explore public-private partnerships to manage and operate all or a portion of the Airport. The City's stated objectives in developing public-partnerships include, but are not limited to, improving airport operating revenues, generating increased transfers of unrestricted Airport Revenues to the City for non-Airport City purposes and expanding regional economic development relationships to align with other multi-modal transportation projects, such as highways and rail to support the region's infrastructure.

The FAA's acceptance of the City's preliminary application is one step in a lengthy process. Further action will be necessary on the part of the City, including the Board of Aldermen and the Board of Estimate and Apportionment, the City voters, the FAA, the Airport Commission, and the airlines that are a party to the Use Agreements.

If pursued to its conclusion, privatization could result in the long-term lease of the Airport to a private entity that would manage and operate the Airport during the term of the lease. Pursuant to the Indenture, the City may not sell, lease or otherwise transfer all or a substantial part of the Airport unless, among other things, principal of and interest on all Bonds have been paid in full, or unless the City has made adequate provision for the defeasance of the Bonds in accordance with the Indenture, or the assumption by the transferee (in this case the private entity) of the obligations of the City under the Indenture and the Bonds. See **APPENDIX C** — "**Summary of Certain Provisions of the Indenture – Sale, Lease or Encumbrance of Property**."

Any actions taken to date by the City or the FAA regarding privatization of all or a portion of the Airport, are preliminary and subject to change.

The FAA maintains a website where the proceedings regarding applications for the APPP may be viewed at www.faa.gov/airports/airport_compliance/privatization/, *however, information on the FAA's website has not been verified for accuracy, timeliness or completeness and is not a part of this Official Statement.*

Five-Year Strategic Plan. During Fiscal Year 2015, the Airport unveiled a 5-year strategic plan for 2015-2020 (the "***Strategic Plan***") to build on the momentum of several transformational campaigns that have improved airport facilities, improved customer services and strengthened air service over the last several years. The Strategic Plan, first made public before the Airport Commission meeting on February 4, 2015, was developed in collaboration with the City's business community and with the support of Civic Progress and the Regional Business Council, two major civic organizations.

The Strategic Plan is built on a foundation of operational excellence with four core objectives. Fiscal Year 2016 marks the second year of the Strategic Plan. Some of the milestones achieved with respect to the four core objectives include:

1. Sustain and grow passenger air service.
    - The addition of eight new destinations and a focus on connecting many Midwest markets has boosted traffic and brought modest passenger growth.
    - Expansion to a peak of 70 nonstop destinations in Fiscal Year 2017.

2. Strengthen financial stability.
    - Completion of a new 5-year Airport Use and Lease agreement
    - Reduction in costs per enplaned passenger by 14.8% and a 17.5% increase in parking revenues and food/beverage sales.

3. Create a positive and lasting impression for the region.
    - The Airport was recognized by Ameren Missouri for its energy savings projects and its commitment to sustainability and the environment.
    - The Airport continues to make upgrades to provide passengers with updated amenities and wayfinding improvements.

4. Generate economic development.
    - The Airport is involved in lease negotiations of vacant buildings and undeveloped land including the Air Cargo Project described below.

Air Cargo Project. On May 6, 2015, the Airport Commission approved a major development project at the Airport that Airport management expects to be a catalyst for international cargo activity and jobs by expanding the Airport's aviation facilities and capabilities on the north side of the airfield. The project is expected to generate more than $13.5 million in lease revenue over the initial term of the agreement. The agreement was approved by the Board of Aldermen and the Mayor on June 1, 2015.

The Airport Commission approved a 20-year lease with two, 10-year extension options with Bi-National for 48.75 acres of City-owned property (the "***Leased Premises***") on the north side of the airfield (the "***Northern Tract Site***"). The Northern Tract Site holds the original McDonnell Douglas manufacturing complex, which has been vacant for more than a decade. A portion of the facilities on the Leased Premises will be demolished by Bi-National to build a state-of-the-art air cargo terminal and ramp space for freighter aircraft. The lease agreement calls for the project to be developed in three phases, with the first phase of the development covering more than 32 acres for a cargo handling facility in excess of one million square feet. New aircraft ramp space, totaling one million square feet, will give the facility additional runway access to the Airport's airfield. The agreement was amended and approved to increase the lease acreage to 61.10 acres by the Board of Aldermen and the Mayor on July 18, 2016.

Ongoing Cost-Cutting Measures Initiated at the Airport. For the last several years, the Airport has made an effort to reduce costs in its Operations and Maintenance budget. For example, the Airport has eliminated over 100 full-time equivalent positions since Fiscal Year 2009. Cost-cutting efforts also resulted in privatization of a portion of the custodial staff and the closing of a third fire station at the Airport. In addition, significant savings have been realized in utilities. A $1,100,000 utility cost savings was realized during Fiscal Year 2016 compared to budget due to energy efficiencies and other reductions in use. The Airport is now saving more than $40,000 per month in avoided energy costs. Energy efficiency and conservation efforts at the Airport are guided by key strategies and goals pursuant to the City's Sustainability Plan (2013) that targets lower greenhouse emissions for the region.

Air Service Marketing. The Airport's Air Service Development Program is continuing its efforts to attract new service, both from existing and potential new entrant air carriers.

The Airport adopted a revised Air Service Incentive Program that was approved by the City through Fiscal Year 2017. This program provides incentives to airlines that expand their services at the Airport. Southwest Airlines and Alaska Airlines are among those airlines that have recently taken advantage of this program. Efforts have also been made to increase cargo service, especially international cargo. The Airport is actively pursuing international air cargo carriers for both scheduled and charter service. The Airport is planning to implement a new incentive program beginning in Fiscal Year 2018.

Airport Use and Lease Agreements. Airport management and the airlines serving the Airport have entered into Airport Use and Lease Agreements which took effect on July 1, 2016 and will terminate on June 30, 2021. See "**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES - Airport Use, Operating and Cargo Agreements"** herein.

Planning

The St. Louis Airport Master Plan (the "***Master Plan***") provides a framework that guides future airport development. The Master Plan includes an Airport Layout Plan, which is a set of drawings that depict existing facilities and recommended future facilities that would serve the traveling public needs. An update to both the Master Plan and the Airport Layout Plan will be initiated in calendar year 2018. See "**AIRPORT CAPITAL IMPROVEMENT PROGRAMS**" herein.

The Airport has a comprehensive Airport Noise Compatibility Program (the "***Noise Compatibility Program***"). The Noise Compatibility Program assesses aircraft noise exposure on surrounding municipalities, and identifies means to mitigate adverse noise and achieve land use compatibility. The Noise Compatibility Program was last approved by FAA in calendar year 2011 and the most recent review found the Noise Compatibility Program in compliance with expectations set in calendar year 2011. The next review will occur in calendar year 2021.

CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES

Airport Use, Operating and Cargo Agreements

On July 1, 2016, the City entered enter into substantially identical Airport Use and Lease Agreements (individually with respect to each air carrier, a "***Use Agreement***" and, collectively with respect to all applicable air carriers, the "***Use Agreements***") or Airline Operating Agreements (individually with respect to each air carrier, an "***Operating Agreement***" and, collectively with respect to all applicable air carriers, the "***Operating Agreements***") and, in some instances, Cargo Addenda (individually with respect to each air carrier, a "***Cargo Addendum***" and, collectively with respect to all applicable air carriers, the "***Cargo Addenda***") with all major and regional air carriers serving the Airport, thereby replacing the airport use, operating and cargo agreements that had been in place since 2011. Air carriers may choose to operate at the Airport under either the Use Agreement or the Operating Agreement.

Use Agreements. All air carriers operating at the Airport pursuant to a Use Agreement constitute "Signatory Airlines." The Use Agreements grant the Signatory Airlines the right to use, as applicable, the airfield and the terminal building, including the concourses and related facilities, for the business of air transportation with respect to persons, property, cargo and mail and provide for the payment of rentals, fees and charges by the Signatory Airlines.

Each Use Agreement has a five-year term commencing on July 1, 2016 and terminating on June 30, 2021, unless earlier terminated for non-performance or default. Any Use Agreement entered into after July 1, 2016 and prior to June 30, 2021, will have a June 30, 2021 termination date. In general, the Use Agreements use a residual hybrid rate methodology whereby the airlines commit to back revenue shortfalls or share in surplus with respect to the airfield and pay applicable rates with respect to the terminal complex. Landing fees and terminal building space rentals are computed based on formulas provided in the Use Agreements. See **APPENDIX D** - "**Summary of Certain Provisions of the Use Agreements and the Operating Agreements**."

Rentals, fees and charges are assessed to the Signatory Airlines to support the primary activities of the Airport — the airfield and the terminal complex (including Terminal 1 and Terminal 2), pursuant to formulas set forth in the Use Agreements. The minimum landing fee commitment is $1,000,000 for Signatory Airlines over the term of the Use Agreement. The Use Agreements permit the City to adjust rentals, fees and charges for each rate period to reflect overpayments and underpayments that occurred during the preceding rate period, and, to the extent necessary, replenish reasonable reserves for uncollected revenues.

A Pre-Approved 5-Year Capital Improvement Program is detailed in the Use Agreements and the Airport may proceed with each project without Majority-in-Interest ("***MII***") approval by using Airport funds lawfully available for such purpose, up to a total cost, in the Fiscal Years, and in the Cost Centers for each project. An MII is deemed to be 50% plus one of the Signatory Airlines operating at the Airport at the time of the voting action, having paid no less than 66.67% of the aggregate rents, fees, and charges paid by all Signatory Airlines operating at the Airport during the immediately preceding fiscal year. The Airport may substitute any Capital Improvements with similar Capital Improvements without MII approval if the replacement Capital Improvement: (i) has the same or similar total project cost; (ii) net cost is chargeable to the same Cost Center; and (iii) will accomplish the same purpose or function. See "**AIRPORT CAPITAL IMPROVEMENT PROGRAMS**" herein.

Except as described above, before undertaking any Capital Improvement not listed in the Pre-Approved 5-Year Capital Improvement Program, the City must notify the Signatory Airlines and request MII approval for each such Capital Improvement. Notwithstanding the previous sentence, no MII approval is required for Capital Improvements undertaken: (i) to comply with federal, State, or local law, or regulation; federal policy; grant agreement; airport certification requirements; or mandated by executive order or by an executive agency (State or federal) having jurisdiction over the activities at the Airport; (ii) to comply with a requirement of the Indenture; (iii) as an emergency repair, replacement, or improvement to maintain the Airport's functional capability; (iv) to settle claims, satisfy judgments, or comply with judicial orders rendered by a court of competent jurisdiction against the City and pertaining to the Airport; (v) to repair casualty damage at the Airport not covered by insurance proceeds; (vi) to acquire land or rights to land to mitigate aircraft noise, or provide for sound insulation as part of a noise compatibility program approved by the federal government in accordance with the provisions of 14 C.F.R. Part 150; (vii) to conduct an environmental investigation and remediation at the Airport as required by applicable environmental laws and environmental permits and/or attributed to hazardous materials left on City property in excess of applicable remediation standards derived by applicable governmental agency or agencies as appropriate for commercial property; provided, however, that the City will use its best efforts to recover such costs from the party at fault, if such party is identified; (viii) to acquire, construct, renovate, or remodel a special facility for which a Signatory Airline or a financially-responsible third party has contractually committed to lease from the City under terms that include sufficient rentals to permit such special facility to be acquired, constructed, renovated, remodeled, administered, operated, maintained and repaired without affecting rents, fees, and charges throughout the Term; (ix) to be fully funded from PFCs; (x) with funds from Airport Development Fund Deposits made after July 1, 2016 in excess of 6%.

Operating Agreements. The Operating Agreements are month-to-month operating permits that may be terminated by either party by providing 30-day written notice to the other party. Air carriers electing to operate at the Airport under an Operating Agreement are considered to be "Non-Signatory" Airlines. The Operating Agreements are short-term permits intended to provide flexibility for charter airlines, new entrants that may wish to test the market, and regional airlines that operate at the Airport under a contract with other air carriers. Non-Signatory Airlines are subject to a landing fee rate equal to 125% of the landing fee rate paid by Signatory Airlines (unless the Non-Signatory Airline is designated as an affiliate of a Signatory Airline). A Non-Signatory Airline that requests space in one of the terminal buildings pays a space use fee equal to the terminal rental rate paid by Signatory Airlines.

Cargo Addenda. Cargo air carriers may elect to operate under either a Use Agreement or an Operating Agreement, but must execute the applicable Cargo Addendum which prohibits cargo air carriers from operating from the Airport's passenger terminal buildings. Among other things, the Cargo Addenda require cargo air carriers to arrange for operating space at the Airport separately either with the City or a third-party Airport tenant whose rights include providing such space.

Airport Maintenance. Under the terms of both the Use Agreements and the Operating Agreements, the City is required to maintain and keep in good repair all of the public areas and facilities of the Airport, including the structures associated with the terminal buildings, the utility systems within the Airport and all other common use systems owned and operated by the City. The Signatory Airlines and the Non-Signatory Airlines are each required to repair, maintain and keep in good condition the premises leased or assigned to each of them, including that portion of the utility systems serving each of their exclusive use facilities.

Dual Customs Agreement

The City also owns certain former aircraft production facilities and grounds of approximately 61 acres on the north side of the Airport's airfield for which it is has entered into a long-term lease agreement with Bi-National for the development, construction, and operation of an air cargo Dual Customs facility (for the processing of customs with the United Mexican States). The lease agreement grants Bi-National the right to redevelop the leased premises to accommodate, handle, and support air cargo operations and distribution facilities on the leased premises. Construction on Phase 1 of the development is scheduled to begin in summer 2017, with Phases 2 and 3 to follow.

Concession Agreements

The City has agreements to lease space at the Airport to certain concessionaires who provide food and beverages, news and gifts, and other retail items and/or services to users of the Airport. The City has entered into concession agreements with Host International (Host) for multiple food and beverage outlets (expires in December 2020), the Hudson Group (Hudson) for multiple news, gift, and specialty retail outlets (expires in January 2026), and the OHM Concession Group, LLC (OHM) for a single local concept food and beverage outlet (expires in January 2021).

Taste Inc., d/b/a Vino Volo, opened a new wine bar in Terminal 2 in the summer of 2015. Their lease expires in December 2023. Vino Volo is currently in the process of expanding the Terminal 2 facility and building an additional location on Concourse A in Terminal 1.

In 2015, Hudson was awarded a concession agreement separate from the news, gift, and specialty retail agreement noted above to redevelop and operate three electronics retail locations (d/b/a Tech On The Go) formerly operated by InMotion Stores. The agreement ends in November 2022.

The Airport is in the process of awarding to Airport Terminal Services, d/b/a "Wingtips" a ten-year agreement to operate a Common Use Airport Club concession in Terminal 2. Construction is scheduled to begin summer 2017.

In March 2017, the Airport announced a solicitation for bid for a 1,468-square foot local concept restaurant in Terminal 2. Bids are due in the summer of 2017.

The Airport currently has a Wireless Internet (Wi-Fi) and Distributed Antenna System (DAS) operating agreement to Boingo Wireless, d/b/a Concourse Communications STL, LLC. Through this agreement, the operator will install an Airport-wide DAS that will greatly improve cellular reception for users of participating wireless carriers. Verizon Wireless and T-Mobile are the initial participating carriers, with the potential to attract additional carriers. Installation of the DAS was completed in winter 2015. Under this contract, the Airport will receive the greater of the Minimum Annual Guarantee (MAG) or 30% of the gross receipts from use of the Wi-Fi.

Terminal concession revenues represented 53.08% of total concession revenue and 16.33% of the total operating revenue in Fiscal Year 2016, compared to 57.14% and 16.33% respectively, in Fiscal Year 2015.

The City entered into a five-year operating agreement for management and operation of the parking facilities with ABM Parking, a division of ABM, Inc. Pursuant to this agreement, the City retains all receipts from the parking operations and periodically reimburses ABM Parking for expenses. Parking revenues represented 46.92% of total concession revenue and 14.24% of total operating revenue in Fiscal Year 2016, compared to 42.86% and 12.25%, respectively, in Fiscal Year 2015.

The City has rental car concession agreements with Hertz, Avis, Budget, Alamo, National, Enterprise, and Thrifty for operation of rental car facilities at the Airport. Such concession agreements will expire on December 31, 2019. Under such agreements, the Airport receives the greater of the Minimum Annual Guarantee or 10% of the gross receipts from each concessionaire.

Federal Policy on Air Carrier Rates and Charges

The Federal Aviation Administration Authorization Act of 1994, as amended, requires airport fees to be "reasonable" and provides a mechanism by which the Secretary of Transportation can review rates and charges complaints brought by air carriers. The provisions of such Act do not apply to fees imposed pursuant to a written agreement with air carriers using airport facilities. 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.

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 the front portion of this Official Statement.

Airport Staff

The Airport Commission and the Director of Airports have an Airport staff to aid them in carrying out their responsibilities. Key members of the Airport staff include the following:

Rhonda Hamm-Niebruegge was named the Director of Airports on January 3, 2010. Ms. Hamm-Niebruegge has more than two decades of aviation management experience with key leadership positions with Ozark Airlines, Trans World Airlines and American Airlines. Ms. Hamm-Niebruegge previously served as American Airlines Managing Director, St. Louis Operations.

Jerry Beckmann, P.E., was named Deputy Airport Director of Planning and Development in October of 2013. Mr. Beckmann was previously the Assistant Director of Engineering, a position he held for four years. Mr. Beckmann is responsible for the planning, contracting and executing of all construction projects at the Airport, and coordinating the long-range Master Plan goals for all airfield and Airport properties.

Ron Stella was named Deputy Airport Director of Operations and Maintenance in July of 2015. Mr. Stella was formerly the Airport Assistant Director of Operations and Maintenance. Mr. Stella is responsible for airfield and building operations, security operations and emergency planning and manages compliance with all FAA Airport operations, regulations and standards. Mr. Stella supervises multiple operating departments, including: Airfield and Grounds Maintenance, the Airport Operations Center, Airport Building Maintenance, Airport and Airfield Electrical Maintenance, Housekeeping, Radio Systems, and Emergency Planning.

Antonio Strong, C.P.A., was named Deputy Director of Finance and Administration in July of 2015. Mr. Strong leads all Airport finance and business units including Finance and Accounting, the

Properties Department and the Business Diversity Development Office. Mr. Strong brings 20 years of experience in accounting and management to the Airport.

Airport Employees

For Fiscal Year 2017, the Airport has 462 budgeted full-time employee positions and an additional 62 City firefighter personnel assigned to the Airport. Approximately 49% of the Airport's employees are represented by employee groups. The employee groups are not entitled to strike under Missouri law, because the Airport, as a department of the City, is not subject to collective bargaining. Airport employees are covered by the City's pension plan. See **APPENDIX B - "Audited Financial Statements of the Airport"** for additional information on the pension plan.

Risk Management

The Airport is exposed to various risks of loss related to tort, such as theft of, damage to, and destruction of assets, errors and omissions, injuries to guests and invitees and employees and natural disasters, including tornadoes and high winds. For those exposures not otherwise covered by commercial insurance, the Airport participates in the City of St. Louis Risk Management Program, which is the City's self-insurance program that covers workers' compensation claims, general liability claims and various other claims and legal actions. The City appropriates funds annually for the operations of the City's Risk Management Program that are placed in a Risk Trust Fund. Public Facilities Protection Corporation ("***PFPC***"), a not-for-profit corporation, oversees the City's Risk Management Program and administers the Risk Trust Fund. The Airport reimburses PFPC for workers' compensation claims and expenses on a cost reimbursement basis.

The Airport purchases commercial insurance for risks that are significant and which are not covered by the City's self-insurance program. Such coverages include commercial general liability, with enhancements to the war risk limit to $350 million (covers war, hostilities, terrorism, strikes, riot, civil commotion, labor disturbances, malicious acts, acts of sabotage, confiscation/restraint/seizure by civil authority, hijacking and other unlawful seizure of aircraft or crew), property damage which includes business interruption and coverage for the fine arts, public entity officials' liability which includes employment practices liability, employee dishonesty, business automobile, inland marine for our large equipment, crime, and cyber liability.

The Airport has a commercial liability policy with a limit of $350 million. The Airport's property insurance has a limit of $901 million. The Airport also has an automobile policy with total coverage of $1 million, large equipment coverage of $17 million as well as public officials and employee liability coverage of $7 million for each policy. All policies provide coverage through October 1, 2017.

AIRPORT CAPITAL IMPROVEMENT PROGRAMS

Responsibility for Asset management and improvements to the Airport facilities and operations is covered by the Airport Capital Improvement Program (the "***CIP***"). The CIP is a near-term, five-year agenda that identifies capital projects and equipment purchases, provides an implementation schedule, and specifies options for financing individual projects. Essentially, the program provides linkage between the Strategic Plan and the Master Plan with the annual budget. See "**THE AIRPORT - Planning**" herein.

The City's ability to finance Airport improvements is subject to numerous factors. Among the most prominent is the amount of Revenues generated by the Airport. This determines the ability of the Airport to include appropriate amounts of capital expenditures in the rates and charges of airlines using the Airport.

Equally prominent is the availability of funds under federal and state grant programs, and the ability of the City to issue Additional Bonds or other indebtedness for Airport purposes. This would include the City's ability to meet the test for the issuance of Additional Bonds under the Indenture and to comply with legal requirements relating to the incurrence of indebtedness. See "**THE SERIES 2017 BONDS - Outstanding Bonds, Additional Bonds and Refunding Bonds**" herein.

Majority-In-Interest

The Use Agreement contains provisions for inclusion of Airline(s) input to the CIP. The Signatory Airlines that participate with a Use Agreement subject each capital project to review and Majority-In-Interest approval. If a proposed capital project is approved by Airline Majority-In-Interest, the City may proceed with implementation in accord with the proposed funding and schedule.

Five-Year CIP

The CIP consists of a rolling five-year program that presently extends from Fiscal Year 2017 through Fiscal Year 2021. The program consists largely of projects involving asset modernization, major maintenance, refurbishment or reconstruction, and replacement of heavy equipment and vehicle fleets.

The City reviews necessary and beneficial projects that may be added within the five-year program. All new projects or projects with major funding revisions are subject to the Airline Majority-In-Interest approval.

The current CIP contains 109 projects valued at an estimated price of $170.3 million. A portion of these projects will be funded with proceeds from the Series 2017 Project Bonds. The City is also contemplating the issuance of Additional Bonds to fund portions of these projects.

Revenue sources for the CIP include approximately $86.3 million in existing bond proceeds; $42.5 million in federal Airport Improvement Program (the "***AIP***") grants; $25.6 million in Passenger Facility Charge revenues; and $15.8 million in Airport Development Fund money. The development fund is revenue that remains after meeting operating expenses, debt service and other required deposits.

A minimum of 13 CIP projects are eligible for 75% financing from the AIP. These projects constitute large scale refurbishment or reconstruction of airfield pavements. The City anticipates that all such projects will receive the total eligible AIP funding.

Voluntary Airport Low Emission Program

In accordance with the City's Sustainability Plan, fiscal year 2017 marks the City's entry into the federal Voluntary Airport Low Emission Program (the "***VALE Program***"). The VALE Program is an FAA venture that is designed to improve air quality by reducing sources of airport ground emissions created when fossil fuels are burned.

The program encourages eligible airports to invest in clean technology projects. Like the AIP, the VALE Program offers financial incentives through grants that provide 75% financing for qualified equipment, alternative fuel vehicles, and electric vehicles. The Airport's 25% matching funds for these projects is also subject to Airline Majority-In-Interest approval.

The VALE Program agenda at the Airport is a rolling program extending to Fiscal Year 2020, which will be reviewed and updated annually. The current program identifies $9.1 million in eligible projects. When implemented many of these energy efficiency projects will also be eligible for rebates from the Airport's electrical utility provider.

AIRPORT FINANCIAL INFORMATION

Revenues and Expenses

The financial statements of the Airport for the Fiscal Year ended June 30, 2016 are included in **APPENDIX B** – "**Audited Financial Statement of the Airport**" to this Official Statement and have been audited by KPMG LLP, independent auditors. KPMG LLP, the Airport's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in the report. KPMG LLP also has not performed any procedures relating to this Official Statement.

The following table sets forth the historical revenues and expenses and certain Bond-related data of the Airport for Fiscal Years 2012 through 2016. Such Fiscal Year information is based primarily upon the audited financial statements of the Airport for such Fiscal Years.

ST. LOUIS LAMBERT INTERNATIONAL AIRPORT
Airport Revenues and Expenses and Certain Bond-Related Data (in thousands)

(Fiscal Years Ended June 30)

	2012	2013	2014	2015	2016[1]
GARB Revenues					
Air Carrier Fees	$ 82,204	$ 91,522	$ 89,723	$ 86,130	$81,337
Concession Fees	38,629	41,034	44,237	44,175	46,977
Cargo/Other Revenues	5,469	5,340	5,484	6,289	5,156
Mitigation	13,728	13,728	13,728	13,728	13,728
Miscellaneous Income	6,872	2,917	7,674	3,614	3,225
Interest Income	1,696	2,222	2,089	2,284	2,080
Total GARB Revenues	$148,598	$156,763	162,935	156,220	152,503
Pledged PFC Revenues	$ 23,863	$ 27,578	$ 27,578	$ 27,577	$ 28,320
Total Revenues	$172,461	184,341	190,513	183,797	180,823
Total Operating Expenses	$ 73,277	$ 77,340	$ 84,406	$ 80,713	$ 79,871
Net Revenues	$ 99,184	$107,001	$106,107	$103,084	$100,952
Aggregate Annual Debt Service on Outstanding Bonds	$ 73,781	$ 78,746	$ 77,906	$ 75,545	$ 74,946
Debt Service Coverage	1.34x	1.36x	1.36x	1.37x	1.35x

[1]The Total Operating and Maintenance Expenses reported below are $5.2 million higher than that reflected in the Fiscal Year 2016 audit due to a prior period adjustment.

Source: Airport Management Records.

Management Discussion of Financial Information

GARB Revenues. GARB Revenues for the Fiscal Year ended June 30, 2016, were $154.7 million, which represents a decrease of approximately $2.1 million, or 1.33%, compared to the Fiscal Year ended June 30, 2015. The decrease is primarily due to a reduction in air carrier fees due to lower landing fee rates. For more information regarding recent developments in our concessions and parking revenues, see "**THE AIRPORT - Public Parking**." and "**CERTAIN AGREEMENTS FOR USE OF THE AIRPORT'S FACILITIES - Concession Agreements**" herein.

PFC Revenues, Including Pledged PFC Revenues. The Airport collected approximately $26 million in PFC Revenues (including interest earnings) during the Fiscal Year ended June 30, 2016. The Pledged PFC Revenues for Fiscal Year 2016 were approximately $28 million and are included in Total Revenues. The current PFC rate is $4.50 per passenger. The Airport has received FAA approval to collect and use approximately $1.1 billion in PFC Revenues through September 2026. Only a portion of the PFC Revenues is pledged under the Indenture. The portion of PFC Revenues that constitutes Pledged PFC Revenues is an amount equal to 125% of the debt service on Bonds allocable to projects approved for PFC funding.

Total Revenues. The total amount of Revenues pledged pursuant to the Indenture for the Fiscal Year ended June 30, 2016, was $181 million, consisting of $153 million in GARB Revenues and $28 million in Pledged PFC Revenues. The total amount of Revenues pledged pursuant to the Indenture for the Fiscal Year ended June 30, 2015, was $184 million, consisting of $156 million in GARB Revenues and $28 million in Pledged PFC Revenues.

Operation and Maintenance Expenses. Operation and maintenance expenses for the Fiscal Year ended June 30, 2016, were approximately $80 million, which represents a decrease of $1 million or nearly 1% compared to the Fiscal Year ended June 30, 2015. The decrease was primarily due to a mild winter in Fiscal Year 2016 and subsequent decreases in utility and fuel consumptions, deicer chemicals and other snow related expenses during Fiscal Year 2016.

Net Revenues. The Airport's Net Revenues for the Fiscal Year ended June 30, 2016, were approximately $101 million, which represents a decrease of approximately $2 million under the Fiscal Year ended June 30, 2015. The decrease in Net Revenues is primarily due to the aforementioned reduction of expenses mentioned above and the increased Pledged PFC Revenues of $700,000 offset by the $2 million decrease in revenues due to lower landing fee rates.

REPORT OF THE AIRPORT CONSULTANT

The City has retained Unison Consulting, Inc. to serve as the airport consultant (the "***Airport Consultant***") in connection with the issuance of the Series 2017 Bonds. The Airport Consultant has (i) analyzed the ability of the City to meet its financial obligations related to the Series 2017 Bonds through Fiscal Year 2021 and (ii) prepared a Financial Feasibility Report regarding the Airport's operating revenues, expenses and air traffic activity, dated June 9, 2017 (the "***Report of the Airport Consultant***"), which is attached hereto as **APPENDIX A –** "**Report of the Airport Consultant**." The Consultant's Review was commissioned by Airport management for planning purposes and is being provided for informational purposes only.

Projected Airport Revenues

The following tables present the Airport Consultant's estimates and projections for Fiscal Years 2016 through 2022 of (i) Revenues, (ii) Signatory Airline revenues, cost per enplaned passenger and rates and (iii) debt service coverage calculations with respect to the Series 2017 Bonds.

Total Airport Revenues are projected to increase from $180,823 in Fiscal Year 2016 to $199,592 in Fiscal Year 2022 or at an average annual growth rate of 1.7%. Revenues are projected to be sufficient to pay Operation and Maintenance Expenses and meet all of the other funding requirements of the Indenture in each year of the projection period, Fiscal Year 2016 through Fiscal Year 2022.

The average Signatory Airline cost per enplaned passenger is projected to decrease from $11.99 in Fiscal Year 2016 to $9.50 in Fiscal Year 2022. The Signatory Airline landing fee rate is projected to decrease from $7.68 in Fiscal Year 2016 to $6.90 in Fiscal Year 2022.

In addition, based on its knowledge of comparable airports and its experience in providing financial consulting services to a variety of airports, the Airport Consultant believes the projected airline costs per enplaned passenger at the Airport are reasonable in comparison with other medium hub airports that have completed or are currently implementing major capital improvement programs.

The financial projections presented in the Report of the Airport Consultant are based on information and assumptions that have been provided by Airport management, or developed by the Airport Consultant and confirmed by Airport management. Based upon its review, the Airport Consultant believes that the information is accurate and that the assumptions provide a reasonable basis for the forecasts. However, some variations from the forecasts are inevitable due to unforeseen events and circumstances, and such variations may be material. The Report of the Airport Consultant should be considered in its entirety for an understanding of the forecasts and the underlying assumptions. See **APPENDIX A - "Report of the Airport Consultant."**

The following table presents projected Airport Revenues at the Airport for the Fiscal Years indicated:

PROJECTED AIRPORT REVENUES
ST. LOUIS LAMBERT INTERNATIONAL AIRPORT
FISCAL YEARS ENDING JUNE 30
(IN THOUSANDS)

	Avg. Annual	For Fiscal Years Ending June 30,						
	Growth Rate	Actual		Projected				
AIRPORT REVENUES	**2016-2022**	**2016[1]**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Signatory Airlines								
Airfield Landing Fees	1.2%	$60,431	$64,525	$59,042	$60,641	$61,541	$62,578	$65,033
Terminal Rents	-9.7%	19,248	19,735	9,913	11,328	9,857	10,628	10,440
Passenger Loading Bridges	n/a			208	329	430	433	401
Total	-0.8%	$79,679	$84,260	$69,162	$72,298	$71,828	$73,639	$75,874
Concession Fees								
Terminal Concessions	5.4%	$11,326	$12,528	$13,418	$14,090	$14,565	$15,016	$15,556
Public Parking	4.3%	22,043	23,302	24,819	25,632	27,959	28,089	28,424
Car Rentals	4.7%	11,713	12,374	13,294	13,981	14,461	14,915	15,462
Space Rental	2.2%	1,309	1,338	1,367	1,397	1,428	1,460	1,492
In-Flight Catering	2.2%	294	300	307	314	321	328	335
Other	1.7%	291	296	301	306	311	317	322
Total	4.6%	$46,977	$50,138	$53,506	$55,720	$59,045	$60,124	$61,590
Other								
Non-Signatory Landing Fees	2.1%	$1,584	$1,807	$1,685	$1,701	$1,721	$1,747	$1,791
Non-Signatory Airlines-Terminal	0.0%	74	74	74	74	74	74	74
Total	2.0%	$1,658	$1,881	$1,759	$1,775	$1,795	$1,821	$1,865
Airline Revenue Mitigation[2]	0.0%	13,728	13,728	13,728	13,729	13,729	13,729	13,729
Cargo	19.1%	$382	$391	$649	$775	$900	$995	$1,091
Hangars and Other Buildings	16.0%	635	639	1,387	1,471	1,475	1,479	1,549
Tenant Improvement Surcharge	0.0%	371	371	371	371	371	371	371
Terminal EDS Surcharges	n/a	0	2,800	2,864	2,930	2,998	3,067	3,137
Other Miscellaneous	7.5%	6,992	7,573	8,279	9,535	10,387	10,571	10,768
Total Other-Operating	5.4%	$23,767	$27,383	$29,039	$30,586	$31,655	$32,032	$32,511
Total Operating Revenue	2.1%	$150,422	$161,781	$151,707	$158,604	$162,528	$165,795	$169,976
Interest Income [3]	-7.5%	$2,080	$1,477	$1,389	$1,435	$1,253	$1,276	$1,307
Total GARB Revenues	2.0%	$152,503	$163,258	$153,096	$160,040	$163,781	$167,071	$171,282
Pledged PFC Revenue	0.0%	$28,320	$28,325	$28,322	$28,321	$28,318	$28,305	$28,309
Total Revenues	1.7%	$180,823	$191,583	$181,418	$188,361	$192,099	$195,377	$199,592

[1] Based on audited financial statements and Airport records.
[2] Reflects amounts scheduled to be transferred from the Debt Service Stabilization Fund per the Airline Use and Lease Agreement.
[3] Operating Interest income only.
Source: Airport Consultant.

**SUMMARY OF PROJECTED SIGNATORY AIRLINE REVENUES,
COST PER ENPLANED PASSENGER,
AND RATES**

St. Louis Lambert International Airport

in thousands except for rates

For Fiscal Years Ending June 30

	For Fiscal Years Ending June 30						
	Actual			Projected			
	2016 [1]	2017	2018	2019	2020	2021	2022
INITIAL AIRLINE REQUIREMENTS							
Landing Fees	$53,442	$57,750	$59,042	$60,641	$61,541	$62,578	$65,033
Terminal 1	8,555	8,998	8,823	9,000	9,239	9,391	9,606
Terminal 2	3,704	3,963	3,614	3,724	3,834	3,901	3,980
Passenger Loading Bridges		0	208	329	430	433	401
	$65,701	$70,712	$71,686	$73,694	$75,045	$76,303	$79,020
TOTAL SIGNATORY AIRLINE REQUIREMENTS							
Initial Requirement	$65,701	$70,712	$71,686	$73,694	$75,045	$76,303	$79,020
Additional Airline Requirement	13,978	13,549	(2,524)	(1,396)	(3,217)	(2,664)	(3,146)
	$79,679	$84,260	$69,162	$72,298	$71,828	$73,639	$75,874
Signatory airline enplaned passengers	6,648	7,127	7,492	7,709	7,802	7,874	7,987
Signatory Airline CPE post Mitigation	**$11.99**	**$11.82**	**$9.23**	**$9.38**	**$9.21**	**$9.35**	**$9.50**
SIGNATORY AIRLINES (including Additional Requirement)							
Landing Fee Rate (per 1,000 pounds)	**$7.68**	**$7.60**	**$6.58**	**$6.60**	**$6.64**	**$6.72**	**$6.90**
Airlines' Terminal Building Rental Rates							
Terminal 1	**$56.23**	**$57.35**	**$28.43**	**$32.58**	**$28.03**	**$30.33**	**$29.75**
Terminal 2	**$64.72**	**$66.79**	**$34.62**	**$39.31**	**$35.10**	**$37.56**	**$37.02**

[1] Based on audited financial statements and Airport records.

Source: Airport Consultant.

Debt Service Coverage

The following table shows the actual and estimated/projected Net Revenues for Fiscal Year 2016 and Fiscal Year 2017, respectively, and the calculation of estimated/projected debt service coverage for Fiscal Years 2018 through 2021.

PROJECTED COVERAGE CALCULATIONS
St. Louis Lambert International Airport
in thousands except for ratios
For Fiscal Years Ending June 30

	Actual	**Projected**					
	2016[1]	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Total Revenues (including Debt Service Stabilization Fund Contribution and Additional Requirement)	$180,823	$191,583	$181,418	$188,360	$192,098	$195,376	$199,591
less: Operation and Maintenance Expenses	79,871	87,378	87,738	90,058	92,440	94,887	97,400
Net Revenues	$100,951	$104,205	$93,681	$98,302	$99,657	$100,489	$102,191
Debt Service							
Outstanding Bonds	74,946	74,988	62,926	64,952	63,490	63,494	63,492
Future Bonds [2]	0	0	0	1,458	2,915	3,589	4,936
	$74,946	$74,988	$62,926	$66,410	$66,406	$67,083	$68,428
Debt service coverage ratio	**1.35**	**1.39**	**1.49**	**1.48**	**1.50**	**1.50**	**1.49**

[1] Based on audited financial statements and Airport records.
[2] The Operating and Maintenance Expenses for Fiscal Year 2016 reported on this table are $5.2 million higher than that reflected in the Fiscal Year 2016 audit due to a prior year adjustment.
[3] The Series 2017 Project Bonds and the future 2020 bond issue both assume 18 months of capitalized interest.
Source: Airport Consultant.

FACTORS AFFECTING THE AIRPORT AND THE AIR CARRIER INDUSTRY

General

The City's ability to collect Revenues may be affected by the ability of the airlines operating at the Airport to meet their respective obligations under the Use Agreements, the Operating Agreements and other arrangements. In addition, the level of aviation activity at the Airport can have a material impact on the amount of Revenues and PFC Revenues of the Airport. The amount of the PFC Revenues is based upon the number of enplanements at the Airport, thus, any decrease in enplanement levels, whether due to a general decrease in aviation activity nationwide or a decrease in aviation activity at the Airport specifically, will cause a decrease in the amount of the PFC Revenues received by the Airport during the fiscal year. The amount of moneys to be deposited into the Revenue Fund in any given month is also dependent upon 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 payment of rates and charges by the air carriers at the Airport.

The generation of Revenues from the operation of the Airport depends on various factors, many of which are not subject to the control of the Airport, including, as noted above, the ability of the airlines serving the Airport to meet their respective obligations under the Use Agreements, the Operating Agreements and other arrangements. The revenues and financial condition of the airlines serving the Airport may be materially affected by many factors, including without limitation, the following: declining air travel demand; service and cost competition; mergers and acquisitions; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; national and international disasters and hostilities; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; the availability of routes and slots at various airports; litigation liability; regulation by the federal government; environmental risks and regulations; noise abatement concerns and regulation; deregulation; federal and state bankruptcy and insolvency laws; acts of war, terrorism and other risks.

There can be no assurance that any such airline will continue to operate at the Airport or at its current level of operation; nor can there be any assurance that any airline operating at the Airport is not incurring or will not incur financial difficulties affecting its level of operations at the Airport or its ability to continue to operate as a viable airline.

Aviation Security Requirements

The FAA has instituted several security and safety measures for all U.S. airports, including enhancing the search and security checks and prohibiting non-ticketed persons beyond security checkpoints. The Aviation and Transportation Security Act, as amended (the "***Aviation Security Act***") created the Department of Homeland Security and the Transportation Security Administration ("***TSA***"), and provided for the federalization of airport security. The Aviation Security Act permits the deployment of air marshals on all flights and requires deployment of air marshals on all "high risk" flights. The Aviation Security Act also requires that sufficient explosives detection systems be deployed at airports in the United States to screen all checked baggage. Such security enhancements have resulted in additional costs to the Airport, caused delays to travelers and have discouraged air travel by some members of the public. The airlines and the federal government are largely responsible for the cost of implementing the new security measures.

Revenues from Air Carriers

Historically, the airline industry's results have corresponded to the performance of the economy. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

Air Carrier Service and Routes

While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving the airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service at will, and there can be no assurance that any air carrier will maintain its current level of service at the Airport. Most major air carriers have developed "hub-and-spoke" route networks as a means of increasing their service frequencies, passenger volumes and profitability. Changes in air carrier activity at the Airport can significantly impact Revenues.

Aviation Fuel Costs

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainly. See "**CERTAIN INVESTMENT CONSIDERATIONS – Cost of Aviation Fuel**."

FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT

General

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

The principal airlines serving the Airport are Southwest, American Airlines and Delta Airlines, which is a subsidiary of American Airlines Group, Inc. ("***AAG***"). For the twelve months ended June 30, 2016, Southwest accounted for approximately 26% of the total airline rentals, fees and charges component of the Airport's operating revenue and approximately 52.5% of total enplanements. For the twelve months ended June 30, 2016, American Airlines accounted for approximately 10% of the total airline rentals, fees and charges component of the Airport's operating revenue and approximately 19.1% of total enplanements, including regional affiliates. For the twelve months ended June 30, 2016, Delta Airlines accounted for approximately 7% of the total airlines rentals, fees and charges component of the Airport's operating revenue and approximately 13.4% of the total enplanements, including affiliates.

Certain limited information regarding the financial condition of Southwest, AAG and certain other airlines operating at the Airport is set forth below.

No assurance can be given that Southwest, AAG and its affiliates, or any other airline, will continue their operations at their existing levels at the Airport. Any further reduction in such operations could have a material adverse impact on aviation activity at the Airport and, consequently, on Airport Revenues.

Southwest

According to information filed with the SEC, Southwest reported net income of $2.24 billion ($3.55 per diluted share) in 2016 compared to net income of $2.18 billion ($3.27 per diluted share) in 2015. In 2016, Southwest posted a profit for its 44th consecutive year.

Southwest reported first quarter net income of $351 million ($0.57 per diluted share) for the three months ended March 31, 2017, compared to net income of $513 million ($0.79 per diluted share) for the three months ended March 31, 2016. Such three-month information is unaudited.

*The above information is derived principally from, and is qualified by, the information contained in Southwest's Form 10-K for the year ended December 31, 2016 and Form 8K for the quarter ended March 31, 2017, each filed with the SEC. More complete information is contained in such filings. See "**Additional Information**" below.*

Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC's website or links to other internet sites accessed through the SEC's website. The above information regarding Southwest's financial information and any material contained on the SEC's website is provided for informational purposes only. Such information is not incorporated by reference herein and should not be relied upon by investors. The City is not obligated to provide 1) such financial information for Southwest or any airline at the Airport, 2) a copy of or a link to Southwest's or any other airline at the Airport SEC website reports or 3) the information similar to the SEC website reports for Southwest or any airline at the Airport in its Annual Report under the Continuing Disclosure Agreement.

AAG

AMR Corporation, the parent company of American Airlines and US Airways Group ("***AMR***"), and various of its direct and indirect domestic subsidiaries (the "***AMR Debtors***"), including American Airlines and American Eagle Airlines, Inc., both of whom operate at the Airport, filed for Chapter 11 bankruptcy protection on November 29, 2011 in the United States Bankruptcy Court, Southern District of New York.

On December 9, 2013, AMR emerged from Chapter 11 Bankruptcy protection and a subsidiary of AMR merged with and into US Airways Group, Inc. ("***US Airways Group***"). Upon its emergence from bankruptcy and closing of the merger, AMR changed its name to American Airlines Group Inc. ("***AAG***"). The Airport had an unsecured claim for $4.568 million that was granted under the Settlement Agreement reached pursuant to the bankruptcy proceedings. The Airport received preferred stock in Fiscal Year 2014 and sold it for $4.758 million in cash for a net increase of approximately $190,000.

In April 2015, the FAA awarded AAG a single operating certificate signaling their approval to combine the operations of American Airlines and US Airways, and on December 30, 2015, US Airways Group merged with and into AAG and, immediately thereafter, US Airways, Inc. merged with and into American Airlines, Inc. Efforts to integrate the airlines continue. Certain key steps in the integration process, including the consolidation of the loyalty rewards programs under American's AAdvantage program, five-year collective bargaining agreements with the pilots and the flight attendants of the two carriers, customer reservations system, and pilot and fleet scheduling system have been completed. Certain aspects of the integration of computer, communications, and technology systems remain. It is unknown at this time when the integration will be completed.

According to information filed with the SEC, AAG reported net income of $2.7 billion ($4.81 per diluted share) in 2016, compared to net income of $7.6 billion ($11.07 per diluted share) in 2015.

American reported first quarter net income of $601 million ($0.57 per diluted share) for the three months ended March 31, 2017, compared to net income of $513 million ($0.79 per diluted share) for the three months ended March 31, 2016. Such three-month information is unaudited.

The above information is derived principally from, and is qualified by, the information contained in AAG's Form 10-K for the year ended December 31, 2016 and Form 8K for the quarter ended March 31, 2017, each filed with the SEC. More complete information is contained in such filings. See "***Additional Information***" *below.*

Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC's website or links to other internet sites accessed through the SEC's website. The above information regarding AAG's financial information and any material contained on the SEC's website is provided for informational purposes only. Such information is not incorporated by reference herein and should not be relied upon by investors. The City is not obligated to provide such financial information or a copy of or a link to AAG's or any other airline at the Airport SEC website report in its Annual Report under the Continuing Disclosure Agreement.

Delta Airlines

According to information filed with the SEC, Delta Airlines reported net income of $4.37 billion ($5.79 per diluted share) in 2016, compared to net income of $4.53 billion ($5.63 per diluted share) in 2015.

Delta Airlines reported first quarter net income of $603 million ($0.82 per diluted share) for the three months ended March 31, 2017, compared to net income of $946 million ($1.21 per diluted share) for the three months ended March 31, 2016. Such three-month information is unaudited.

*The above information is derived principally from, and is qualified by, the information contained in Delta Airlines' Form 10-K for the year ended December 31, 2016 and Form 8K for the quarter ended March 31, 2017, each filed with the SEC. More complete information is contained in such filings. See "**Additional Information**" below.*

Neither the City nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the SEC or the U.S. Department of Transportation or (ii) any material contained on the SEC's website as described in the preceding paragraph, including, but not limited to, updates of information on the SEC's website or links to other internet sites accessed through the SEC's website. The above information regarding Delta Airlines' financial information and any material contained on the SEC's website is provided for informational purposes only. Such information is not incorporated by reference herein and should not be relied upon by investors. The City is not obligated to provide

1) such financial information for Delta Airlines or any airline at the Airport, 2) a copy of or a link to Delta Airlines' or any other airline at the Airport SEC website reports or 3) the information similar to the SEC website reports for Delta Airlines or any airline at the Airport in its Annual Report under the Continuing Disclosure Agreement.

Certain Other Airlines

In calendar year 2016, UAL Corporation (including its regional affiliates) had a 7.2% market share at the Airport.

Frontier's market share at the Airport was 4.8% in calendar year 2016.

Additional Information

Most of the Signatory Airlines, including American Airlines, Southwest, Delta Airlines and United Airlines (or their parent corporations), and certain other air carriers operating at the Airport (or their parent corporations), are subject to reporting requirements of the United States Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and, in accordance therewith, file reports and other information with the SEC. Certain information, including financial information, concerning each reporting Signatory Airline (or its parent corporation) is contained in such documents filed with the SEC. Such documents can be read and copied at the SEC's Public Reference Room located at 450 Fifth Street, N.W., Washington, D.C. Further information regarding the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. Documents filed with the SEC can also be obtained at the SEC's website at http://www.sec.gov. In addition, each domestic Signatory Airline is required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following location: Office of Airline Information, Bureau of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the U.S. Department of Transportation at prescribed rates.

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

CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2017 Bonds involve investment risk and may not be suitable for all investors. Prospective investors are urged to read this Official Statement, including the cover page, inside cover page and appendices to the Official Statement, in its entirety. The factors set forth in this Official Statement, among others, may affect the security for and/or trading value of the Series 2017 Bonds. The information in this Official Statement does not purport to be a comprehensive or exhaustive discussion of all risks or other considerations that may be relevant to an investment in the Series 2017 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. Additional risk factors relating to the purchase of the Series 2017 Bonds are described throughout this Official Statement, whether or not specifically designated as risk factors. Additional risks and uncertainties not presently known, or currently believed to be immaterial, may also materially and adversely affect, among other things, Revenues. In addition, although the various risks discussed in this Official Statement are generally described separately, prospective investors of the Series 2017 Bonds should consider the potential effects of the interplay of multiple

risk factors. Where more than one significant risk factor is present, the risk of loss to an investor may be significantly increased. There can be no assurance that other risks or considerations not discussed in this Official Statement are or will not become material in the future.

Demand for Air Travel and Airline Activity at the Airport

The Revenues of the Airport are affected substantially by the economic health of the air transportation industry and the airlines serving the Airport. Air travel demand has historically correlated to the national economy, generally, and consumer income and business profits in particular. The long-term implications of recent economic and political conditions are unclear. A lack of sustainable economic growth could negatively affect, among other things, financial markets, commercial activity and consumer spending. There can be no assurance that economic and political turmoil or lack of sustainable economic growth will not adversely affect demand for travel.

The level of aviation activity and enplaned passenger traffic at the Airport depend on a number of factors, including those discussed above and other economic and political conditions; international hostilities; world health concerns; aviation security concerns, including incidents of terrorism; federal government mandated security measures that result in additional taxes and fees and longer passenger processing and wait times; accidents involving commercial passenger aircraft; airline service and routes; airline airfares and competition; airline industry economics, including labor relations, fuel prices and aging aircraft fleets; capacity of the national air traffic control and airport systems; competition from other airports; reliability of air service; business travel substitutes, including teleconferencing, videoconferencing and web-casting; consumer price sensitivity; and the capacity, availability and convenience of service at the Airport, among others. An outbreak of a disease or similar public health threat that affects travel demand or travel behavior, or travel restrictions or reduction in the demand for air travel caused by an outbreak of a disease or similar public health threat in the future, could have a material adverse impact on the airline industry and result in substantial reductions in and/or cancellations of, bookings and flights.

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

Southwest is now the largest carrier at the Airport, accounting for approximately 26% of the total airline rentals, fees and charges component of the operating revenue and 52.5% of total enplanements at the Airport in the twelve months ended June 30, 2016. Southwest has been adversely affected by some of the same economic pressures facing other airlines. No assurances can be given that Southwest will continue to operate at its current level or that, if it reduces or discontinues its operations, its current level of activity will be replaced by other carriers.

American Airlines (including its affiliates) is the second largest carrier operating at the Airport, accounting for approximately 10% of the total airline rentals, fees and charges component of operating revenue and approximately 19.1% of total enplanements at the Airport in the twelve months ended June 30, 2016. Beginning in 2004, and in April 2010, American Airlines and its affiliates significantly reduced their operating schedules at the Airport. No assurances can be given that AAG will continue its operations at the Airport or that, if it discontinues or further reduces such operations, its activity will be replaced by other carriers.

In 2002 through 2013, several airlines (including some that served the Airport) ceased operations and/or filed for bankruptcy protection. No assurances can be given that the airlines now serving the Airport will continue operations or maintain their current levels of activity at the Airport. If one or more airlines were to discontinue operations at the Airport, there is no assurance that the activity accounted for by such airlines would be replaced by other carriers.

For information regarding the financial condition of Southwest, American Airlines, Delta Airlines and other airlines, see "**THE AIRPORT**" and "**FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT**."

Airline Consolidations

In 2005, ten major airlines were flying inside the United States (AirTran, Alaska Airlines, American Airlines, America West, Continental, Delta, Northwest, Southwest, United and US Airways) and accounted for 87% of all available seats. Faced with declining profitability because of increased costs of aviation fuel, lower fares brought on by the proliferation of low cost carriers, reduced growth potential in the domestic markets and declining passenger activity based on security concerns, the airlines pursued consolidation. In October 2008, Delta and Northwest merged. In October 2010, United and Continental completed the merger of the two airlines. In May 2011, Southwest Airlines completed its acquisition of AirTran Airways. In October 2015, US Airways and American Airlines completed the merger of the two airlines. As a result of these consolidations, today there are four major network airlines flying inside the United States (American, Delta, Southwest and United) that account for approximately 83% of domestic capacity (available seats). Additionally, in 2009, Republic Airways Holdings, Inc. purchased Midwest Airlines and Frontier Airline, now operating the combined carrier as Frontier Airlines. Republic Airways sold Frontier in 2013. In December 2016, Alaska Air Group completed its acquisition of Virgin America.

Airline consolidation has affected airline service patterns at the Airport. Further airline consolidation remains possible and could continue to change airline service patterns, particularly at the connecting hub airports of the merged airlines. The Airport cannot predict what impact, if any, such consolidations will have on airline traffic at the Airport.

Cost of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainly. During the second half of calendar year 2014, an imbalance between worldwide supply and demand resulted in a significant drop in the price of oil and aviation fuel. Aviation fuel prices will continue to affect future airline service, airfares and passenger numbers. Airline operating economics will also be affected as regulatory costs are imposed on air travel and the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change. See "**Trends in Oil Prices and Jet Fuel Prices**" in **APPENDIX A -** "**Report of the Airport Consultant**" hereto.

Aviation Safety and Security Concerns

Federal Security Measures. Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in light of existing international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns intensified in the aftermath of the events of September 11, 2001 and again in 2014 following the high-profile disappearance of Malaysia Airlines Flight 370. As a result of terrorist activities certain international hostilities and risk of violent crime, the Airport has implemented enhanced security measures mandated by the FAA, the TSA, the Department of Homeland Security and Airport management.

Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against future terrorist incidents and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage, and cargo, and deployment of new screening technologies.

In addition to the aforementioned security requirements described above, the TSA has issued additional unfunded mandates by way of TSA security directives. These include: (i) transmittal to the TSA of personal information on all employees holding an airport-issued identification badge for performance of Security Threat Assessment ("***STA***") and retrieval of STA results prior to issuing badges and other forms of identification, (ii) performance of inspections of all vendors and vendor products entering the sterile areas of the Airport, and (iii) reduction of the number of Airport employees authorized to escort visitors in the secured areas. Thus far, the Airport has been able to meet these requirements without significant financial or operational impact. However, there could be additional unfunded security directives that may have a financial or operational impact on the Airport.

Current and future security measures may create significantly increased inconvenience, costs and delays at the Airport which may give rise to the avoidance of air travel generally and the switching from air to ground travel modes and may adversely affect the Airport's operations, expenditures and Revenues.

Cybersecurity. Computer networks and data transmission and collection are vital to the efficient operation of the airline industry. Air travel industry participants, including airlines, the FAA, the TSA, the Airport, concessionaires and others collect and store sensitive data, including intellectual property, proprietary business information, information regarding customers, suppliers and business partners, and personally identifiable information of customers and employees. The secure processing, maintenance and transmission of this information is critical to air travel industry operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in the efficiency of the air travel industry, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, operations and the services provided, and cause a loss of confidence in the air travel industry, which could ultimately adversely affect Revenues.

Aviation Security Requirements and Related Costs

The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the new security measures. The Airport is currently in compliance with all federally mandated security requirements.

The Airport cannot predict the effect of any future government-required security measures on passenger activity at the Airport, nor can the Airport predict how the government will staff security.

Public Health and Safety Concerns

Public health and safety concerns also have affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome ("***SARS***") led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Centers for Disease Control ("***CDC***") and the World Health Organization ("***WHO***") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel, particularly to and from Mexico and Asia. In 2014, an outbreak of Ebola in West Africa and the discovery of a patient and health care workers infected with Ebola in the United States raised concerns about the spread of communicable disease through air travel. Most recently, in January 2016, the CDC issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus, which has been linked to a type of birth defect called microcephaly, is spreading, a list that currently includes over 50 countries and territories, primarily in the Caribbean, Central America, South America and certain Pacific Islands, as well as the State of Florida and the State of Texas.

FAA Reauthorization and Federal Funding

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the FAA Modernization and Reform Act of 2012, which was signed into law on February 14, 2012 by the President, and, after several extensions, will expire on September 30, 2017. This was the first long-term FAA authorization since the last such authorization expired in 2007. Between 2007 and the 2012 reauthorization, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in the summer of 2011. On July 11, 2016, Congress passed a fourteen-month extension of the FAA's authority that extended funding to September 30, 2017, the FAA Extension, Safety and Security Act of 2016, which was signed into law on July 15, 2016 by the President. The FAA Extension, Safety and Security Act of 2016 retained the federal cap on passenger facility charges at $4.50 and continued funding for the AIP through Federal fiscal year 2017. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). If there is a reduction in the amount of AIP grants awarded to the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Airport would need to fund from other sources (including operating revenues and Additional Bonds), (ii) result in decreases to the CIP or (iii) extend the timing for completion of certain projects. See "**AIRPORT CAPITAL IMPROVEMENT PROGRAMS**" herein.

As mentioned above, the current FAA authorization statute will expire on September 30, 2017. Congress has held hearings on a long-term FAA reauthorization act, but, as of the date of this Official Statement, no long-term reauthorization legislation has been approved by either house of Congress. Prior to the last reauthorization act, Congress enacted over 20 continuing resolutions providing temporary funding for the FAA and its programs, and during this period, funding for non-essential operations of the FAA was terminated on one occasion. There can be no assurance that the FAA will receive spending authority beyond the fourteen-month extension.

Considerations Regarding Passenger Facility Charges

The FAA has the power to terminate the authority to impose PFCs if the City's PFC Revenues are not used for approved projects, if project implementation does not commence within the time periods specified in the FAA's regulations or if the City otherwise violates FAA regulations. The City's plan of funding for the CIP is premised on certain assumptions with respect to the timing and amounts of the City's PFC applications, and the availability of PFCs to fund PFC-eligible portions of certain of those projects. If amounts collected through PFCs are lower than expected, the City may elect to delay certain projects or to seek alternative sources of funding, including the issuance of Additional Bonds.

Other Key Factors

Capacity limitations of the national air traffic control system, the Airport and at competing airports could be factors that might affect future activity at the Airport. In the past, demands on the air traffic control system have caused operational restrictions that have affected airline schedules and passenger traffic and caused significant delays. The FAA has made certain improvements to the computer, radar and communications equipment of the air traffic control system in recent years, but no assurances can be given that future increases in airline and passenger activity would not again adversely affect airline operations. The FAA Modernization and Reform Act of 2012 contains numerous provisions aimed at accelerating the implementation of Next Generation Air Transport System ("***NextGen***"). NextGen is designed to modernize the National Airspace System from a ground-based system of air traffic control to a satellite-based system of air traffic management in order to enhance the use of airspace and runways.

For more details on these and other key factors that could impact results of Airport operations, see **APPENDIX A** – "**Report of the Airport Consultant**."

Effect of Bankruptcy on the Use Agreements

In the event of bankruptcy proceedings involving one or more of the Signatory Airlines, the debtor airline or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the applicable Use Agreement. However, bankruptcy courts are courts of equity and can grant exceptions to these statutory limitations. In the event of assumption, the debtor airline would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant document. Rejection of a Use Agreement by any bankrupt Signatory Airline would give rise to an unsecured claim of the City for damages, the amount of which may be limited by the Bankruptcy Code. In general, under the Use Agreements, the City is not permitted to allocate to other Signatory Airlines the rents, fees and charges for facilities surrendered by Signatory Airlines pursuant to a rejection in bankruptcy.

If the bankruptcy of one or more Signatory Airlines were to occur, there can be no assurance that the remaining Signatory Airlines would be able, individually or collectively, to meet their obligations under the Use Agreements. Whether or not a Use Agreement is assumed or rejected in a bankruptcy proceeding, it is not possible to predict the subsequent level of utilization of the gates leased under such agreement. Decreased utilization of gates could have a material adverse effect on Airport operations, as well as on Revenues and ultimately on the cost to the airlines of operating at the Airport. See **APPENDIX D** - "**Summary of Certain Provisions of the Use Agreements and the Operating Agreements**."

Limitations on Bondholders' Remedies

The occurrence of an Event of Default under the Indenture, including a failure to make a payment of principal of or interest on the Series 2017 Bonds, may not result in an acceleration of payment of the Series 2017 Bonds. As a result, the Airport may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport, even if an Event of Default has occurred and no payments are being made on the Series 2017 Bonds. See "**Matters Relating to Enforceability**" herein.

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 the Indenture. 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 of prior claims are described under "**THE SERIES 2017 BONDS — Security and Sources of Payment**" 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 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 of 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 the Signatory Airlines, 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 and the Series 2017 Bonds will be expressly subject to the qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity.

Matters Relating to Security for the Series 2017 Bonds

The amount of Revenues to be received by the City is subject to a number of factors, including: (a) that Revenues may be commingled with other moneys of the City and, therefore, 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.

Costs of Capital Improvement Programs and Schedule

The estimated costs of, and the projected schedule for, the projects included in the CIP, the Noise Compatibility Program and the VALE Program depend on various sources of funding, including Additional Bonds, PFCs and federal grants, and are subject to a number of uncertainties. The ability of the City to complete these projects may be adversely affected by various factors including: (i) estimating errors; (ii) design and engineering errors; (iii) changes to the scope of the projects; (iv) delays in contract awards; (v) material and/or labor shortages; (vi) unforeseen site conditions; (vii) adverse weather conditions; (viii) contractor defaults; (ix) labor disputes; (x) unanticipated levels of inflation; and (xi) environmental issues, including environmental approvals that the City has not obtained at this time. A delay in the completion of certain projects could delay the collection of Revenues in respect of such projects, increase costs for such projects, and may cause the rescheduling of other projects. Any schedule delays or cost increases could result in the need to issue Additional Bonds and may result in increased costs per enplaned passenger to the airlines serving the Airport that may place the Airport at a competitive disadvantage to other airports. See "**AIRPORT CAPITAL IMPROVEMENT PROGRAMS**" herein.

Forward Looking Statements

This Official Statement, and particularly the information contained under the captions "**THE AIRPORT − Airport Facilities**," "**PLAN OF FINANCE**," "**REPORT OF THE AIRPORT CONSULTANT**" and the Report of the Airport Consultant included as **APPENDIX A** to this Official Statement contains statements relating to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995, as amended. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause forecast revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including, but not limited to, those that may affect the ability to undertake the timing or the costs of certain projects. Any forecast is subject to such uncertainties. Therefore, there will be differences between forecast and actual results, and those differences may be material and adverse.

Assumptions in the Report of the Airport Consultant; Actual Results May Differ from Forecasts and Assumptions

The Report of the Airport Consultant included as **APPENDIX A** incorporates numerous assumptions regarding the utilization of the Airport and other matters and states that the forecasts in the Report of the Airport Consultant is subject to uncertainties. The Report of the Airport Consultant is an integral part of this Official Statement and should be read in its entirety for an understanding of all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the forecasts and expectations discussed in the Report of the Airport Consultant will be achieved or that the assumptions upon which the forecasts are based will be realized. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances will occur. Therefore, actual results achieved during the forecast period will vary from those set forth in **APPENDIX A** and the variations may be material and adverse. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the Series 2017 Bonds. See "**Forward-Looking Statements**," "**REPORT OF THE AIRPORT CONSULTANT**" and **APPENDIX A – "Report of the Airport Consultant**."

Future Legislation

Congress may from time to time consider legislative proposals which, if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds.

Investors in the Series 2017 Bonds should be aware that any such future legislative actions (including federal tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2017 Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2017 Bonds may be adversely affected and the ability of holders to sell their Series 2017 Bonds in the secondary market may be reduced. The Series 2017 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2017 Bonds are not subject to adjustment in the event of any such change.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Series 2017 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Co-Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

TAX MATTERS

The following discussion is a summary of the respective opinions of Armstrong Teasdale LLP and Hardwick Law Firm, LLC, Co-Bond Counsel, of the material federal and State income tax consequences of holding the Series 2017 Bonds. This summary is based on existing law, including current provisions of the Internal Revenue Code of 1986, as amended (the "***Code***"), existing and proposed regulations under the Code, and current administrative rulings and court decisions, all of which are subject to change (possibly on a retroactive basis). This summary does not (1) discuss all aspects of federal income taxation that may be relevant to investors based upon their personal investment circumstances; (2) describe tax consequences of certain types of owners subject to special treatment under the federal income tax laws; (3) except for the income tax laws of the State, discuss the consequences to an owner under any state, local or foreign tax laws; or (4) deal with the tax treatment of persons who purchase the Series 2017 Bonds in the secondary market.

Upon issuance of the Series 2017 Bonds, Co-Bond Counsel will each provide opinions, expected to be in the form set forth in **APPENDIX F** hereto, to the effect that interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. However, no opinion is expressed as to the status of interest on any Series 2017B Refunding Bond or any Series 2017D Project Bond for any period that such Series 2017B Refunding Bond or any Series 2017D Project Bond held by a "substantial user" of the facilities financed or refinanced by the Series 2017B Refunding Bonds or by the Series 2017D Project Bonds or by a "related person" within the meaning of Section 147(a) of the Code. The opinions of Co-Bond Counsel are also expected to provide that interest on the Series 2017B Refunding Bonds and the Series 2017D Project Bonds is treated as an item of preference for purposes of calculating the federal alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. The opinions of Co-Bond Counsel are also expected to provide that, under existing law, interest on the Series 2017A Refunding Bonds and the Series 2017C Project Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions of Co-Bond Counsel are also expected to provide that interest on the Series 2017 Bonds is excluded from taxable income for purposes of the personal income tax and corporate income tax imposed by the State. Co-Bond Counsel expresses no opinion as to any other tax consequences regarding the Series 2017 Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2017 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the City's certifications and representations or the continuing compliance with the City's covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel's legal judgment as to exclusion of interest on the Series 2017 Bonds from gross income for federal income tax purposes, but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("***IRS***") or any court. Co-Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Series 2017 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2017 Bonds. The City has covenanted to take the actions required of it for the interest on the Series 2017 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2017 Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2017 Bonds or the market value of the Series 2017 Bonds.

A portion of the interest on the Series 2017 Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Series 2017 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2017 Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2017 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. Interest on the Series 2017 Bonds may be subject to backup withholding if such interest is paid to an owner that (a) fails to provide certain identifying information (such as the owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Bond Counsel's engagement with respect to the Series 2017 Bonds ends with the issuance of the Series 2017 Bonds, and, unless separately engaged, Co-Bond Counsel is not obligated to defend the City or the owners of the Series 2017 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2017 Bonds, under current IRS procedures, the IRS will treat the City as the taxpayer and the beneficial owners of the Series 2017 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Series 2017 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2017 Bonds.

Co-Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under this caption "**TAX MATTERS**." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2017 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2017 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2017 Bonds will not have an adverse effect on the tax status of interest on the Series 2017 Bonds or the market value or marketability of the Series 2017 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2017 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Series 2017 Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the Series 2017 Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the Series 2017 Bonds may be adversely affected and the ability of holders to sell their Series 2017 Bonds in the secondary market may be reduced. The Series 2017 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2017 Bonds are not subject to adjustment in the event of any such change.

Co-Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2017 Bonds may affect the tax status of interest on the Series 2017 Bonds. Co-Bond Counsel expresses no opinion as to any federal, state, or local tax law consequences with respect to the Series 2017 Bonds, or interest thereon, if any action is taken with respect to the Series 2017 Bonds or the proceeds thereof upon the advice or approval of other counsel. Investors should consult their own financial and tax advisers to analyze the importance of these risks.

Original Issue Premium

The Series 2017 Bonds were offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Series 2017 Bond, based on the yield to maturity of that Series 2017 Bond (or, in the case of a Series 2017 Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Series 2017 Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Series 2017 Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Series 2017 Bond, the owner's tax basis in the Series 2017 Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Series 2017 Bond for an amount equal to or less than the amount paid by the owner for that Series 2017 Bond. A purchaser of a Series 2017 Bond in the initial public offering at the price for that Series 2017 Bond stated on the inside cover of this Official Statement who holds that Series 2017 Bond to maturity (or, in the case of a callable Series 2017 Bond, to its earlier call date that results in the lowest yield on that Series 2017 Bond) will realize no gain or loss upon the retirement of that Series 2017 Bond.

Owners of the Series 2017 Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable or amortizable in any period with respect to the Series 2017 Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

LITIGATION

There is no litigation pending or, to the best knowledge of the City, threatened that would restrain or enjoin the issuance or delivery of the Series 2017 Bonds, that questions the validity of the Series 2017 Bonds or the Indenture, concerns any proceedings of the City taken in connection therewith or the pledge or application of any Revenues provided for their payment, or that contests the power of the City with respect to the foregoing.

The City and the Airport are 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 or the Airport not sufficiently covered by insurance which, if determined adversely, would have a material adverse effect on Airport operations, Revenues or Net Revenues.

UNDERWRITING

Wells Fargo Bank, National Association and Stern Brothers & Co., each as the representative of itself and the underwriters listed on the cover page of this Official Statement (collectively, the "***Underwriters***"), have agreed to purchase the Series 2017 Bonds from the City at an aggregate purchase price equal to $300,828,486.10 (which amount constitutes the aggregate principal amount of the Series 2017 Bonds of $258,430,000.00, plus net original issue premium on the Series 2017 Bonds of $43,227,504.10, less the Underwriters' discount on the Series 2017 Bonds of $829,018.00).

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the City and to persons and entities with relationships with the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments."

The bond purchase agreement between the Underwriters and the City (the "***Bond Purchase Agreement***") provides that the Underwriters will purchase all of the Series 2017 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices of the Series 2017 Bonds may be changed from time to time by the Underwriters.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Exchange Act.

Wells Fargo Bank, National Association, acting through its Municipal Products Group ("***WFBNA***"), one of the underwriters of the Series 2017 Bonds, has entered into an agreement (the "***WFA Distribution Agreement***") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "***Wells Fargo Advisors***") ("***WFA***"), for the distribution of certain municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2017 Bonds, with WFA. WFBNA has also entered into an agreement (the "***WFSLLC Distribution Agreement***") with its affiliate Wells Fargo Securities, LLC ("***WFSLLC***"), for the distribution of municipal securities offerings, including the Series 2017 Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Loop Capital Markets, one of the Underwriters of certain Series of the Series 2017 Bonds, has entered into a distribution agreement with UBS Financial Services Inc. ("***UBSFS***") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the distribution agreement, UBSFS will purchase such Series 2017 Bonds from Loop Capital Markets at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that the firm sells.

INDEPENDENT PUBLIC ACCOUNTANTS

Included as **APPENDIX B** are the audited financial statements of the Airport as of June 30, 2016 for the fiscal year then ended, together with the report thereon of KPMG LLP, independent public accountants. This Official Statement does not include audited financial information of the Airport after June 30, 2016.

CO-FINANCIAL ADVISORS

Siebert Cisneros Shank & Co., L.L.C. and PFM Financial Advisors LLC served as Co-financial advisors (the "***Co-Financial Advisors***") to the City with respect to the sale of the Series 2017 Bonds. The Co-Financial Advisors assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2017 Bonds and provided other advice. The Co-Financial Advisors have not independently verified the factual information contained in this Official Statement, but have relied upon information supplied by the Airport and the City and other sources who have certified that such information contains no material misstatement or omission.

TREASURER'S ADVISOR

Comer Capital Group, LLC ("***CCG***") serves as municipal advisor to the Treasurer of the City. CCG assisted in the planning and allocation of certain accounts authorized by the Indenture. CCG Asset Management ("***CCGAM***"), an affiliate of CCG, serves as an investment advisor to the City and will provide advice related to the investment of proceeds of the Series 2017 Bonds and other funds invested in connection with the Indenture. Neither CCG nor CCGAM has participated in the preparation, drafting or review of this Official Statement.

AIRPORT CONSULTANT

Unison Consulting, Inc., Chicago, Illinois, has served as the Airport Consultant to the City with respect to the issuance of the Series 2017 Bonds.

LEGAL MATTERS

All legal matters incident to the authorization, issuance and sale of the Series 2017 Bonds are subject to the approval of Armstrong Teasdale LLP, St. Louis, Missouri, and Hardwick Law Firm, LLC, St. Louis, Missouri, Co-Bond Counsel, and certain other conditions. The form of the Co-Bond Counsel opinion is set forth in **APPENDIX F** attached hereto. Certain legal matters will be passed upon for the City by the office of the City Counselor, and for the Underwriters by Dentons US LLP, St. Louis, Missouri, and Saulsberry & Associates, LLC, St. Louis, Missouri, Co-Underwriters' Counsel. Certain legal matters will be passed upon for the City by Schiff Hardin LLP, New York, New York and White Coleman & Associates, LLC, St. Louis, Missouri, Co-Disclosure Counsel.

Co-Bond Counsel has not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions "**THE SERIES 2017 BONDS**" (excluding information concerning DTC and its book-entry-only system), "**LEGAL MATTERS,**" **"TAX MATTERS,"** and **APPENDICES C and F** to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

CERTAIN RELATIONSHIPS

Dentons US LLP and Saulsberry & Associates, LLC are serving as Co-Underwriters' Counsel and have represented the Underwriters in connection with the issuance of the Series 2017 Bonds. Both firms have also represented the City from time to time on other transactions or matters.

In addition, Armstrong Teasdale LLP and Hardwick Law Firm, LLC are serving as Co-Bond Counsel with respect to the issuance of the Series 2017 Bonds, and each also represents the City and certain of the Underwriters from time to time on other transactions or matters.

In addition, Schiff Hardin LLP and White Coleman & Associates, LLC are serving as Co-Disclosure Counsel with respect to the issuance of the Series 2017 Bonds, and each also represents the City and certain of the Underwriters from time to time on other transactions or matters.

CONTINUING DISCLOSURE

*The form of the Continuing Disclosure Agreement entered into by and between the City and the Trustee, as Dissemination Agent, is included as **APPENDIX G**. All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such document. The Continuing Disclosure Agreement is available for inspection at the offices of the City.*

Continuing Disclosure Agreement

In accordance with the requirements of the Rule, the City will enter into the Continuing Disclosure Agreement substantially in the form attached as **APPENDIX G – "Form of Continuing Disclosure Agreement,"** pursuant to which the City will agree to file or cause to be filed on an annual basis on the Electronic Municipal Market Access ("***EMMA***") system established by the Municipal Securities Rulemaking Board, in accordance with the Rule: (i) certain annual information, including certain statistical and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Series 2017 Bonds, and (iii) timely notice of a failure by the City to provide the required annual information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters' obligation to purchase the Series 2017 Bonds is conditioned upon their receiving, at or prior to the delivery of the Series 2017 Bonds, an executed copy of the Continuing Disclosure Agreement.

Compliance by the City with Prior Continuing Disclosure Obligations

A 2014 comprehensive review of the City's compliance with its continuing disclosure obligations concluded that the City consistently filed for the prior five-year period the annual financial information required to be provided pursuant to its continuing disclosure obligations under the Rule. However, certain of such annual financial information was not filed timely, with incidents ranging from 2 to 26 days late with respect to the City's required annual financial information and, in some cases, later, with respect to certain developer and special district annual financial information and semi-annual financial information required in connection with tax increment and special district financing transactions for which the City has a continuing disclosure obligation. In addition, semi-annual information provided by one special district contained an incorrect reference to the year for which the information was provided. The review further concluded that the City filed the majority of statistical and operating data required to be provided pursuant to its undertakings under the Rule. However, certain of such data was filed late, not filed in the proper format and/or could be considered incomplete. Additional items identified in the review included instances of not reporting certain rating changes and incomplete cross references by CUSIP numbers to annual financial information, including certain statistical and operating data. Subsequent to such review, the City updated its filings and linked its annual financial information including the statistical and operating data.

Supplemental reviews of the City's compliance with its continuing disclosure obligations concluded that the City's annual financial information for Fiscal Year (defined in the **CONTINUING DISCLOSURE AGREEMENT** attached hereto as **APPENDIX G**) 2014 was filed on time. The unaudited financial statements for a special district for which the City has a continuing disclosure obligation were filed 24 days late and certain semi-annual information was filed from 1 to 6 days late. Certain of the statistical and operating data for the City's continuing disclosure undertakings with a filing date of 180 days after the end of Fiscal Year 2014, was filed from 3 to 5 days late, and certain other updates to statistical and operating data compiled by calendar year, were filed when they became available and were 24 days late. Additionally, the notice of an upgrade to the bond insurer for a series of bonds was not made in a timely manner. Information regarding the City's retirement systems for Fiscal Year 2014, which is required to be updated pursuant to certain of the City's continuing disclosure undertakings, was filed on EMMA from 120 to 151 days late when such information was complete and available. The City's retirement systems have a fiscal year end date of September 30. As such, the City is unable to file such information until after its due dates.

The City's annual financial information for Fiscal Year 2015 for the City's continuing disclosure undertakings with a due date of 210 days after the end of the City's Fiscal Year, was filed on its due date. However, due in large part to changes in personnel, the City's annual financial information for Fiscal Year 2015 for the City's continuing disclosure undertakings with a filing date of 180 days after the end of the City's Fiscal Year, was filed 30 days late. The annual financial information and certain operating and statistical data were not properly linked to one outstanding CUSIP number. Such CUSIP number has since been properly linked. The unaudited financial statements for a special district for which the City has a continuing disclosure obligation were filed 24 days late and certain semi-annual information was filed 1 day late. Certain statistical and operating data for certain of the City's continuing disclosure undertakings was filed from 9 to 22 days late, and certain other updates to statistical and operating data compiled by calendar year, were filed when such information became available and were 21 days late. Certain other statistical and operating data for the Airport that is required to be filed for certain of the City's continuing disclosure undertakings for Fiscal Year 2015, which had been filed on EMMA, was subsequently substituted with revised data. Information regarding the City's retirement systems for Fiscal Year 2015, which is required to be updated pursuant to certain of the City's continuing disclosure undertakings, was filed on EMMA from 63 to 120 days late when such information was complete and available. As stated above, the City's retirement systems have a fiscal year end date of September 30. As such, the City is unable to file such information until after its due dates.

The City's annual financial information for Fiscal Year 2016 was filed on its due date. The unaudited financial statements for a special district for which the City has a continuing disclosure obligation were filed 5 days late and certain semi-annual information was filed from 1 to 8 days late. Certain operating and statistical data were initially not properly linked to one outstanding CUSIP number. Such CUSIP number has since been properly linked. Certain updates to statistical and operating data compiled by calendar year, were filed when such information became available and were 44 to 74 days late. Information regarding the City's retirement systems for Fiscal Year 2016, which is required to be updated pursuant to certain of the City's continuing disclosure undertakings, was filed on EMMA from 89 to 119 days late when such information was complete and available. As stated above, the City's retirement systems have a fiscal year end date of September 30. As such, the City is unable to file such information until after its due dates.

Other than as stated herein, the City is in compliance in all material respects with its continuing disclosure undertakings for the prior five-year period through the date of this Official Statement.

Airline Reporting Requirements

See also "**FINANCIAL CONDITION OF CERTAIN AIRLINES SERVING THE AIRPORT − Other Information**" for additional information on certain Signatory Airlines and their reporting requirements under the Exchange Act.

RATINGS

Moody's Investors Service, Inc. ("***Moody's***") and S&P Global Ratings ("***S&P***"), a business unit of Standard & Poor's Financial Services LLC, are expected to assign ratings of "A2" and "AA" respectively, on the Insured Bonds, with the understanding that upon delivery of the Insured Bonds, the Bond Insurance Policy insuring the payment due of principal of and interest on the Insured Bonds will be issued by AGM. The ratings assigned by Moody's and S&P are based upon the claims paying ability of AGM and not based on the credit of the City or the Airport.

Moody's and S&P have assigned ratings of "A3" (Positive Outlook) and "A-" (Positive Outlook), respectively, to the Series 2017B Refunding Bonds maturing on July 1, 2018 and as underlying ratings to the Insured Bonds.

These ratings should be evaluated independently. No application has been made to any other rating agency in order to obtain additional ratings on the Series 2017 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, and S&P Global Ratings, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2017 Bonds.

MISCELLANEOUS

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

The references in the Official Statement to the Indenture and other documents 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 documents. Copies of such documents are on file at the offices of the City and following the delivery of the Series 2017 Bonds will be on file at the office of the Trustee. All estimates and other statements in this Official Statement involving matters of opinion, whether or not expressly stated, are intended as such and not as representations of fact.

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

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Lyda Krewson
Lyda Krewson, Mayor

By: /s/ Darlene Green
Darlene Green, Comptroller

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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UNISON Consulting, Inc.
Solution-Based Airport Consulting

Chicago, Illinois
Orange County, California
St. Louis, Missouri

409 W. Huron, Suite 400
Chicago, IL 60654
p. (312) 988-3360
f. (312) 988-3370

June 9, 2017

Ms. Rhonda Hamm-Niebruegge
Airport Director
St. Louis Lambert International
Airport Post Office Box 10212
St. Louis, MO 63145

Re: Financial Feasibility Report--The City of St. Louis, Missouri, Airport Revenue and Refunding Bonds, Series 2017A, B, C and D (St. Louis Lambert International Airport)

Dear Ms. Hamm-Niebruegge:

Unison-Consulting, Inc. is pleased to submit this Financial Feasibility Report (the Report) in connection with the issuance by The City of St. Louis, Missouri, of (i) Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport (the Series 2017A Refunding Bonds); (ii) Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport) (the Series 2017B Refunding Bonds) and together with the Series 2017A Refunding Bonds (the Series 2017 Refunding Bonds) in an aggregate principal amount not to exceed $200.1 million along with the issuance of (iii) Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the Series 2017C Project Bonds); (iv) Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the Series 2017D Project Bonds) and together with the Series 2017C Project Bonds (the Series 2017 Project Bonds), in an amount not to exceed $58.3 million and together with the Series 2017 Refunding Bonds will be collectively known as (the Series 2017 Bonds). The proceeds from the sale of the Series 2017 Bonds will be used to refund all or a portion of the Series 2007A (except the 2001A-1 Bonds) and the Series 2007B Bonds (the Refunded Bonds). In addition, the proceeds will provide funding for a portion of the costs of construction, extension and improvement of the St. Louis Lambert International Airport (STL or Airport), to reimburse the City for prior Airport capital expenditures (collectively the Series 2017 Project), to fund all or a portion of capitalized interest, if required, and provide funding for any required reserves or cost of issuance for the Series 2017 Bonds.

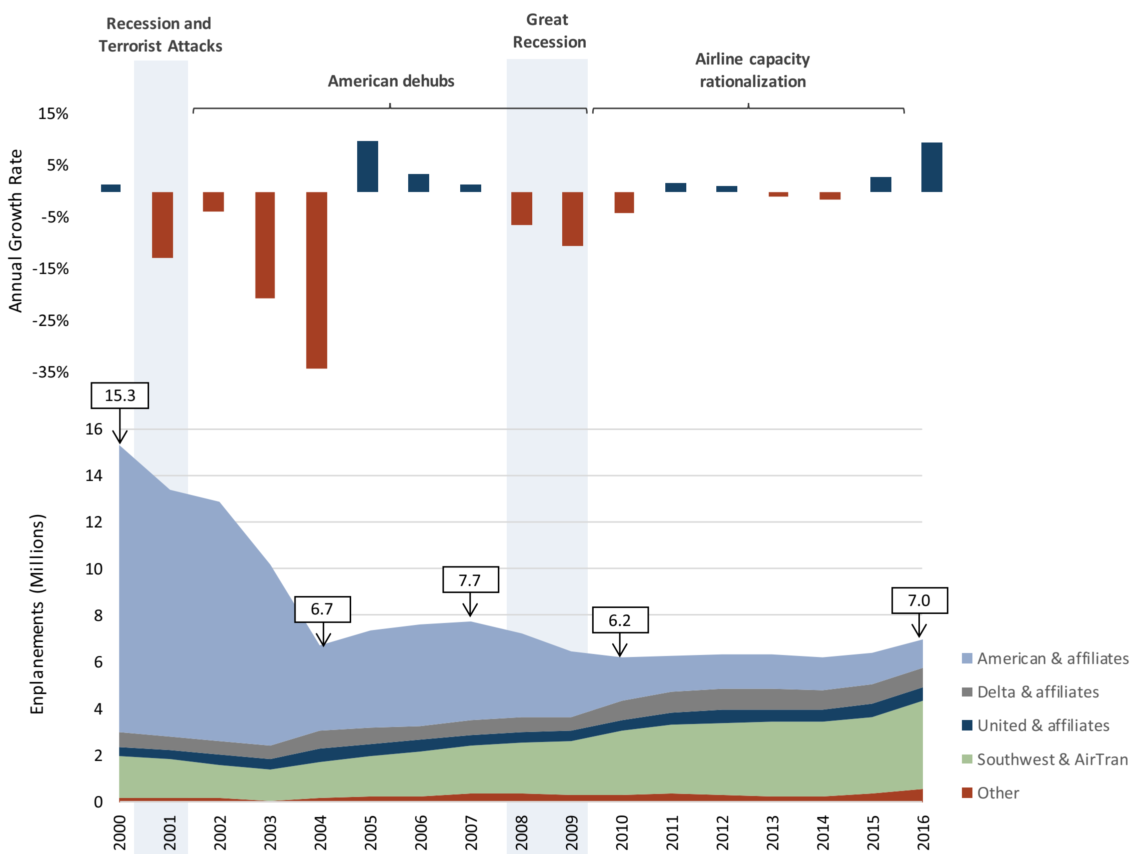
The St. Louis Lambert International Airport (the Airport) is owned by the City and operated by the City of St. Louis Airport Authority (the Authority), an agency of the City. The Airport is the principal airport serving the St. Louis metropolitan area, a region with a population of approximately 2.8 million as of CY 2016. In Fiscal Year (FY) 2016, approximately 6.7 million passengers were enplaned at the Airport, of which 5.7 million (85.4%) were originating passengers and 1.0 million (14.6%) were connecting passengers.

Historical Passenger Traffic Trends

Over the years, the Airport's passenger traffic has grown and declined with U.S. economic cycles (Figure 1). In the early 2000s, growth was set back by American Airlines' (American) significant service cuts—not long after the crash of two American flights during the terrorist attacks in September 2001—to end hub operations at the Airport. STL's enplanements were more than halved from their all-time peak of 15.3 million in 2000 to 6.7 million in 2004, and decreased further through the Great Recession to 6.2 million in 2010.

As American reduced capacity, Southwest Airlines (Southwest) gradually emerged as the Airport's largest carrier. Southwest's expansion aided traffic recovery, which progressed slowly until the past year. In 2016, traffic growth at STL picked up—enplanements grew nearly 10 percent from the previous year to almost 7 million.

Figure 1
HISTORICAL ENPLANEMENT TRENDS AT STL
CY 2000-2016



Source: Airport records.

In addition to the changes in air service particular to STL, the entire U.S. aviation industry has faced a challenging business environment resulting from the following developments:

- A recession, lasting from March to November 2001, ended a 10-year U.S. economic expansion. On September 11, 2001, while the U.S. economy was in recession, terrorists attacked U.S. aviation. Passenger traffic plummeted, and airport security tightened.
- Jet fuel prices rose to record high levels, causing airline operating costs to escalate.
- Amid record fuel prices, in 2008-2009, the U.S. economy entered the Great Recession, so called because it is the longest and deepest recession since the Great Depression. The Great Recession again weakened demand for both passenger and cargo air services.
- To improve financial results, airlines cut domestic seat capacity to increase load factors, retired fuel-inefficient aircraft, added seats to aircraft, and implemented other cost-cutting measures. They optimized their networks, transferred routes between mainline and regional service, and changed their pricing structures. Mounting financial difficulties eventually led to bankruptcies, mergers, and business restructuring.
- Bad weather, natural disasters, disease outbreaks, and geopolitical conflicts also hurt the aviation industry in various ways—by disrupting air service, decreasing traffic, and hampering economic recovery.

The Airport's passenger traffic recovered gradually after 2004 and increased through 2007. However, annual enplanements declined by 6.6 percent in 2008, as the U.S. economy entered another recession period and airlines responded with a new round of capacity adjustments. STL's passenger enplanements decreased by 20 percent over the course of the recession, from 7.7 million in 2007 to less than 6.2 million in 2010. Enplanement levels in 2010 were the lowest recorded for the Airport since the early 1980s.

Even after the Great Recession ended, American and other airlines continued to limit system capacity to keep air fares from falling, contain costs, and turn profits. Airline capacity restraint amid slow demand recovery has kept annual enplanement levels at the Airport flat—6.3 million on average—between 2009 and 2014. Boosted by air service expansion, largely by Southwest, STL's enplanements increased 2.8 percent in 2015 and 9.6 percent in 2016.

Through 2003, American and its affiliate carriers accounted for over 70 percent of enplanements at the STL, and the Airport's passenger traffic was vulnerable to service cuts by American. The significant service cuts by American leading to the closing of its connecting hub at STL paved the way for Southwest's expansion at the Airport. Today, Southwest accounts for more than 50 percent of STL's passenger traffic (55 percent in 2016). The closing of American's connecting hub also left the Airport with a much stronger O&D traffic base. O&D traffic now accounts for more than 80 percent of the Airport's annual enplanements (83 percent in 2016).

During 2016, the Airport executed a new Airline Use and Lease Agreement (AUA) with the airlines, which is similar in form to the previous AUA and contained a pre-approved 5-year Capital Improvement Plan for the period FY 2017 – 2021(the FY 2017-2021 CIP) totaling approximately $170.3 million. The City's expected funding for the FY 2017-2021 CIP will be comprised of proceeds from the sale of the Series 2017 Project Bonds along with moneys from AIP entitlement and discretionary, passenger facility charges (PFCs), Airport Development Funds (ADF) and any other available resources.

The Series 2017 Bonds are issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated as of July 1, 2009, as amended and supplemented, including by the Twenty-First and Twenty-Second Supplemental Indentures dated June 1, 2017 (collectively the Indenture). The Series 2017 Bonds are limited obligations of the City secured by and payable solely from GARB Revenues (as defined in the Indenture), and any other available moneys deposited with the Trustee for deposit in the Revenue Fund (collectively, the Revenues).

The Series 2017 Bonds will be subject to the Additional Bonds Test. As a condition for the issuance of Additional Bonds, the Indenture requires that the following documents be prepared and delivered to the Trustee:

- An Accountant's Certificate setting forth (a) for any 12 consecutive calendar months out of the 18 months next preceding the authentication and delivery of such Series of Bonds, 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;

- 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 Additional Project will be completed, estimates of (a) Net Revenues and (b) amounts to be deposited from Revenues into the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Development Fund; and

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

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.

The City and the scheduled passenger airlines serving the Airport have each entered into a substantially similar Airline Use and Lease Agreement (AUA) that govern, among other things, airline use and occupancy of Airport facilities and the calculation of airline rates and charges. The term of the AUA extends to June 30, 2021. The AUA provides that terminal rental rates are to be calculated under a "compensatory" rate methodology and landing fees are to be calculated under a "cost center residual cost" rate methodology.

In addition, the AUA has a provision intended to provide the airlines serving the Airport with some relief on the current landing fee due to the significant reduction in air traffic activity during recent years.

This Report is organized into the following sections:

Section 1	**Introduction** – Review of the Airport structure, governance, and provide an overview of the Airport's pre-approved five (5) five year capital improvement plan (FY 2017-2021 CIP), including the Series 2017 Projects.
Section 2	**The Economic Base of the Airport** – A discussion of the demographic and economic characteristics of the Airport's service area, provides context for the forecasts of commercial aviation activity.
Section 3	**Analysis and Forecast of Commercial Aviation Activity** – A discussion of historical trends in commercial air traffic activity and forecasts through 2022.
Section 4	**Financial Analysis** – A discussion of the framework for the operation of the Airport (including the Indenture and the AUAs), the sources of Revenues and the components of Operation and Maintenance Expenses, and forecasts of Revenues, Operation and Maintenance Expenses, Net Revenues, the application of Revenues to the funds and accounts established by the Indenture, and debt service coverage.

Major Assumptions

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

1. The City will complete all projects in the FY 2017-2021 CIP in accordance with the approved schedule.

2. There will be no major cuts in airline service, especially by Southwest Airlines, during the forecast period.

3. The FAA will fulfill the terms of the federal grants (AIP, TSA and Stimulus grants) as part of the overall funding of the 5-Year CIP.

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

These and other important assumptions underlying the forecasts of air traffic activity, Revenues, and Operation and Maintenance Expenses are set forth in Sections 3 and 4.

Findings and Conclusions

As indicated in the Report, Net Revenues are forecast to exceed 1.25 times Aggregate Adjusted Debt Service in the first three Airport Fiscal Years following the estimated date of completion of the last Series 2017 Project Bonds project in the FY 2017-2021 CIP, thereby satisfying the Additional Bonds Test for the base case as shown on page 7 of this letter.

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

The financial forecasts presented in this Report are based on information and assumptions that have been provided by Airport management, or developed by us and reviewed with and confirmed by Airport management. Based upon our review, we believe that the information is accurate and that the assumptions provide a reasonable basis for the forecasts.

Finally, 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 CONSULTING, INC.

Unison Consulting, Inc.

Projected Debt Service Coverage (in Thousands)

	For Fiscal Years Ending June 30						
	Actual	Projected					
	2016 [1]	2017	2018 [2]	2019	2020	2021	2022
Total Revenues (including DSSF Contribution and Additional Requirement)	$180,823	$191,583	$181,418	$188,360	$192,098	$195,376	$199,591
less: Operation and Maintenance Expenses [3]	79,871	87,378	87,738	90,058	92,440	94,887	97,400
Net Revenues	$100,951	$104,205	$93,681	$98,302	$99,657	$100,489	$102,191
Debt Service							
Outstanding Bonds	74,946	74,988	62,926	64,952	63,490	63,494	63,492
Future Bonds [4]	0	0	0	1,458	2,915	3,589	4,936
	$74,946	$74,988	$62,926	$66,410	$66,406	$67,083	$68,428
Debt service coverage ratio	**1.35**	**1.39**	**1.49**	**1.48**	**1.50**	**1.50**	**1.49**

[1] Based on audited financial statements and Airport records.

[2] The FY 2018 total debt service amount assumes $3.5 million of debt service reserves will be used to pay a portion of the Series 2013 Refunding bond final payment.

[3] The Operating and Maintenance Expenses reported above are $5.2 million higher than that reflected in the FY 2016 audit due to a prior year adjustment.

[4] The Series 2017 Project Bonds and the future 2020 bond issue both assume 18 months of capitalized interest.

FINANCIAL FEASIBILITY REPORT

ST. LOUIS LAMBERT INTERNATIONAL AIRPORT

Prepared by:

UNISON Consulting, Inc.

June 9, 2017

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Section 1 Introduction

The purpose of this Financial Feasibility Report (the Report) is to evaluate the financial impact of the proposed issuance by The City of St. Louis, Missouri (the City) of (i) Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport) (the Series 2017A Bonds); (ii) Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport) (the Series 2017B Bonds) along with the Series 2017A Bonds known as (the Series 2017 Refunding Bonds); (iii) Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the Series 2017C Project Bonds); and (iv) Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the Series 2017D Project Bonds along with the Series 2017C Bonds known as the Series 2017 Project Bonds, and together with the Series 2017 Refunding Bonds (the Series 2017 Bonds). The Series 2017 Bonds are issued pursuant to an Indenture of Trust, dated as of October 15, 1984, as amended and restated by the Amended and Restated Indenture of Trust, dated as of July 1, 2009, as amended and supplemented, including by the Twenty-First and Twenty-Second Supplemental Indenture of Trust, dated as of June 1, 2017 (collectively referred to as the Indenture).

This Report addresses the interest savings to be realized from the issuance of the Series 2017 Refunding Bonds from refunding a portion of the outstanding City of St. Louis, Missouri, Airport Revenue Refunding Bonds, Series 2007A (Non-AMT) (the Series 2007A Bonds) and the outstanding City of St. Louis, Missouri, Airport Revenue Refunding Bonds, Series 2007B (AMT) (the Series 2007B Bonds) including providing funding of the debt service reserve and paying cost of issuance for the Series 2017 Refunding Bonds. Additionally, the Report will address the use of proceeds from the Series 2017 Project Bonds to fund a portion of the costs of construction, extension and improvement, including reimbursement for certain prior capital expenditures (collectively the Series 2017 Project) of the St. Louis Lambert International Airport (the Airport). In addition, proceeds from the Series 2017 Project Bonds will be used to pay all or a portion of capitalized interest, if any, provide funding for a Debt Service Reserve Account (or the purchase of a surety bond or bond insurance policy), and pay cost of issuance on the Series 2017 Project Bonds.

During April 2017, the Federal Aviation Administration (FAA) accepted the City's preliminary application into the Airport Privatization Program (APP). This application was submitted to explore the potential for the City to gain access to capital funding. The City's next steps would include choosing a private operator that meets the criteria of APP, negotiating an operations agreement, which would then require approval by the airlines, the City, the Airport Commission, and the FAA. Currently, San Juan, Puerto Rico is the only airport operating under private management.

The Report is comprised of the following sections:

- Section 1 - Review of the Airport structure, governance and an overview of the plan of finance for the Airport's pre-approved five- (5-) year capital improvement program covering fiscal years (FY) (FY 2017–2021 CIP), including the Series 2017 Project.
- Section 2 - Discussion of the demographic and economic characteristics of the Airport's service area providing context for the forecasts of commercial aviation activity.

- Section 3 - A discussion of historical trends in commercial air traffic activity and forecasts through FY 2022.
- Section 4 - A discussion of the framework for the operation of the Airport (including the Indenture and the Airline Use and Lease Agreement (AUA)), the sources of Revenues and the components of Operation and Maintenance Expenses (O&M), and forecasts of Revenues, O&M, Net Revenues to the funds and accounts established by the Indenture and debt service coverage.

1.1 The Airport

Located in St. Louis County, approximately 15 miles northwest of downtown St. Louis, the Airport is situated approximately 10 miles from the St. Louis metropolitan area. The Airport is comprised of approximately 3,600 acres of land.

The Federal Aviation Administration (FAA) classifies the Airport as a medium hub airport. A medium hub airport is defined as an airport that enplanes between 0.25 and 1.0% of the total passengers in the United States in a calendar year. In CY 2016, the Airport enplaned approximately 7.0 million passengers, which accounted for approximately 0.97% of total U.S. enplanements. The Airport Council International's (ACI) preliminary CY 2015 report ranked the Airport as 32nd nationwide in terms of total passengers and 44th nationwide in terms of aircraft operations.[1]

The Airport has four runways and an extensive taxiway system. The largest commercial aircrafts can use the primary runways, 12R-30L, 12L-30R and 11-29 without restrictions. The current runway configuration allows the Airport to achieve simultaneous take-offs and landings with Runway 12L-30R during instrument flight rule (IFR) conditions. All runways, including Runway 6-24 (crosswind runway), have sufficient length to handle most type of aircrafts that currently serves the Airport. The airfield has over 15 miles of 75-foot-wide concrete taxiways and four concrete holding pads. Approximately 49 acres of concrete apron provide space for aircraft parking, servicing and refueling by scheduled commercial air carriers. In addition, another approximately 17 acres are leased to two fixed-base operators that support general aviation aircraft.

Terminal facilities consist of Terminals 1 and 2 formerly named West and East Terminal respectively.[2] Terminal 1 contains approximately 1.2 million usable square feet of building space and is comprised of the main terminal space under the domes and four concourses (Concourses A, B, C and all but the four eastern most gates in Concourse D) with 50 aircraft gates in mixed configuration. Currently 25 of the gates are being used in Terminal 1. Concourse D continues to be inactive at this time, except for the four most eastern gates. Terminal 2 has approximately 380 thousand usable square feet of building space with 18 narrow body aircraft gates, including the four most eastern gates in Concourse D. As of June 1, 2017 Southwest will be leasing 17 gates with the remaining City gate operated by United States Custom and Border Protection Services.

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[1] ACI traffic data for CY 2015

[2] The West and East Terminal were renamed in 2010 during the implementation of the Airport Experience Program renovations.

Currently, the Airport has 9,001 public parking spaces available consisting of 3,032 short-term (Terminal 1 and 2 garages), long-term and 4,728 (Lots B, C and D), 993 intermediate public parking spaces (Lot A) and 248 in the recently completed Lot E adjacent to Terminal 2. The FY 2017-2021 CIP includes funding for various improvements for the existing parking structures and lots as further described under the Airport capital section below.

Metro Link, the metropolitan area's light rail system, currently serves the Airport with two stations—one at the Terminal 1 and the other at the Terminal 2. Both provide another mode to and from the Airport.

The other Airport facilities owned by the City at the Airport include two off-site office building, five warehouse type buildings in Cargo City, eleven shops and service buildings, and hangars leased by American Airlines, JetLinx St. Louis, Trans States Airlines, Airport Terminal Services, Signature Flight Support, and MHS Travel & Charter. In 2016 one of the office buildings was leased on a long-term basis to the Missouri Air National Guard (MoANG) and one of the buildings in Cargo City was leased on a long-term basis to Southwest Airlines.

Federal Express and various freight forwarders lease space from St. Louis Air Cargo Services. The facility includes a 100,000 square foot cargo building and 448,000 square feet of adjacent aircraft parking space, on land leased from the Airport. Also on the St. Louis Air Cargo leasehold, United Parcel Service (UPS) owns an 18,000 square foot warehouse facility adjacent to a 200,000 square foot aircraft parking area. The Spire Corporation (formerly Laclede) operates a public access Compressed Natural Gas fueling station on a parcel of land owned by the City. Under the terms of the lease, Spire pays the City a set ground rent plus a royalty percentage for fuel pumped at the station. In January 2017, the City entered into a long-term lease agreement with Enterprise Leasing Company of St. Louis, LLC for a formerly vacant parking lot known as the "Springdale Lot," consisting of 17.86 acres of paved land with a small building. The Springdale Lot will be used for vehicle storage.

The airline fuel consortium STL Fuel Company, LLC currently leases approximately 88,000 square feet of fuel farm space and has begun the process of developing a replacement fuel farm. The replacement fuel farm will be located on the former "Brownleigh" site, to the northeast of the Airport, and is currently in the design and site investigation phase. Construction on the replacement fuel farm is expected to begin during FY 2018. At that time, the old fuel farm will be decommissioned, remediated, and the land returned to the Airport for future redevelopment.

The City also owns certain former aircraft production facilities and grounds of approximately 61 acres on the north side of the Airport's airfield for which it is has entered into a long-term lease agreement with Bi-National Gateway Terminal, LLC for the development, construction, and operation of an air cargo Dual Customs facility (for the processing of customs with the United Mexican States). The lease agreement grants Bi-National the right to redevelop the leased premises to accommodate, handle, and support air cargo operations and distribution facilities on the leased premises. Construction on Phase 1 of the development is scheduled to begin in summer 2017, with Phases 2 and 3 to follow.

Additionally, there are other structures at the Airport that are not owned by the City but are located on grounds leased from the City. These sites include facilities owned by St. Louis Air Cargo Services, the Boeing Company, and MoANG.

1.2 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.[3] The Board of Aldermen, consisting of a President and 28 Aldermen who serve four-year terms, is the legislative body of the City. The Mayor, the Comptroller and the President of the Board of Aldermen constitute the Board of Estimate and Apportionment, which is primarily responsible for the City's finances.

The Authority was created to manage the Airport by an ordinance enacted by the City's Board of Aldermen. The Director of Airports serves as the Chief Executive Officer of the Authority. The Airport Commission (the Commission) is the governing board of the Authority and is responsible for overseeing the planning, development, management, and operation of the Airport. The Commission has 17 members: the Director of Airports (acting as Chairman), the Comptroller, the President of the Board of Aldermen, the Chairman of the Transportation and Commerce Committee of the Board of Aldermen, six members appointed by the Mayor, five members appointed by the St. Louis County Executive, one member appointed by the County Executive of St. Charles, Missouri, and one by the Chairman of the County Board of St. Clair County, Illinois. The Director of Airports is supported by three Deputy Directors as further described below.

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 STL's property and facilities. Any 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 City's 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:

Rhonda Hamm-Niebruegge, Director of Airports, has served in this capacity since January 2010. Ms. Hamm-Niebruegge has more than two decades of aviation management experience with key leadership positions with Ozark Airlines, Trans World Airlines and American Airlines. She previously served as American Airlines Managing Director, St. Louis Operations.

Jerry Beckmann, P.E., Deputy Airport Director of Planning and Development, was promoted to this position in October 2013. He was previously the Assistant Director of Engineering, a position he held for four years. Mr. Beckmann is responsible for the planning, contracting and executing all

[3] On April 7, 2017 the City elected its first woman Mayor – Lyda Krewson and reelected Darlene Green as Comptroller.

construction projects at Lambert, while also coordinating long-range master plan goals for all airfield and Airport properties.

Ron Stella, Deputy, was promoted to Airport Director of Operations and Maintenance in July 2015. He was formerly the Airport Assistant Director of Operations and Maintenance. Mr. Stella is responsible for Airfield and Building Operations, Security Operations, Emergency Planning and manages compliance with all FAA airport operations regulations and standards. He is also responsible for multiple operating departments, including Airfield and Grounds Maintenance, the Airport Operations Center, Airport Building Maintenance, Airport and Airfield Electrical Maintenance, Housekeeping, Radio Systems, and Emergency Planning.

Antonio Strong, C.P.A., was promoted to Deputy Director of Finance and Administration in July 2015 from his previous position of Assistant Director of Finance and Administration which he held since being hired in November 2014. Mr. Strong leads all Airport finance and business units including Finance and Accounting, the Properties Department and the Business Diversity Development Office. Mr. Strong has a strong background in accounting and management with over 20 years of experience.

Airport management developed a Strategic Plan to build on the momentum from several transformational campaigns, which established a foundation for the City to achieve an immediate operational and financial benefit. The Strategic Plan incorporates four core objectives:

1. Sustain and grow passenger air service
2. Strengthen financial stability
3. Create positive and lasting impression for the region
4. Generate economic development

The Strategic Plan has become an important part of Airport management's mission as defined by the City and its business community.

1.2.1 The Airport Capital Program

The City successfully negotiated a new five- (5) year Airline Use and Lease Agreement (AUA) during the last quarter of FY 2016. The new AUA covers the period FY 2017–2021, including the new five- (5) year capital improvement plan (FY 2017-2021 CIP). One of the integral parts of the new AUA was the City and the signatory airlines establishing a pre-approved FY 2017–2021 CIP that provides Airport staff with a plan for key projects needed during the lease term. Table 1-1 provides a summary of the FY 2017 – 2021 CIP totaling $170.3 million, which identifies key projects within each project category. The current FY 2017–2021 CIP consists of various projects that Airport management and Airlines agreed were essential for the continued safe and efficient operation of the Airport.

Below is a brief discussion of each project element within a specific cost center included in the FY 2017–2021 CIP.

Airfield Projects – This category totals approximately $109.6 million, of which approximately $25.7 million will be funded with a portion of the proceeds of the Series 2017 Project Bonds. This category consists of various projects to improve or focused on improvement of the airfield operations such as: airfield pavement reconstruction, airfield safety improvements, and general planning studies and noise studies. The remaining projects focus on the acquisition of various airfield vehicles to meet FAA Part 139 requirements for snow and aircraft emergency response and projects to maintain compliance with environmental regulations for handling fluids from deicing of aircraft to washing of large ground vehicles.

Terminal 1 Projects – These projects total approximately $23.6 million, of which approximately $14.0 million will be funded with a portion of the proceeds of the Series 2017 Project Bonds. These projects focus on building improvements and restoration of Terminal 1. Nearly half of the project costs in this category are replacing the HVAC and electrical equipment in this terminal. Additionally, sewer repairs, waterproofing, and building maintenance issues are being addressed in order to ensure optimal efficiency of Terminal 1's operations.

Parking Projects – This category is comprised of various parking facility improvements and other ancillary projects to extend the useful life of the parking facilities. The total project cost for this category is approximately $11.9 million with approximately $5.7 million to be funded with a portion of the proceeds of the Series 2017 Project Bonds. These projects are required to extend the existing parking structures and lots in their current operating conditions. These projects will consist of replacement of electrical equipment, re-lamping of light fixtures, structural assessment and restoration and asphalt resurfacing lots as deemed needed. In addition, a Ground Transportation Center and expanded surface parking is included for Terminal 2.

Terminal 2 Projects – The project in this category is totaling $8.5 million, of which approximately $6.2 million will be funded with a portion of the proceeds of the Series 2017 Project Bonds. These projects are also focusing on the restoration and building improvement for Terminal 2. The major focus is replacement of various HVAC equipment and evaluation of other conditions for the building. This category also includes costs to replace two inbound baggage carousels.

Passenger Loading Bridges Cost Center – This project consists of the purchase of three (3) loading bridges for Terminal 1 and the reactivation of two (2) gates in Concourse C, which is also in Terminal 1. The purchase of the loading bridges and reactivation of two gates totals $6.0 million, which primarily all will be funded with a portion of the proceeds of the Series 2017 Project Bonds. Upon establishment of a loading bridge program, the AUA provides for the amortization of the loading bridge costs along with related operations and maintenance costs, to be charged to a designated cost center that will be used to establish a per loading bridge fee as further outlined in Section 604 of the AUA.

Airport Roadways – This category consists is estimated at $4.2 million. These projects will restore and rehabilitate Airport owned rights-of way. Specific projects consist of bridge replacement, several asphalt mills and overlay projects and concrete removal and replacement.

Shared Projects and Other – This final category totals approximately $6.5 million and consists of shared projects between Terminals 1 and 2 (approximately $3.8 million) and other miscellaneous CIP projects totaling $2.7 million that consists of land grading and reroofing of five cargo buildings.

Table 1-1: Five Year CIP Summary

Project Name	Estimated Project Cost	2017	2018	2019	2020	2021
		Fiscal Year Ending June 30th				
Airfield Projects						
Airfield Maintenance Projects	$2,119,520	$0	$2,119,520	$0	$0	$0
Planning Projects						
Culvert CW Creek in TW Sierra protection zone - AIP	$6,794,880	$0	$0	$0	$0	$6,794,880
Master Plan update w/eALP	4,450,992	-	4,450,992	-	-	-
Other Planning projects	259,000	259,000	-	-	-	-
FAR Pt 150 study (update noise contours)	259,000	259,000	-	-	-	-
Planning Total	$11,504,872	$259,000	$4,450,992	$0	$0	$6,794,880
Airfield Vehicles						
Snow Removal Vehicles	16,751,592	3,082,100	2,320,874	2,543,106	3,822,600	4,982,912
ARFF Vehicles	4,275,772	170,940	1,589,640	1,382,712	-	1,132,480
Other Airfield Vehicles	2,287,979	-	847,808	138,271	1,301,900	-
Airfield Vehicles Total	$23,315,343	$3,253,040	$4,758,322	$4,064,089	$5,124,500	$6,115,392
Runway Construction/Rehab, Taxiway and Apron Projects	$70,249,840	$9,842,000	$14,624,688	$14,640,480	$15,401,200	$15,741,472
Other Airfield						
Electric Shop Projects	137,769	-	137,769	-	-	-
Environmental Projects	741,832	-	741,832	-	-	-
Climate Control Projects	1,483,664	-	1,483,664	-	-	-
Other Airfield Total	$2,363,265	$0	$2,363,265	$0	$0	$0
Airfield Total	**$109,552,840**	**$13,354,040**	**$28,316,787**	**$18,704,569**	**$20,525,700**	**$28,651,744**
Terminal 1 Projects						
Building Maintenance Projects	$6,169,176	$0	$529,880	$5,639,296	$0	$0
Climate Control - T1						
Replace Chiller 2, West Plant (const only, des funded)	$3,108,000	$3,108,000	$0	$0	$0	$0
Replace Misc. HVAC Equipment, T1 and Concourses	3,567,800	2,072,000	-	-	1,495,800	-
Replace T1 Air Handling Units 12, 16, 17	4,662,944	-	4,662,944	-	-	-
Other Climate Control Projects	2,132,055	-	1,965,855	-	166,200	-
Climate Control Total	$13,470,799	$5,180,000	$6,628,799	$0	$1,662,000	$0
Other Projects - T1						
Properties Projects	$158,964	$0	$158,964	$0	$0	$0
Operations Projects	647,453	-	92,199	555,254	-	-
Arc Flash Study - Breaker Coordination and Code Compliance	1,059,760	-	1,059,760	-	-	-
Engineering Building Projects	2,138,056	1,502,200	635,856	-	-	-
Other Projects Total	4,004,233	1,502,200	1,946,779	555,254	0	0
Terminal 1 Total	**$23,644,208**	**$6,682,200**	**$9,105,458**	**$6,194,550**	**$1,662,000**	**$0**
Terminal 1&2 Shared Projects						
Operations Projects	$959,922	$0	$264,940	$140,982	$554,000	$0
Climate Control Project	1,036,000	1,036,000	-	-	-	-
Information Technology Projects	$1,796,148	$828,800	$837,210	$130,138	$0	$0
Terminal 1&2 Shared Projects Total	**$3,792,070**	**$1,864,800**	**$1,102,150**	**$271,120**	**$554,000**	**$0**

Table 1-1: Five Year CIP Summary (continued)

Terminal 2 Projects						
Operations Projects	$249,452	$0	$45,570	$203,882	$0	$0
T2 Replace Inbound Make-Up Carrousels	2,168,960	-	-	2,168,960	-	-
Climate Control - T2						
Replace Misc. HVAC Equipment, T2 - E AHU, Hub Server Rm	$1,413,000	$1,191,400	$0	$0	$221,600	$0
HVAC Equipment Evaluation	166,200	-	-	-	166,200	-
Replace Chiller 3, East Plant (des and const)	3,783,320	-	529,880	3,253,440	-	-
Replace Boiler Controls, West and East Plants	180,159	-	180,159	-	-	-
Other Climate Control Projects	902,733	-	736,533	-	166,200	-
Climate Control Total	$6,099,053	$1,191,400	$1,266,413	$3,253,440	$387,800	$0
Terminal 2 Total	**$8,517,465**	**$1,191,400**	**$1,311,983**	**$5,626,282**	**$387,800**	**$0**
Passenger Loading Bridge Projects						
Reactivate Gates C29 and C30 (bldg, 2 new boarding bridges w/footings)	$2,755,376	$0	$2,755,376	$0	$0	$0
3 Loading Bridges, Terminal 1	3,204,000	-	2,119,520	1,084,480	-	-
Passenger Loading Bridge Total	**$5,959,376**	**$0**	**$4,874,896**	**$1,084,480**	**$0**	**$0**
Parking Projects						
Other Parking						
Engineering Building Project	$54,224	$0	$0	$54,224	$0	$0
Electric Shop Projects	1,179,328	331,520	847,808	-	-	-
GTC (site work and refresh Bus Port, signage, lighting)	2,119,520	-	2,119,520	-	-	-
Other Parking Total	$3,353,072	$331,520	$2,967,328	$54,224	$0	$0
Parking Facilities						
T1/T2 Parking Garage Structural Assessment	$423,904	$0	$423,904	$0	$0	$0
Rehabilitate Concrete T1/T2 in Parking Garages	2,168,960	-	-	2,168,960	-	-
Rehab Asphalt Surface Lots A B C D and Cell - Phase 1 and 2	3,191,984	-	1,059,760	108,448	664,800	1,358,976
T2 Surface Parking at Cargo City	2,770,000	-	-	-	2,770,000	-
Parking Facilities Total	$8,554,848	$0	$1,483,664	$2,277,408	$3,434,800	$1,358,976
Parking Total	**$11,907,920**	**$331,520**	**$4,450,992**	**$2,331,632**	**$3,434,800**	**$1,358,976**
Roads Projects:						
Other Asphalt Projects	$572,768	$0	$317,928	$0	$254,840	$0
Spot Slab removal & replacement	982,728	-	317,928	-	664,800	-
Airfield Roadway						
Reconstruct LIB bridge over Coldwater Creek	2,119,520	-	2,119,520	-	-	-
Other Roadway Project	529,880	-	529,880	-	-	-
Airfield Roadway Total	$2,649,400	$0	$2,649,400	$0	$0	$0
Roads Total	**$4,204,896**	**$0**	**$3,285,256**	**$0**	**$919,640**	**$0**
Other CIP Project Total	**$2,674,320**	**$0**	**$635,856**	**$0**	**$0**	**$2,038,464**
Grand Total 5-Year CIP	**$170,253,095**	**$23,423,960**	**$53,083,378**	**$34,212,633**	**$27,483,940**	**$32,049,184**

1.2.2 Funding Plan for FY 2017 – 2021 CIP

The financing plan for the FY 2017 – FY 2021 CIP shown on Table 1-2 anticipates using the following funding sources:

- Airport Development Fund (ADF)
- Passenger Facility Charges (PFCs)
- General Airport Revenue Bonds (GARBs)
- Federal Grants
- Airport Improvement Program (AIP)
- Transportation Security Administration (TSA) (none shown in current funding)

Each funding source is briefly described below.

Airport Development Fund

The ADF represents funds that are generated from the Airport's excess operating revenues each year. The excess operating revenues represent money on hand after payment of operation and maintenance (O&M) expenses, aggregate debt service on outstanding bonds, and the replenishment of certain reserves. This money is then available to be appropriated for capital projects or for any other Airport purpose. As of April 30, 2017 the Airport had an unaudited balance of approximately $12.5 million in the unappropriated ADF account. It is projected that the Airport will continue to generate excess operating revenues that will flow into the ADF as discussed in more detail in Section 4 of this Report. The current funding plan for the FY 2017 – 2021 CIP anticipates using $16.0 million.

Passenger Facility Charges

In 1990, Congress authorized public airport operators to impose PFCs 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. The PFC rate has subsequently been increased to provide for the collection of up to $4.50 per eligible enplaned passenger. The Airport currently collects a $4.50 PFC. The revenue generated from PFC fees has become a major source of equity capital for financing airport projects. In fact, PFC fees are currently being imposed at most of the major airports in the United States.

The PFC revenues and the interest income earned thereon (collectively referred to as "PFC resources") may be used in two ways: (1) to pay direct costs of FAA 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 FY 2017-2021 CIP anticipates the use of approximately $25.6 million of PFC resources for various improvements throughout the Airport, except parking and other CIP projects. All PFC resources are currently anticipated on a Pay-As-You Go basis, with none being leveraged against the Series 2017 Project Bonds. The Airport is currently in the process of applying for the necessary approvals to use PFC revenues for the purposes intended.

Table 1-2: Funding Plan

Project Name	Estimated Project Funding	AIP Grants Entitlement	AIP Grants Discretionary	PFCs	ADF	GARB
Airfield Projects:						
Airfield Maintenance Projects	$2,119,520	$0	$0	$0	$0	$2,119,520
Planning Projects	11,504,872	-	8,628,654	-	64,750	2,811,468
Airfield Vehicles	23,315,343	-	-	16,343,789	170,940	6,800,614
Runway Construction/Rehab, Taxiway and Apron Projects	70,249,840	12,286,523	21,371,346	-	2,694,150	33,897,821
Other Airfield Projects	2,363,265	-	-	635,856	359,009	1,368,400
Airfield Total	**$109,552,840**	**$12,286,523**	**$30,000,000**	**$16,979,645**	**$3,288,849**	**$46,997,823**
Terminal 1 Projects:						
Properties Projects	$158,964	$0	$0	$0	$0	$158,964
Operations Projects	647,453	0	0	0	647,453	0
Arc Flash Study - Breaker Coordination and Code Compliance	1,059,760	0	0	0	0	1,059,760
Engineering Building Projects	2,138,056	0	0	0	1,502,200	635,856
Building Maintenance Projects	6,169,176	0	0	0	529,880	5,639,296
Climate Control Projects	$13,470,799	-	-	4,226,500	1,102,764	8,141,535
Terminal 1 Total	**$23,644,208**	**$0**	**$0**	**$4,226,500**	**$3,782,297**	**$15,635,411**
Terminal 1 and 2 Shared Projects:						
Operations Projects	$959,922	$0	$0	$269,507	$690,415	$0
Climate Control Project	1,036,000	0	0	0	1,036,000	0
Information Technology Projects	1,796,148	0	0	0	958,938	837,210
Terminals 1 and 2 Shared Total	**$3,792,070**	**$0**	**$0**	**$269,507**	**$2,685,353**	**$837,210**
Terminal 2 Projects:						
Operations Projects	$249,452		$0	$0	$249,452	$0
T2 Replace Inbound Make-Up Carrousels	2,168,960	0	0	451,609	0	1,717,351
Climate Control Projects	6,099,053	0	0	1,191,400	387,800	4,519,853
Terminal 2 Total	**$8,517,465**	**$0**	**$0**	**$1,643,009**	**$637,252**	**$6,237,204**
Passenger Loading Bridge Projects:						
Reactivate Gates C29 and C30 (bldg, 2 new boarding bridges w/footings)	$2,755,376	-	-	409,067	-	2,346,309
3 Loading Bridges, Terminal 1	3,204,000	0	0	0	0	3,204,000
Passenger Loading Bridge Total	**$5,959,376**	**$0**	**$0**	**$409,067**	**$0**	**$5,550,309**
Parking Projects:						
Engineering Building Project	$54,224	$0	$0	$0	$0	$54,224
Electric Shop Projects	1,179,328	0	0	0	331,520	847,808
GTC (site work and refresh Bus Port, signage, lighting)	2,119,520	0	0	0	0	2,119,520
Parking Facilities Projects	8,554,848	0	0	0	1,538,471	7,016,377
Parking Total	**$11,907,920**	**$0**	**$0**	**$0**	**$1,869,991**	**$10,037,929**
Roads Projects:						
Other Asphalt Projects	$572,768	$0	$0	$0	$572,768	$0
Spot Slab removal & replacement	982,728	0	0	0	982,728	0
Airfield Roadway Projects	2,649,400	0	0	2,119,520	529,880	0
Roads Total	**$4,204,896**	**$0**	**$0**	**$2,119,520**	**$2,085,376**	**$0**
Other CIP Total	**$2,674,320**	**$0**	**$0**	**$0**	**$1,681,480**	**$992,840**
Grand Total 5 Year CIP FY 2017 - 2021	**$170,253,095**	**$12,286,523**	**$30,000,000**	**$25,647,248**	**$16,030,598**	**$86,288,726**

Table 1-3 shows the calculation and anticipated application of projected PFC resources during FY 2017–2022. The projection of PFC revenues is based on the assumption that approximately 88% of Airport passenger enplanements are PFC eligible—which is supported by recent PFC revenue data collected by the Airport. The projections shown on Table 1-3 assumes a base case enplanement forecast developed in May 2017, using the $4.50 PFC rate, which beginning in FY 2017 is projected to generate approximately $28.1 million in annual net PFC revenues, excluding the administrative charge. The projected net PFC revenues are based on the passenger enplanement forecasts and are projected to be approximately $43.4 million by the end of FY 2022.

General Airport Revenue Bonds

The GARBs (which includes the Series 2017 Project Bonds) represent bonds issued by the City that are payable solely from the Revenues of the Airport as further defined in the Indenture. The City can issue additional GARBs for additional projects under the Indenture as long as the proposed GARBs can meet the Additional Bonds Test and the aggregate amount of GARBs and other applicable obligations, if any, does not exceed the City's current authorization limit of $3.5 billion. The Additional Bonds Test requires; 1) Accountant's Certificate setting forth (a) the Net Revenues of the Airport for any 12-consecutive months out of the 18 months preceding the authentication and delivery of such Additional Bonds, (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; and 2) certificate of an authorized officer of the City demonstrating that, among other things, the estimated Net Revenues of the Airport for each of the three Fiscal Years following the Fiscal Year in which the Additional Project will be completed is projected to be at least equal to 1.25 times the Aggregate Adjusted Debt Service for each of such three Fiscal Years. The total par value of the Series 2017 Bonds planned to be issued is approximately $258.4 million including the Series 2017 Refunding Bonds. The projects being funded with the Series 2017 Project Bonds are scheduled to be completed by the end of FY 2020.

Table 1-3: Passenger Facility Charge Sources & Uses

	Projected					
	2017	2018	2019	2020	2021	2022
Projected PFC revenues						
Total enplaned passengers [1]	7,155	7,521	7,739	7,832	7,905	8,018
Assumed percentage of enplaned passengers eligible	89%	89%	89%	89%	89%	89%
PFC-eligible enplaned passengers	6,400	6,700	6,900	7,000	7,000	7,100
Amount of PFC charge	$4.50	$4.50	$4.50	$4.50	$4.50	$4.50
Less airline retention	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC charge	$4.39	$4.39	$4.39	$4.39	$4.39	$4.39
Computed Net PFC revenue to Airport	**$28,096**	**$29,413**	**$30,291**	**$30,730**	**$30,730**	**$31,169**
Available PFC Resources						
Previous year's unused balance	$22,772	$19,921	$23,392	$28,639	$32,136	$34,442
Current year collections	28,096	29,413	30,291	30,730	30,730	31,169
plus: interest earned	212	215	259	302	331	387
New PFC Bond Proceeds						
Interest on New PFC Bond						
Repayment of Interim Financing						
PFC Bonds						
PFC Bonds Interest						
Cumulative unliquidated PFC resources - Beginning Balance	**$51,080**	**$49,550**	**$53,942**	**$59,672**	**$63,197**	**$65,998**
PFC # 4 (debt service on PFC-enhanced Airport Rev Bonds)	20,804	20,805	20,805	20,806	20,802	20,804
less: debt service restructured (Series 2005 Bonds)	(15,855)	(16,229)	(16,229)	(5,730)	(5,771)	(4,697)
plus: new debt service (Series 2005 Bonds)	15,855	16,229	16,229	5,730	5,771	4,697
less: debt service restructured (Series 2007A Bonds)	(4,949)	(4,576)	(4,576)	(15,076)	(15,031)	(16,107)
plus: new debt service (Series 2007A Bonds)	4,945	4,572	4,571	15,071	15,026	16,102
less: debt service restructured (Series 2015 Bonds)	(98)	(98)	(98)	(854)	(582)	(452)
plus: new debt service (Series 2015 Bonds)	95	95	95	836	564	434
25% Coverage Requirement	5,200	5,200	5,200	5,200	5,199	5,200
less: return of coverage to PFC account	(5,200)	(5,200)	(5,200)	(5,200)	(5,199)	(5,200)
Future Pay-As-You-Go - FY 2017 - 2021 CIP	8,500	3,500	2,647	4,885	6,115	0
AEP -PFC #9 bond	1,862	1,859	1,859	1,867	1,862	1,863
25% Coverage Requirement	466	465	465	467	465	466
less: return of coverage to PFC account	(466)	(465)	(465)	(467)	(465)	(466)
Annual incremental PFC resources	(2,851)	3,471	5,247	3,497	2,306	8,912
Cumulative unliquidated PFC resources - Ending Balance	**$19,921**	**$23,392**	**$28,639**	**$32,136**	**$34,442**	**$43,354**

AIP Grants

The Airport is anticipating receiving both entitlement and discretionary AIP grants to provide funding for a portion of the FY 2017 – 2021 CIP.

The AIP was established by the Airport and Airway Improvement Act of 1982, as amended. This Act authorized funding for the AIP from the Airport and Airway Trust Fund for airport development and planning and noise compatibility planning programs. The AIP grant is awarded to airports in two ways: (1) entitlement grants, which are awarded annually based on a formula applied to estimated enplanements reduced by 50% if the Airport collects a $3.00 PFC or 75% if the Airport collects a $4.50 PFC; (2) discretionary grants, which are awarded for capital projects that enhance safety, security and noise compatibility. While doing so, the Airport must preserve the existing infrastructure, meet critical expansion needs, and attain compatibility with neighboring communities. During FY 2017, the Airport was awarded approximately $8.6 million in AIP grants, which consisted of 2.0 million entitlement and the balance from discretionary, which shows the Airport's ability to continue to receive those grants. The total amount of grants estimated to be available to finance a portion of the FY 2017–FY 2021 CIP is approximately $42.3 million all in Airfield projects.

1.2.3 Funding Plan for Series 2017 Project

Table 1-4 shows the financing plan for the Series 2017 Project which totals $78.9 million, of which approximately $58.0 million will be funded from a portion of the proceeds of the Series 2017 Project Bonds. The sources of the Series 2017 Project Bonds include proceeds from the sale that will fund approximately $58 million of the Series 2017 Project. The balance of the Series 2017 Project will be funded from PFCs totaling $1.3 million, ADF totaling $1.9 million and the remainder from AIP grants totaling $17.8 million.

The Series 2017 Bonds sources and uses is summarized on Table 1-5. The sources and uses was developed by Wells Fargo and assumes a bond all in total interest cost of 2.94%, which includes cost of issuance, bond premium, underwriter's discount and other amounts.

Table 1-4: Series 2017 Projects

	Total Project Cost	Other Funding PFC PAYGO	ADF	AIP	Series 2017 Bonds
Airfield Projects:					
Airfield Maintenance					
Fire Suppression Bldgs A,B,C,D	$1,271,712				$1,271,712
Electrical Upgrades Bldg A,B	847,808				847,808
Sub-Total Airfield Maintenance Projects	$2,119,520	$0	$0	$0	$2,119,520
Airfield Vehicles					
Snow Plow/Broom	$847,808	$335,557			$512,251
Loader	174,860				174,860
Deicer Truck, 5000 gal	397,410				397,410
Deicer Truck, 5000 gal	428,370	80,903			347,467
Snow Plow/Broom	900,796				900,796
ARFF Oshkosh Truck	1,192,928				1,192,928
Rubber and Paint Remove Vehicle	529,880				529,880
Street Sweeper	317,928				317,928
ARFF Aerial Ladder Truck	1,589,640				1,589,640
FAA Transponders	138,271				138,271
ARFF Ford 450	189,784				189,784
Sub-Total Airfield Vehicles	$6,707,675	$416,460	$0	$0	$6,291,215
Replace North ARFF HVAC Equipment	$847,808		$221,240		$626,568
Airfield Runway and Apron Projects					
Design TLC,P to L and Phs 2 Apron	$1,377,688			$1,033,266	$344,422
Const. TL C,R to P and Phs 1 Apron	12,929,072			5,143,245	7,785,827
Update Pavement Plan	317,928				317,928
Design TL C,S to R Phs 3 Apron	1,409,824			1,057,368	352,456
Const TL C,P to L and Phs 2 Apron	13,230,656			7,236,775	5,993,981
Sub-Total Runway and Apron Projects	$29,265,168	$0	$0	$14,470,654	$14,794,614
Environmental Health					
Vehicle Wash Bay	$529,880				$529,880
Deicing Runoff Tanks	211,952				211,952
Sub-Total Environmental Projects	$741,832	$0	$0	$0	$741,832
Master Plan update w/eALP	$4,450,992	$0	$0	$3,338,244	$1,112,748
Total Airfield Projects	**$44,132,995**	**$416,460**	**$221,240**	**$17,808,898**	**$25,686,497**

Table 1-4: Series 2017 Projects (continued

Terminal 1 Projects:					
Building Maintenance Projects - T1					
Repair ceiling Conc C bridge	$216,896				$216,896
Sanitary Lateral Replacement	3,253,440				3,253,440
T1 Storm Sewers	2,380,912		211,952		2,168,960
Sub-Total Building Maintenance Projects	5,851,248		211,952		$5,639,296
Climate Control - T1					
Replace Cooling Towers	1,165,736				$1,165,736
Deaerators West and East Plants	556,374		149,264		407,110
Replace T1 Air Hand Units 12,16,17	4,662,944				4,662,944
Replace Boiler Controls West and East	243,745				243,745
Sub-Total Climate Control T1	6,628,799		149,264		$6,479,535
Arc Flash Study	1,059,760				1,059,760
Engineering Projects T1					
Expansion Joint Structure	317,928				$317,928
Air Lock Doors T1 Entries 2,3,4,5,6	317,928				317,928
Sub-Total Engineering Projects	635,856				$635,856
Airline Holdroom T1 Charging Stations	158,964				158,964
Total Terminal 1 Projects	**$14,334,627**	**$0**	**$361,216**	**$0**	**$13,973,411**
Terminal 1 and 2 Shared Projects					
Upgrade MUFIDS T1/T2	837,210				837,210
Total Terminal 1 and 2 Shared Projects	**$837,210**				**$837,210**
Terminal 2 Projects:					
Climate Control Projects T2					
Deaerators West and East Plants	$556,374				$556,374
Replace Chiller 3 (Design and Const)	3,783,320				3,783,320
Replace Boiler Controls	180,159				180,159
Sub-Total Climate Controls T2	4,519,853				$4,519,853
Replace Inbound Baggage Makeup T2	2,168,960	451,609			1,717,351
Total Terminal 2 Projects	**$6,688,813**	**$451,609**	**$0**	**$0**	**$6,237,204**
Passenger Loading Bridges Projects					
Passenger Loading Bridges					
Reactivate C29 and 30 incl 2 bridges	2,755,376	409,067			$2,346,309
Three (3) loading bridges	3,204,000				3,204,000
Sub-Total Loading Bridges	5,959,376	409,067			$5,550,309
Total Passenger Loading Bridge Projects	**$5,959,376**	**$409,067**	**$0**	**$0**	**$5,550,309**
Parking Projects:					
Parking Improvements					
LED Fixtures - Lots A,B,C,D	423,904				$423,904
T1 Ramp Heaters	423,904				423,904
Roofs at Garage Elevator and Pump Hse	54,224				54,224
Ground Trans Center - refresh signage	2,119,520				2,119,520
Rehab Concrete T1/T2 Parking Garage	2,168,960		1,170,491		998,469
Rehab Asphalt Surfaces Lots A,B,C,D, Cell Phase 1	1,168,208		108,448		1,695,616
Sub-Total Parking Improvements	6,358,720		1,278,939		$5,715,637
Total Parking Projects	**$6,358,720**	**$0**	**$1,278,939**	**$0**	$5,715,637
Total Series 2017 Bond Projects	**$78,311,741**	**$1,277,136**	**$1,861,395**	**$17,808,898**	**$58,000,268**

Table 1-5: Series 2017 Bond Financing Sources and Uses

Sources:	Airport Revenue Refunding Bonds Series 2017A (Non-AMT)	Cash Defeasance 2017 Maturity of Series 2007B	Airport Revenue Refunding Bonds Series 2017B (AMT)	Airport Revenue Bonds Series 2017C (Non-AMT)	Airport Revenue Bonds Series 2017D (AMT)	Total
Bond Proceeds						
Par Amount	$125,410,000	$0	$74,715,000	$31,700,000	$26,605,000	$258,430,000
Premium	22,014,423	0	11,405,100	5,196,886	4,611,096	43,227,505
	147,424,423	0	86,120,100	36,896,886	31,216,096	301,657,505
Other Sources of Funds						
Termination of Debt Service Fund FPA	2,097,000	0	0	0	0	2,097,000
Debt Service Fund	3,618,425	7,021,250	2,127,000	0	0	12,766,675
Debt Service Reserve Fund	4,589,190	0	7,772,156	0	0	12,361,346
	10,304,615	7,021,250	9,899,156	0	0	27,225,021
Total Sources	$157,729,038	$7,021,250	$96,019,256	$36,896,886	$31,216,096	$328,882,526
Uses:						
Project Fund Deposits						
Project Fund	$0	$0	$0	$31,402,134	$26,598,134	$58,000,268
Refunding Escrow Deposits						
Cash Deposit	154,063,425	7,021,250	87,207,000	0	0	248,291,675
Other Fund Deposits						
Stabilization Fund	2,097,000	0	0	0	0	2,097,000
Airport Development Fund	0	0	7,772,157	0	0	7,772,157
Cash Funded Debt Service Reserve Fund	0	0	0	2,729,792	2,291,045	5,020,837
Capitalized Interest Fund	0	0	0	2,390,708	2,006,460	4,397,168
	2,097,000	0	7,772,157	5,120,500	4,297,505	19,287,162
Delivery Date Expenses						
Cost of Issuance	359,204	0	331,837	90,796	118,163	900,000
Underwriter's Discount	404,942	0	235,812	102,358	85,906	829,018
Bond Insurance	409,268	0	233,093	181,915	119,419	943,695
Surety Bond-Refunding	394,387	0	234,963	0	0	629,350
	1,567,801	0	1,035,705	375,069	323,488	3,302,063
Other Uses of Funds						
Contingency	811	0	4,395	(817)	(3,031)	1,358
Total Uses	$157,729,037	$7,021,250	$96,019,257	$36,896,886	$31,216,096	$328,882,526

Section 2 Economic Base

Demographic and economic trends influence the demand for air travel through STL, serving largely origin and destination (O&D) passenger traffic.[4] Trends in the Airport's air service area and Missouri contribute to the area's potential to generate local demand for air travel and draw visitors. National trends contribute to the growth in the Airport's passenger traffic in two ways: (1) they determine demand for air travel nationwide; and (2) they influence regional demographic and economic trends. This section discusses relevant demographic and economic trends in the Airport service area, the St. Louis, MO-IL, metropolitan statistical area (MSA), in comparison with trends in the state of Missouri and the United States. This section also provides an assessment of the outlook for the air service area, Missouri and national economies.

2.1 Air Service Area

Based on the current MSA delineations made by the Office of Management and Budget (OMB),[5] the St. Louis MSA comprises eight counties in southern Illinois, six counties in eastern Missouri, and the city of St. Louis (Table 2-1).

Table 2-1: Counties in the St. Louis MSA

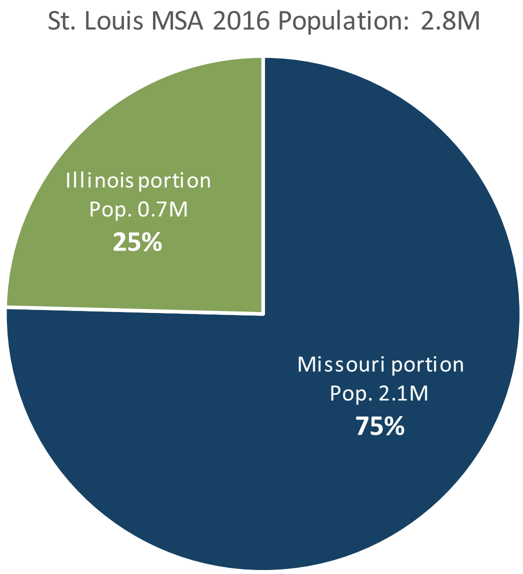
Illinois		Missouri	
• Bond County	• Macoupin County	• Franklin County	• St. Louis City
• Calhoun County	• Madison County	• Jefferson County	• St. Louis County
• Clinton County	• Monroe County	• Lincoln County	• Warren County
• Jersey County	• St. Clair County	• St. Charles County	

The Missouri portion of the St. Louis MSA accounts for more than 75 percent of the MSA population, and almost 35 percent of the Missouri state population (Figure 2-1). Although the MSA covers approximately the same geographic area across the two states, the MSA's counties in Missouri are more densely populated compared with its counties in Illinois (Figure 2-2).

[4] O&D passenger traffic refers to passenger trips originating or ending in the area.

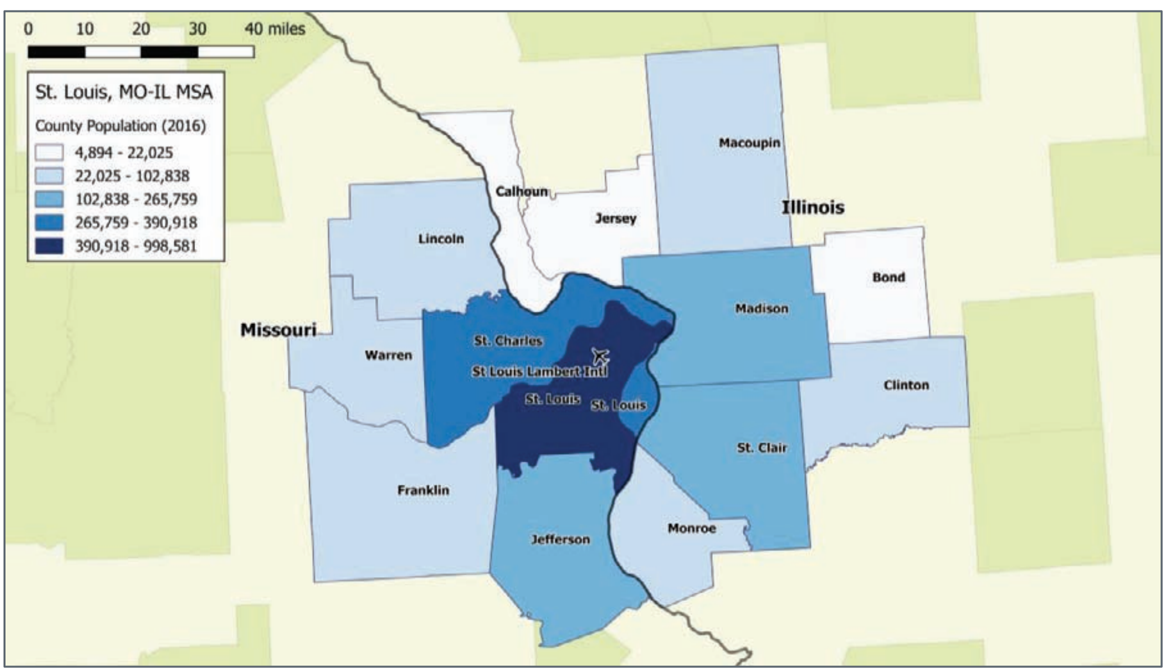
[5] Office of Management and Budget, "Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas, and Guidance on Uses of the Delineations in These Areas," OMB Bulletin No. 13-01, February 28, 2013, <http://www.whitehouse.gov/sites/default/files/omb/bulletins/2013/b-13-01.pdf>.

Figure 2-1: Distribution of the St. Louis MSA Population by State



Sources: U.S. Census Bureau, Unison Consulting, Inc.

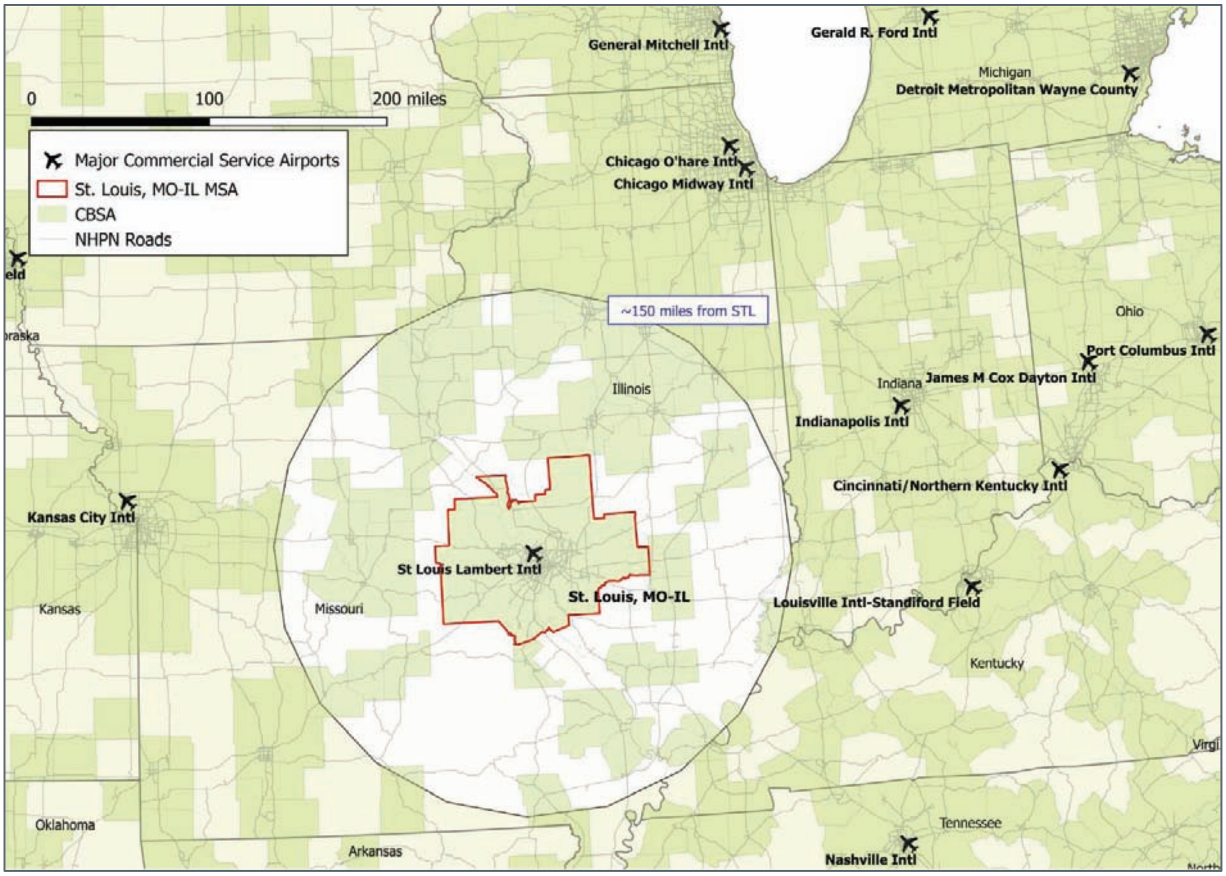
Figure 2-2: St. Louis, MO-IL MSA County 2016 Population



Sources: U.S. Census Bureau, Unison Consulting, Inc.

STL is the only major commercial service airport within the St. Louis MSA. As shown in Figure 2-3, the nearest alternative airport with substantial passenger air services is more than 200 miles (at least a 3 ½ hour drive) away. Commercial airports that enplaned more than 1 million passengers in CY2015 are shown in the figure below.

Figure 2-3: Commercial Service Airports Nearest STL

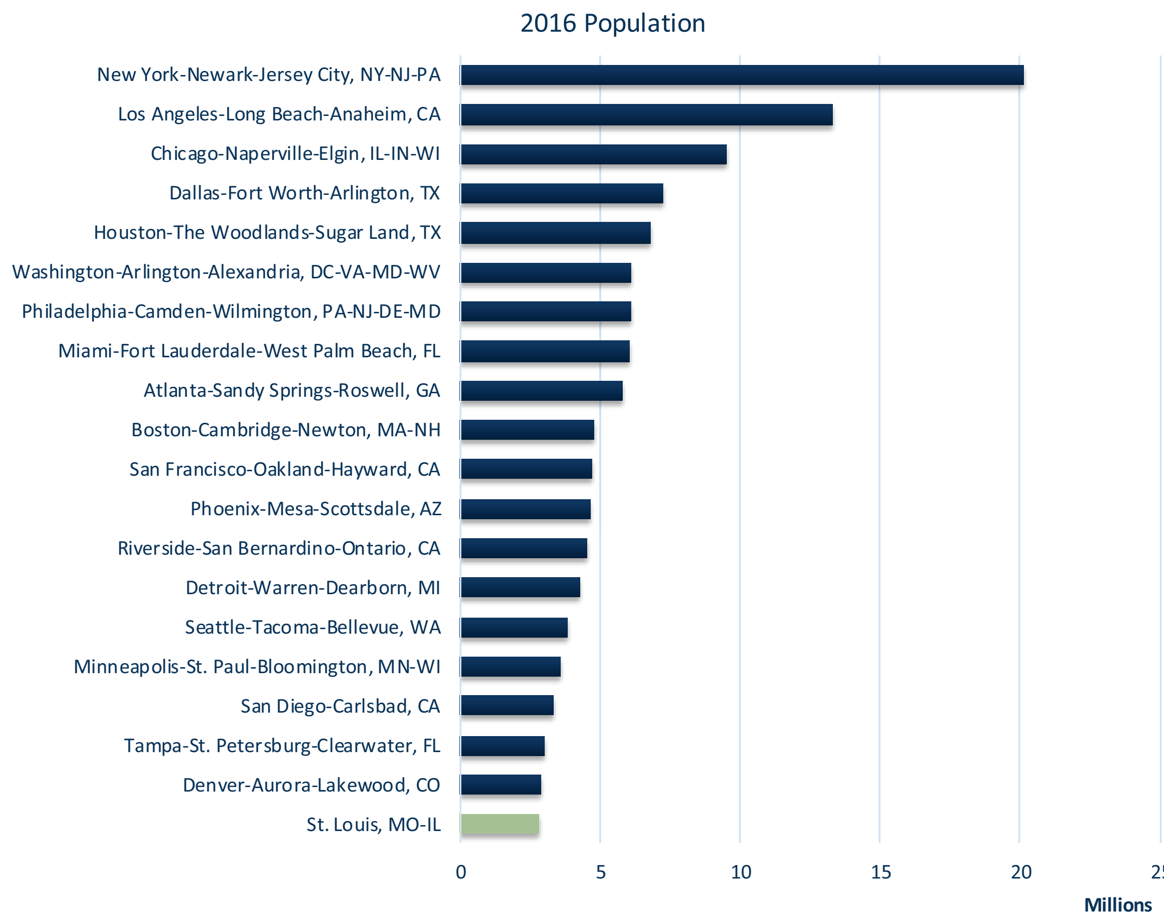


NHPN: National Highway Plan Network.
Sources: U.S. Department of Transportation National Transportation Atlas Database (NTAD) 2016, and Unison Consulting, Inc.

2.2 Population

The St. Louis MSA population offers a large, stable market for air travel. With a population of 2.8 million in 2016, St. Louis is the 20th largest metropolitan area in the country—following the metropolitan areas of Tampa, Denver and San Diego (Figure 2-4).

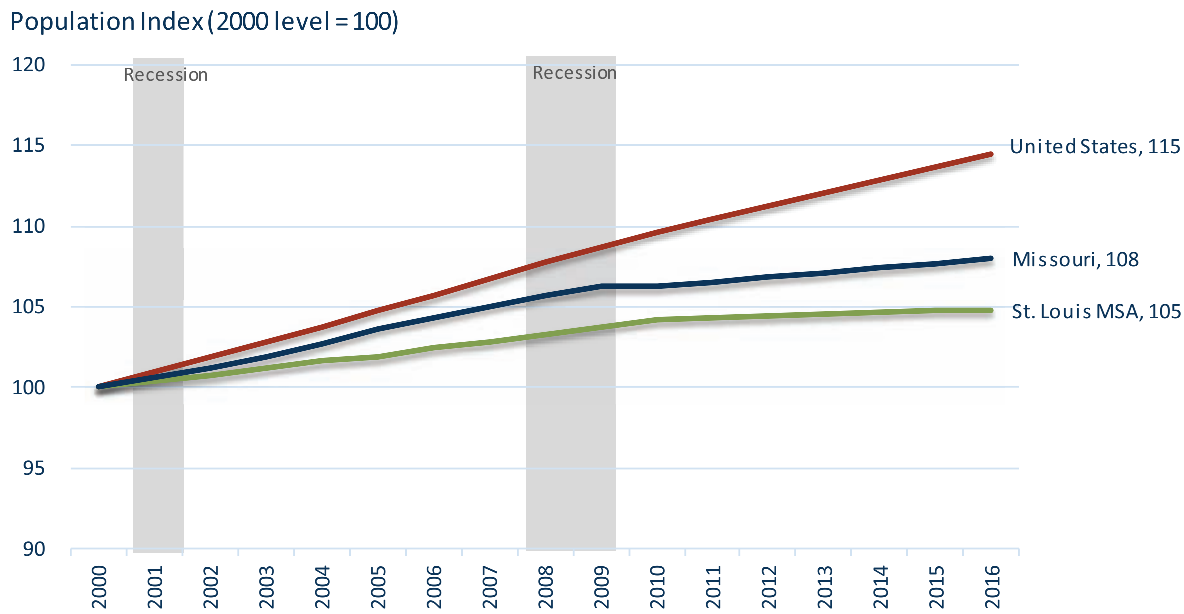
Figure 2-4: Top 20 U.S. Metropolitan Areas by Population - 2016



Source: U.S. Census Bureau.

The St. Louis MSA population has been slow-growing. Since 2000, it has grown only 5 percent (an average of 0.3 percent a year), slower than both the Missouri state population growth of 8 percent (an average of 0.5 percent a year) and the national population growth of 15 percent (an average of 0.9 percent per year) (Figure 2-2-5).

Figure 2-2-5: Population Growth Trends Since 2000



Source: U.S. Census Bureau.

The pace of population growth in the St. Louis MSA has also been slowing, from an average of 0.4 percent a year between 2000 and 2010 to an average of 0.1 percent a year between 2010 and 2016 (Table 2-2). Population losses in nearly all of the MSA's Illinois counties and in the City are responsible for the slowing of the MSA's population growth since 2010. The Missouri counties, with the exception of St. Louis County, are gaining population, with St. Charles County posting the highest population growth rate from 2010 to 2016. The population of St. Louis County held steady from 2010.

Table 2-2: Population

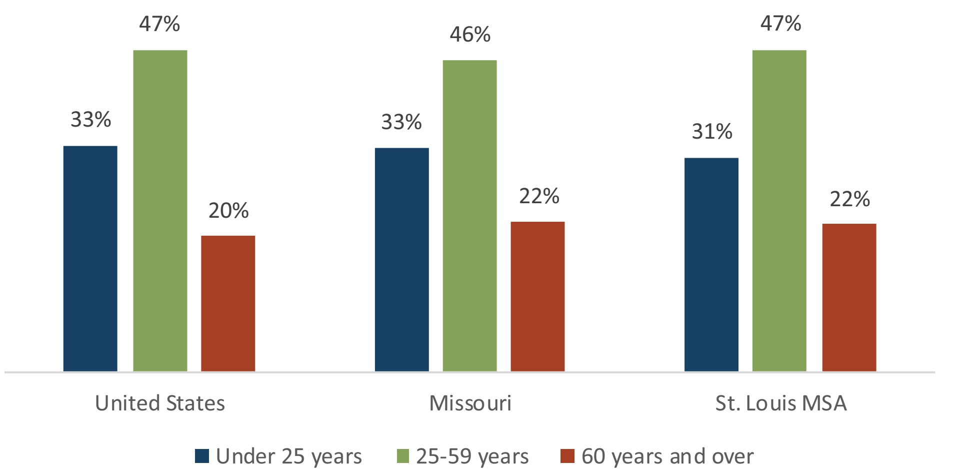
				CAGR		
Area	**2000**	**2010**	**2016**	**2000-2010**	**2010-2016**	**2000-2016**
St. Louis, MO-IL MSA						
Bond County, IL	17,659	17,771	16,824	0.1%	-0.9%	-0.3%
Calhoun County, IL	5,086	5,081	4,894	0.0%	-0.6%	-0.2%
Clinton, County, IL	35,565	37,827	37,729	0.6%	0.0%	0.4%
Jersey County, IL	21,642	22,966	22,025	0.6%	-0.7%	0.1%
Macoupin County, IL	48,972	47,791	45,908	-0.2%	-0.7%	-0.4%
Madison County, IL	259,204	269,384	265,759	0.4%	-0.2%	0.2%
Monroe County, IL	27,764	33,010	34,068	1.7%	0.5%	1.3%
St. Clair County, IL	256,462	270,370	262,759	0.5%	-0.5%	0.2%
Franklin County, MO	94,050	101,502	102,838	0.8%	0.2%	0.6%
Jefferson County, MO	198,937	219,129	224,226	1.0%	0.4%	0.8%
Lincoln County, MO	39,196	52,700	55,267	3.0%	0.8%	2.2%
St. Charles County, MO	286,218	361,840	390,918	2.4%	1.3%	2.0%
St. Louis County, MO	1,016,178	998,833	998,581	-0.2%	0.0%	-0.1%
Warren County, MO	24,745	32,583	33,802	2.8%	0.6%	2.0%
St. Louis City, MO	347,144	319,305	311,404	-0.8%	-0.4%	-0.7%
Total - St. Louis, MO-IL MSA	2,678,822	2,790,092	2,807,002	0.4%	0.1%	0.3%
Missouri	5,607,285	5,996,118	6,093,000	0.7%	0.3%	0.5%
United States	282,162,411	309,348,193	323,127,513	0.9%	0.7%	0.9%

Source: U.S. Census Bureau mid-year population estimates.

2.3 Age Characteristics

The MSA has a slightly older population than the entire state of Missouri and the nation. The MSA has a greater proportion of population aged 60 and older, and a smaller proportion of population under 25 years old (Figure 2-6). Population aging is a major concern for the nation. An increase in the elderly population could slow economic growth, because it would decrease the labor force and increase government spending on elderly support and health care.

Figure 2-6: Population Age Distribution, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates.

2.4 Educational Attainment

A well-educated work force is important for economic diversification and long-term growth. Well-educated people adapt better to changing skill requirements. They drive innovation and productivity.[6] One study shows that areas with higher education attainment have higher productivity.[7] Areas with higher educational attainment also tend to have higher income and employment levels.[8] They attract fast-growing knowledge-based industries that bring high-income jobs—in turn, attracting highly educated workers.

Overall the St. Louis MSA population has a higher level of educational attainment than the Missouri and U.S. populations. Compared to the state and the nation, the MSA has greater shares of residents

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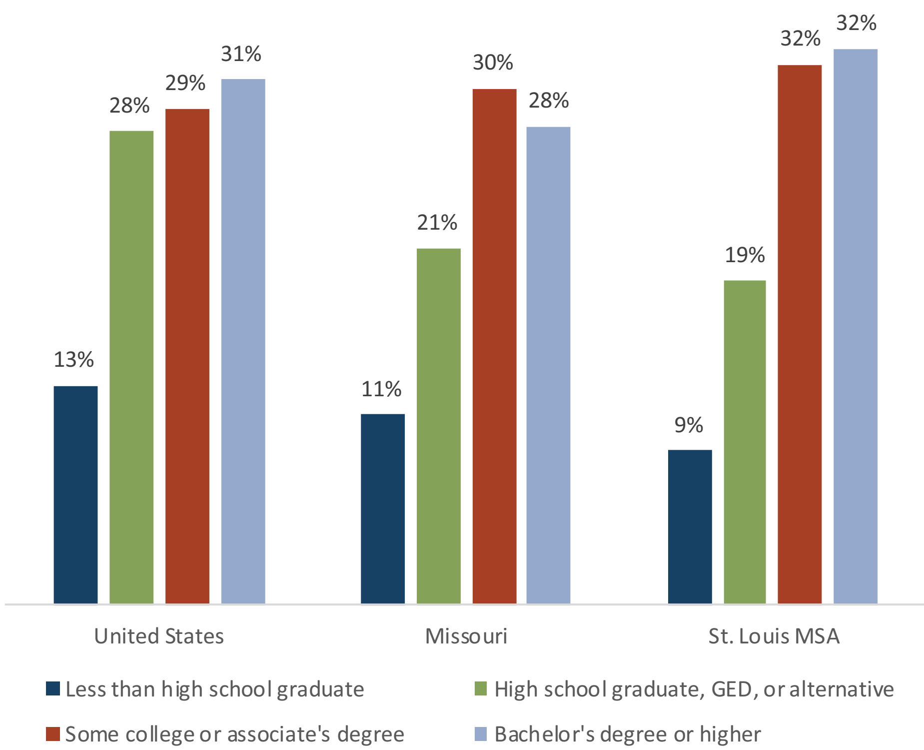
[6] Enrico Moretti, *The New Geography of Jobs*, Houghton Mifflin Harcourt, 2012.

[7] J.R. Abel and T.M. Gabe, "Human capital and economic activity in urban America," *Regional Studies* 45(8), 2011, page 1079-1090.

[8] L. Wolf-Powers, *Predictors of Employment Growth and Unemployment in US Central Cities*, W.E. Upjohn Institute, 2013, <http://research.upjohn.org/up_workingpapers/199/>.

with some college education and with college or graduate degrees within its adult population (Figure 2-7).

Figure 2-7: Educational Attainment of Population 25 Years and Older, 2011-2015



Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates.

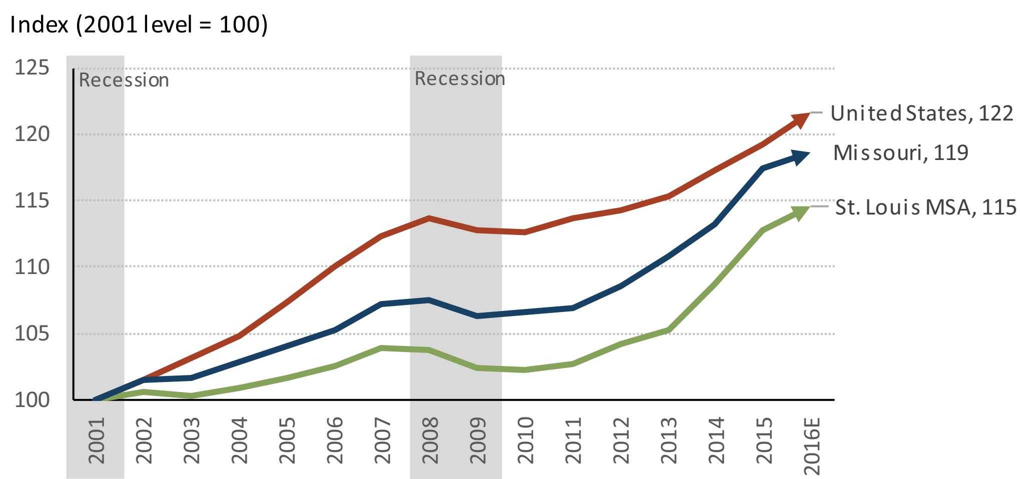
2.5 Labor Market

Trends in the labor market reflect business conditions and overall economic well-being—factors that influence the demand for air travel. Employment growth reflects the pace of economic growth. Employment tends to decrease during an economic recession, and increase during recovery and expansion. Employment needs to grow to raise living standards, boost consumer confidence, and increase consumer spending.

This section looks at several key labor market indicators—number of business establishments, employment in all business establishments, civilian labor force, employed civilian labor force, and unemployment rate. All of these indicators support the St. Louis Federal Reserve Bank's assessment that the St. Louis MSA economy is improving. Labor market conditions in the MSA are strong and continue to tighten.[9]

Job creation begins with business development, which has been progressing at a healthy pace in the St. Louis MSA. The number of business establishments in the MSA has increased by 15 percent since 2000 (Figure 2-8). The overall increase from 2000 to 2016 may be smaller than the overall increases in the entire state of Missouri (19 percent) and the United States (22 percent) over the same period, but since 2010 the number of business establishments has been increasing at a much faster rate in the St. Louis MSA (1.9 percent per year), especially relative to the entire nation (1.3 percent per year).

Figure 2-8: Growth of Business Establishments



	Compound Annual Growth Rate		
Period	St. Louis MSA	Missouri	United States
2001-2010	0.2%	0.7%	1.3%
2010-2016	1.9%	1.8%	1.3%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. For the St. Louis MSA and Missouri, the 2016 estimates are based on preliminary data for the first three quarters of 2016.

An economic commentary published online referred to St. Louis as "the new startup frontier", because the St. Louis MSA was second among metro areas with the fastest growth rate of new startups from 2009 to 2014. According to the U.S. Census Bureau data used in the article, startups, defined as businesses under a year old, increased in share of all businesses in the St. Louis MSA from 6.7 percent in 2009 to 9.7 percent in 2014. [10]

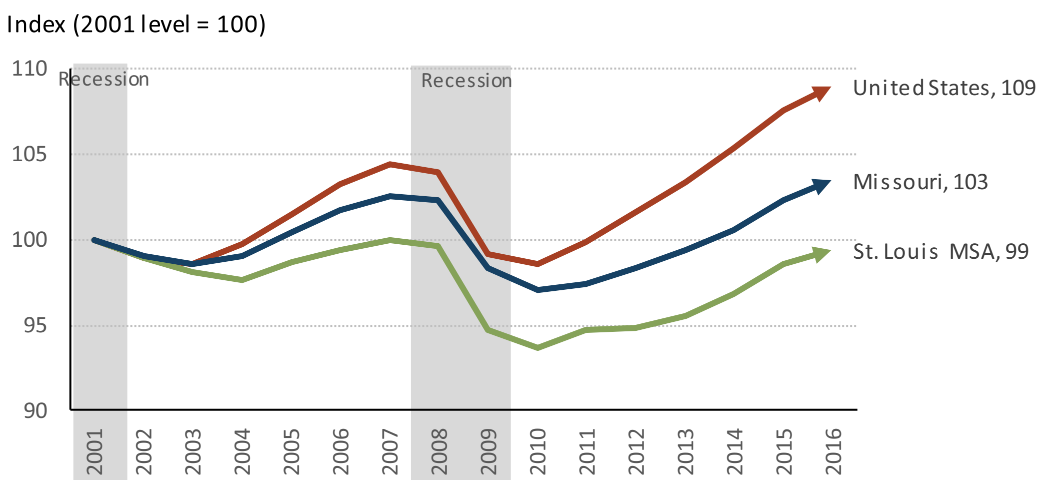
[9] St. Louis Federal Reserve Bank Burgundy Book, A Report on Economic Conditions in the St. Louis Zone, 2016 quarterly issues.

[10] Ben Casselman, "St Louis is the New Startup Frontier," *FiveThirtyEight*, September 12, 2016, in https://fivethirtyeight.com/features/st-louis-is-the-new-startup-frontier/ .

Figure 2-9 shows the trends in job creation. Jobs are vulnerable to economic downturns. Nationwide, jobs decreased following the two recessions since 2001. In the 2008-2009 recession, jobs decreased more sharply and took much longer to recover than they did following the mild recession in 2001.

Overall since 2001, the St. Louis MSA lagged in job creation, especially when compared to the entire nation, because, in the St. Louis MSA, the number of jobs recovered more slowly following the 2001 recession and decreased more sharply following the 2008-2009 recession. Since 2010, however, job recovery in the St. Louis MSA has picked up pace, averaging a 1 percent growth each year.

Figure 2-9: Growth in Number of Employees in All Business Establishments



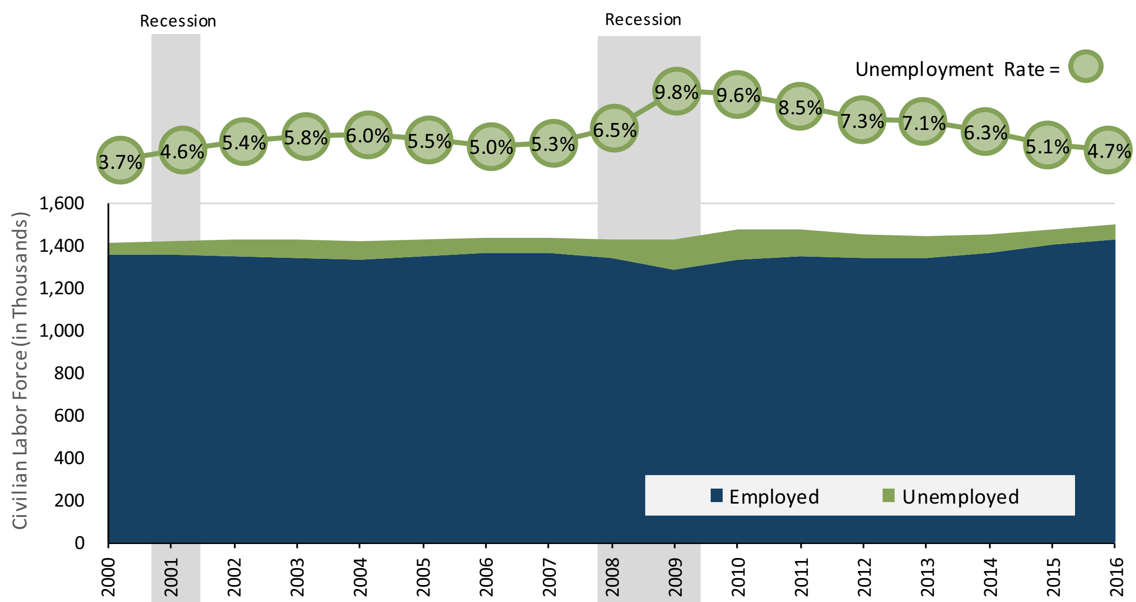
	Compound Annual Growth Rate		
Period	St. Louis MSA	Missouri	United States
2001-2010	-0.7%	-0.3%	-0.2%
2010-2016	1.0%	1.1%	1.7%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. For the St. Louis MSA and Missouri, the 2016 estimates are based on preliminary data for the first three quarters of 2016.

Trends in the civilian labor force, shown in Figure 2-10, reflect the improvements in the St. Louis MSA labor market. The civilian labor force consists of residents of working age (16 years and older), who are either employed, or unemployed but actively seeking employment. Employment counts include all types of civilian employment, including agricultural, non-agricultural, and self-employment. The unemployment rate refers to the unemployed as a percentage of the labor force.

In the St. Louis MSA, the growth in employment (averaging 1.1 percent a year) has outpaced the growth in the civilian labor force (averaging 0.3 percent a year) since 2010. The MSA's unemployment rate has fallen from a peak 9.8 percent in 2010 to 4.7 percent in 2016, lower than the U.S. unemployment rate of 4.9 percent in the same year.

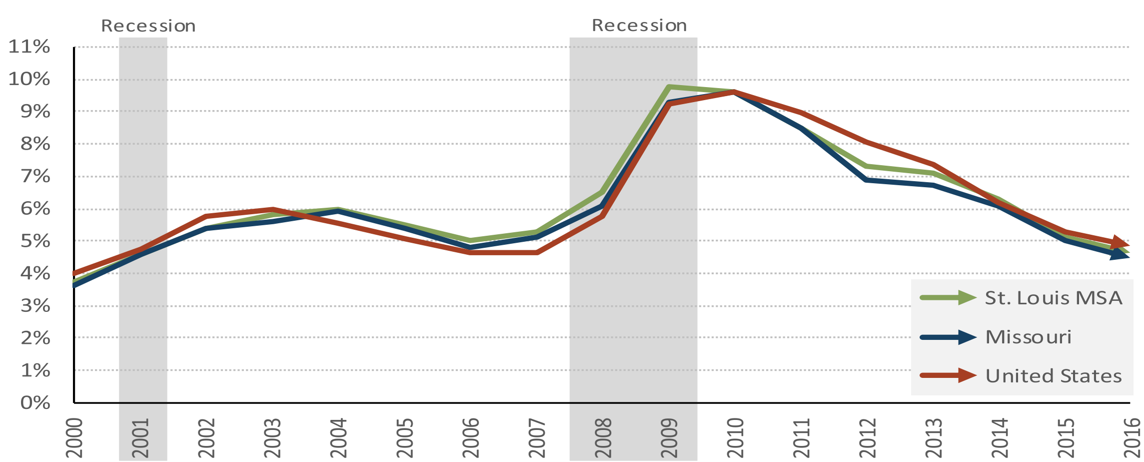
Figure 2-10: St. Louis MSA Civilian Labor Force Trends



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

Overall, the St. Louis MSA and the Missouri state unemployment rates have followed national trends—rising during economic recessions and falling during economic expansions (Figure 2-11). Since 2010, both the St. Louis MSA and the state of Missouri have had lower unemployment rates than the entire nation in most years.

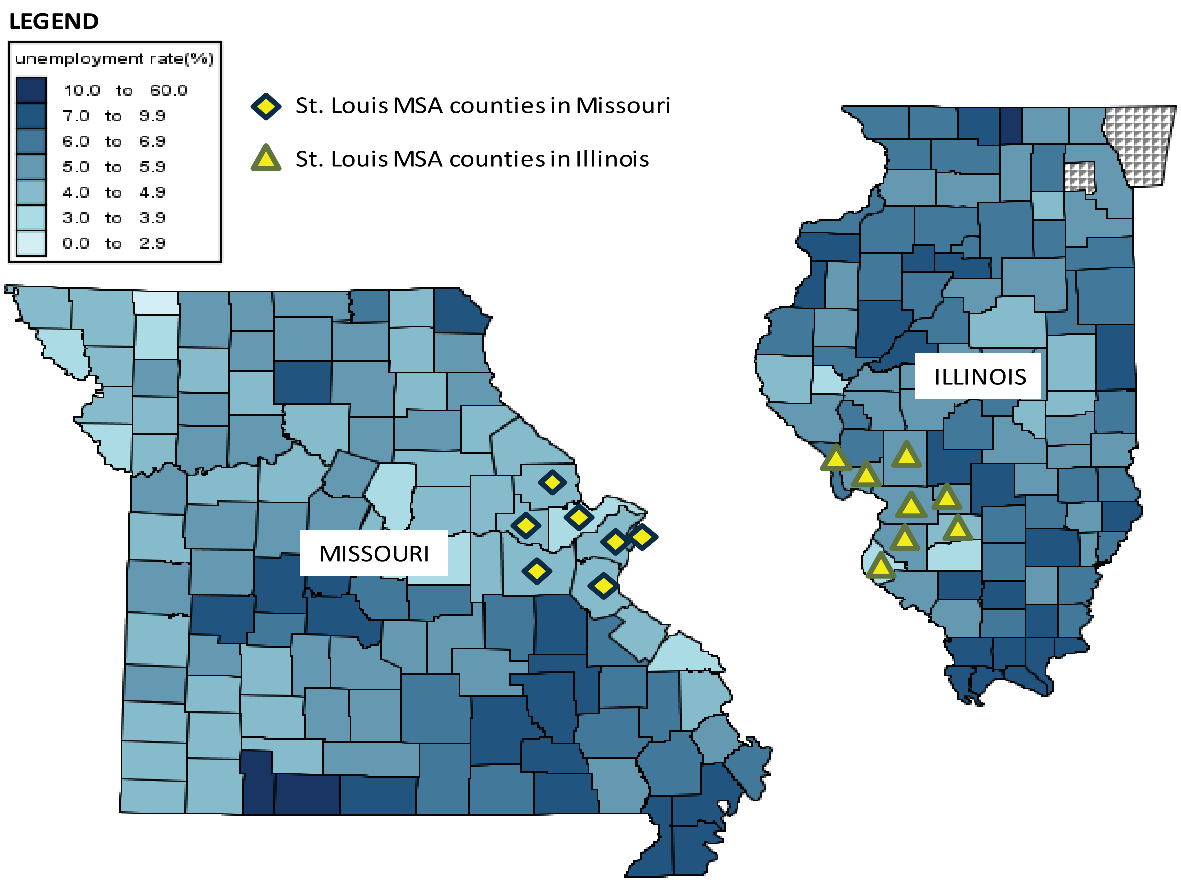
Figure 2-11: Unemployment Rate



Source: U.S. Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics.

The MSA's unemployment rate continued to fall slightly to 4.6 percent in February 2017, still lower than the national unemployment rate of 4.7 percent in the same month. The county unemployment rate maps for the states of Missouri and Illinois in Figure 2-12 show that, in February 2017, the counties in the St. Louis MSA, in both Missouri and Illinois, had lower unemployment rates than most other counties in Missouri and Illinois. The MSA's counties in Missouri had lower unemployment rates than the MSA's counties in Illinois.

Figure 2-12: Missouri and Illinois County Unemployment Rate Maps, February 2017



ST. LOUIS MSA COUNTY UNEMPLOYMENT RATES, FEBRUARY 2017

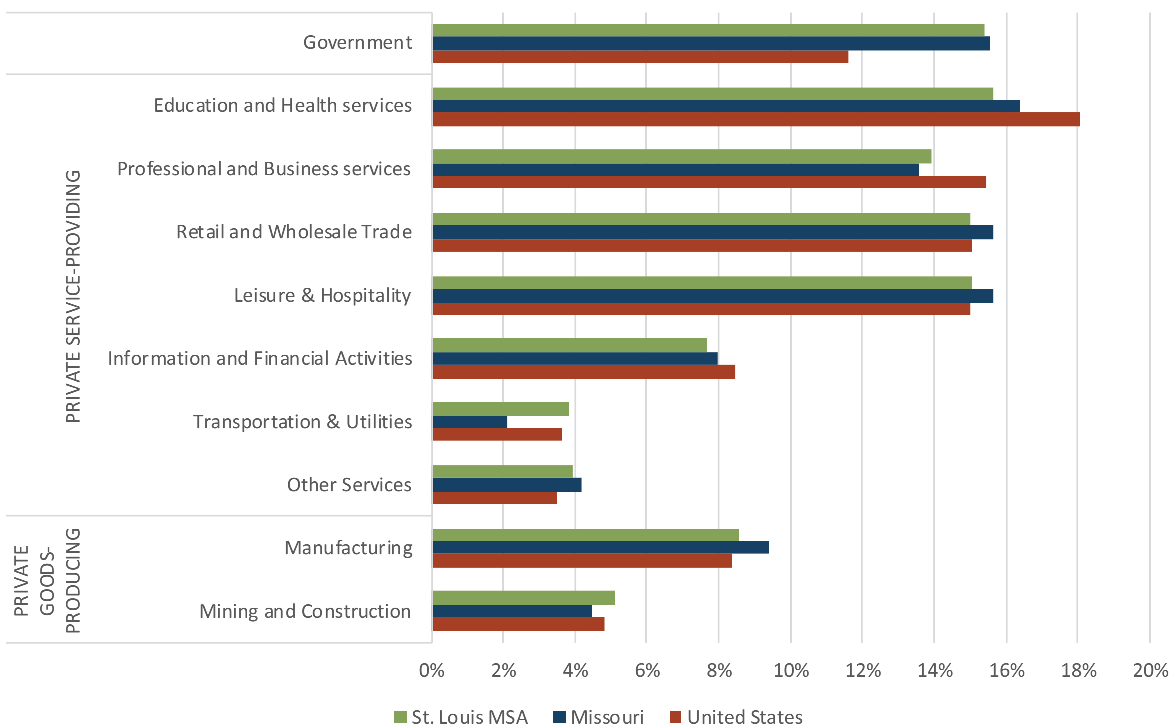
St. Charles County, MO	3.7%	Monroe County	3.7%
Warren County, MO	4.2%	Clinton, County, IL	4.3%
St. Louis County, MO	4.2%	Madison County, IL	5.2%
Franklin County, MO	4.7%	St. Clair County, IL	5.3%
Jefferson County, MO	4.7%	Bond County, IL	5.4%
Lincoln County, MO	4.8%	Macoupin County, IL	5.7%
St. Louis City, MO	5.3%	Jersey County, IL	5.8%
		Calhoun County, IL	6.5%

Source: U.S. Bureau of Labor Statistics, *Unemployment Rate by State*, not seasonally adjusted, February 2017.

2.6 Employment by Industry

Figure 2-13 shows that the MSA has a diversified economy. Compared to the nation, however, the MSA has higher employment concentrations in *government, transportation and utilities*, *other services*, *manufacturing*, and *mining and construction*, and lower employment concentrations in the other industry sectors, especially *professional and business services* and *education and health services.*

Figure 2-13: Employment Share by Industry



Source: U.S. Bureau of Labor Statistics.

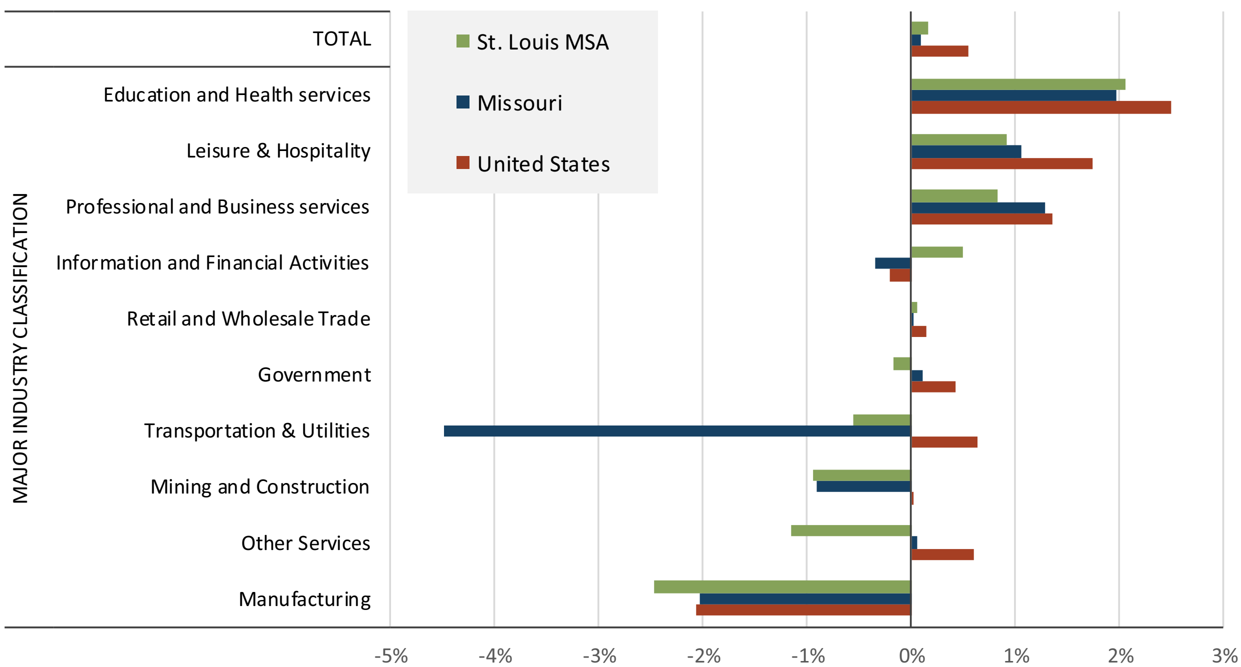
The St. Louis MSA's five largest industry sectors are *government*, and the four private service-providing sectors, namely, *education and health services*, *professional and business services*, *retail and wholesale trade*, and *leisure and hospitality*. These five industry sectors are also the largest in the state and the nation. In 2016, they accounted for a combined share of 75 percent of nonfarm employment in the MSA and the nation, and 77 percent of nonfarm employment in the state.

As in the state and the nation, the three fastest growing industry sectors in the MSA since 2000 have been *education and health services*, *leisure and hospitality*, and *professional and business services* (Figure 2-14). In contrast, the following industry sectors recorded the largest proportional losses in employment in the MSA: *manufacturing*, *other services*, and *mining and construction* between 2000 and 2016. Since 2010, however, these industry sectors have turned around, posting employment gains along with other private industry sectors in the MSA (Figure 2-15).

Manufacturing jobs have been moving to other countries where labor and other business costs are lower—a trend that began shortly after the North American Free Trade Agreement (NAFTA) of 1994 and has continued with global trade liberalization. The MSA is not an exception to this trend, as manufacturing employment declined at a slightly higher rate in the MSA than in the state and the nation.

Figure 2-14: Employment Growth by Industry, 2000-2016

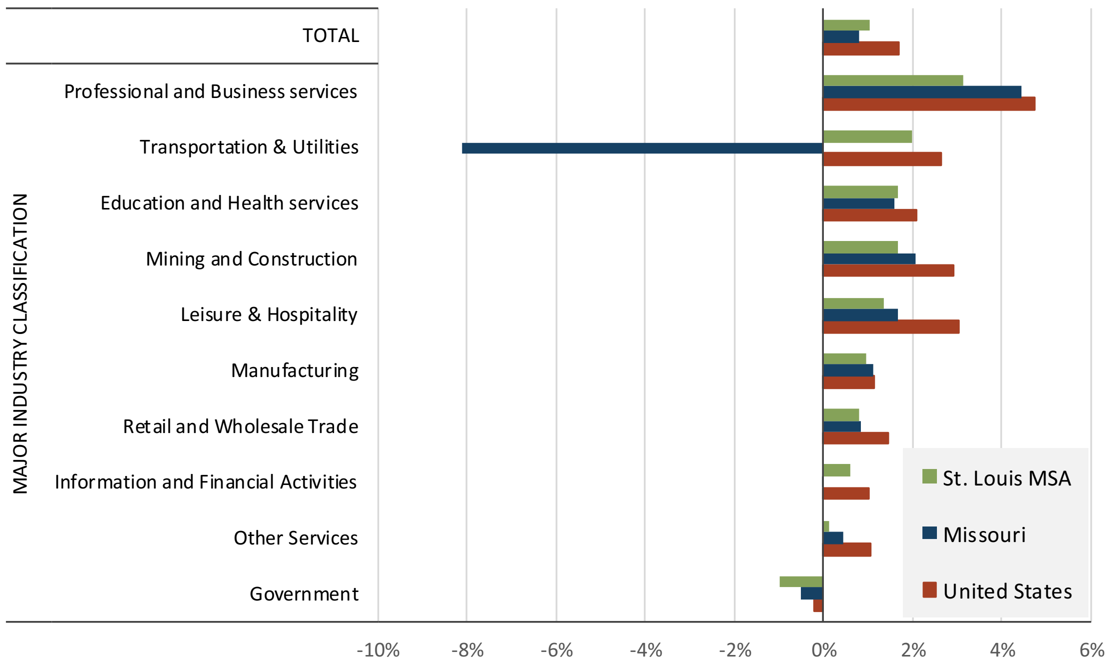
Compound Average Growth Rate, 2000-2016



Source: U.S. Bureau of Labor Statistics.

Figure 2-15: Employment Growth by Industry, 2010-2016

Compound Average Growth Rate, 2000-2016



Source: U.S. Bureau of Labor Statistics.

2.7 Major Employers and Large Company Headquarters

Table 2-3 lists the major employers in the MSA and Table 2-5 lists other large companies with headquarters in the area.

Table 2-3: Major Employers in the St. Louis MSA

Company	Industry Description	Local Employment	Headquarters
BJC HealthCare	Health Care & Social Assistance	24,182	St. Louis MSA
Wal-Mart Stores Inc.	Retail Trade	22,006	Bentonville, AR
SSM Health Care	Health Care & Social Assistance	15,949	St. Louis MSA
Washington University in St. Louis	Educational Services	14,692	St. Louis MSA
Boeing Defense, Space & Security	Manufacturing	14,617	Washington, DC
Mercy Health	Health Care & Social Assistance	13,715	St. Louis MSA
Scott Air Force Base	Public Administration	13,000	St. Louis MSA
U.S. Postal Service	Public Administration	11,693	Washington, DC
Schnuck Markets Inc.	Retail Trade	10,897	St. Louis MSA
Archdiocese of St. Louis	Educational Services	10,460	St. Louis MSA
AT&T Communications Inc.	Information	10,015	Dallas, TX
McDonald’s	Accommodation & Food Services	7,550	Oak Brook, IL
Saint Louis University	Educational Services	7,311	St. Louis MSA
City of Saint Louis	Public Administration	7,085	St. Louis MSA
Washington University Physcians	Health Care & Social Assistance	7,004	St. Louis MSA
Special School District of St. Louis County	Educational Services	6,382	St. Louis MSA
Express Scripts Inc.	Wholesale Trade	5,788	St. Louis MSA
Edward Jones	Finance & Insurance	5,525	St. Louis MSA
Imo's Pizza	Accommodation & Food Services	5,455	St. Louis MSA
Enterprise Holdings, Inc.	Real Estate & Rental & Leasing	5,100	St. Louis MSA
Wells Fargo Advisors	Finance & Insurance	5,000	St. Louis MSA
Walgreens	Retail Trade	4,740	Springfield, IL
Target Corp	Retail Trade	4,675	Minneapolis, MN
General Motors	Manufacturing	4,600	Detroit, MI
Ameren Corporation	Utilities	4,374	St. Louis MSA

Source: State of Missouri, Employment Development Department, 2017.

Table 2-4: Fortune 500 Headquarters in the St. Louis, MO-IL MSA

Fortune 500	Industry	2016 Revenue	Rank in 2016
Express Scripts	Pharmaceutical Benefits Management and Distribution	$101.8 B	22
Centene	Health Insurance	$22.8 B	124
Emerson Electric	Electrical Engineering	$22.3 B	128
Monsanto	Manufacturing	$15.0 B	189
Graybar Electric	Media	$6.1 B	423
Ameren	Electric and Gas Utilities	$6.1 B	425
Peabody Energy	Coal Energy	$5.6 B	458

Source: Forbes Fortune 500, 2016.

Table 2-5: Other Large Companies Headquartered in the St. Louis, MO-IL MSA

Company	Industry	Location
Enterprise Holdings Inc.	Transportation	St. Louis, MO
World Wide Technology Holding Company, Inc.	Information Technology	Maryland Heights, MO
Edward Jones	Financial Services	St. Louis, MO
Apex Oil Co. Inc.	Oil & Natural Gas	St. Louis, MO
McCarthy Holdings, Inc.	Construction	St. Louis, MO
Prarie Farms Dairy, Inc.	Dairy Products	St. Louis, MO
Schnuck Markets, Inc.	Retail	St. Louis, MO
Alberici Corp.	Construction	St. Louis, MO
Barry-Wehmiller Group	Manufacturing Technology and Services	St. Louis, MO

Source: Forbes, America's Largest Private Companies, 2016.

2.8 Industry Concentrations

Across Missouri, concentrations of industries have developed over the years. They have created specialized workforces that continue to attract expansion and relocation of firms in those industries. Some of these industry concentrations are found in the MSA (Table 2-6). The analysis compares the portion of the county's workforce employed in a certain industry with the portion of the entire U.S. workforce employed in that section, in the form of the location quotient (LQ). The location quotient describes how concentrated the industry is within the region, with 1 being the national average. [11]

[11] Missouri Department of Economic Development, *2016 Missouri Economic Report*, January 2017, page 45.

Table 2-6: Top Industry Concentrations in the St. Louis, MO-IL MSA

NAICS	Industry Title	Jobs	Average Annual Wage	Industry LQ	Job Growth 2014-2015
3334	HVAC & Commercial Refrigeration Equipment	8,508	$47,718	3.40	-1.7%
3359	Other Electrical Equip. & Component Manufacturing	5,337	$48,896	2.11	4.0%
3116	Animal Slaughtering & Processing	17,260	$38,672	1.82	3.6%
3364	Aerospace Product & Parts Manufacturing	16,778	$108,755	1.79	-5.6%
5619	Other Support Services	9,707	$42,296	1.64	-0.1%
5182	Data Processing, Hosting, Related Services	9,362	$121,154	1.62	-8.5%
4251	Electronic Markets, Agents, Brokers	27,574	$87,544	1.55	3.5%
5511	Management of Companies & Enterprises	65,475	$97,925	1.53	-0.9%
3335	Metalworking Machinery Manufacturing	5,247	$51,469	1.48	2.6%
6231	Nursing Care Facilities	45,479	$25,083	1.42	0.0%

Source: Missouri Economic Research and Information Center, Missouri Industry Brief: Industry Concentration 2015, August 2016.

The St. Louis MSA is also evolving into a high-tech hub. Boeing, Unisys and Hudson's Bay Company are among the many companies that expanded their tech operations in St. Louis in recent years. [12] Microsoft is moving its Creve Coeur office to be the anchor tenant for the newest expansion of St. Louis' Cortex tech hub in mid-2018. The new St. Louis office, which will have 150 Microsoft employees including the 60 currently in the Creve Coeur office, will serve as Microsoft's regional headquarters for states such as Missouri, Kansas and Tennessee. [13]

2.9 Tourism

Tourism not only drives demand for air transportation, but it also contributes to economic growth. Tourism is one of St. Louis' most important industries, and a key source of business establishments and employees in the MSA. St. Louis' premier attraction, the 630-foot Gateway Arch attracts millions of domestic and international visitors annually. Museums such as the Magic House, the St. Louis Museum of Transportation, the City Museum, and the Saint Louis Science Center also attract millions of visitors throughout the year. Moreover, visitors enjoy live theater and music at the Fabulous Fox, the Repertory Theater and the Opera Theatre of St. Louis.[14]

Other tourist attractions in St. Louis MSA include:

- Outdoor recreation within parks such as City Gardens and Forest Park
- Amusement parks such as Six Flags St. Louis

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[12] Joe Yogerst, "St. Louis and Kansas City Bounces Back," *CNN Travel*, February 16, 2017, in http://www.cnn.com/2017/02/16/travel/st-louis-kansas-city-missouri-revitalization/index. html.

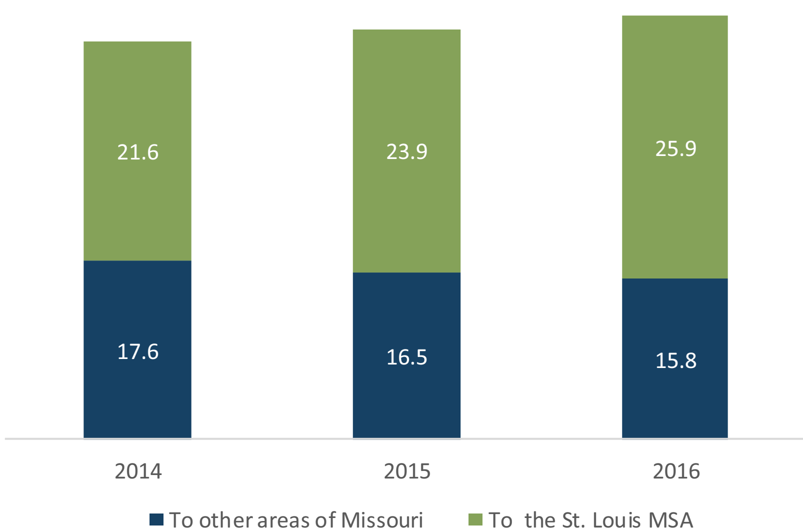
[13] Jacob Barker, "Microsoft adding jobs in move from Creve Coeur to Cortex," *St. Louis Post-Dispatch*, March 8, 2017, in http://www.stltoday.com/business/local/microsoft-adding-jobs-in-move-from-creve-coeur-to-cortex/article bae386ef-f33d-50ao-90d9-b997177fc12b.html

[14] The Explore St. Louis website, 25 Things to Do, 2017.

- Sporting events featuring the St. Louis Cardinals and the Saint Louis Blues
- Dozens of museums and several contemporary art galleries

Figure 2-16 shows the trends in the volume of visitors in the MSA and Missouri. In the past three years, the MSA had nearly 25 million visitors a year. These accounted for the majority—approximately 63 percent—of the annual visitors in the entire state. Total visitors to the MSA increased, slightly, each year from 21.6 million in 2014 to 25.9 million in 2016.

Figure 2-16: Annual Volume of Visitors (in Million Person-Trips)

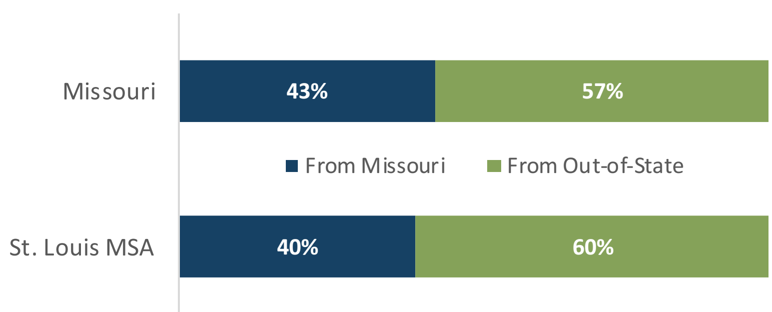


Source: Explore St. Louis and the Missouri Division of Tourism.

The MSA receives more visitors from outside Missouri (60 percent), compared with the entire state (57 percent) (

Figure 2-17).

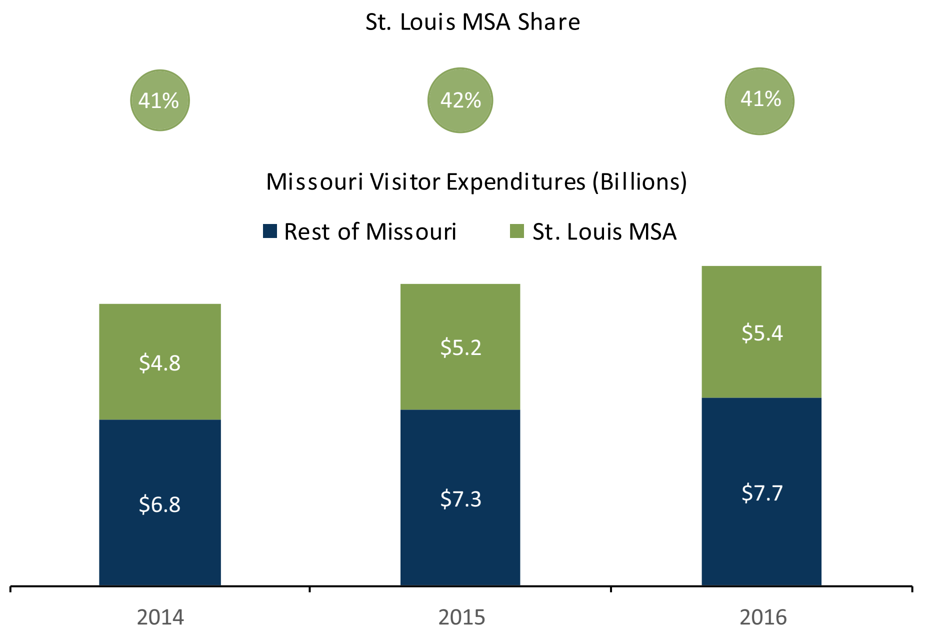
Figure 2-17: Origin of Visitors (2015)



Source: Explore St. Louis and the Missouri Division of Tourism.

Visitor spending generates revenues for local businesses that, in turn, provide local jobs. Figure 2-18 shows steady increases in visitor spending in the MSA and the rest of the state. Visitor spending in the MSA, which increased from \$4.8 billion in 2014 to \$5.4 billion in 2016, accounts for 41 percent of visitor spending in the entire state.

Figure 2-18: Visitor Spending



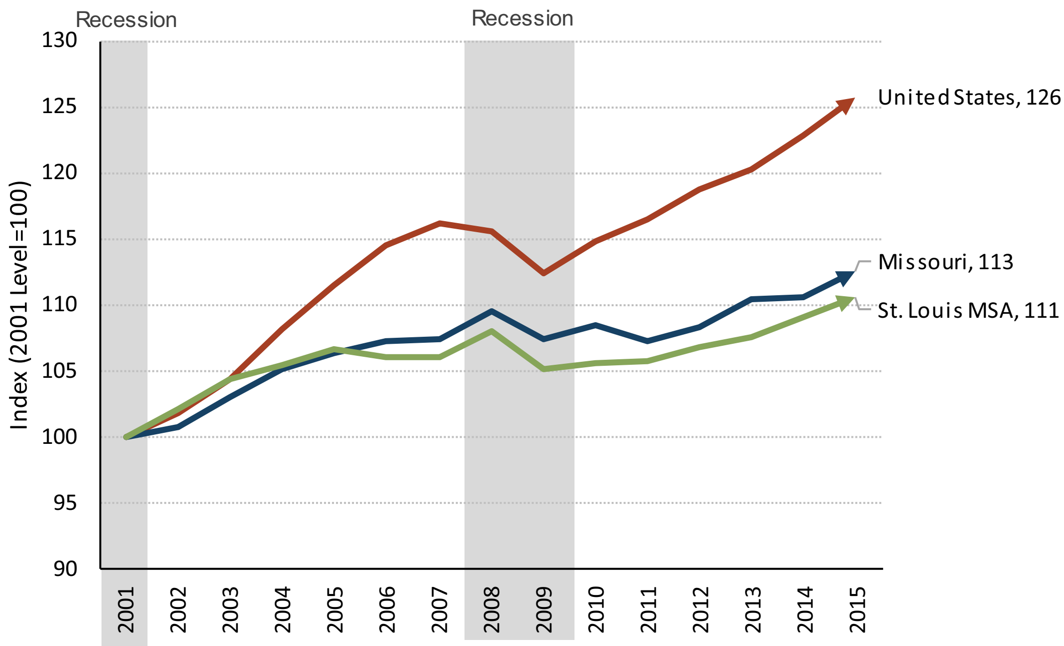
Source: Explore St. Louis and the Missouri Division of Tourism.

2.10 Economic Output

Airport passenger traffic tracks economic growth. The most comprehensive indicator of economic growth is gross domestic product (GDP), which measures the value of all goods and services produced in an area. Growth in inflation-adjusted (real) GDP indicates an economic expansion, while a steady decline over two or more quarters indicates a recession.

The St. Louis MSA's real GDP has grown to new record levels, despite the setback from the Great Recession (Figure 2-19). It has grown at least 11 percent from its level in 2001. This rate of growth, however, lagged behind the growth in real GDP in the entire state of Missouri (13 percent) and nationwide (26 percent).

Figure 2-19: Growth in Real Gross Domestic Product



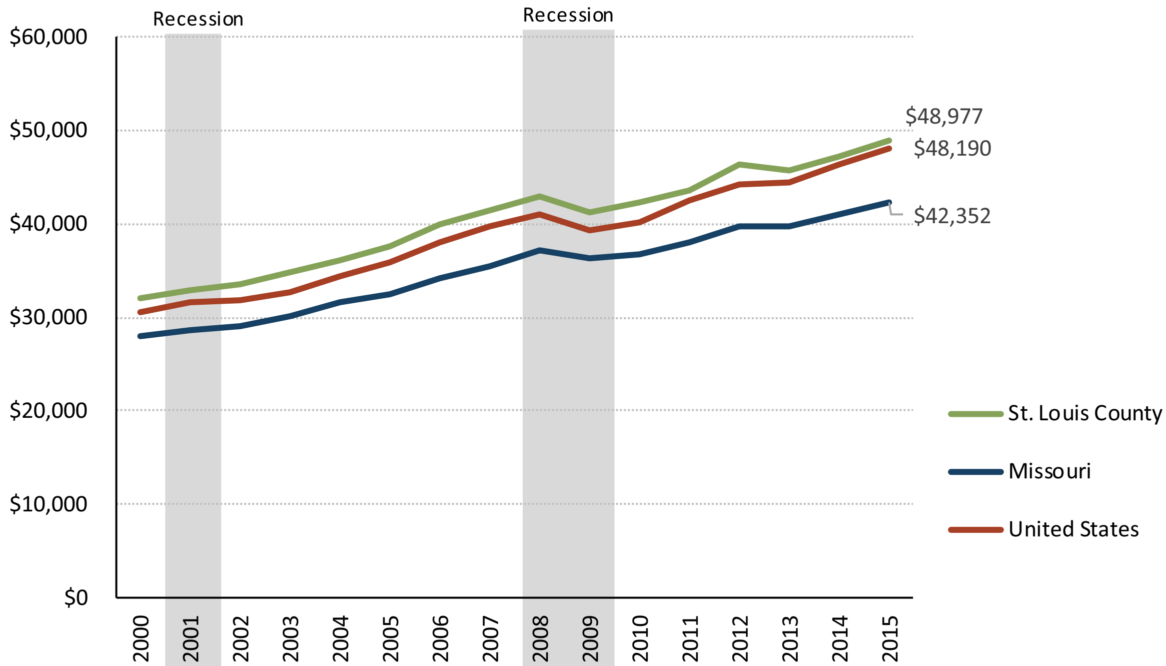
Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts.

2.11 Income

Personal income measures the income people receive from all sources—employment, proprietorship, government transfers, rental properties, and other assets. Consumers' ability to spend and build wealth depends on their personal income. Growth in personal income boosts demand for air travel. A component of GDP, personal income follows the same cyclical pattern: increasing during economic expansion and decreasing during economic recession.

The MSA had a higher per capita income and income growth than that of the state and the nation from 2000 to 2016 (Figure 2-20). Annual growth in per capita income averaged 2.9 percent in the MSA, 2.8 percent in Missouri, and 3.1 percent in the nation.

Figure 2-20: Per Capita Personal Income (Current Dollars)



Source: U.S. Bureau of Economic Analysis, Regional Economic Accounts.

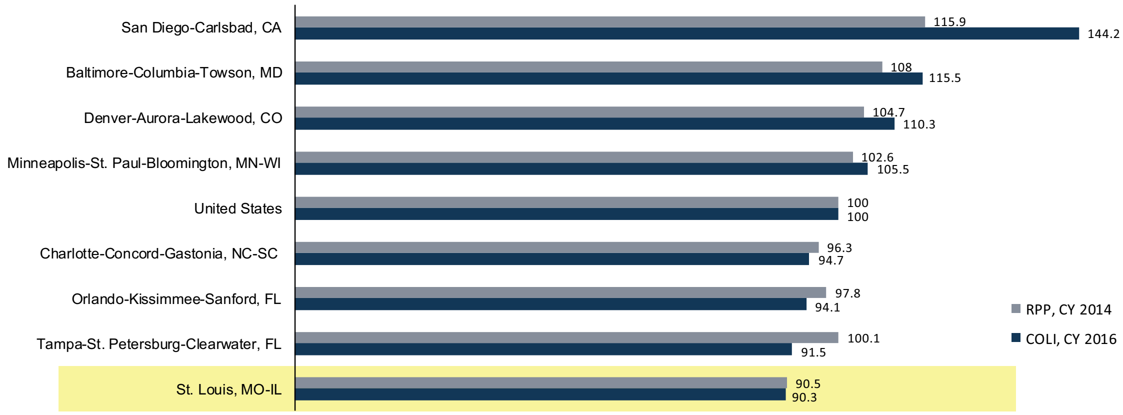
2.12 Cost of Living

A low cost of living attracts new workers and businesses into the area. The St. Louis MSA has a moderate cost of living as indicated by the two measures shown in Figure 2-21: (1) the Cost of Living Index (COLI) published by the Council for Community and Economic Research (C2ER) and (2) the Regional Price Parity (RPP) published by the U.S. Bureau of Economic Analysis (BEA).

COLI measures regional differences in the cost of consumer goods and services, excluding taxes and non-consumer expenditures, for professional and managerial households in the top income quintile. In 2016, the cost of living in the MSA was 8.5 percent lower than the U.S. average and was ranked the least costly among metropolitan areas of a similar population size.

Like COLI, RPP measures price differences across metropolitan areas relative to the national level. Based on RPP, the cost of living in the MSA in 2014 was 8.7 percent less than the national average and also the lowest of the areas observed.

Figure 2-21: Cost of Living in Select Urban Areas



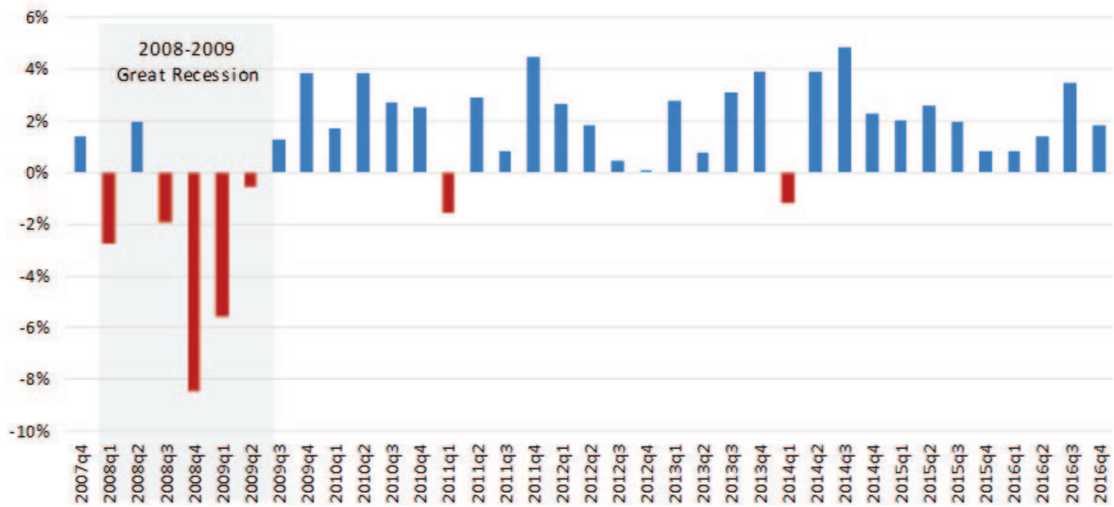
Sources: Council for Community and Economic Research and U.S. Bureau of Economic Analysis.

2.13 National Economy

Since 2000, the U.S. economy has experienced two recessions. The most recent recession, the 2008-2009 Great Recession, was the longest and deepest U.S. recession after World War II. It lasted six quarters (Figure 2-22). At the depth of the Great Recession in the second quarter of 2009, U.S. real GDP decreased to a level more than 4 percent below its previous peak in the fourth quarter of 2007. Within two years of the start of the recession, the economy lost 8.7 million jobs—jobs that had been created over five years before the recession.

The recovery from the Great Recession has been the slowest in post-World War II history. Economic output, measured by U.S. real GDP, took nearly four years to return to its pre-recession peak, compared with the average two years it took to recover from the previous 10 recessions. The U.S. nonfarm employment level took nearly 6 ½ years to return to its previous peak, compared with only 2 to 2½ years from previous recessions.

Figure 2-22: Growth in U.S. Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis.

The U.S. economy has continued its slow expansion, with consumer spending, making up two-thirds of GDP, as the economy's major driver. Now entering its eighth year, the current U.S. economic expansion is expected to continue over the next few years, according to several sources (Table 2-8). Economic growth forecasts average 2.3 percent in 2017, 2.4 percent in 2018, and 2 percent in 2019.

Table 2-8: U.S. Economic Growth Forecasts (Year-Over-Year Change in Real U.S. GDP)

	Actual		Forecast				
Source	**2015**	**2016**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
Moody's Analytics, December 2016	2.6	1.6	2.8	3.0	2.2	1.4	1.6
Economist Intelligence Unit, April 2017	2.6	1.6	2.2	2.1			
International Monetary Fund, April 2017	2.6	1.6	2.3	2.5	2.1	1.8	1.7
World Bank, January 2017	2.6	1.6	2.2	2.1	1.9		
Federal Reserve Board, December 2016	2.6	1.6	2.1	2.0	1.9		
Wall Street Journal Economic Forecasting Survey, April 2017	2.6	1.6	2.3	2.5	2.1		
OECD, March 2017	2.6	1.6	2.4	2.8			
Wells Fargo, April 2017	2.6	1.6	2.1	2.5			
Average	**2.6**	**1.6**	**2.3**	**2.4**	**2.0**	**1.6**	**1.6**

Source: U.S. Bureau of Economic Analysis for historical data and listed sources for forecasts.

The April 2017 Wall Street Journal economic forecasting survey estimates the probability of a recession in the next 12 months at less than 16 percent. But the U.S. economy faces risks from within and from abroad. Within the country, the prospect of significant economic policy changes increases economic uncertainty. In addition, the following factors continue to raise concern: (1) the high level of U.S. government and private debt, (2) tightening monetary policy, (3) the dollar appreciation, (4) the disconnect between trends in financial markets and economic fundamentals, and (5) the adverse effects of declining oil prices on the U.S. energy and manufacturing sectors. On the upside, the new administration's proposed tax cuts, infrastructure spending, and reduction in government regulation could prove beneficial to the U.S. economy. Since the 2016 election, consumer confidence has risen to its highest point in 15 years, signaling high economic expectations under a Trump presidency. Abroad the following developments add to the uncertainties facing the U.S. economy: (1) the United Kingdom's withdrawal from the European Union, (2) ongoing political conflicts in the Middle East, (3) the threat of terrorism, and (4) an enduring global oil glut.

2.14 Outlook for the Missouri Economy

The Missouri state economy should continue to perform well, as measured by growth in economic output, decrease in unemployment, and growth in business establishments. Missouri's economic diversity should help sustain growth in the state economy in the next few years. The state is well balanced by its agricultural region in the North, health care, educational services and government zones within the Central Region, a vibrant tourism industry within the Ozarks, and economic and financial service centers within the St. Louis and Kansas City metropolitan areas. Across the entire state there is growing demand for employees within health care and business/sales, and within St. Louis and Kansas City, there is growing demand for workers within science and technology. Missouri's low cost of living and high wages will also aid the state in attracting quality workers to fulfill the needs of various industries and increase economic output within the state and the MSA.[15]

2.15 Outlook for the St. Louis MSA Economy

While analysis of the labor market presents a mixed picture of the economic situation in the St. Louis MSA, labor market conditions are expected to continue improving. The MSA should continue to outperform Missouri and the United States in per capita income and unemployment.

According to the St. Louis Federal Reserve, the business outlook remains positive within the MSA, despite slow growth. The demand for labor is increasing within the MSA, and the scarcity of skilled labor could put upward pressure on wages. While manufacturing conditions have weakened, the transportation industry has strengthened and saw an increase in employment in 2016—in spite of a nationwide slowdown within the sector.[16]

2.16 Summary

Demographic and economic trends in the St. Louis MSA, Missouri, and the United States influence passenger traffic trends at STL. Trends in key demographic and economic indicators in the MSA and Missouri show rapid expansion that is expected to continue over the next few years at least.

[15] Missouri Department of Economic Development, *2016 Missouri Economic Report,* January 2017, page 1.

[16] St. Louis Federal Reserve, Burgundy Book: A Report on Economic Conditions within the St. Louis Zone, Fourth Quarter of 2016.

Below are the major highlights of the analysis of the demographic and economic attributes of the St. Louis MSA:

- Having the twentieth largest metropolitan area population in the country and the largest within the state of Missouri, the MSA offers a large market for air transportation.
- The MSA has an older, but highly educated population, relative to the state of Missouri and the nation. A highly educated population will aid economic growth within the MSA.
- The St. Louis MSA economy is improving. Labor market conditions in the MSA are strong and continue to tighten. Business development and job creation are progressing at a healthy pace. Since 2010, the unemployment rate in the MSA has fallen to levels below the national unemployment rate levels.
- The St. Louis MSA has a diversified economy. Consistent with patterns observed nationwide, the largest employment concentrations within the MSA are found in the following sectors: *government*, *education and health services*, *professional and business services*, *retail and wholesale trade*, and *leisure and hospitality*.
- Tourism is one of the biggest drivers of the MSA and Missouri economies; and the MSA is a popular destination for leisure travelers.
- The St. Louis MSA's real GDP has grown to new record levels, despite losses during the Great Recession.
- The MSA has very low living costs, which should combine strategically with higher wages and salaries in attracting more workers and businesses.
- Although growing slower than the nation, the St. Louis MSA's economy enjoys broad-based job growth and should continue to grow in the coming years.

Section 3 Aviation Activity Analysis and Forecasts

This section reviews the historical trends in passenger traffic and aircraft operations at St. Louis Lambert International Airport, and presents forecasts of enplanements, aircraft departures and landed weight through Fiscal Year (FY) 2022. Historical data are generally provided on a calendar year (CY) basis, unless they are noted to be on a fiscal year basis. The forecasts are presented on a fiscal year basis.

STL is a medium hub airport—FAA's category of airports serving at least .25 percent, but less than 1 percent of annual U.S. enplanements. Based on 2015 traffic data compiled by the Airports Council International-North America (ACI-NA), STL ranked 32nd among U.S. airports in total passengers, just behind Dallas Love Field International Airport and ahead of William P. Hobby International Airport. By total aircraft operations, STL ranked 44th in total aircraft operations for 2015—down from 41st in 2014. In 2016, STL enplaned 6.7 million passengers with more than 84,000 aircraft departures.

3.1 Current Air Service

The Airport currently has scheduled passenger service from seven signatory air carriers: Air Canada, Alaska Airlines (Alaska), American Airlines (American), Delta Air Lines (Delta), Frontier Airlines (Frontier), Southwest Airlines (Southwest), and United Airlines (United). Southwest currently has preferential use of 13 gates and uses one gate on a per-turn, as needed, basis. Southwest will add 4 additional gates effective June 1, 2017. American has preferential use of 7 gates, while Delta and United have preferential use of 6 and 5 gates, respectively.

Table 3-1 shows the current commercial airlines providing scheduled service at STL.

Table 3-1: Scheduled Passenger and Cargo Airlines (as of April 2017)

Passenger Carriers			
Mainline	**Regional/Commuter**		**All-Cargo Carriers**
Air Canada	Air Choice One	GoJet Airlines[3,4]	FedEx Express
Alaska Airlines	Air Georgian[1]	Horizon Air Industries[5]	Southern Air
American Airlines	Air Wisconsin Airlines[2]	Mesa Airlines[2,4]	UPS Airlines
Delta Air Lines	Atlantic Southeast Airlines[3]	PSA Airlines[2]	
Frontier Airlines	Cape Air	Republic Airlines[2,4]	
Southwest Airlines	Compass Airlines[3]	Shuttle America[3,4]	
United Airlines	Endeavor Air[3]	Skywest Airlines[3,4,5]	
	Envoy Air[2]	XTRA Airways	
	ExpressJet Airlines[3,4]	Trans States Airlines[2,4]	

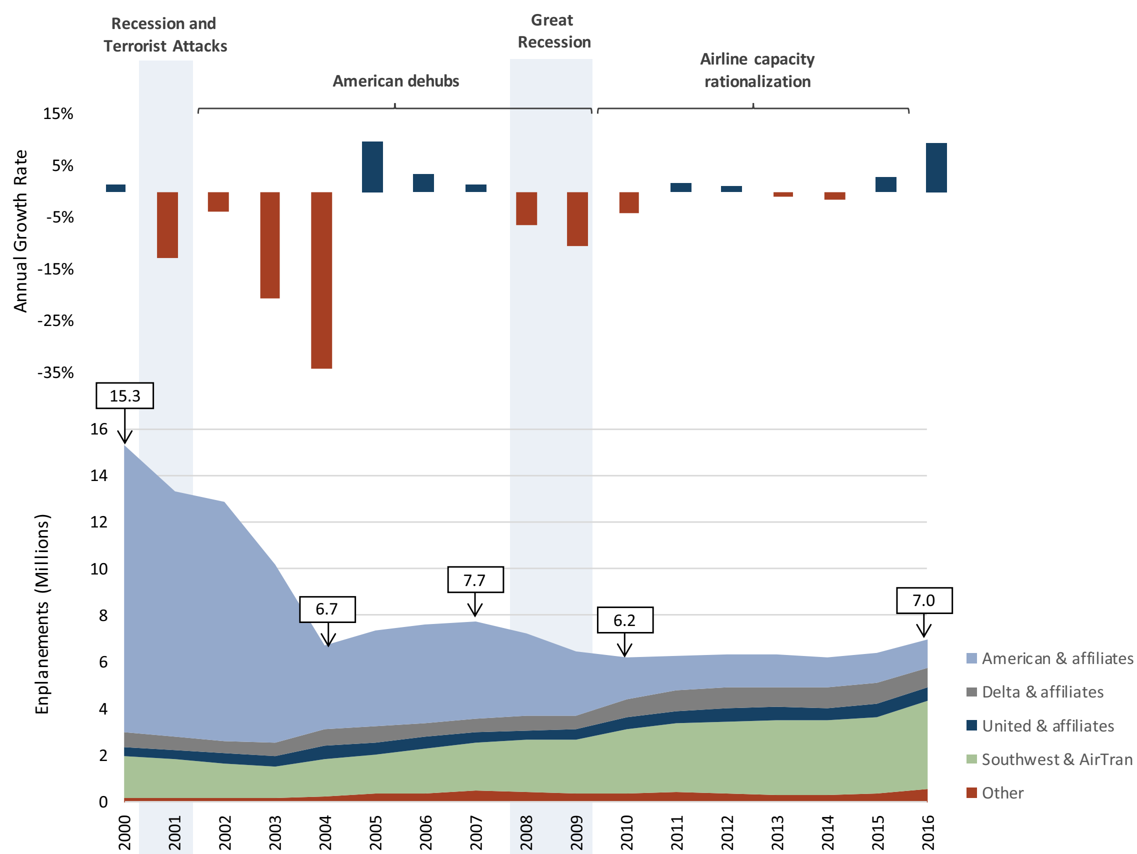
[1] Operates as Air Canada.
[2] Operates as American Connection.
[3] Operates as Delta Connection.
[4] Operates as United Connection.
[5] Operates as Alaska Airlines.
Source: Airport records and U.S. Department of Transportation.

3.2 Historical Passenger Traffic Trends

Over the years, the Airport's passenger traffic has grown and declined with U.S. economic cycles (Figure 3-1). In addition, in the 2000's, the Airport suffered significant service cuts by American — beginning not long after the crash of two American flights during the terrorist attacks in September 2001—to end hub operations at the Airport. STL's enplanements were more than halved from their all-time peak of 15.3 million in 2000 to 6.7 million in 2004. American continued to cut service at STL through the Great Recession, and the Airport's enplanements decreased further to 6.2 million in 2010, their lowest level since 1982.

As American reduced capacity, Southwest gradually emerged as the Airport's largest carrier. Southwest's expansion aided traffic recovery, which progressed slowly until the past year. In 2016, traffic growth at STL picked up—enplanements grew nearly 10 percent from the previous year to almost 7 million.

Figure 3-1: Historical Enplanement Trends at STL by Calendar Year



Source: Airport records.

Since 2000 the Airport—along with the U.S. aviation industry—has faced many challenges, prompting lasting changes in consumer air travel behavior and airline business practices:

- A recession, lasting from March to November 2001, ended a 10-year U.S. economic expansion. On September 11, 2001, while the U.S. economy was in recession, terrorists attacked U.S. aviation. Passenger traffic plummeted, and airport security tightened.
- Jet fuel prices rose to record high levels, causing airline operating costs to escalate.
- Amid record fuel prices, in 2008-2009, the U.S. economy entered Great Recession, so called because it is the longest and deepest recession since the Great Depression. The Great Recession again weakened demand for both passenger and cargo air services.
- To improve financial results, airlines cut domestic seat capacity to increase load factors, retired fuel-inefficient aircraft, added seats to aircraft, and implemented other cost-cutting measures. They optimized their networks, transferred routes between mainline and regional service, and changed their pricing structures. Mounting financial difficulties eventually led to bankruptcies, mergers, and business restructuring.

- Bad weather, natural disasters, disease outbreaks, and geopolitical conflicts also hurt the aviation industry in various ways—by disrupting air service, decreasing traffic, and hampering economic recovery.

The Airport's passenger traffic recovered gradually after 2004. Annual enplanements increased 9.8 percent in 2005, 3.3 percent in 2006, and by 1.5 percent in 2007. However, enplanements declined by 6.6 percent in 2008, as the U.S. economy entered another recession period and airlines responded with a new round of capacity adjustments. STL's passenger enplanements decreased by 20 percent over the course of the recession, from 7.7 million in 2007 to less than 6.2 million in 2010. Enplanement levels in 2010 were the lowest recorded for the Airport since the early 1980s.

Even after the Great Recession ended, American and other airlines continued to limit system capacity to keep air fares from falling, contain costs, and turn profits. Airline capacity restraint amid slow demand recovery has kept annual enplanement levels at the Airport flat—6.3 million on average—between 2009 and 2014. Boosted by air service expansion, STL's enplanements increased 2.8 percent in 2015 and 9.6 percent in 2016. The momentum in STL's enplanement growth continues in 2017. Through March, enplanements have grown 6.8 percent over enplanements through March in the previous year, on track to surpass 7 million for the entire year and approach pre-Great Recession levels.

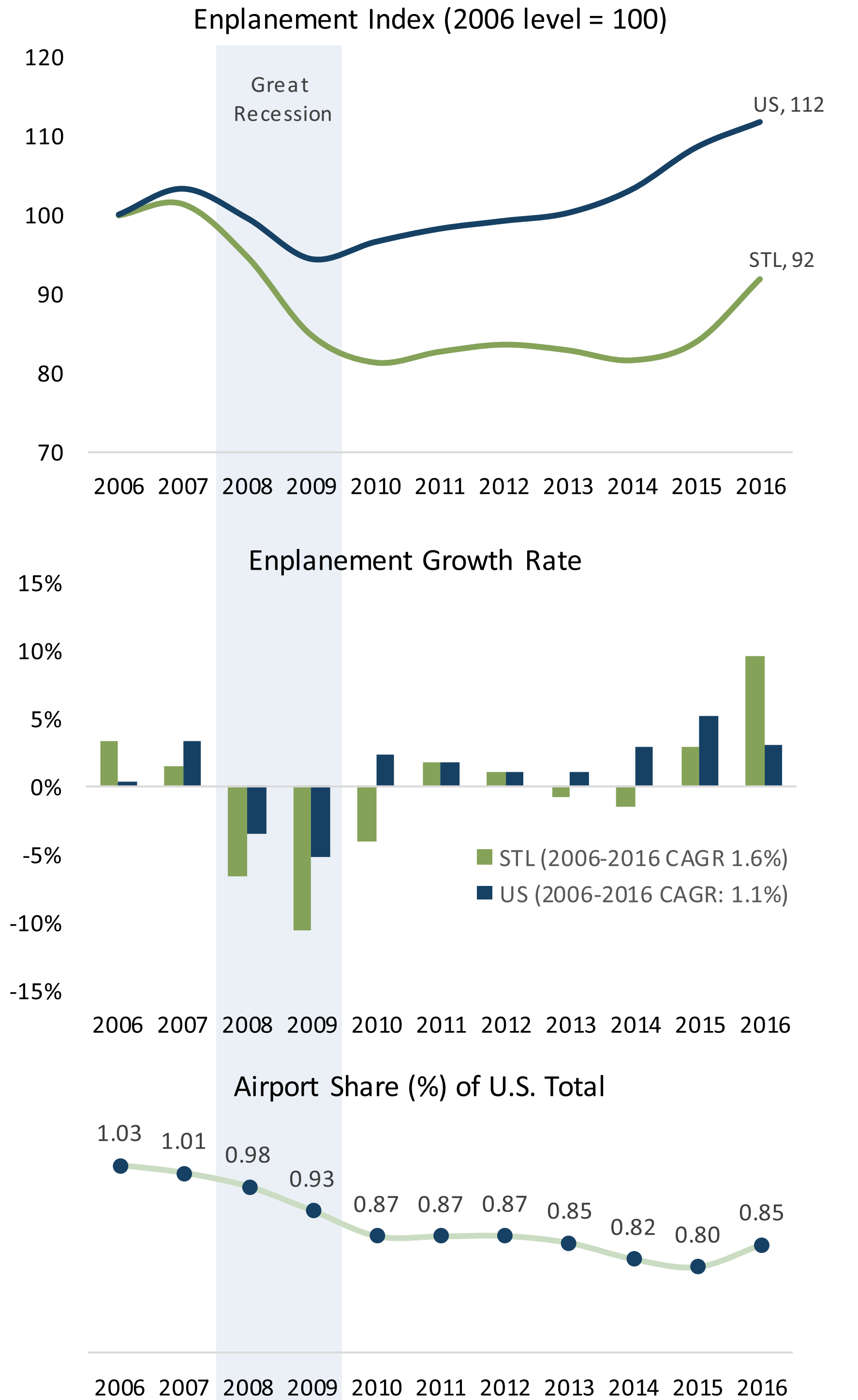
3.2.1 Comparison of Enplanement Trends at STL and the United States

Figure 3-2 compares the passenger enplanement trends at STL with changes in U.S. total enplanements between 2006 and 2016. The following points provide some highlights of the comparison of enplanement trends:

- Relative to the U.S. system, STL's passenger traffic suffered a deeper and longer decline during the Great Recession.
- STL's enplanement recovery began in 2011, but was slower than the national trend, and was set back by more decreases in 2013 and 2015.
- STL's enplanement recovery accelerated in 2016. The Airport's passenger enplanements grew nearly 10 percent between 2015 and 2016, more than triple the rate of growth in national enplanements.
- Despite increasing 10 percent in 2016, STL's enplanements in 2016 were still 8 percent lower than their level in 2006. In contrast, U.S. system enplanements in 2016 were already 12 percent above their level in 2006.

Before the Great Recession, STL enplaned 7.6 million passengers in 2006 and 7.7 million in 2007, accounting for just over 1 percent of total U.S. enplanements during those years. Since 2008, however, STL has accounted for less than 1 percent of U.S. total enplanements, moving from a large hub to a medium hub in FAA's classification of airports. The Airport accounted for 0.85 percent of national enplanements in 2016. It is the second largest medium hub airport, behind Dallas Love Field.

Figure 3-2: STL and U.S. Total Enplanement Growth by Calendar Year



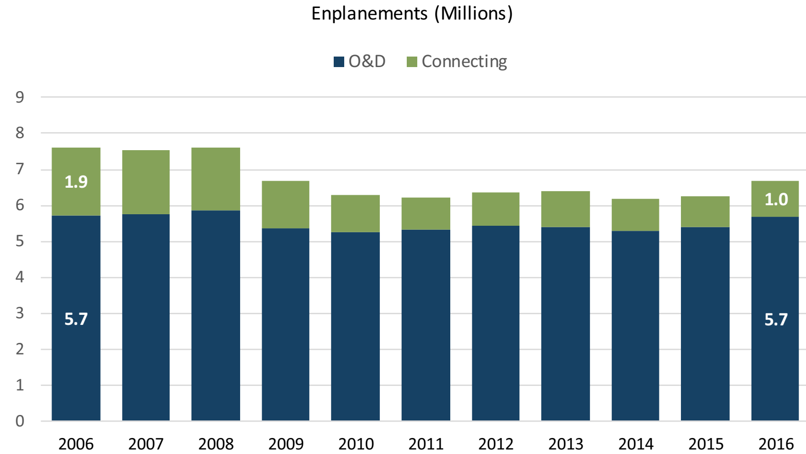
CAGR: Compound annual growth rate.
Sources: Airport records and U.S. Bureau of Transportation Statistics.

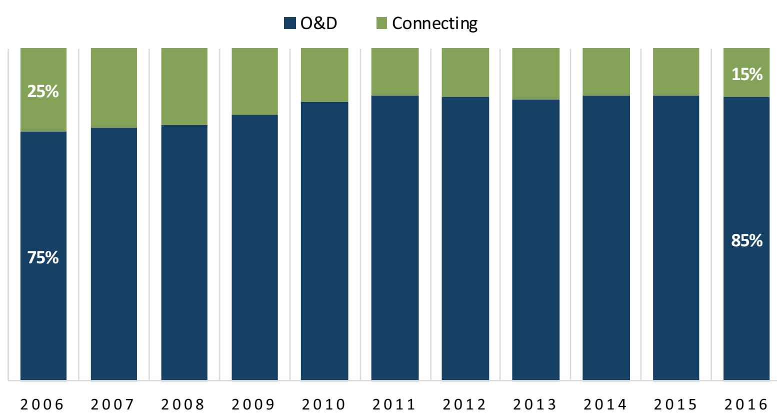
3.2.2 Composition of Passenger Traffic at STL

The mix of O&D and connecting traffic at STL has changed with the closing of American's hub operations. Since 2003, O&D has accounted for the majority share of passenger traffic, which increased from 46 percent in 2003 to 85 percent in 2016 (Figure 3-3). Conversely, the connecting traffic share decreased from over 50 percent before 2003 to 15 percent in 2016.

In 2016, the Airport experienced a resurgence in connecting traffic, mostly owing to Southwest's expansion. Southwest accounted for 97 percent of the Airport's connecting traffic in 2016.

Figure 3-3: O&D and Connecting Traffic Shares by Fiscal Year





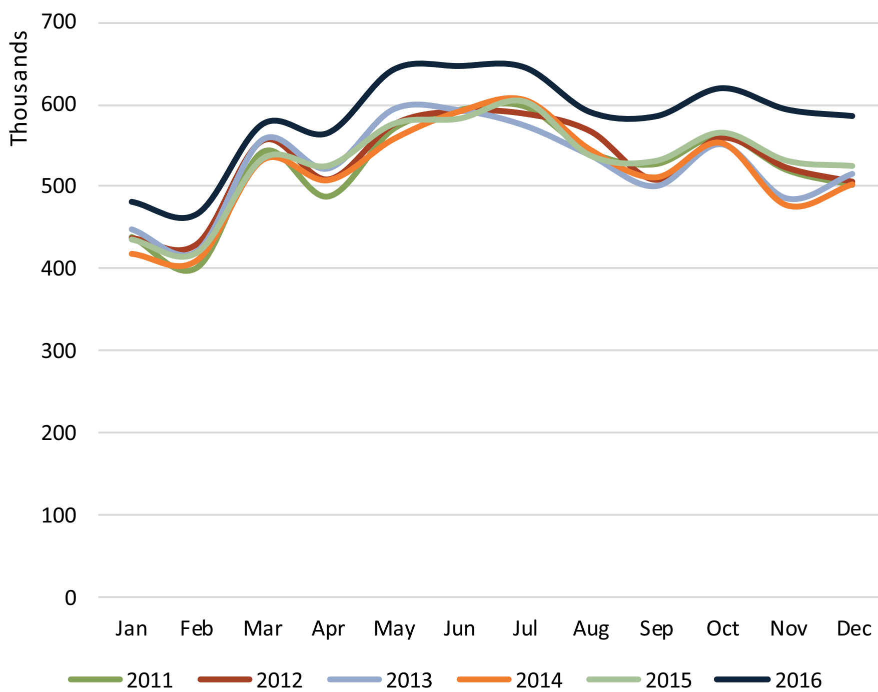
Source: Airport records.

3.2.3 Monthly Enplanements

Figure 3-4 presents the recent enplanement trends at the Airport on a monthly basis. STL's enplanements peak slightly in the summer months of June and July, consistent with patterns of air travel demand observed nationwide. Between 2011 and 2016, on average, the month of July had the highest enplanement levels. The figure also shows that year-over-year enplanement changes were significantly higher for almost every month in 2016 compared with preceding years.

Figure 3-4: STL Monthly Enplanements by Calendar Year

Month	2011-2016 Avg. Share of CY Total
Jan	6.9%
Feb	6.6%
Mar	8.6%
Apr	8.1%
May	9.1%
Jun	9.3%
Jul	9.4%
Aug	8.6%
Sep	8.2%
Oct	8.9%
Nov	8.1%
Dec	8.1%



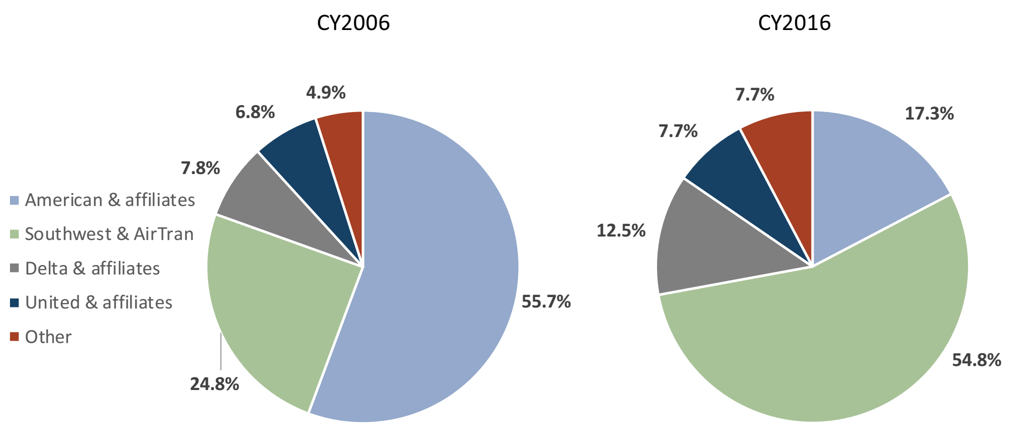
Source: Airport records.

3.2.4 Enplanements by Airline

Through 2003, American and its affiliate carriers accounted for over 70 percent of enplanements at the STL, leaving the Airport vulnerable to minor service cuts or traffic declines by American. Today, the Airport's largest carrier is Southwest, which enplaned 55 percent of scheduled passengers in 2016 (Figure 3-5 and Table 3-2). The bulk of the remaining 45 percent of STL's 2016 enplanements were distributed between American (17 percent), Delta Airlines (13 percent), and United Airlines (8 percent).

Southwest has been largely responsible for the recent increases in enplanements at STL, growing at an average annual rate of 7.3 percent between 2006 and 2016. To a lesser extent, the air service expansion by Alaska Air and Air Choice One also contributed to passenger traffic growth in the last two years. The carriers—grouped as "Other" below—experienced traffic growth annually by approximately 3.7 percent between 2006 and 2016.

Figure 3-5: STL Enplanements by Airline



Source: Airport records.

Table 3-2: STL Enplanements and Market Share by Airline

Calendar Year	Enplanements (Thousands): American & affiliates[1]	Southwest & AirTran	Delta & affiliates	United & affiliates	Other	Enplanement Share: American & affiliates[1]	Southwest & AirTran	Delta & affiliates	United & affiliates	Other
2006	4,234	1,887	591	521	373	55.7%	24.8%	7.8%	6.8%	4.9%
2007	4,130	2,060	601	462	463	53.5%	26.7%	7.8%	6.0%	6.0%
2008	3,493	2,236	635	431	412	48.5%	31.0%	8.8%	6.0%	5.7%
2009	2,728	2,315	602	426	374	42.3%	35.9%	9.3%	6.6%	5.8%
2010	1,760	2,754	815	482	367	28.5%	44.6%	13.2%	7.8%	5.9%
2011	1,484	2,957	925	504	411	23.6%	47.1%	14.7%	8.0%	6.5%
2012	1,435	3,099	902	566	350	22.6%	48.8%	14.2%	8.9%	5.5%
2013	1,368	3,213	875	551	291	21.7%	51.0%	13.9%	8.8%	4.6%
2014	1,305	3,194	861	531	310	21.0%	51.5%	13.9%	8.6%	5.0%
2015	1,295	3,298	865	554	363	20.3%	51.7%	13.6%	8.7%	5.7%
2016	1,210	3,828	873	539	538	17.3%	54.8%	12.5%	7.7%	7.7%
	Compound Annual Growth Rate									
2006-2016	-11.8%	7.3%	4.0%	0.3%	3.7%					
2012-2016	-4.2%	5.4%	-0.8%	-1.2%	11.3%					

Fiscal Year	Enplanements (Thousands): American & affiliates[1]	Southwest & AirTran	Delta & affiliates	United & affiliates	Other	Enplanement Share: American & affiliates[1]	Southwest & AirTran	Delta & affiliates	United & affiliates	Other
2012	1,486	3,024	924	566	352	23.4%	47.6%	14.5%	8.9%	5.5%
2013	1,400	3,212	885	561	328	21.9%	50.3%	13.9%	8.8%	5.1%
2014	1,332	3,170	863	537	275	21.6%	51.3%	14.0%	8.7%	4.5%
2015	1,291	3,241	852	542	343	20.6%	51.7%	13.6%	8.6%	5.5%
2016	1,272	3,504	893	541	462	19.1%	52.5%	13.4%	8.1%	6.9%
	Compound Annual Growth Rate									
2012-2016	-3.8%	3.8%	-0.8%	-1.1%	7.1%					

[1] Includes US Airways' enplanements.

Source: Airport records.

3.2.5 Top O&D Markets

O&D enplanements account for approximately 83 percent of STL's passenger traffic. Table 3-3 lists the Airport's top 25 O&D city markets in 2016, ranked by share of O&D enplanements. The table shows the airports served in each market, the number of daily nonstop departures to each market from STL, and the airlines serving each market from the Airport in 2016.

Table 3-3: STL's Top O&D Markets (Calendar Year 2016)

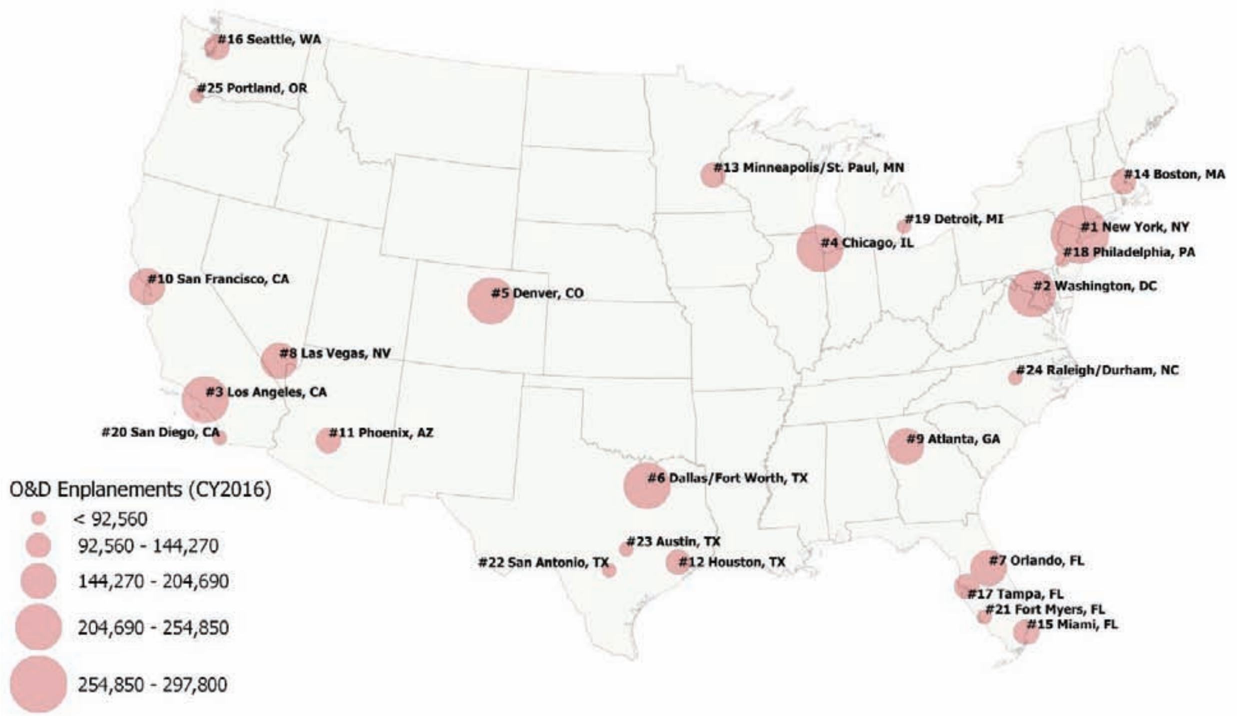
CY2016 Rank[1]	Destination	Airports[2]	O&D Market Share[3]	Daily Nonstop Departures[4]	Airlines Serving Market from STL[5]
1	New York City, NY	LGA, EWR, JFK	6.11%	17	DL, WN, UA, AA
2	Washington, DC	DCA, BWI IAD	5.23%	10	UA, AA, WN
3	Los Angeles, CA	LAX, SNA, ONT, BUR	5.13%	5	WN, AA
4	Chicago, IL	MDW, ORD	4.71%	22	UA, AA, WN
5	Denver, CO	DEN	4.70%	10	UA, WN, F9
6	Dallas/Fort Worth, TX	DAL, DFW	4.64%	13	AA, WN
7	Orlando, FL	MCO	4.20%	5	WN, F9
8	Las Vegas, NV	LAS	3.94%	5	WN, F9
9	Atlanta, GA	ATL	3.66%	11	DL, WN, F9
10	San Francisco, CA	SFO, OAK, SJC	3.30%	3	UA, WN
11	Phoenix, AZ	PHX	2.96%	6	WN, AA, F9
12	Houston, TX	HOU, IAH	2.60%	8	UA, WN
13	Minneapolis/St. Paul, MN	MSP	2.59%	8	DL, WN
14	Boston, MA	BOS, PVD, MHT	2.58%	2	WN
15	Miami, FL	FLL, MIA	2.47%	2	AA
16	Seattle, WA	SEA	2.25%	2	AS, WN
17	Tampa, FL	TPA	2.17%	2	WN, F9
18	Philadelphia, PA	PHL	1.90%	6	AA, WN
19	Detroit, MI	DTW	1.83%	7	DL, WN, G7
20	San Diego, CA	SAN	1.73%	1	WN
21	Fort Myers, FL	RSW	1.63%	2	WN, F9
22	San Antonio, TX	SAT	1.20%	2	WN
23	Austin, TX	AUS	1.18%	1	WN
24	Raleigh/Durham, NC	RDU	1.12%	2	WN
25	Portland, OR	PDX	1.10%	2	AS, WN
	DESTINATIONS LISTED	-	**74.9%**	**154**	
	OTHER DESTINATIONS	-	**25.1%**	**76**	
	TOTAL	-	**100.0%**	**230**	

[1] Ranking is based on share of STL O&D passengers in CY2016.
[2] Airports served with at least 500 flights in CY2016.
[3] U.S. Department of Transportation DB1B.
[4] OAG Schedules Analyzer (accessed April 2017). Daily nonstop departures: annual nonstop departures divided by 365.
[5] Airline codes: AA-American, AS-Alaska, DL-Delta, F9-Frontier, G7-GoJet, UA-United, and WN-Southwest.

The top 25 destination cities listed, consisting of large urban areas across the country, were served by 154 of the 230 daily nonstop departures from STL. Together, service to these markets accounted for approximately 75 percent of O&D enplanements at the Airport in 2016.

Figure 3-6 shows that STL's top 25 O&D markets are spread across the United States.

Figure 3-6: STL's Top 25 O&D Markets (Calendar Year 2016)



Sources: Unison Consulting, Inc., and U.S. Department of Transportation DB1B.

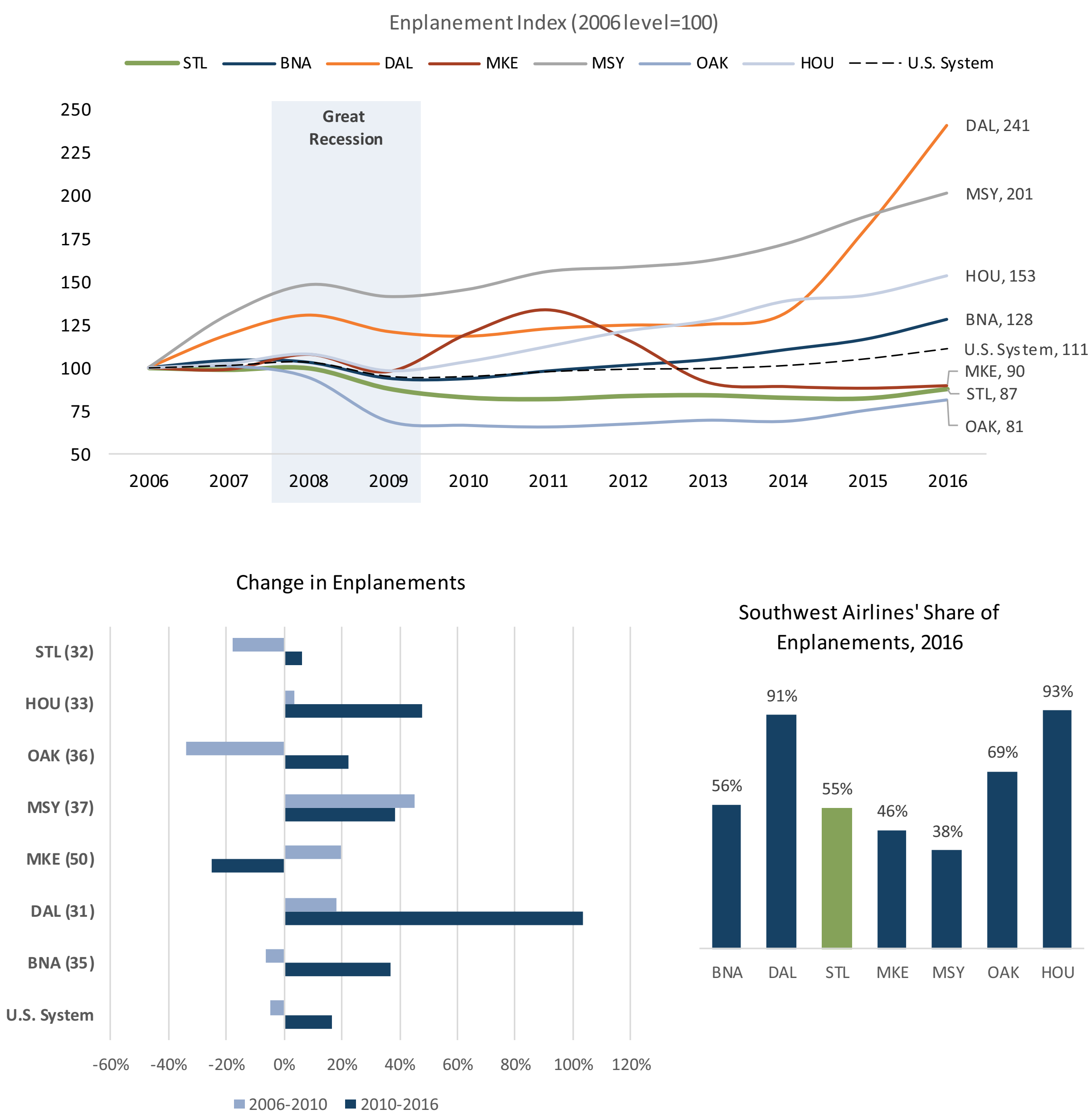
3.2.6 Enplanement Trends at STL Select Medium Hub Airports

Figure 3-7 compares the trends in enplanements at STL and six other medium hub airports, from FY2006 through FY2016. The FAA designates medium hubs as commercial airports that enplane at least 0.25 percent but less than 1 percent of total U.S. commercial passengers in a given year. The medium hub airports selected for comparison are in focus cities for Southwest, currently STL's largest carrier. The selected medium hub airports include Dallas Love Field (DAL), William P. Hobby Airport (HOU), Louis Armstrong New Orleans International Airport (MSY), Nashville International Airport (BNA), Oakland International Airport (OAK), and Milwaukee's General Mitchell International Airport (MKE).

Along with STL, MKE and OAK suffered decreases in enplanements between FY2006 and FY2016. OAK's 19 percent enplanement decrease surpassed STL's 13 enplanement decrease over that period. The other four airports posted enplanement increases proportionally greater than the overall increase in U.S. enplanements.

Since FY2010, the Airport's passenger traffic has also grown slower than most of the comparison airports. STL's enplanements grew by only 6 percent between FYs 2010 and 2016, while OAK's traffic increased by 22 percent. With the exceptions of MKE, where traffic fell by 25 percent, enplanements grew by 37 percent and higher at the other hubs over the last six fiscal years. The highest growth rates were posted at airports where Southwest accounted for over 90 percent of enplanements (DAL and HOU). DAL enplanements more than doubled between FYs 2010 and 2016, while enplanements at HOU increased by 48 percent over the same period.

Figure 3-7: Enplanement Trends at STL and Select Medium-Hub Airports by Calendar Year



The numbers in parentheses indicate enplanement ranking among U.S. commercial service airports, based on ACI North American Airport Traffic Summary for CY2015.
Sources: Airport records and U.S. Bureau of Transportation Statistics T-100 Market data.

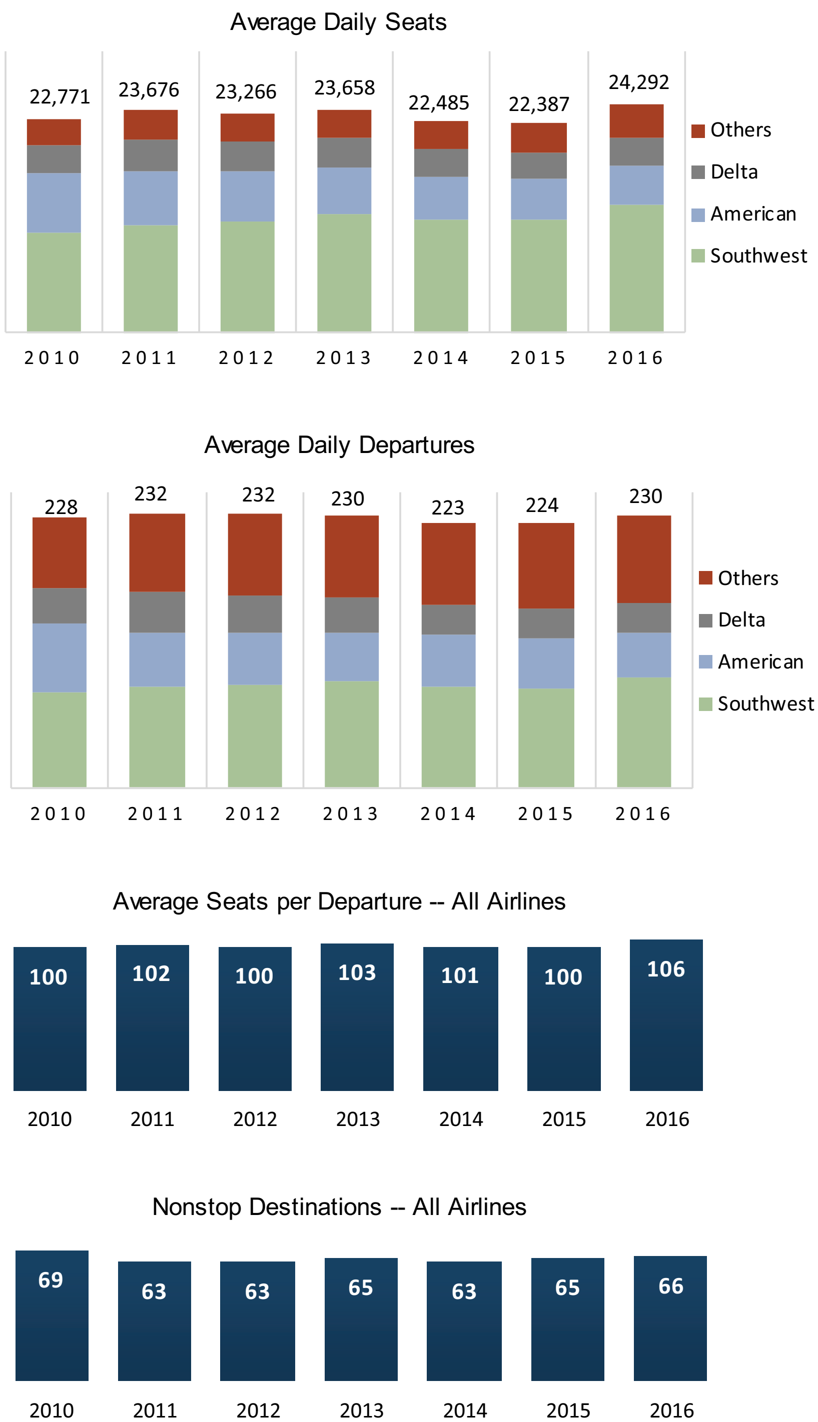
3.2.7 Scheduled Nonstop Passenger Airline Service

Figure 3-8 presents the trends since 2010 in scheduled passenger service at STL by the following measures: seats, departures, seats per departure, and nonstop destinations. The trends show the upturn in scheduled seats and flights in 2016, the overall increase in seats on each flight in 2016, and the small increase in nonstop destinations served from STL over the past two years.

The number of seats per day—the most important measure of service capacity—increased to more than 24,000 in 2016, from an average of about 23,000 in the previous six years. The number of departures per day rebounded to 230 in 2016, after falling to 223 in 2014 and 224 in 2015. The number of seats per flight increased slightly from an average of 101 in 2010-2015 to 106 in 2016. The number of nonstop destinations served increased to 66 from the period's low of 63.

In 2016, Southwest accounted for 56 percent of scheduled seats and 40 percent of scheduled aircraft departures at STL. Southwest operated an average of 93 flight departures per day out of 13 leased gates and one City gate on a per-turn basis. American accounted for 17 percent of scheduled seats and 17 percent of scheduled flight departures, averaging 38 flight departures per day on seven gates. Delta accounted for 12 percent of scheduled seats and 11 percent of scheduled flight departures, averaging 25 flight departures per day on 6 gates. All other mainline and regional carriers accounted for the remaining 15 percent of scheduled seats and 32 percent of scheduled flight departures, for an average of 74 flight departures per day on 13 gates.

Figure 3-8: Trends in Scheduled Air Service at STL by Calendar Year

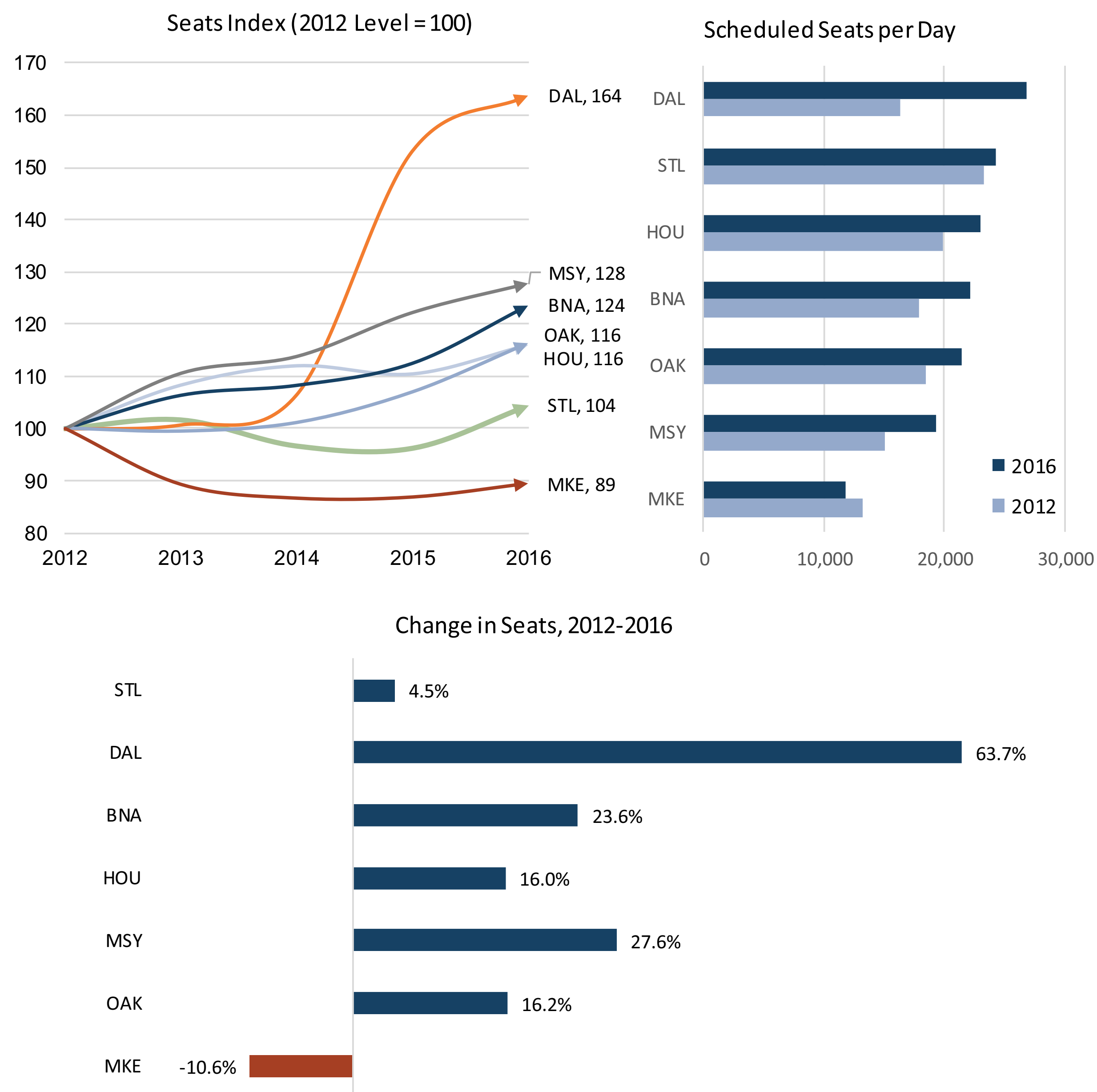


The average daily departures and seats were calculated by dividing the annual total by 365.
Source: OAG Schedules Analyzer (accessed April 2017).

3.2.8 Trends in Scheduled Seats at STL and Select Medium Hub Airports

Figure 3-9 compares the trends in scheduled seats at STL and the six other medium hub airports in Southwest's focus cities from 2012 through 2016. The 8.6 percent increase in seats at STL in 2016, was among the highest rates of increase in seats at these airports. STL, however, lagged behind in overall increase in seats from 2012 behind all the other airports but MKE.

Figure 3-9: Scheduled Daily Seats at STL and Select Medium Hub Airports by Calendar Year

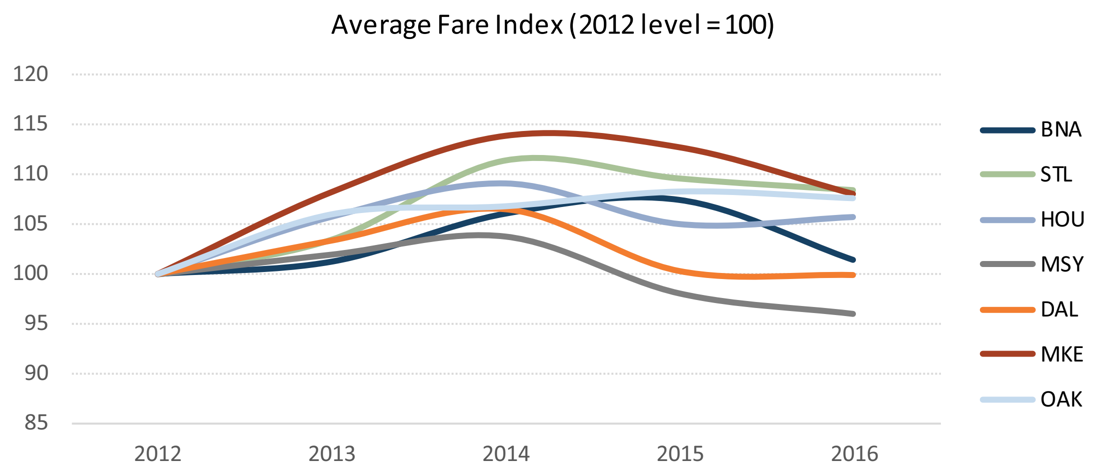


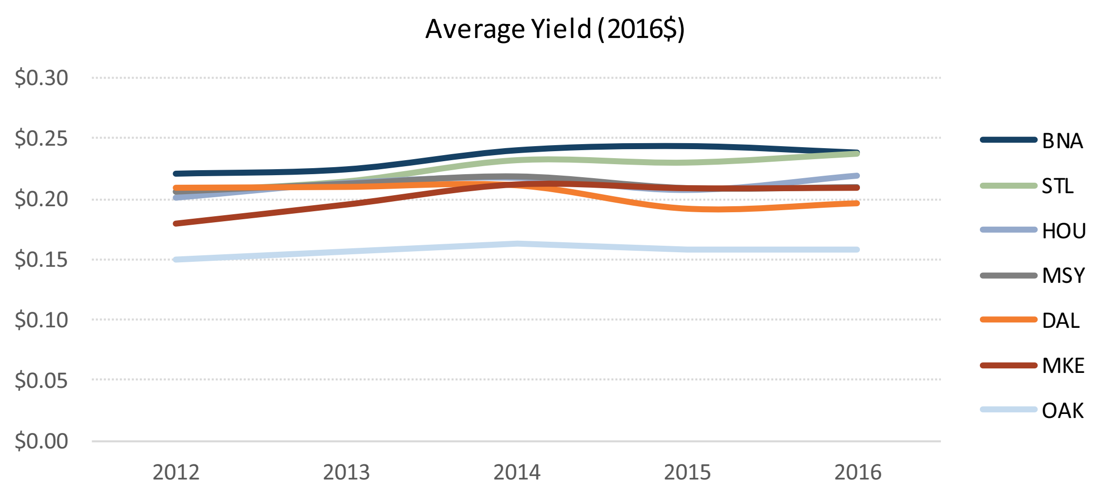
Source: OAG Schedules Analyzer.

3.2.9 Trends in Fares and Yields at STL and Select Medium Hub Airports

Passengers consider airfares when choosing airlines and airports (when they have access to more than one airport). Airlines consider yields (revenue per passenger mile) when choosing which airports to serve. On average, fares and yields have increased faster at STL than at most other airports from CY2012 to CY2016. In CY2016, STL had the highest average fare and average yield (tied with BNA) among medium hub airports in Southwest's focus cities (Figure 3-10).

Figure 3-10: Average Fare and Average Yield at STL and Select Medium Hub Airports by Calendar Year





Average fares are in constant 2016$ (before indexing).
Fares below $50 are dropped from the sample to exclude frequent flier, nonrevenue and other discounted fare tickets.
Source: U.S. Department of Transportation 10%-sample airline ticket survey, accessed through Database Products, Inc.

3.2.10 Commercial Aircraft Landings and Landed Weight

Table 3-4 shows aircraft landings (departures) at STL by airline over the past five fiscal years. Scheduled passenger aircraft landings, which account for nearly all commercial aircraft operations at STL, show growth trends similar to enplanement growth trends. In the past two years, scheduled passenger aircraft landings increased with enplanements, but at slower pace, because improvements in boarding load factors and increases in seats on each flight allowed airlines to accommodate more passengers on each flight.

Charter and all-cargo aircraft account for the remainder of commercial aircraft operations. Charter landings do not show a consistent pattern, and all-cargo aircraft landings have increased steadily since FY2013.

Table 3-4: Aircraft Landings at STL by Airline by Fiscal Year

	Landings					Share				
	Fiscal Year					Fiscal Year				
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2012**	**2013**	**2014**	**2015**	**2016**
American & affiliates	10,446	9,534	9,387	10,714	11,165	12.1%	11.0%	11.4%	12.9%	13.2%
Southwest & AirTran	30,990	32,541	31,389	30,669	31,474	35.8%	37.7%	38.1%	36.8%	37.2%
Delta & affiliates	12,362	10,988	9,807	9,219	9,161	14.3%	12.7%	11.9%	11.1%	10.8%
United & affiliates	11,821	12,008	11,475	11,331	10,701	13.7%	13.9%	13.9%	13.6%	12.6%
Other	19,293	19,950	18,807	19,837	20,372	22.3%	23.1%	22.9%	23.8%	24.1%
Subtotal	**84,912**	**85,021**	**80,865**	**81,770**	**82,873**	98.1%	98.4%	98.3%	98.2%	97.9%
Charter	293	77	82	40	209	0.3%	0.1%	0.1%	0.0%	0.2%
Cargo	1,369	1,303	1,350	1,475	1,527	1.6%	1.5%	1.6%	1.8%	1.8%
Total	**86,574**	**86,401**	**82,297**	**83,285**	**84,609**					
Annual Change		-0.2%	-4.7%	1.2%	1.6%					

Source: Airport records.

Table 3-5 shows aircraft landed weight by carrier at STL. Landed weight decreased from FY2012 through FY2015, before growing by 2.4 percent in FY2016.

Table 3-5: Aircraft Landed Weight at STL by Airline by Fiscal Year

	Landed Weight (Thousand Pounds)					Share				
	Fiscal Year					Fiscal Year				
Airline	**2012**	**2013**	**2014**	**2015**	**2016**	**2012**	**2013**	**2014**	**2015**	**2016**
American & affiliates	1,399	1,238	1,096	1,079	1,160	16.9%	15.0%	14.0%	13.9%	14.6%
Southwest & AirTran	3,746	3,990	3,871	3,816	3,997	45.3%	48.3%	49.4%	49.0%	50.1%
Delta & affiliates	663	608	481	485	483	8.0%	7.4%	6.1%	6.2%	6.1%
United & affiliates	669	637	606	608	605	8.1%	7.7%	7.7%	7.8%	7.6%
Other	1,379	1,339	1,358	1,420	1,348	16.7%	16.2%	17.3%	18.2%	16.9%
Subtotal	**7,856**	**7,811**	**7,413**	**7,409**	**7,594**	95.0%	94.6%	94.5%	95.1%	95.3%
Charter	43	43	26	11	17	0.5%	0.5%	0.3%	0.1%	0.2%
Cargo	374	401	405	370	362	4.5%	4.9%	5.2%	4.7%	4.5%
Total	**8,273**	**8,255**	**7,844**	**7,789**	**7,972**					
Annual Change		-0.2%	-5.0%	-0.7%	2.4%					

Source: Airport records.

3.3 Forecast Commercial Aviation Activity

Forecasts are presented for three key measures of commercial aviation activity—enplanements, aircraft landings, and landed weight—for the period FYs 2017-2022. Forecast enplanement levels, in turn, determine the number of aircraft operations and corresponding landed weight, along with assumptions regarding trends in boarding load factors.

3.3.1 Hybrid Regression Forecast

For the first year, FY2017, the forecast reflects actual performance through March 2017. For the remainder of the year, forecast enplanements are supply-driven, based on published airline flight schedules. Airlines plan their schedules based on passenger bookings, and the schedules therefore reflect near-term market demand.

Beyond the first year, forecasts are demand-driven. Economic growth and other market demand factors drive growth in enplanements. Forecast enplanements determine aircraft operations and landed weight. Multivariate time series regression analysis links enplanement growth to trends in market demand drivers. This econometric modeling technique combines elements of multiple regression and time series regression methods. This technique provides the ability to incorporate many explanatory variables, quantify the contribution of each explanatory variable to aviation activity trends, and account for time trends and any serial correlation in time series data. The model estimation process using the least squares method is designed to minimize forecast errors.

The regression model specification for STL's passenger traffic is based on the underlying theory of consumer demand and the dynamics of traffic growth at the Airport. The regression coefficients that measure contributions of market demand drivers (explanatory variables) to STL enplanement growth trends are estimated using historical annual data from FY1991, controlling for the effects of any structural changes in air service and extra-ordinary events like the 2001 terrorist attacks. The estimated regression coefficients are then used to generate forecasts of STL enplanements based on projected trends of the model explanatory variables.

For the regression model, O&D enplanements serve as the dependent variable, as they now account for more than 80 percent of traffic. Using O&D enplanements also effectively controls for the sharp decrease in connecting traffic resulting from the closing of American Airlines' hub, allowing for a more precise measurement of the contributions of demand drivers to enplanement growth in St. Louis.

The key explanatory variables (independent variables) in the regression model of passenger traffic are as follows:

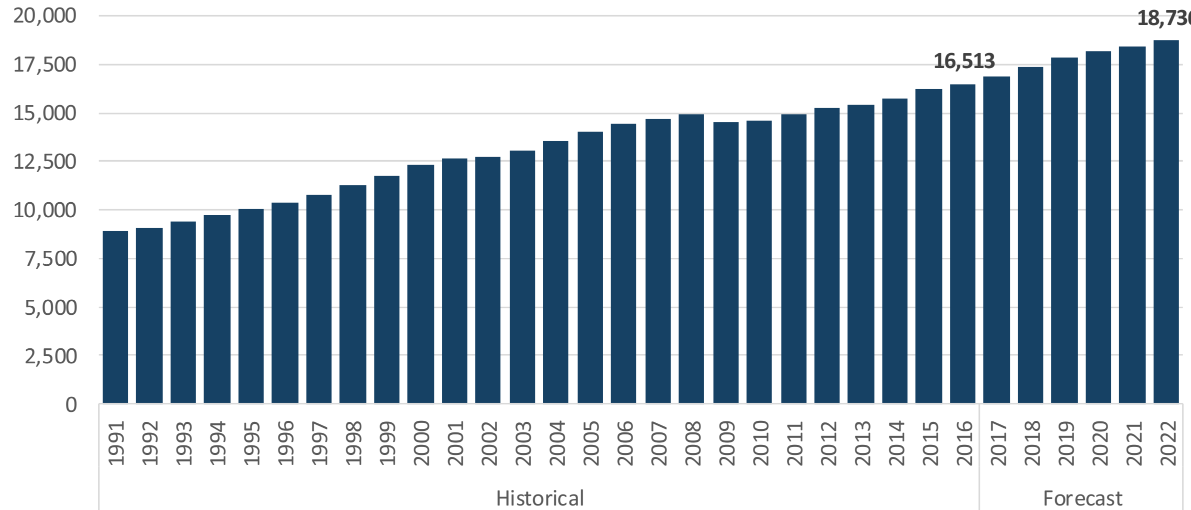
- Economic trends: U.S. real gross domestic product (GDP) is used to capture national economic trends. The regression coefficient estimate for this variable confirms its expected effects on STL enplanement trends. Holding all other factors constant, economic growth promotes growth in enplanements. Conversely, economic downturns decrease enplanements.
- Airline yield trends: Consumer demand is inversely related to price. Demand increases when price decreases and decreases when price increases, holding all other things equal. The regression model uses the average real passenger yield at STL as the indicator for the price of air travel. Passenger yield, which is the average revenue per passenger mile, is a better price indicator than the average fare, because it controls for trip distance.

The regression model also includes an explanatory variable to account for a number of events that precipitated certain structural changes in the entire industry and in the Airport market. These include: (1) the temporary transfer of certain flights by TWA from St. Louis to Atlanta in 1993; (2) the terrorist attacks on the U.S. aviation system on September 11, 2001; and (3) American Airlines' service cuts beginning in November 2003 that culminated in the closing of the airline's connecting hub at STL.

Figure 3-11 and Figure 3-12 exhibit the historical and six-year projections of key explanatory variables (demand drivers) used in the regression model.

- National economic trends: Since the end of the Great Recession, improving economic conditions in the U.S. are captured by the steady increase in the national GDP. Real GDP, which controls for inflation, grew at an average rate of 1.8 percent between FYs 2010 and 2016, reaching pre-recession levels in FY2012. According to Moody's Analytics, real GDP will continue to grow at an annual average rate of 2.2 percent through FY2023. The long-term forecast does not anticipate any deep downturns in the national economy.

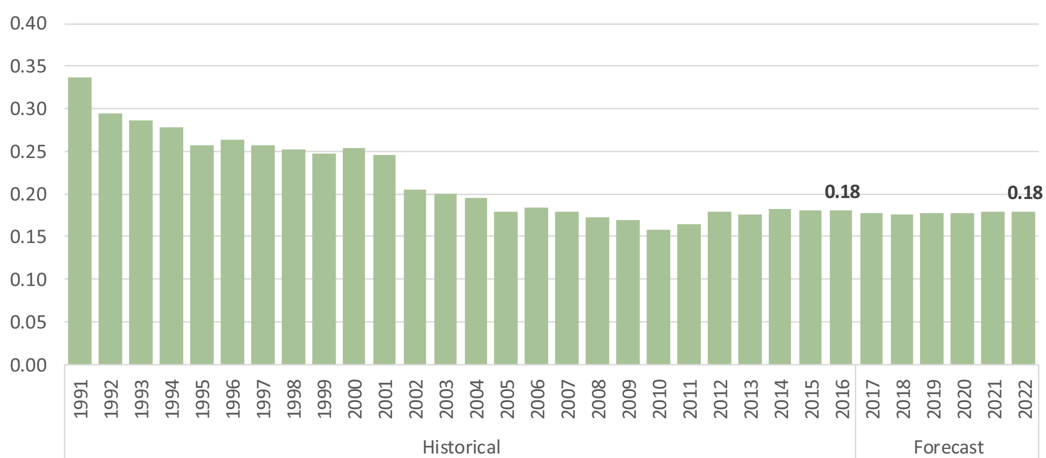
Figure 3-11: Real Gross Domestic Product (Billion Chained 2009$) by Fiscal Year – United States



Sources: U.S. Bureau of Economic Analysis and Moody's Analytics.

- Airline yield trends: The average real passenger yield at STL was on a long-term decreasing trend through FY2010. The declines particularly coincide with the reduction of American's hub services at the Airport in the early 2000's. After increasing to around 18 cents per mile in FY2012, airline yields appear to have levelled off. The FAA's most recent forecasts for mainline passenger yields do not anticipate significant changes over the forecast period (see Figure 3-12).

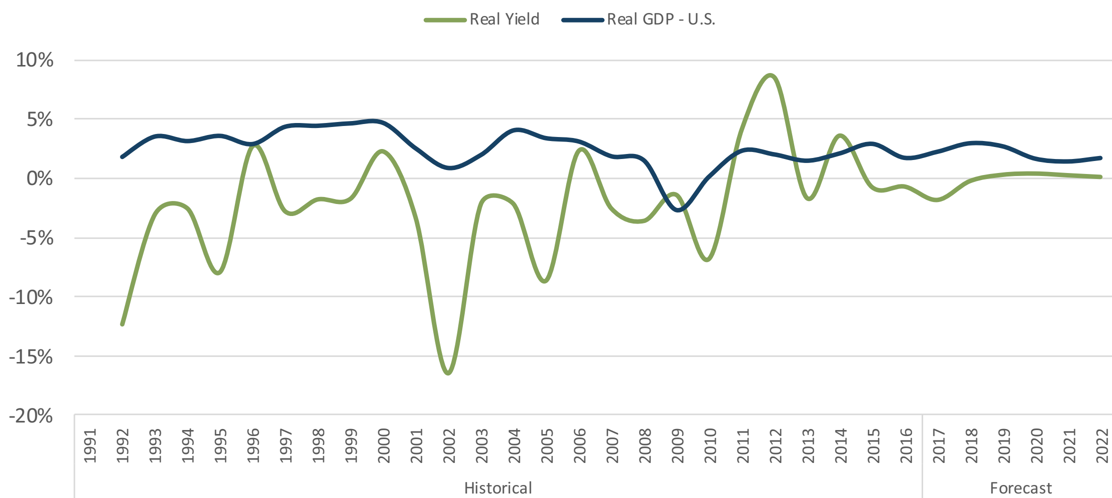
Figure 3-12: STL Real Fared Yield (2009$) by Fiscal Year



The fare data exclude frequent flier, nonrevenue and other discounted fare tickets.
Source: U.S. Department of Transportation 10%-sample airline ticket survey, accessed through Database Products, Inc.

Figure 3-13 shows the annual growth trends in real national GDP and in real passenger yield at STL. These two explanatory variables explain the variation in historical enplanement trends at STL, and drive the forecast trends in the Airport's enplanements beyond 2017.

Figure 3-13: Changes in Key Explanatory Variables by Fiscal Year



Sources: Database Products, Inc. and Federal Aviation Administration for STL real passenger yield; U.S. Bureau of Economic Analysis and Moody's Analytics for real GDP.

3.3.2 Forecast Results

Forecasts for FY2017 are based on Airport activity data through March 31, 2016 and airline flight schedules for April 1, 2017 - June 30, 2017 published in the OAG database as of April 2017. Forecasts after FY2017 consider trends in airline schedules for the first quarter of FY2018, projected national economic growth trends and real passenger yield trends at STL. The model coefficient estimates measuring the contributions of market drivers to growth in STL's enplanements, along with projections of trends in the key market demand drivers, produce the base forecast growth in enplanements beyond FY2017.

Recognizing uncertainty in the future trends of key market drivers, alternative forecasts were developed using Monte Carlo simulation. A comprehensive approach to forecast risk analysis, Monte Carlo simulation uses probability distributions and random sampling techniques for assigning future values to the key explanatory variables of the regression model. The simulation, involving 5,000 iterations, produces a wide range of possible scenarios for future enplanement growth and corresponding percentile rankings. Percentiles provide an indication of the probability of each of the forecast scenarios.

Table 3-6 summarize the base forecast enplanements, and Figure 3-14 compares the base forecast enplanements with select percentile results from the Monte Carlo simulation and the FAA's Terminal Area Forecast (TAF) for STL. The FAA develops TAF for its planning, budgeting, and staffing purposes. The most recent TAF was published in January 2017. Forecast publications lag more than a year behind forecast development, and so the latest TAF considers actual performance only through federal fiscal year 2015 (which ended on September 30, 2015).

Under the base forecast, enplanements will increase from 6.8 million in FY2017 to 8.0 million in FY2022, growing at an average annual rate of 3.1 percent (Table 3-6). The relatively high annual growth rates during the first half of the forecast period reflect continuing momentum from recent airline capacity expansion, especially by Southwest, as well as the projected acceleration in U.S. economic growth. Enplanement growth is forecast to taper in the second half of the forecast period, reflecting the projected slowdown in U.S. economic growth and Southwest's return to its slow and steady growth strategy.

The base forecast enplanements are slightly higher than the median results from the Monte Carlo simulation in the first two years of the forecast period. After the second year, the base forecast enplanements decrease to levels between the median and 25-percentile ranges.

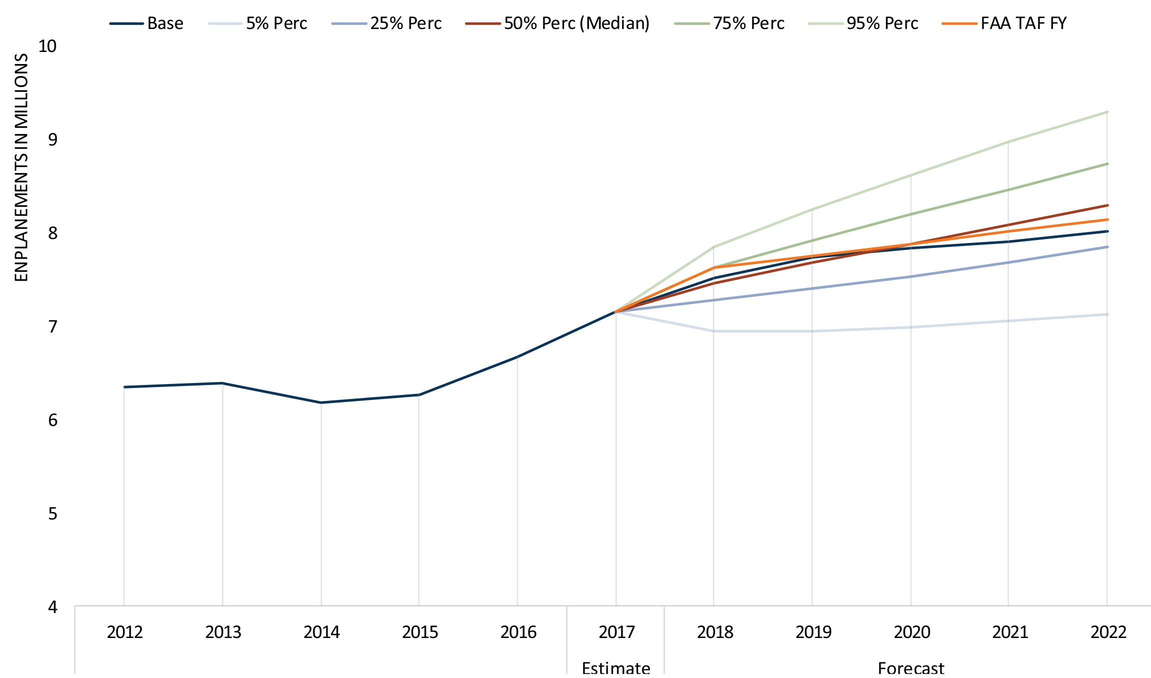
The base forecast enplanements are lower than FAA's TAF through FY2022, but they get closer to the TAF in later years. The base forecast enplanements for FY2022 are only 1.6 percent lower than the TAF. According to the TAF, annual enplanements will grow at an average rate of 2.6 percent, reaching 8.1 million in FY2022.

Table 3-6: Base Forecast Commercial Enplanements by Fiscal Year

	Actual	Forecast						CAGR
Activity	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016-2022**
Mainline Air Carrier								
American/US Airways	874,000	903,000	950,000	977,000	989,000	998,000	1,012,000	2.5%
Delta	684,000	640,000	673,000	693,000	701,000	708,000	718,000	0.8%
Southwest	3,504,000	4,010,000	4,215,000	4,337,000	4,389,000	4,430,000	4,494,000	4.2%
Others	385,000	502,000	528,000	543,000	549,000	554,000	562,000	6.5%
Subtotal-Mainline	5,446,000	6,055,000	6,365,000	6,550,000	6,629,000	6,690,000	6,786,000	3.7%
Regional Air Carrier								
American/US Airways	399,000	306,000	322,000	331,000	335,000	338,000	343,000	-2.5%
Delta Regional	209,000	216,000	227,000	233,000	236,000	238,000	242,000	2.5%
Others	594,000	550,000	578,000	595,000	602,000	607,000	616,000	0.6%
Subtotal-Regional	1,202,000	1,072,000	1,127,000	1,159,000	1,173,000	1,184,000	1,201,000	0.0%
Charter	25,000	28,000	29,000	30,000	30,000	31,000	31,000	3.8%
Total-Enplanements	**6,673,000**	**7,155,000**	**7,521,000**	**7,739,000**	**7,832,000**	**7,905,000**	**8,018,000**	3.1%
Annual Growth Rate	6.5%	7.2%	5.1%	2.9%	1.2%	0.9%	1.4%	

CAGR - Compound Annual Growth Rate

Figure 3-14: Comparison of Base Forecast with FAA Terminal Area Forecast by Fiscal Year



FAA TAF enplanements are converted from Federal FYs (ending September) to the Airport's FYs (ending June).
Sources: FAA Terminal Area Forecast (TAF) and Unison Consulting, Inc. (all other forecasts).

Table 3-7 shows the forecast aircraft departures corresponding to the base forecast enplanements. Forecast aircraft departures will grow at an average annual rate of 1.1 percent—slower than projected for enplanements owing to continued improvements in load factors and continued upgauging in airlines' fleet. Aircraft departures are projected to level off around 91,000 per year in FY2020, after growing annually by 7 percent from current levels.

Table 3-8 shows the landed weight forecast corresponding to the base forecast aircraft landings (the same as departures). Forecast growth rates for landed weight are similar to forecast growth rates for enplanements—averaging 3.1 percent annually between FYs 2016 and 2022.

Mainline carriers drive the growth in all measures of commercial aviation activity at STL.

Table 3-7: Base Forecast Commercial Aircraft Departures (Landings) by Fiscal Year

	Actual	Forecast						CAGR
Activity	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2016-2022**
Mainline Air Carrier								
American/US Airways	8,000	8,000	9,000	9,000	9,000	9,000	9,000	2.0%
Delta	5,000	5,000	6,000	6,000	6,000	6,000	6,000	1.0%
Southwest	31,000	35,000	37,000	38,000	38,000	39,000	39,000	3.6%
Others	3,000	3,000	3,000	3,000	3,000	3,000	3,000	5.3%
Subtotal-Mainline	47,000	52,000	55,000	56,000	56,000	57,000	57,000	3.1%
Regional Air Carrier								
American/US Airways	7,000	6,000	6,000	6,000	6,000	6,000	6,000	-1.9%
Delta Regional	4,000	4,000	4,000	4,000	4,000	4,000	4,000	0.9%
Others	25,000	23,000	23,000	22,000	21,000	21,000	20,000	-3.2%
Subtotal-Regional	35,000	33,000	33,000	32,000	31,000	31,000	31,000	-2.4%
Charter	372	562	562	562	562	562	562	23.8%
Subtotal-Passenger	83,000	86,000	89,000	90,000	89,000	89,000	89,000	1.1%
All-Cargo	2,000	2,000	2,000	2,000	2,000	2,000	2,000	0.0%
Total-Departures	**85,000**	**88,000**	**91,000**	**92,000**	**91,000**	**91,000**	**91,000**	1.1%
Annual Growth Rate	0.3%	3.6%	3.3%	0.7%	-0.7%	-0.4%	0.2%	

CAGR - Compound Annual Growth Rate

Table 3-8: Base Forecast Commercial Aviation Landed Weights by Fiscal Year

	Actual	Forecast						CAGR
Activity	2016	2017	2018	2019	2020	2021	2022	2016-2022
Mainline Air Carrier								
American/US Airways	1,048,000	1,078,000	1,164,000	1,193,000	1,203,000	1,210,000	1,224,000	2.6%
Delta	773,000	738,000	802,000	823,000	830,000	836,000	846,000	1.5%
Southwest	3,997,000	4,568,000	4,855,000	4,979,000	5,021,000	5,052,000	5,111,000	4.2%
Others	372,000	496,000	535,000	550,000	556,000	561,000	569,000	7.4%
Subtotal-Mainline	6,190,000	6,880,000	7,356,000	7,546,000	7,611,000	7,659,000	7,750,000	3.8%
Regional Air Carrier								
American/US Airways	427,000	353,000	366,000	376,000	380,000	383,000	388,000	-1.6%
Delta Regional	260,000	289,000	285,000	293,000	296,000	299,000	303,000	2.6%
Others	694,000	664,000	663,000	674,000	675,000	676,000	682,000	-0.3%
Subtotal-Regional	1,380,000	1,306,000	1,314,000	1,343,000	1,351,000	1,358,000	1,373,000	-0.1%
Charter	40,000	90,000	90,000	90,000	90,000	90,000	90,000	14.6%
Subtotal-Passenger	7,610,000	8,277,000	8,760,000	8,979,000	9,053,000	9,108,000	9,213,000	3.2%
All-Cargo	362,000	339,000	343,000	343,000	343,000	343,000	343,000	-0.9%
Total-Landed Weight	**7,972,000**	**8,616,000**	**9,103,000**	**9,322,000**	**9,396,000**	**9,451,000**	**9,556,000**	**3.1%**
Annual Growth Rate	2.4%	8.1%	5.7%	2.4%	0.8%	0.6%	1.1%	

CAGR - Compound Annual Growth Rate

3.4 Sources of Forecast Risk and Uncertainty

The forecasts of aviation activity are based on information available at the time of analysis, measurable factors that drive air travel demand, and assumptions about the availability and characteristics of airline service at the Airport. Forecasts, however, are inherently uncertain. Broader factors affecting the aviation industry and the Airport can cause the Airport's actual performance to differ from the forecasts. Several of these factors are discussed below.

3.4.1 Economic Conditions

National and regional economic conditions drive trends in the Airport's commercial aviation activity. Economic expansions increase income, boost consumer confidence, stimulate business activity, and increase air travel demand. In contrast, economic recessions reduce income, diminish consumer confidence, dampen business activity, and weaken air travel demand. The regional economy moves with the national economy. While the diversity of the regional economy helps temper the effects of business cycles, the regional economy can be vulnerable to a national economic recession as deep as the Great Recession in 2008-2009. During the Great Recession, the regional economy suffered declines in output (real GDP), income, and employment.

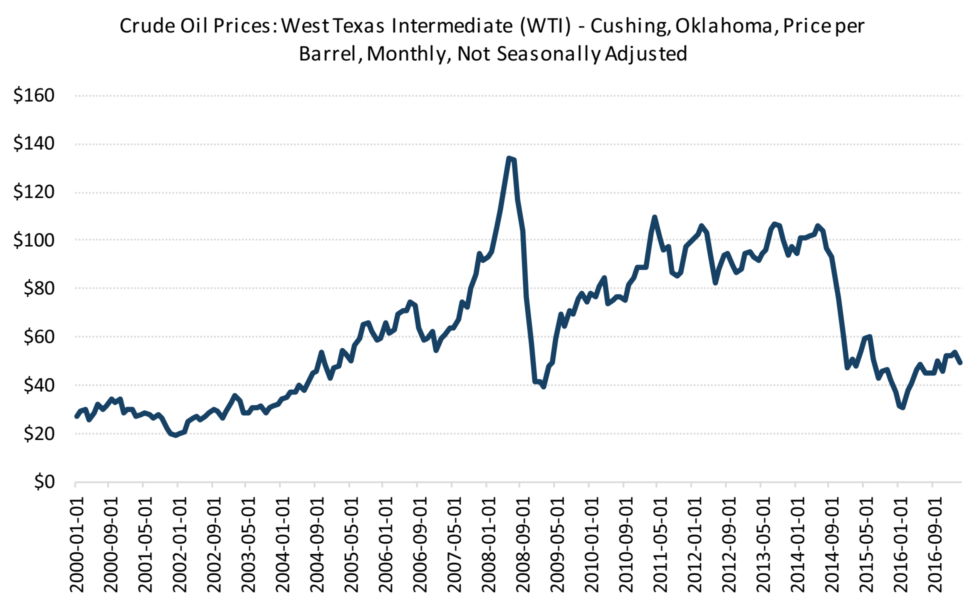
The U.S. economy is now on its eighth year of expansion after the Great Recession. Driven by growth in consumer spending and business investment, the U.S. economy is predicted to continue growing over the next few years. While the probability of a recession remains low, many factors within the country and abroad present economic risks. The forecasts are based on specific assumptions about future economic growth. If the regional and national economy were to grow at a slower pace than projected, or experience another recession, the Airport's air traffic could fall short of forecasts.

3.4.2 Trends in Oil Prices and Jet Fuel Prices

Oil prices affect one of the largest components of airline costs—jet fuel. The sharp increase in oil prices in the past decade, shown in Figure 3-15, Figure 3-15: Crude Oil Pricesresulted in huge financial losses in the U.S. airline industry, pushing many airlines into bankruptcy and prompting significant changes in airlines' operations and business practices.

World oil prices have been declining since mid-2014 (Figure 3-15). From a June 2014 peak near $106 per barrel, West Texas Intermediate (WTI) spot oil prices fell to their lowest level of around $30 per barrel in February 2016, before climbing to just under $47 in October 2016, as shown in Figure 3-15. Oil prices have recovered to over $52 as of January 2017, and the U.S. Energy Information Administration projects oil prices to average $52 per barrel this year. The U.S. Energy Information Administration does not anticipate oil prices to rise in 2017; however, upward price pressures are expected to emerge in 2018 as inventories decrease to match demand more closely. Ultimately, there is considerable ambiguity surrounding oil prices for the next few years. Geopolitical events, Organization of the Petroleum Exporting Countries (OPEC) production cuts, whether individual OPEC members adhere to those production cuts, and continuing technological improvements in U.S. oil production can push oil prices in either direction.

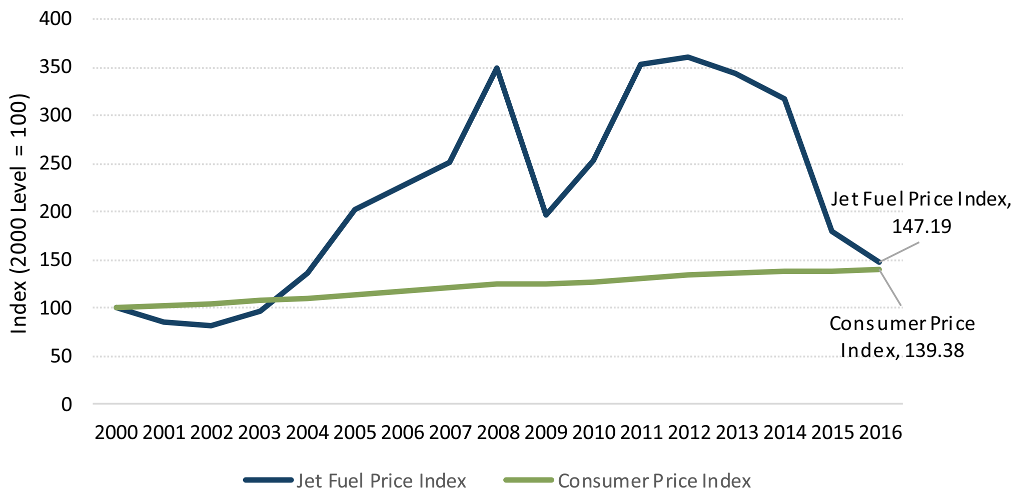
Figure 3-15: Crude Oil Prices by Calendar Year



Sources: U.S. Energy Information Administration and Unison Consulting, Inc.

Jet fuel prices increased—reaching their highest levels in 2012—and decreased along with oil prices. Despite recent decreases, the overall increase in jet fuel prices (nearly 47 percent) from 2000 to 2016 was still greater than the general price increase (39 percent) over the same period (Figure 3-16). The sharp decrease in jet fuel prices since 2014 has produced windfall profits for airlines.

Figure 3-16: U.S. Jet Fuel and Consumer Price Indexes by Calendar Year



Sources: U.S. Bureau of Transportation Statistics, U.S. Bureau of Labor Statistics, and Unison Consulting, Inc.

3.4.3 Financial Health of the U.S. Airline Industry

Airports benefit from stable and growing air service when airlines are profitable. They risk losing service when airlines suffer financial hardship. The business of airlines is highly cyclical, intensely competitive, and capital intensive. Over the years, the U.S. airline industry has struggled to sustain profits. Today, the U.S. airline industry is finally reaping the benefits of business restructuring, capacity restraint, cost-cutting measures, and productivity improvements, helped by the recent decline in oil prices.

As shown in Figure 3-17, from 2000 to 2016, the U.S. airline industry incurred losses amounting to $83.9 billion in seven years, and made profits amounting to $94.3 billion in the other ten years. The period since 2010 has been one of the industry's most profitable, with industry profits averaging $9.4 billion each year. Airports have benefitted by seeing increases in airline service. Since 2015, STL has enjoyed annual increases of at least 9 percent in scheduled airline seats.

Figure 3-17: Annual Net Profit of U.S. Passenger and Cargo Airlines by Calendar Year

Sources: U.S. Bureau of Transportation Statistics and Unison Consulting, Inc.

3.4.4 Performance of the Airport's Largest Carrier

The Airport's largest carrier is Southwest Airlines, which accounted for 55 percent of the Airport's 2016 enplanements. Southwest's operating performance and business decisions have implications for the stability and growth of the Airport's traffic.

Southwest operates a network of 101 destinations in the United States and eight other countries with more than 3,900 departures a day during peak travel season. Based on the U.S. DOT's most recent airline traffic data, Southwest is the nation's largest carrier in terms of O&D passengers boarded. Southwest also holds the record of being the only U.S. airline that has been consistently profitable. In 2016, Southwest reported its 44th profitable year in less than 46 years of service. In 2016, Southwest earned a net income of $2.4 billion, a 10 percent increase from its net income in 2015, and more than double its net income in 2014.[17]

In the last 10 years, Southwest experienced a number of milestones: (1) the repeal of the Wright amendment, lifting restrictions in air service at Southwest's home base Dallas Love Field beginning in October 2006; (2) the acquisition of AirTran Airways, Inc., in May 2011; and (3) access to gates at key U.S. airports (Ronald Reagan National, La Guardia, and Boston Logan) given up by American Airlines and US Airways a condition of the Department of Justice approval of their merger in December 2013. These milestones allowed Southwest to expand its domestic network and also begin international service. In 2013, Southwest broke ground on its five-gate, international facility at Houston's William P. Hobby Airport. This international facility was completed in late 2015 to serve destinations in the Caribbean, Mexico, Central America, and the northern cities of South America.

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[17] Southwest Airlines Investor Relations at http://www.southwestairlinesinvestorrelations.com.

To increase and introduce service at those other airports, Southwest had to cut capacity elsewhere, working within the constraints of its fleet and crew. However, unlike some airports that suffered cuts in Southwest seats between 2009-2013, the carrier's traffic at STL has increased every year over the past decade. As Southwest increases its fleet and crew size, it is also scheduling more seats at STL through the first quarter of FY2018.[18]

3.4.5 Airline Mergers

Airline mergers affect service and traffic at airports, when the merging airlines consolidate facilities, optimize route networks, and route connecting traffic through other hubs. The impact on affected airports is often immediate. The extent of the impact depends upon a number of considerations, including whether the merging airlines have a large market share at the Airport, whether they carry significant connecting traffic through the Airport, and whether they serve the same markets from the Airport.

Recent mergers include United and Continental in 2010, Southwest and AirTran in 2011, American and US Airways in 2013, and Alaska and Virgin America in 2016. After the United-Continental merger, the combined enplanements of the two airlines at the Airport reversed a six-year decline and grew annually through 2012. Following the American-US Airways merger, their combined enplanements at the Airport continued the long-term decline observed for American. The increase in Southwest's enplanements at the Airport following Southwest's acquisition of AirTran could not be clearly attributed to the merger, because of other developments affecting Southwest's network decisions at the time. The effects of the Alaska-Virgin America merger have yet to be developed.

3.4.6 Aviation Security, Health and Safety Concerns

Concerns about security, health, and safety influence consumer travel behavior. Even with tightened security measures implemented by the Department of Homeland Security, terrorism remains a serious threat to the aviation industry. Additionally, the stringent screening process and long waits at security screening lines discourage air travel particularly to destinations that can be reached by ground transportation within a reasonable amount of time. Health and safety concerns can also cause temporary dips in traffic in affected routes.

3.4.7 Structural Changes in Travel Demand

Consumers alter their travel patterns in response to changes at airports, changes in airline business practices, and changes in technology. For example, the stringent airport security screening and long wait times at the airports after the 2001 terrorist attacks decreased the demand for air travel for short-haul trips. Intense fare competition and the ease of comparison shopping allowed by the internet have made consumers more price-sensitive. Moreover, the widespread use of tele- and videoconferencing has decreased the need for business travel.

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[18] Based on OAG airline schedules data.

3.5 Summary

Passenger enplanements at STL have generally tracked with the national business cycle, growing during economic expansions and declining during recessions. During the longest U.S. economic expansion of the 1990s, STL's enplanements grew steadily and reached 15.3 million in CY1999. The Airport's passenger traffic then plummeted through CY2004, as a consequence of a short economic recession and the September 11, 2001 terrorist attacks, which led to American's retirement of its STL hub operations.

The Airport then enjoyed three consecutive years of growth until CY2007, reaching 7.7 million enplanements that year. Demand weakened and airlines reduced capacity during the Great Recession and through the early years of recovery, causing STL's traffic to decrease to 6.2 million enplanements by CY2010. As the economy continued to grow, and as airlines added more capacity, annual enplanements at the Airport recovered slightly and levelled of around 6.3 million passengers through CY2015. STL's passenger traffic grew nearly 10 percent in CY2016, and scheduled seats for the Airport seem to indicate enplanements may reach their pre-recession levels in the short run.

To develop forecasts of commercial aviation activity, a hybrid modeling approach was taken. This approach provides a systematic framework for incorporating both scheduled air service supply and market demand drivers. The near-term forecast is capacity-driven, as it uses published airline schedules to project airport activity. The long-term forecast is demand-driven, where a multivariate time series regression model is developed to quantify the relationship between enplanement trends and market demand drivers: national economic growth trends, changes in the price of air travel, and structural changes at the airport and in the industry. Recognizing uncertainty in the key drivers of the enplanement regression model, risk analysis is performed using a sampling method known as Monte Carlo simulation.

A base forecast is provided, where the forecast enplanements result from the regression model specification and assumptions. Other potential enplanement outcomes generated by the Monte Carlo simulation are compared with forecast results from the regression model and with projections provided by the FAA's Terminal Area Forecast (TAF).

Under the base forecast, enplanements are projected to grow by an annual average rate of 3.1 percent, from 6.8 million in FY2017 to 8.0 million in FY2022. The FAA's TAF estimates higher enplanements than the base forecast through FY2022, showing that annual enplanements will grow at an annual average rate of 2.6 percent and reach 8.1 million in FY2022. Departures (landings) are projected to increase by 7 percent from current levels and level off around 91,000 per year in FY2020. Similar to enplanement growth projections, landed weight is expected to increase by an average annual rate of 3.1 percent between FYs 2016 and 2022.

Section 4 Financial Analysis

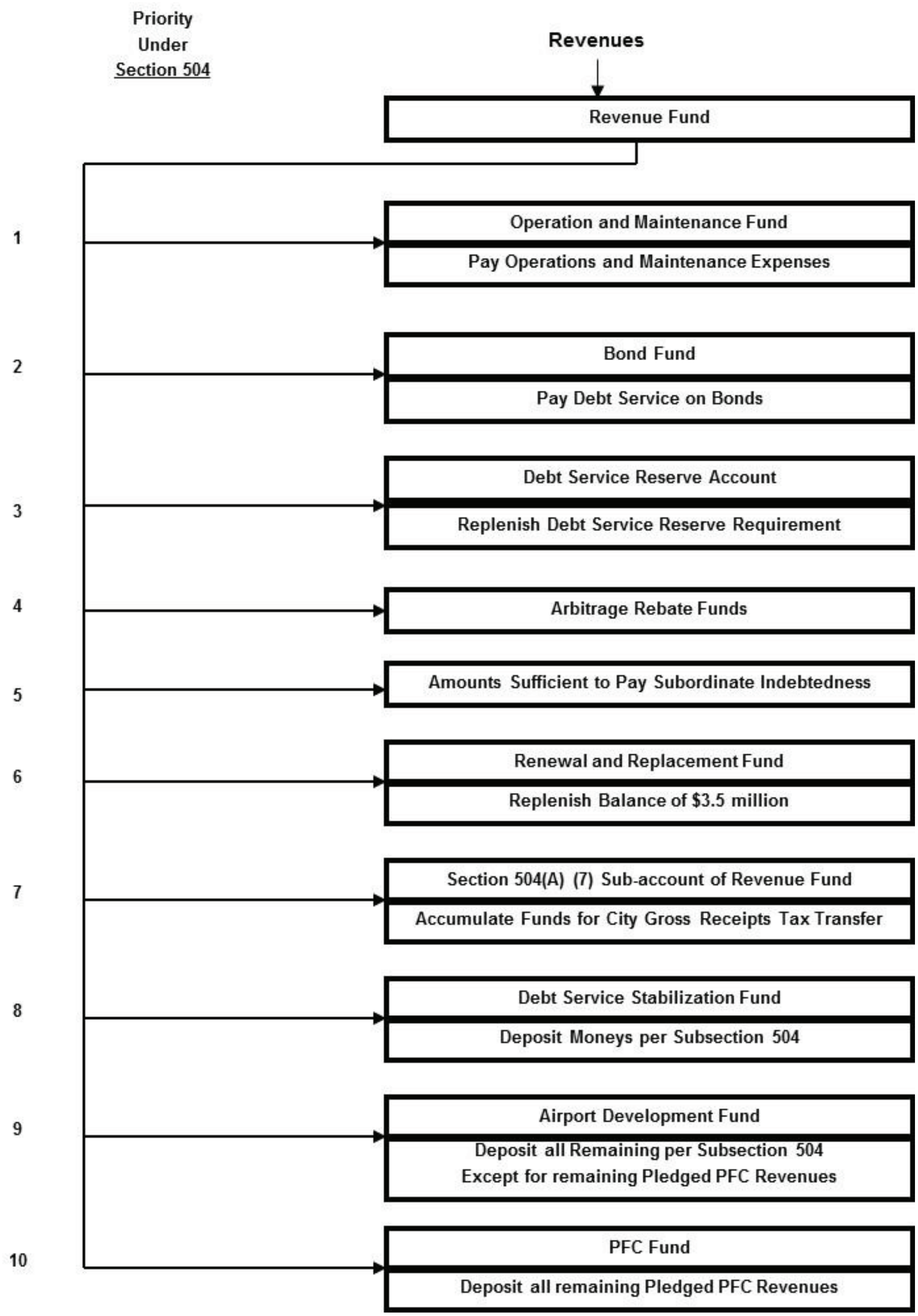
This section presents a discussion of the framework for the financial operation of the Airport including: key provisions of the Indenture and the AUA, review of the Airport's recent historical financial performance, and projection of the ability to generate sufficient Revenues during the forecast period FY 2017 -2022 to (1) pay Operation and Maintenance (O&M) Expenses, (2) meet all of the funding requirements of the Indenture and (3) satisfy the relevant provisions of the Additional Bonds Test. This section also discusses the information and assumptions underlying the financial projections.

4.1 Framework for Airport System Financial Operations

4.1.1 Indenture

The Series 2017 Bonds are being issued pursuant to the Indenture and are limited obligations of the City payable solely from Airport Revenues (as defined in the Indenture). The Indenture establishes priorities for the application of Airport Revenues to various funds and accounts as shown on Figure 4-1. Airport Revenues are to first be deposited into the Revenue Fund, which then flows to the O&M Fund to pay those expenses. The remaining Airport Revenues are available for deposit, in the following order of priority: in the Bond Fund (for payment of Debt Service); in the Debt Service Reserve Account (to restore any deficiency and maintain a balance equal to the Debt Service Reserve Requirement); in the Arbitrage Rebate Fund (to fund Rebate Amount); amounts sufficient to pay Subordinate Indebtedness in accordance with the authorizing and implementing documents of such Subordinate Indebtedness; in the Renewal and Replacement Fund (to maintain a balance of $3.5 million); in the City's General Fund (to pay the 5% gross receipts tax required under Section 504.B); to the Debt Service Stabilization Fund pursuant to the calculations set forth in subsection 504 (A); and the remainder to the ADF, except for remaining Pledged PFC Revenues that are deposited in the PFC Account.

Figure 4-1: Flow of Funds Airport Use and Lease Agreement



4.1.2 Airport Use and Lease Agreement

The City and the airlines executed a new AUA during early 2016 for a five-year term beginning July 1, 2016 through June 30, 2021. The new AUA preserved the underlying rate methodology (Hybrid Compensatory) and rate-making procedures of the previous AUA, which expired June 30, 2016. The AUA sets forth the procedures for calculating landing fees and terminal building space rentals, as well as certain other fees and charges that are briefly summarized below.

Landing Fees. Under the terms of the AUA under Section 606, the Signatory Airlines are charged landing fees calculated based on the total annual costs of the Airfield, which are comprised of the items listed below:

- direct and indirect O&M Expenses allocable to the Airfield Cost Center;
- amortization of Capital Improvements made in, or allocable to, the Airfield Cost Center and put into service before July 1, 2011;
- annual Debt Service associated with Capital Improvements made in, or allocable to, the Airfield Cost Center, and put into service on or after July 1, 2016 in accordance with Section 702;
- annual Debt Service associated with Capital Improvements made in, or allocated to, the Airfield Cost Center, put into service on or after July 1, 2011, and approved by a Majority-In-Interest pursuant to Subsection 703(B);
- annual Depreciation Charges or annual Debt Service, as the case may be, related to Capital Improvements undertaken pursuant to Subsection 705(A)(i)-(vii), and made in, or allocated to, the Airfield Cost Center, if any;
- any replenishment or rebate of the Debt Service Reserve Account required by the Indenture and allocated to the Airfield Cost Center based on the Allocation of Amortization and Debt Service;
- any replenishment of the Renewal and Replacement Fund required by the Indenture as a result of an expenditure made in, or allocable to, the Airfield Cost Center; and
- the share of the Debt Service Stabilization Fund Contribution allocated to the Airfield Cost Center.

The items listed below shall then be subtracted from the total airfield costs above to establish the Initial Airfield Requirement:

- non-signatory Airline landing fees;
- general aviation landing fees;
- military use fees;
- fuel flowage fees;
- remote parking fees;

- rent paid by to the City by the airline consortium leasing the fuel farm; and
- Rate Mitigation Program credits available for that Fiscal Year, as allocated to the Airfield Cost Center.

The landing fee rate will then be calculated by dividing the sum of the Initial Airfield Requirement and the Additional Airline Requirement (defined below), allocable to the Airfield Cost Center by the aggregate landed weight of all signatory airlines and their affiliates for the particular fiscal year.

The City will establish annually a landing fee rate applicable to non-signatory airlines that have signed an airline operating agreement equal to 125% of the landing fee rate calculated in accordance with the AUA, excluding designated affiliates

Terminal Rental Rate. Under Section 605 of the AUA, the terminal rate is calculated based on total annual costs attributable to each Terminal Building, which are comprised of the items listed below in order to establish the Initial Terminal Requirement:

- direct and indirect Operating and Maintenance Expenses allocable to each of the Terminal Cost Centers;
- 50% of the Terminal Roadways Cost Center costs allocated to each Terminal Cost Center based on the percentage that results from dividing the Useable Space in each of the respective Terminal Buildings by the aggregate Useable Space in both Terminal Buildings;
- Amortization of Capital Improvements made in, or allocable to, each Terminal Cost Center and put into service before July 1, 2011;
- annual Debt Service associated with Capital Improvements made in, or allocable to, each of the Terminal Cost Centers, and put into service on or after July 1, 2016 in accordance with Section 702;
- annual Debt Service associated with Capital Improvements made in, or allocable to, each of the Terminal Cost Centers, put into service on or after July 1, 2011, and approved by a Majority-In-Interest in accordance with Subsection 703(B);
- annual Depreciation Charges or annual Debt Service, as the case may be, related to Capital Improvements undertaken pursuant to Subsection 705(A)(i)-(vii), and made in, or allocated to, each of the Terminal Cost Centers, if any;
- any replenishment or rebate of the Debt Service Reserve Account required by the Indenture and allocated between each of the Terminal Cost Centers based on the Allocation of Amortization and Debt Service;
- any replenishment of the Renewal and Replacement Fund required by the Indenture as a result of an expenditure made in, or allocable to, each of the Terminal Cost Centers; and
- the share of the Debt Service Stabilization Fund Contribution allocated to each Terminal Cost Center.

The net costs attributable to each Terminal cost center shall then be calculated by subtracting the following amounts from the total cost attributable to each:

- the amount of aggregate rent payable for Apron-Level Unenclosed Space in accordance with Subsection 502(D) by all Signatory Airlines at each Terminal Building;
- non-signatory Terminal Rents from each Terminal Building; and
- Rate Mitigation Program credits available for that fiscal year, as allocated to each Terminal Cost Center.

The Initial Terminal Rental Rate applicable to each of the Terminal Buildings will then be calculated by dividing the net costs attributable to each Cost Center by the Usable Space in each of the respective Terminal Buildings. The corresponding Initial Terminal Requirement will be calculated by multiplying the Initial Terminal Rental Rate for each Terminal Building by the Rented Space in each of the respective Terminal Buildings.

The Additional Terminal Rental Rate applicable to each of the Terminal Buildings will be calculated by dividing the Additional Airline Requirement allocated to each Terminal Cost Center by the Rented Space in each of the respective Terminal Buildings. The Total Terminal Rental Rate applicable to each of the Terminal Buildings will be the sum of the Initial Terminal Rental Rate and the Additional Terminal Rental Rate for each.

The City will establish annually a terminal rental rate at each Terminal Building and applicable to non-signatory Airlines equal to the respective Total Terminal Rental Rates calculated in accordance with the AUA.

The City will establish annually fair and reasonable charges for the use of the International Facilities.

Additional Airline Requirement. Under the terms of the AUA, the Airport is allowed to add an Additional Requirement, when applicable, to the respective signatory airline rates (airfield and terminal) in order to meet all requirements in a particular fiscal year. The Additional Airline Requirement is calculated by taking the difference between: (1) the sum of the annual Operating and Maintenance Expenses, annual Debt Service, the annual amount of the Debt Service Stabilization Fund Contribution, and the annual Airport Development Fund Deposit; and subtracting (2) the sum of the Initial Requirement, the annual Non-Airline Revenues, Other Airline Revenues, the annual Interest Income, the annual Pledged PFC Revenues, and the annual amount of Rate Mitigation Program credits.

The Additional Airline Requirement may be a positive or a negative number, and will be allocated as follows: for fiscal year 2017, 50% to the Airfield Cost Center, and the remainder to each Terminal Cost Center, and thereafter 100% to the Terminal Cost Centers. The Terminal Cost Centers allocations are proportionate to rented space.

Rate Mitigation Program. The Rate Mitigation program is structured to provide a continuing incentive for growth in air service at the Airport. Subject to the availability of funds and annual appropriations, the City will make credits from the Debt Service Stabilization Fund in an amount not to exceed $13.7 million each fiscal year for the purpose of mitigating the amount of the then current Rents, Fees, and Charges; provided, however, that the Debt Service Stabilization Fund shall be replenished annually by an amount equal to the amount appropriated for use in the Rate Mitigation Program during such Fiscal Year. Rate Mitigation Program credits shall be allocated among each of the Airline Cost Centers based on the Allocation of Amortization and Debt Service.

Passenger Loading Bridge Charge. Under Section 604 of the AUA, new cost centers were established (Terminal 1 Loading Bridges and Terminal 2 Loading Bridges) to account for all operating and capital costs associated with the loading bridges owned by the City. The Loading Bridge Charge to recover all the associated costs is computed by first adding together the following costs:

- Direct and indirect Operating and Maintenance Expenses, if any, allocable to the Passenger Loading Bridges Cost Center; and
- The Depreciation Charge or Debt Service, as the case may be, of each new passenger loading bridge acquired by the City on or after July 1, 2011.

The total costs allocable to the Passenger Loading Bridges Cost Center is then divided by the total number of passenger loading bridges acquired by the City on or after July 1, 2011. The monthly Passenger Loading Bridge Charge shall be 1/12 of the annual Passenger Loading Bridge Charge.

Unless otherwise provided for in one or more separate agreements, airlines will pay the City $2,500 each month for use of each assigned City-owned passenger loading bridge that was acquired prior to July 1, 2011.

4.1.3 Airport Accounting

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 audited financial statements of the Airport for fiscal year ended June 30, 2016 are included in Appendix B of the Official Statement.

4.1.4 Airport Cost Accounting

Airport management has implemented a cost/revenue accounting system to facilitate the monitoring of revenue and O&M expenses and the calculation of Airport rates and charges. The cost/revenue centers include:

- Airfield
- Terminals (1 and 2)
- Passenger Loading Bridges
- Other Building and Areas
- Parking
- Terminal Roadways

4.2 Revenues

Under the Indenture, Revenues are comprised of GARB Revenues, Pledged PFC Revenues, and any other available moneys deposited in the Revenue Fund, including investment income. GARB Revenues include Signatory Airline fees, concession fees, other operating revenues, and interest income as further defined in the Indenture.

Table 4-1 provides a historical summary of audited actual revenues for FY 2012 – 2016. During this period total Revenues increased $8.3 million, which was primarily due to GARB Revenues that grew at an average annual rate of 0.7%, or $3.9 million. The increase primarily resulted from total Concession Revenues increasing $8.3 million during the period offset by a decrease of $4.5 million in total Other-Operating Revenues. The change in GARB Revenues was attributed to increases in Public Parking and Terminal Concessions. The Terminal Concessions and parking revenues are discussed in more detail later in this section. The other component of the increase in total Revenues was Pledged PFC Revenues, which increased from $23.9 million in FY 2012 to $28.3 million in FY 2016. This increase was due to scheduled changes in the portion of the annual debt service obligations paid with PFC revenues.

Table 4-2 presents the projection of Revenues for the period FY 2017 through FY 2022. Total Airport Revenues are projected to increase from $180.8 million in FY 2016 to $199.6 million in FY 2022 or at an average annual growth rate of 1.7%. The components of the major revenue accounts and the underlying assumptions for the financial projections are discussed below.

4.2.1 Signatory Airline Rates and Charges

Signatory Airline fees consist of landing fees and terminal building space rentals received from the Signatory Airlines in accordance with the rates and charges provisions outlined in the AUA.

As shown in Table 4-1, Signatory Airline fees fluctuated during the period FY 2012-2016, resulting in an average annual decline of -0.1%. In FY 2013, airfield landing fees increased by 10.3% primarily due to an increase in airfield expenses comprised of: (1) a $4.4 million increase in the FY 2013 debt service obligation; and (2) an increase in O&M expenses allocated to the airfield, mainly attributed to increase in Deicer fluid costs (up $1.1 million) and Snow Removal services costs (up $1.2 million). Similarly, terminal rents increased 17.6% in FY 2013 primarily due to higher terminal expenses primarily due to $4.4 million increase in the debt service obligation. Beginning in FY 2015, both the airfield landing fees and terminal rents began to decrease by approximately 6.0% due to reduced debt service obligations from the Series 2015 refunding bond and the 1998 bonds becoming fully matured.

Table 4-1: Historical Revenues (in Thousands)

	Avg. Annual	For Fiscal Years Ended June 30				
	Growth Rate	Historical [1]				
AIRPORT REVENUES	**FY '12-'16**	**2012**	**2013**	**2014**	**2015**	**2016**
Signatory Airlines						
Airfield Landing Fees	-0.3%	$61,269	$67,574	$67,931	$64,019	$60,431
Terminal Rents	0.8%	$18,670	$21,964	$19,828	$20,998	$19,248
Total	-0.1%	$79,939	$89,538	$87,759	$85,017	$79,679
Concession Fees						
Terminal Concessions	9.0%	$8,028	$9,504	$11,572	$11,375	$11,326
Public Parking	6.8%	$16,940	$17,938	$18,885	$18,936	$22,043
Car Rentals	1.3%	$11,110	$11,311	$11,667	$11,985	$11,713
Space Rental	-4.0%	$1,539	$1,626	$1,534	$1,384	$1,309
In-Flight Catering	-2.5%	$325	$301	$287	$303	$294
Other	-19.3%	$687	$354	$293	$192	$292
Total	5.0%	$38,629	$41,034	$44,238	$44,175	$46,977
Other						
Non-Signatory Landing Fees	-5.8%	$2,008	$1,779	$1,778	$1,074	$1,584
Non-Signatory Airlines-Terminal	-26.7%	$256	$204	$186	$20	$74
Total	-7.5%	$2,265	$1,983	$1,964	$1,094	$1,658
Airline Revenue Mitigation [2]		$13,728	$13,728	$13,728	$13,728	$13,728
Cargo	-20.5%	$956	$730	$480	$344	$382
Hangars and Other Buildings	6.0%	$503	$572	$649	$658	$635
Tenant Improvement Surcharge	-29.7%	$1,519	$642	$389	$498	$371
Other Miscellaneous	-7.0%	$9,364	$6,314	$11,639	$8,463	$6,993
Total Other-Operating	-4.3%	$28,335	$23,969	$28,849	$24,785	$23,767
Total Operating Revenue	0.6%	$146,903	$154,541	$160,846	$153,976	$150,422
Interest Income [3]	5.2%	$1,696	$2,222	$2,089	$2,284	$2,080
Total GARB Revenues	0.7%	$148,599	$156,763	$162,935	$156,260	$152,502
Pledged PFC Revenue	4.4%	$23,863	$27,578	$27,578	$27,577	$28,320
Total Revenues	1.2%	$172,461	$184,341	$190,513	$183,837	$180,823

[1] Based on audited financial statements and Airport records.
[2] Reflects amounts scheduled to be transferred from the Debt Service Stabilization Fund per the Airline Use and Lease Agreement.
[3] Operating Interest income only.

The forecast of Signatory Airline revenues for the period FY 2017- 2022 in Table 4-2 is comprised of two revenue categories – Airfield Landing Fees and Terminal Rents. The projection for each are developed based on the rate methodology discussed earlier in this section. As a result, Signatory Airline Revenues are projected to decrease slightly from $79.7 million in FY 2016 to $75.9 million in FY 2022, or an average annual decline rate of -0.8%. During the forecast period, the average annual growth in Airfield Landing Fees averages 1.2%. In contrast, the Terminal Rents average annual decline rate during the period averages -9.7%, which is due to lower debt service obligations resulting from the Series 2017 Refunding Bonds and increase in non-airline revenues to the Terminals starting FY 2018 and for the remainder of the forecast period.

Table 4-2: Projected Revenues (in Thousands)

AIRPORT REVENUES	Avg. Annual Growth Rate 2016-2022	Actual 2016 [1]	Projected 2017	2018	2019	2020	2021	2022
Signatory Airlines								
Airfield Landing Fees	1.2%	$60,431	$64,525	$59,042	$60,641	$61,541	$62,578	$65,033
Terminal Rents	-9.7%	19,248	19,735	9,913	11,328	9,857	10,628	10,440
Passenger Loading Bridges	n/a		0	208	329	430	433	401
Total	-0.8%	$79,679	$84,260	$69,162	$72,298	$71,828	$73,639	$75,874
Concession Fees								
Terminal Concessions	5.4%	$11,326	$12,528	$13,418	$14,090	$14,565	$15,016	$15,556
Public Parking	4.3%	22,043	23,302	24,819	25,632	27,959	28,089	28,424
Car Rentals	4.7%	11,713	12,374	13,294	13,981	14,461	14,915	15,462
Space Rental	2.2%	1,309	1,338	1,367	1,397	1,428	1,460	1,492
In-Flight Catering	2.2%	294	300	307	314	321	328	335
Other	1.7%	291	296	301	306	311	317	322
Total	4.6%	$46,977	$50,138	$53,506	$55,720	$59,045	$60,124	$61,590
Other								
Non-Signatory Landing Fees	2.1%	$1,584	$1,807	$1,685	$1,701	$1,721	$1,747	$1,791
Non-Signatory Airlines-Terminal	0.0%	74	74	74	74	74	74	74
Total	2.0%	$1,658	$1,881	$1,759	$1,775	$1,795	$1,821	$1,865
Airline Revenue Mitigation [2]	0.0%	13,728	13,728	13,728	13,729	13,729	13,729	13,729
Cargo	19.1%	$382	$391	$649	$775	$900	$995	$1,091
Hangars and Other Buildings	16.0%	635	639	1,387	1,471	1,475	1,479	1,549
Tenant Improvement Surcharge	0.0%	371	371	371	371	371	371	371
Terminal EDS Surcharges	n/a	0	2,800	2,864	2,930	2,998	3,067	3,137
Other Miscellaneous	7.5%	6,992	7,573	8,279	9,535	10,387	10,571	10,768
Total Other-Operating	5.4%	$23,767	$27,383	$29,039	$30,586	$31,655	$32,032	$32,511
Total Operating Revenue	2.1%	$150,422	$161,781	$151,707	$158,604	$162,528	$165,795	$169,976
Interest Income [3]	-7.5%	$2,080	$1,477	$1,389	$1,435	$1,253	$1,276	$1,307
Total GARB Revenues	2.0%	$152,503	$163,258	$153,096	$160,040	$163,781	$167,071	$171,282
Pledged PFC Revenue	0.0%	28,320	28,325	28,322	28,321	28,318	28,305	28,309
Total Revenues	1.7%	180,823	191,583	181,418	188,361	192,099	195,377	199,592

For Fiscal Years Ending June 30

[1] Based on audited financial statements and Airport records.
[2] Reflects amounts scheduled to be transferred from the Debt Service Stabilization Fund per the Airline Use and Lease Agreement.
[3] Operating Interest income only.

Table 4-3, summarizes future Signatory Airline landing fees and Terminal Rental rates for FY 2017-2022. The projected landing fee rates fluctuate from $7.68 in FY 2016 to $6.90 in FY 2022. The landing fee rate changes during FY 2016-2022 are a result of projected annual growth in signatory landed weights and reduced Airfield costs. The Terminal 1 rental rates are projected to decline from $56.23 in FY 2016 to $29.75 in FY 2022, and the Terminal 2 rental rates are projected to decline from $64.72 in FY 2016 to $37.02 in FY 2022. The Terminal 1 and 2 projected declines are primarily due to the lower debt service obligations and higher non-airline revenues offset by increases in the annual ADF contribution. The cost per enplanement (CPE) is projected to decrease from $11.99 in FY 2016 to $9.50 in FY 2022 due to lower debt service and higher non-airline revenues and continued efforts by Airport management to control costs.

Based on our knowledge of comparable airports and our experience in providing financial consulting services to a variety of airports, we believe the projected airline CPE is reasonable in comparison with other major airports that have recently completed or are currently implementing major capital improvement programs. In addition, Airport management continues to seek measures to ensure the CPE at the Airport remains as low as possible.

Table 4-3: Projected Signatory Landing Fee Rates and Terminal Rental Rates (in Thousands)

	For Fiscal Years Ending June 30						
	Actual	Projected					
	2016[1]	2017	2018	2019	2020	2021	2022
INITIAL AIRLINE REQUIREMENTS							
Landing Fees	$53,442	$57,750	$59,042	$60,641	$61,541	$62,578	$65,033
Terminal 1	8,555	8,998	8,823	9,000	9,239	9,391	9,606
Terminal 2	3,704	3,963	3,614	3,724	3,834	3,901	3,980
Passenger Loading Bridges		0	208	329	430	433	401
	$65,701	$70,712	$71,686	$73,694	$75,045	$76,303	$79,020
TOTAL SIGNATORY AIRLINE REQUIREMENTS							
Initial Requirement	$65,701	$70,712	$71,686	$73,694	$75,045	$76,303	$79,020
Additional Airline Requirement	13,978	13,548	(2,524)	(1,396)	(3,217)	(2,664)	(3,146)
	$79,679	$84,260	$69,162	$72,298	$71,828	$73,639	$75,874
Signatory airline enplaned passengers	6,648	7,127	7,492	7,709	7,802	7,874	7,987
Signatory Airline CPE post Mitigation	**$11.99**	**$11.82**	**$9.23**	**$9.38**	**$9.21**	**$9.35**	**$9.50**
SIGNATORY AIRLINE RATES (including Additional Requirement)							
Landing Fee Rate (per 1,000 pounds)	**$7.68**	**$7.60**	**$6.58**	**$6.60**	**$6.64**	**$6.72**	**$6.90**
Airlines' Terminal Building Rental Rates							
Terminal 1	**$56.23**	**$57.35**	**$28.43**	**$32.58**	**$28.03**	**$30.33**	**$29.75**
Terminal 2	**$64.72**	**$66.79**	**$34.62**	**$39.31**	**$35.10**	**$37.56**	**$37.02**

[1] Based on audited financial statements and Airport records.

4.2.2 Concession Fees

Concession fees include terminal concessions (food and beverage, news and gifts, and coin devices), public parking, car rentals, ground transportation, space rental, in-flight catering, as well as utility reimbursements and advertising.

During the FY 2012 - 2016 period, total concession fees increased approximately $8.4 million at an average annual rate of 5.0%. The increase was primarily due to growth in public parking and terminal concessions. Public parking increase was approximately $5.1 million, primarily due to an increase in parking durations and a parking rate increase initiated in April 2013. The remainder of the increase for concession fees resulted from terminal concessions generating higher revenues as a result of Hudson's increased minimum annual guarantee (MAG) by nearly $3 million by FY 2014. This growth was partially offset by a decline in in-flight catering and a reduction in other concession fees, which consists of declines in Fixed Base Operator (FBO) per passenger fees, and customs rentals.

Concession fees are projected to increase from $47.0 million in FY 2016 to $61.6 million by FY 2022, which represents an average annual growth rate of 4.6%. This growth is supported by the following assumptions:

- Projected parking increases in short-term and long-term parking daily rates in FY 2020.
- A projected increase in various food and beverage concession revenues due to higher O&D enplanements.
- An applied inflation/consumption factor rate of 2.2% during the forecast period.

The major concession categories are:

a) Terminal Concessions. The food and beverage component of terminal concessions is scheduled to add one new concept during the forecast period beginning in FY 2017, which is expected to increase food and beverage revenues by approximately $1.5 million over the forecast period. Merchandising concessions is the second largest category in terminal concessions and comprised an estimated 41.1% or $4.3 million of terminal concession revenues in FY 2016. The forecast period does not assume any new merchandising concepts are added. Both merchandising and food and beverage revenues are projected based on O&D passenger traffic activity during the forecast period and the annual inflationary rate. Terminal concessions are projected to increase from $11.3 million in FY 2016 to $15.6 million in FY 2022, an average annual growth of 5.4%..

   Some of the terminal concession concepts are scheduled to expire during the forecast period, however the financial projection anticipates the current MAGs will remain in place.

b) Public Parking. ABM Parking Services (ABM) is the Airport's public parking management company. Under the current agreement, ABM is responsible for operating the public parking facilities, including operating the shuttle bus service connecting the terminals to the intermediate and remote lots. Additionally, the Airport collects all parking revenues, and reimburses ABM for approved operating and administrative expenses and any expenditures made for capital improvements. The public parking revenues also include taxicab fee revenues, which generate revenues of approximately $1 million during the forecast period. Taxicab fees are projected to increase from $0.9 million in FY 2017 to $1.1 million in FY 2022. Net public parking revenues are projected to increase from $22.0 million in FY 2016 to $28.4 million in FY 2022. The forecast growth anticipates an increase in short-term and long-term rates in FY 2020, providing additional parking revenues of approximately $2.1 million in that year. Parking revenue averages 1.1% annual growth for the remainder of the forecast period. In addition, the moderate rise in O&D passenger activity during the forecast period is also expected to have a favorable impact on this important concession component at the Airport.

c) Car Rentals. There are seven car rental companies that currently operate at the Airport. They are: Avis, Budget, Hertz, Enterprise, Thrifty, Alamo, and National. The car rental revenues paid to the city are based on 10% of the car rental company's gross revenues or their annual MAGs, whichever is greater. During the FY 2012-2016 period, rental car revenues increased at an average annual rate of 1.3% or $0.6 million. The increase is a result of demand generated by passenger growth at the Airport, primarily. Car rental revenues are forecast to increase from $11.7 million in FY 2016 to $15.5 million in 2022, which is primarily based on the anticipated increases in O&D passenger enplanements and an annual escalation factor. The rental car concession agreements will expire on December 31, 2019. The financial projection assumes such agreements will be renewed under the same terms as the current agreements.

d) In-Flight catering. This category over-time has experienced a slow decline in revenues resulting from the continued trend of airlines reducing service offering on flights. In-Flight catering revenues now hover around $0.3 million throughout the period FY 2012 – FY 2016. The forecast assumes the category will remain relatively flat at the FY 2016 actual level ($0.3 million).

e) Other Concession Revenues. Other Concession Revenues include utility reimbursements, and other miscellaneous concession revenues, which consist of customs rentals and per passenger fees for the international area. During the FY 2012 – FY 2016 period, this category decreased at an average annual growth rate of 19.3%, partially due to USA 3000 ceasing operations and no longer paying per passenger fees. The estimated projected revenues assume the category will remain relatively flat at the FY 2016 level ($0.3 million).

4.2.3 Other Operating Revenues

Other Operating Revenues consist of non-signatory airline fees, cargo area rentals and fees, tenant improvement surcharges, charges for the use of the employee parking lot, and other miscellaneous revenues. During the FY 2012-2016 period, Other Operating Revenues decreased $4.5 million or at an average annual rate of -4.3%. The decline was primarily due to reductions in tenant improvement surcharges and other miscellaneous revenue as further discussed below.

a) *Non-signatory Airline* revenues consist of landing fees and terminal rents paid by non-signatory airlines. Landing fee rates for non-signatory airline revenues are set at 125%.

Revenues in this category are declining from $2.3 million in FY 2012 to $1.6 million in FY 2016, primarily due to the high rate of conversion of non-signatory airlines to signatory airlines, resulting in fewer airlines paying the non-signatory rates.

b) *Cargo Revenues* include ground rent, building rent, and tenant improvement charges. Cargo revenues are forecast to increase from $0.4 million in FY 2016 to $1.1 million in FY 2022, or an average annual growth of 19.1%, resulting from anticipated new cargo initiatives beginning in FY 2018.

c) *Hangar and Other Building Area* revenues include building and ground rent for various support facilities and land rental payments. Revenues are forecast to increase from $0.6 million in FY 2016 to $1.5 million in FY 2022 as a result of anticipated new hangar rentals and building rents in FY 2018 and FY 2019.

d) *Tenant Improvement Surcharges* are declining during the FY 2012-2016 period due to the American Airline bankruptcy and Southwest Airlines tenant improvements fully amortizing in FY 2013. The forecast estimates the tenant surcharges staying level at the $0.4 million budgeted level for the forecast period.

e) *Other Miscellaneous Revenues* include U.S. government rental revenues, American ramp charges (associated with their hangar), air cargo services, land rents, utility reimbursements, ground transportation fees, rental revenues from inside advertising billboards and other miscellaneous revenues. During the period FY 2012 – 2016 this category fluctuated due to one-time receipts of insurance reimbursements and proceeds from the American Airlines stock sale. The forecast period is projected to increase at an average annual growth of 7.5% due to the start of Remain Overnight (RON) parking fees in FY 2017 and anticipated new land lease opportunities beginning in FY 2019.

4.2.4 Interest Income

Interest income on all operating funds and accounts, other than the Construction Fund (bond proceeds) and the PFC Fund, are classified as Revenues under the Indenture. Interest income is estimated to decrease from $2.1 million for FY 2016 to $1.3 million in FY 2022 due to lower investable debt service account balances, resulting from the Series 2017 Refunding bonds and lower debt service reserves as certain bonds fully mature. The interest income forecast is based on projected balances in each fund and account assuming average annual interest yields of 1.5% on the Debt Service and Debt Service Reserve Accounts and less than 1% for all other funds held during the forecast period.

4.2.5 Pledged PFC Revenues

The Pledged PFC Revenues are projected to remain relatively flat during the projection period, at approximately $28.3 million annually. The annual amount shown for PFC Pledged Revenues follows the requirements as further defined in the Indenture.

4.3 Operation and Maintenance (O&M) Expenses

Table 4-4 summarizes historical O&M Expenses for the period FY 2012-2016 by major expense category. These categories include: personnel services, which are comprised of salaries, fringe benefits; supplies, materials and equipment; and contractual services. During this period, O&M Expenses increased $6.6 million or an average annual growth rate of 2.2%. The growth was primarily due to an increase in contractual services of approximately $6.4 million, along with an increase in personnel services totaling $1.4 million, offset by a decrease in supplies, materials and equipment of almost $1.3 million, as further described below.

Personnel services expenses represent salaries and wages, and fringe benefits paid to individuals employed by the Airport to maintain and operate the terminal, airfield, roadways and other facilities. Personnel services increased from $40.4 million in FY 2012 to $41.8 million in FY 2016, for an average annual growth of 1%, which is lower than the average annual inflation rate for this period primarily due to on-going efforts by Airport management to contain O&M spending as shown by the decrease of salaries and wages primarily through attrition. This decrease was offset by growth in fringe benefits of $5.0 million in FY 2016, which was primarily due to the enactment of GASB Statement No. 68, which now requires recognition of pension liabilities that previously did not require financial reporting.

Supplies, Materials and Equipment expenses consist of de-icing fluids, office supplies, laundry and cleaning materials, gasoline, tools and other miscellaneous supplies. The average annual increase for this category during FY 2012-2016 was 5.4%. The average annual growth rate for de-icing fluid and the Other supplies and material expenses was -7.6% and -5.0%, respectively. The decreases were mainly due to fluctuations in annual weather conditions during the historical period.

Contractual Services expenses represent the cost of services provided to the Airport by such as utilities and various other specialized services by companies that expertise in those areas. The primary services include utilities, rental and lease of equipment, snow removal services, airport security, cleaning services, reimbursement for City-provided services, repair and maintenance of equipment (such as elevators and escalators, communications equipment, etc.) and other miscellaneous services. The average annual growth rate for this category during the period FY 2012 –2016 was 5.6% or an increase of $6.4 million. The growth was primarily due to increases in utilities, snow removal services, and other contractual services. The higher utilities costs are associated with rising gas and electricity prices, while the fluctuations in snow removal was due to the heavy snow and ice conditions during fiscal years FY 2014 and FY 2015. Over 50% of the total change was due to Other contractual services costs increasing at an average annual growth rate of 15.0%, primarily due to reimbursements for the major storm damage in the FY 2012 and FY 2013. The Airport received over $4 million in reimbursements in FY 2012 versus $1.2 million in FY 2013. The legal services decreased from $0.6 million in FY 2012 to $0.2 million in FY 2016 at an average annual growth rate of -25.1%, due to insurance claims and internal services costs included in the legal services category for FY 2012, being re-classified to in FY 2013 and subsequent years.

Table 4-4: Historical O&M Expenses (in Thousands)

	Avg. Annual Growth Rate FY '12-'16	For Fiscal Years Ending June 30 Historical [1] 2012	2013	2014	2015	2016 [2]
Personnel Services						
Salaries & Wages	-1.8%	$27,203	$27,263	$26,943	$27,174	$25,284
Fringe Benefits	5.8%	$13,187	$12,890	$13,883	$11,477	$16,507
	0.9%	$40,389	$40,153	$40,826	$38,651	$41,790
Supplies, Materials & Equipment						
Deicing & Misc. Supplies	-7.6%	$937	$1,980	$937	$1,592	$684
Other	-5.0%	$5,549	$4,351	$7,669	$6,829	$4,517
	-5.4%	$6,486	$6,331	$8,606	$8,421	$5,201
Contractual Services						
Utilities	1.4%	$6,338	$6,692	$7,009	$6,050	$6,703
Rental Equipment - Snow Removal	9.1%	$489	$1,694	$2,910	$1,000	$692
Rental Equipment - Land Maintenance	1.4%	$109	$195	$166	$67	$115
Cleaning Services	-2.4%	$2,596	$2,749	$2,956	$2,287	$2,358
Reimbursement for City Services	2.7%	$1,328	$1,355	$1,613	$1,451	$1,478
Shuttle, Misc., Acoustical	-0.3%	$161	$161	$161	$161	$159
Legal	-25.1%	$628	$350	$167	$192	$198
Security Service	1.7%	$4,528	$4,682	$4,324	$4,912	$4,851
Insurance	-1.2%	$1,951	$1,801	$2,199	$2,507	$1,862
Other	15.0%	$8,274	$11,176	$13,469	$15,015	$14,463
	5.6%	$26,402	$30,855	$34,974	$33,641	$32,880
Total Operation & Maintenance Expenses [3]	2.2%	$73,277	$77,340	$84,406	$80,713	$79,871

[1] Based on the FY 2016 Settlement and airport records.
[2] The Operating and Maintenance Expenses reported above are $5.2 million higher than that reflected in the FY 2016 audit due to a prior year adjustment.
[3] Excludes 5% gross receipts tax, which is excluded from calculation of debt service coverage.

4.3.1 Projections of O&M Expenses

Table 4-5 presents the O&M Expenses projection for the period FY 2017- 2022. The projected O&M Expenses are based on the FY 2017 operating budget provided by Airport management, and historical trends in O&M expense growth and inflation factors between 2.3% and 4% used to develop the remaining forecast period of FY 2018 through 2022. As shown Table 4-5, total O&M Expenses are forecast to increase from $79.9 million in FY 2016 to $97.4 million in FY 2022, which represents an average annual growth of 3.4%. The increase over the forecast period is higher than the historical average and CPI due to (1) snow removal services budgeted in FY 2017 at a higher rate than FY 2016, which was a mild winter, and (2) the building repairs & maintenance, and miscellaneous contractual services categories within Other contractual services being budgeted at a higher rate than FY 2016. The O&M Expense forecast does not consider the estimated impact of certain capital projects planned to be completed within the forecast period. In addition, certain parts of the forecast were developed based on judgments from Airport management and industry trends. The main factors underlying the significant increases in various categories of O&M Expenses are summarized below:

Personnel Services

Salaries and wages are forecast to increase from $25.3 million in FY 2016 to $30.6 million in FY 2022, for an average annual growth of 3.2%. The growth during the forecast period is primarily a result of the FY 2017 budget increasing 8.5% from FY 2016, due to planned salary increases and one additional pay period. The remainder of the forecast period FY 2018 – 2022 assumes no additional staff will be hired, and that salaries and wages will generally escalate in line with future inflationary increases averaging 3.0%. Fringe benefits are forecast to decrease in FY 2017, then remain relatively flat for the remainder of the forecast period. The decline in FY 2017 fringe benefits is a result of the Airport realizing a higher pension expense of approximately $5.0 million in FY 2016 due to the enactment of GASB Statement No. 68.

Contractual Services

Contractual Services are projected to increase from $32.9 million in FY 2016 to $40.2 million by FY 2022, for an average annual growth of 3.4%. The major contractual services categories contributing to this growth are Utilities, Snow Removal Equipment, and Other Contractual services. Utilities are forecast based on the FY 2017 budget and the inflationary growth factor and are projected to increase from $6.7 million in FY 2016 to $7.8 million in FY 2022, at an average annual growth of 2.6%. Snow removal equipment rentals are projected to increase from $0.7 million in FY 2016 to $2.2 million by FY 2022, at an average annual growth of 21.1%. The significant increase in snow removal services is a result of Airport management budgeting snow removal services at a higher rate than FY 2016, which was a mild winter. The Other Contractual services grew at an average annual rate of 2.6% during the forecast period, primarily due to expected increases to building repairs & maintenance.

Supplies, Materials & Equipment

This expense category is showing an average annual increase of 8.7%, which is a result of FY 2016 actual De-icing expenses being unusually low due to a mild winter. The FY 2017 De-icing costs are budgeted significantly higher to account for expected normal weather conditions.

Table 4-5: Projected O&M Expenses (in Thousands)

	Avg. Annual Growth Rate FY '16-'22	For Fiscal Years Ending June 30 Actual 2016 [2]	Budget 2017	Projected 2018	2019	2020	2021	2022
Personnel Services								
Salaries & Wages	3.2%	$25,284	$27,426	$27,208	$28,025	$28,865	$29,731	$30,623
Fringe Benefits	1.4%	$16,507	$15,491	$15,956	$16,434	$16,927	$17,435	$17,958
	2.5%	$41,790	$42,917	$43,164	$44,459	$45,793	$47,167	$48,582
Supplies, Materials & Equipment								
Deicing & Misc. Supplies	25.5%	$684	$2,384	$2,438	$2,494	$2,552	$2,611	$2,671
Other	4.6%	$4,517	$5,293	$5,415	$5,540	$5,667	$5,797	$5,931
	8.7%	$5,201	$7,677	$7,853	$8,034	$8,219	$8,408	$8,601
Contractual Services								
Utilities	2.6%	$6,703	$6,965	$7,125	$7,289	$7,456	$7,628	$7,803
Rental Equipment - Snow Removal	21.1%	$692	$1,944	$1,989	$2,034	$2,081	$2,129	$2,178
Rental Equipment - Land Maintenance	6.6%	$115	$151	$155	$158	$162	$165	$169
Cleaning Services	1.8%	$2,358	$2,342	$2,396	$2,451	$2,507	$2,565	$2,624
Reimbursement for City Services	4.9%	$1,478	$1,760	$1,800	$1,841	$1,884	$1,927	$1,971
Shuttle, Misc., Acoustical	-4.8%	$159	$105	$108	$110	$113	$115	$118
Legal	19.8%	$198	$523	$535	$547	$559	$572	$585
Security Service	3.0%	$4,851	$5,164	$5,283	$5,404	$5,529	$5,656	$5,786
Insurance	1.7%	$1,862	$1,842	$1,884	$1,928	$1,972	$2,017	$2,064
Other	2.6%	$14,463	$15,989	$15,447	$15,802	$16,165	$16,537	$16,918
	3.4%	$32,880	$36,784	$36,720	$37,565	$38,429	$39,312	$40,217
Total Operation & Maintenance Expenses [1]	3.4%	$79,871	$87,378	$87,738	$90,058	$92,440	$94,887	$97,400

[1] Excludes 5% gross receipts tax, which is not included in the calculation of Net Revenues.

[2] Based on audited financial statements and airport records. The Operating and Maintenance Expenses reported in FY 2016 are $5.2 million higher than that reflected in the FY 2016 audit due to a prior year adjustment.

4.4 Application of Revenues

Table 4-6 shows the Application of Revenues forecast to fund accounts under provisions of the Indenture for the FYs 2017–2022.

Revenues consist of GARB Revenues, Pledged PFC Revenues and Interest Income deposited in the Revenue Fund as presented earlier in Table 4-4. Pursuant to the Indenture, Pledged PFC Revenues equal 125% of the anticipated annual debt service on the portion of the bonds that have been issued to finance PFC-Eligible Projects.

As further described in the Indenture and as depicted in Figure 4-1, shown earlier in this section, Revenues will first be applied to all of the designated funds in their stipulated amounts as further described in the Indenture. All remaining Revenues are then deposited in the ADF or the PFC Account, if there are unused PFC moneys after meeting all requirements of the PFC eligible debt service. Table 4-6 shows the projected deposits available for transfer to the ADF during forecast period of FY 2016 -2022.

As of April 30, 2017, the unaudited unappropriated balance in the Airport's ADF was approximately $12.5 million. This balance, coupled with the projected transfers to the ADF indicated in Table 4-6, should provide adequate resources to meet various obligations of the Airport, such as equipment replacement, major maintenance and small capital projects, during the forecast period.

Table 4-6: Projected Application of Revenues (in Thousands)

	For Fiscal Years Ended June 30						
	Actual	Projected					
	2016 [1]	2017	2018	2019	2020	2021	2022
Revenues							
GARB Revenues							
Airline revenues (Initial Requirement)	$65,701	$70,712	$71,686	$73,694	$75,045	$76,303	$79,020
Additional Airline Requirement [2]	13,978	13,548	(2,524)	(1,396)	(3,217)	(2,664)	(3,146)
Rate Mitigation Program proceeds	13,728	13,728	13,728	13,728	13,728	13,728	13,728
Airline Incentives Program transfer							
Non-airline revenues and Other Airline Charges	57,015	63,793	68,817	72,577	76,971	78,427	80,372
Interest income	2,080	1,477	1,389	1,435	1,253	1,276	1,307
Pledged PFC Revenues	28,320	28,325	28,322	28,321	28,318	28,305	28,309
	$180,823	$191,583	$181,418	$188,360	$192,098	$195,376	$199,591
Application of Revenues							
Operating and Maintenance Expenses [3]	$79,871	$87,378	$87,738	$90,058	$92,440	$94,887	$97,400
Debt Service Account (Annual Debt Service)							
Outstanding Bonds	$74,946	$74,988	$62,926	$64,952	$63,490	$63,494	$63,492
Future Bonds	0	0	0	1,458	2,915	3,589	4,936
Total Debt Service	$74,946	$74,988	$62,926	$66,410	$66,406	$67,083	$68,428
PFC Debt Service Coverage	5,664	5,666	5,665	5,665	5,667	5,665	5,666
Payment to City (5% of Revenues))	6,398	6,398	6,545	6,695	6,849	7,007	7,168
Subtotal net of Contribution from DSSF	$166,879	$174,429	$162,873	$168,828	$171,362	$174,642	$178,661
Amount Available for Deposit to ADF	**$13,943**	**$17,154**	**$18,545**	**$19,532**	**$20,735**	**$20,734**	**$20,930**
Amount due Airlines at Settlement	**(13,728)**	**(13,728)**	**(13,728)**	**(13,728)**	**(13,728)**	**(13,728)**	**(13,728)**
Amount Available for Deposit to ADF post Settlement	**$215**	**$3,426**	**$4,817**	**$5,804**	**$7,007**	**$7,006**	**$7,202**

[1] Based on audited financial statements and Airport records.

[2] Includes Airport Development Fund Deposits.

[3] The Operating and Maintenance Expenses reported are $5.2 million higher than that reflected in the FY 2016 audit due to a prior year adjustment.

4.5 Debt Service Coverage/Additional Bonds Test

Table 4-7 shows the projected debt service during the forecast period. The results of the Additional Bonds Test for the base case scenario using the financial projection presented in this Report for FY 2017 – 2022 is shown on Table 4-8. Debt Service Coverage (DSC) is projected to range from 1.35 to 1.50 during the forecast period, showing that the Airport anticipates to continue meeting the DSC requirement of 1.25 under this scenario in all years. The Additional Bonds Test states, in part, that Net Revenues must be at least 1.25 times Aggregate Debt Service; 1) in any 12 consecutive calendar months out of the 18 calendar months preceding the authentication and delivery of the Series 2017 Bonds, and 2) as set forth in the Airport Consultant's certificate, for each of the three Airport fiscal years following the Airport fiscal year in which the project is expected to be completed.

The financial projections presented in this section are based on information and assumptions that have been provided by Airport management, or developed by Unison and reviewed with and confirmed by Airport management. Based upon our review, we believe the information to be accurate and that the assumptions made provide a reasonable basis for the forecasts. However, due to unforeseen events and circumstances actual results may vary from the forecasts.

Table 4-7: Projected Debt Service (in Thousands)

	For Fiscal Years Ending June 30						
	Actual	Projected					
	2016	2017	2018	2019	2020	2021	2022
OUTSTANDING BONDS							
General Airport Revenue Bonds:							
Series 2005 Refunding Bonds	$31,490	$31,610	$32,386	$30,929	$8,030	$8,030	$8,030
Series 2007A Refunding Bonds	$11,874	$11,805	$11,437	$11,437	$27,431	$30,024	$31,102
Seres 2007B Refunding Bonds	$11,469	$11,447	$11,014	$11,021	$11,021	$11,018	$11,016
Series 2009A-1 Bonds	$9,914	$9,910	$9,914	$9,909	$9,911	$9,909	$9,913
Series 2012 Refunding Bonds	$2,100	$2,119	$2,119	$2,117	$2,124	$2,123	$2,119
Series 2013 Refunding Bonds [1]	$7,219	$7,232	$3,745	$0	$0	$0	$0
Series 2015 Refunding Bonds	$880	$866	$866	$866	$7,641	$5,152	$3,966
Subtotal Debt Service (prior to Series 2017 Bonds)	$74,946	$74,988	$71,481	$66,278	$66,157	$66,256	$66,146
PROPOSED BONDS							
Series 2017A+B Debt service refunded		$0	($20,661)	($20,667)	($36,661)	($39,252)	($40,328)
Series 2017A+B Refunding Debt service		$0	$12,105	$19,342	$33,995	$36,491	$37,674
Subtotal - Series 2017A+B Refunding Bonds		$0	($8,556)	($1,326)	($2,666)	($2,761)	($2,654)
Series 2017C Bonds [2]				$793	$1,585	$1,585	$1,585
Series 2017D Bonds [2]				$665	$1,330	$1,330	$1,330
Proposed Series 2020 Bond [2]						$674	$2,021
Total Debt Service	$74,946	$74,988	$62,925	$66,410	$66,406	$67,083	$68,428

[1] The fiscal year 2018 amount assumes the debt service reserve of approximately $3.5 million will be used to pay a portion of the final debt service payment.
[2] The Series 2017C and 2017D (Series 2017 Project Bonds) and the future 2020 bond issue assume 18 months of capitalized interest.

Table 4-8: Projected Debt Service Coverage (in Thousands)

	For Fiscal Years Ending June 30						
	Actual	Projected					
	2016 [1]	2017	2018 [2]	2019	2020	2021	2022
Total Revenues (including DSSF Contribution and Additional Requirement)	$180,823	$191,583	$181,418	$188,360	$192,098	$195,376	$199,591
less: Operation and Maintenance Expenses [3]	79,871	87,378	87,738	90,058	92,440	94,887	97,400
Net Revenues	$100,951	$104,205	$93,681	$98,302	$99,657	$100,489	$102,191
Debt Service							
Outstanding Bonds	74,946	74,988	62,926	64,952	63,490	63,494	63,492
Future Bonds [4]	0	0	0	1,458	2,915	3,589	4,936
	$74,946	$74,988	$62,926	$66,410	$66,406	$67,083	$68,428
Debt service coverage ratio	**1.35**	**1.39**	**1.49**	**1.48**	**1.50**	**1.50**	**1.49**

[1] Based on audited financial statements and Airport records.

[2] The FY 2018 total debt service amount assumes $3.5 million of debt service reserves will be used to pay a portion of the Series 2013 Refunding bond final payment.

[3] The Operating and Maintenance Expenses reported above are $5.2 million higher than that reflected in the FY 2016 audit due to a prior year adjustment.

[4] The Series 2017 Project Bonds and the future 2020 bond issue both assume 18 months of capitalized interest.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE AIRPORT

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LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Basic Financial Statements and Supplementary Information

June 30, 2016

(With Independent Auditors' Report Thereon)

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Table of Contents

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

Honorable Mayor and Members of
the Board of Aldermen of the
City of St. Louis, Missouri:

Report on the Financial Statements

We have audited the accompanying financial statements of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Lambert – St. Louis International Airport's basic financial statements for the year then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lambert – St. Louis International Airport, as of June 30, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1, the basic financial statements of Lambert – St. Louis International Airport present only the financial position and the changes in financial position and cash flows of Lambert – St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, and do not purport to, and do not, present fairly the financial position of the City of St. Louis, Missouri as of June 30, 2016, the changes in its financial position or, where applicable, cash flows, for the year then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1(m), effective July 1, 2015, Lambert – St. Louis International Airport implemented Governmental Accounting Standards Board (GASB) No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Lambert – St. Louis International Airport's basic financial statements. The supplementary information included in schedules I through IX is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information included in schedules I through IX is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules I through IX is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016 on our consideration of Lambert – St. Louis International Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lambert – St. Louis International Airport's internal control over financial reporting and compliance.

KPMG LLP

St. Louis, Missouri
December 15, 2016

The following discussion and analysis of the activity and financial performance of Lambert – St. Louis International Airport (the Airport) has been prepared by Airport management to provide the reader with an introduction and overview to the basic financial statements of the Airport for the fiscal year ended June 30, 2016. Following this discussion and analysis are the basic financial statements of the Airport including the notes which are essential to a full understanding of the data contained within the basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Statements

The Airport's basic financial statements are prepared on an accrual basis in accordance with the U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Airport is structured as an enterprise fund owned and operated by the City of St. Louis, Missouri with revenues recognized when earned. Expenses are recognized when incurred. Capital assets are capitalized (other than land, construction in progress, and easements) and are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. Refer to Note 1 of the basic financial statements for a summary of the Airport's significant accounting policies.

Summary of Airport Activity

Air travel increased significantly in 2016 when compared to 2015. Enplaned passengers increased by 6.5 percent and aircraft landings and takeoffs increased 1.6 percent from fiscal year 2015. Strong and steady travel trends are a result of Lambert airlines adding 12 new destinations since the summer of 2015. Airlines have also added additional flights to current markets or have switched to larger aircraft. Activity at the Airport during fiscal years 2016 and 2015, is as follows:

	2016	2015	Change
Enplaned passengers	6,672,558	6,267,734	6.5%
Aircraft landings and takeoffs	188,466	185,474	1.6%
Landed weight (in thousands of pounds)	7,972,338	7,789,039	2.4%
Mail and cargo (in tons)	65,560	62,851	4.3%

Financial Highlights

The following represents the significant financial activity at the Airport in fiscal years 2016 and 2015 and the reasons for any fluctuations between the years:

- Operating revenues decreased 2.5% from $140,248 in fiscal year 2015 to $136,694 in fiscal year 2016 as a result of efficient control of Airport operating expenses lowering the landing fee and terminal rental rates assessed to air carriers.

- Operating expenses increased 5.7% from $124,207 in fiscal year 2015 to $131,237 in fiscal year 2016 primarily due to the implementation of GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which enhances accounting and financial reporting by state and local governments for pension and improves information provided by state and local governmental employers about financial support for pensions. The Airport will now recognize a long-term liability for the net pension liability in the balance sheet and pension expense as a component of personnel services. The increase in expenses was offset by a decrease in supplies expense due to mild weather conditions in fiscal year 2016.

- The net result of the impact to operating revenues and expenses, as discussed above, is that operating income decreased 66% from $16,041 in fiscal year 2015 to $5,457 in fiscal year 2016. This is primarily due to the aforementioned GASB Statement No. 68 implementation.

- Nonoperating expenses, net, decreased 37.9% from $7,711 in fiscal year 2015 to $4,788 in fiscal year 2016 primarily due to a growth in enplaned passengers resulting in revenue growth from passenger facility fee collections. Also, the decrease is attributed to a decrease in interest expense and grants received for security costs.

- Capital contributions received in the form of grants from the federal government decreased 59.7% from $23,284 in fiscal year 2015 to $9,378 in fiscal year 2016. The grants received in fiscal year 2016 included various FAA Airport Improvement Program airfield projects totaling $9,000 and $378 of state grants to improve terminal roadway bridges. The prior year grants included $13,455 from TSA grants for the Checked Baggage Inspection System. The final billings on this project were submitted in June 2015 and there is no project of similar size eligible for grant funding completed during fiscal year 2016.

- As a result of the preceding items, net position increased 0.4% from $1,095,460 in fiscal year 2015 to $1,099,770 in fiscal year 2016.

(Dollars in thousands, unless otherwise indicated)

Financial Position Summary

Net position may serve over time as a useful indicator of the Airport's financial position. The Airport's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by $1,099,770 at June 30, 2016.

A condensed summary of the Airport's net position at June 30, 2016 is shown below:

		2016	2015	$ Change	% Change
Assets:					
Current and other assets	$	285,320	300,542	(15,222)	(5.1%)
Capital assets		1,585,754	1,617,035	(31,281)	(1.9%)
Deferred outflow of resources		30,663	18,241	12,422	68.1%
Total assets and deferred outflow of resources		1,901,737	1,935,818	(34,081)	(1.8%)
Liabilities:					
Long-term liabilities		718,317	747,768	(29,451)	(3.9%)
Other liabilities		82,304	89,771	(7,467)	(8.3%)
Deferred inflows of resources		1,346	2,819	(1,473)	(52.3%)
Total liabilities and deferred inflows of resources		801,967	840,358	(38,391)	(4.6%)
Net position:					
Invested in capital assets		912,411	907,291	5,120	0.6%
Restricted		116,219	119,296	(3,077)	(2.6%)
Unrestricted		71,140	68,873	2,267	3.3%
Total net position	$	1,099,770	1,095,460	4,310	0.4%

A portion of the Airport's net position (82.9% at June 30, 2016) represents its investment in capital assets (e.g., land, easements, pavings, buildings and facilities, roads, runways, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Airport's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Airport's net position (10.6% at June 30, 2016) represents net position that are subject to external restrictions on how they can be used. These assets can be used for any lawful Airport use including debt service, capital restoration, or expenditure subject to the restrictions of the Passenger Facility Charge Program and the Airport Improvement Program.

(Continued)

(Dollars in thousands, unless otherwise indicated)

The remaining portion of the Airport's net position (6.5% at June 30, 2016) represents its unrestricted investments, less any outstanding indebtedness, which may be used to meet any of the Airport's ongoing obligations.

In fiscal 2016, the decrease in capital assets is attributable to fewer projects capitalized during fiscal year 2016 compared to the prior fiscal year and current year depreciation expense. The decrease in long-term debt outstanding was attributable to payments made on outstanding debt and the Airport completed the advance refunding of 2005 Series Revenue Refunding Bonds during fiscal year 2015 to reduce its total debt service payments over the next eight years by $3,064.

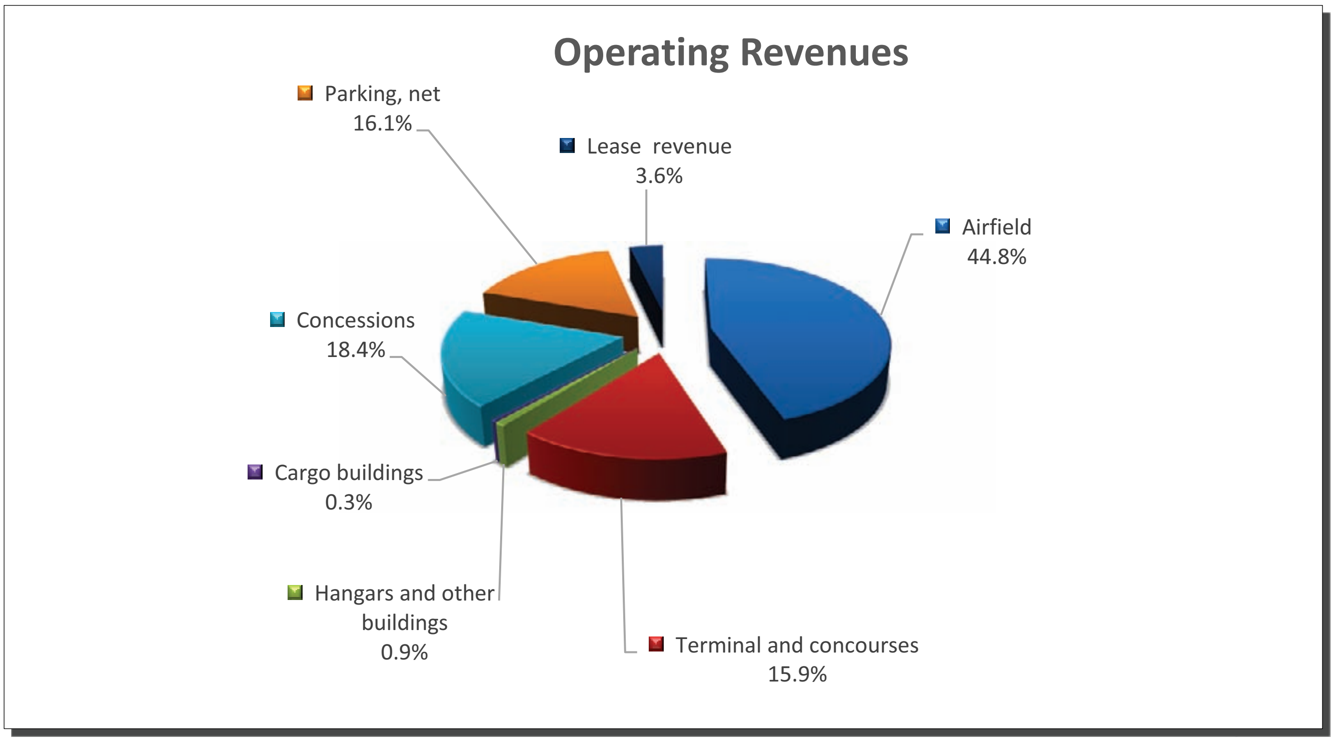
Summary of Revenues, Expenses, and Changes in Fund Net Position

The Airport's revenues, expenses, and changes in fund net position for the fiscal year ended June 30, 2016 are summarized as follows:

	2016	2015	$ Change	% Change
Operating revenues	$ 136,694	140,248	(3,554)	(2.5%)
Operating expenses	131,237	124,207	7,030	5.7%
Operating income	5,457	16,041	(10,584)	(66.0%)
Nonoperating expenses, net	(4,788)	(7,711)	2,923	(37.9%)
Income (loss) before capital contributions, transfers, and extraordinary items, net	669	8,330	(7,661)	(92.0%)
Capital contributions	9,378	23,284	(13,906)	(59.7%)
Transfers out	(6,415)	(6,407)	(8)	0.1%
Extraordinary item – Natural disaster	678	1,737	(1,059)	(61.0%)
Increase in net position	4,310	26,944	(22,634)	(84.0%)
Cumulative effect of change in accounting principle	-	(13,372)	13,372	(100.0%)
Net position, end of year	$ 1,099,770	1,095,460	4,310	0.4%

Revenues

The following chart shows the major sources of operating revenues, and their percentage share of total operating revenues, for the year ended June 30, 2016:



(Dollars in thousands, unless otherwise indicated)

The following table summarizes Airport operating and nonoperating revenues, and their percentage share of total Airport operating and nonoperating revenue, for the year ended June 30, 2016:

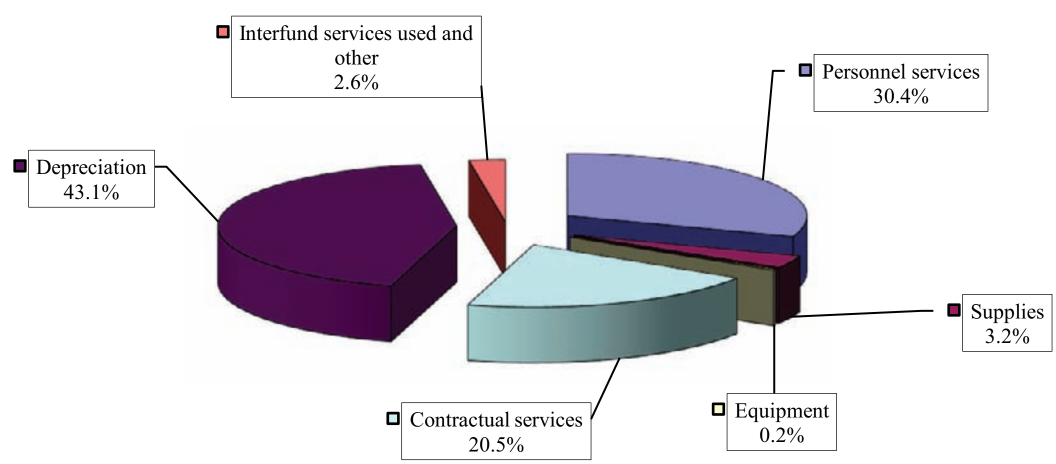
		2016	% of total	$ Change from 2015	% Change from 2015
Operating revenues:					
Aviation revenue:					
Airfield	$	61,290	36.8%	(3,205)	(5.0%)
Terminal and concourses		21,707	13.0%	(3,258)	(13.1%)
Hangars and other buildings		1,176	0.7%	65	5.9%
Cargo buildings		393	0.2%	36	10.1%
Concessions		25,195	15.1%	(467)	(1.8%)
Parking, net		22,043	13.3%	3,107	16.4%
Lease revenue		4,890	2.9%	168	3.6%
Total operating revenue		136,694	82.2%	(3,554)	(2.5%)
Nonoperating revenues:					
Intergovernmental revenue		692	0.4%	(585)	(45.8%)
Investment revenue		2,896	1.7%	355	14.0%
Passenger facility charges		25,785	15.5%	1,597	6.6%
Other nonoperating revenue, net		358	0.2%	213	146.9%
Gain/(Loss) on sale of capital asset		(71)	(0.0%)	(235)	(143.3%)
Total nonoperating revenue		29,660	17.8%	1,345	4.8%
Total revenues	$	166,354	100.0%	(2,209)	(1.3%)

Fiscal year 2016 operating revenues decreased 2.5%, or $3,554. This results primarily from lower landing fee rates assessed to air carriers resulting in lower Airfield revenue of $3,205, and lower Terminal and Concourse rental revenues of $3,258, and an increase in Hangar building revenues of $65. In addition, nonoperating revenues increased 4.8%, or $1,345, due primarily to an increase in enplaned passengers during the fiscal year and passenger facility fee collections.

Expenses

The following chart shows the major sources of operating expenses, and their percentage share of total operating expenses, for the year ended June 30, 2016:

Operating Expenses



(Dollars in thousands, unless otherwise indicated)

The following table summarizes Airport operating and nonoperating expenses, and their percentage share of total Airport operating and nonoperating expenses, for the year ended June 30, 2016:

		2016	% of total	$ Change from 2015	% Change from 2015
Operating expenses:					
Personnel services	$	39,928	24.1%	2,436	6.5%
Supplies		4,231	2.6%	(1,387)	(24.7%)
Equipment		303	0.2%	79	35.3%
Contractual services		26,919	16.2%	(707)	(2.6%)
Depreciation		56,567	34.1%	6,401	12.8%
Interfund services used		3,214	1.9%	725	29.1%
Other operating expenses		75	0.0%	(517)	(87.3%)
Total operating expenses		131,237	79.2%	7,030	5.7%
Nonoperating expenses:					
Interest expense		34,448	20.8%	(1,578)	(4.4%)
Total nonoperating expenses		34,448	20.8%	(1,578)	(4.4%)
Total expenses	$	165,685	100.0%	5,452	3.4%

(Dollars in thousands, unless otherwise indicated)

Airline Use Rates and Charges

As of June 30, 2016, the Airport was served by 12 signatory airlines*, which have use agreements, of which two are cargo carriers. Eighteen airlines have operating agreements, fourteen are designated as affiliates, and two of which are cargo carriers. An individual airline that signed a Use and Lease Agreement with the Airport has a contract that establishes how the airlines are assessed annual rates and charges for their use of the Airport. These agreements will expire on June 30, 2016.

Landing and rental fees are calculated on operating and maintenance expenses and are charged to the airlines based upon landing weights or square footage utilized. The amount charged is adjusted based upon actual expenses and actual landed weight. Nonaffiliated airlines with operating agreements and carriers landing without an Airport Agreement are assessed 125% of the landing fee rate assessed carriers with use agreements.

Capital Acquisitions and Construction Activities

During fiscal year 2016, the Airport expended $21,398 on capital activities related to construction in progress. During 2016, completed projects totaling approximately $17,206 were closed from construction in progress to their respective capital accounts. The major completed projects were as follows:

Terminal and concourse improvements	$ 7,039
Runway improvements	8,734
Roadway improvements	404
Airport Office Building, Banshee Buildings and others	1,029
Total	$ 17,206

Capital asset acquisitions and improvements exceeding $10,000 (in dollars) are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants, State of Missouri grants, passenger facility charges, debt issuances, and Airport operating revenues. Additional information on the Airport's capital assets and commitments can be found in the notes to the basic financial statements.

Passenger Facility Charges (PFC)

The Airport initially received approval from the FAA to impose a passenger facility charge of $3.00 (in dollars) per enplaned passenger beginning December 1, 1992, not to exceed $131,453, principally to finance the Airport Capital Improvement Program. On December 1, 2001, the Airport received approval to increase the PFC $4.50 (in dollars) per enplaned passenger. The current limitation on passenger facility charges to be collected is $1,075,575.

The PFC is withheld by the respective airline for each ticket or transfer in St. Louis and remitted to the Airport one month after collection, less a $0.11 (in dollars) per ticket operating fee by the airline. PFC revenue is classified as nonoperating revenue.

*American Airlines and US Airways began operating under the same certificate on April 8, 2015, and the 'US Airways' name was discontinued on October 17, 2015. For purposes of this report, American Airlines and US Airways are treated as a single airline brand for the 12-month period ending June 30, 2016.

Long-Term Debt Administration

At June 30, 2016, the Airport had the following bond series outstanding:

Revenue Refunding Bonds, Series 2005, dated July 7, 2005, maturing annually from fiscal year 2013 through 2032 with interest coupons of 5.50%

- Balance outstanding at June 30, 2016 - $228,645

Revenue Refunding Bonds, Series 2007A, dated January 23, 2007, maturing annually from fiscal year 2013 through 2033 with interest coupons ranging from 4.25% to 5.25%

- Balance outstanding at June 30, 2016 - $189,780

Revenue Refunding Bonds, Series 2007B, dated April 3, 2007, maturing annually from fiscal year 2015 through 2028 with interest coupon of 5.00%

- Balance outstanding at June 30, 2016 - $98,475

Revenue Bonds, Series 2009A, dated July 14, 2009, maturing annually from fiscal year 2024 through 2035 with interest coupons ranging from 5.250% to 6.625%

- Balance outstanding at June 30, 2016 - $107,240

Revenue Refunding Bonds, Series 2012, dated June 30, 2012, maturing annually from fiscal year 2013 through 2033 with interest coupons ranging from 3.00% to 5.00%

- Balance outstanding at June 30, 2016 - $25,095

Revenue Refunding Bonds, Series 2013, dated June 30, 2013, maturing annually from fiscal year 2014 through 2019 with interest coupons of 5.00%

- Balance outstanding at June 30, 2016 - $19,680

Revenue Refunding Bonds, Series 2015, dated June 25, 2015, maturing annually from fiscal year 2020 through 2024 with interest coupon of 5.00%

- Balance outstanding at June 30, 2016 - $17,310

Credit Ratings

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc., have assigned ratings of "A3" and "A-" respectively, on the basis of the credit of the Airport.

Requests for Information

These basic financial statements are designed to provide a general overview of the Airport's finances for all those with an interest. Questions concerning any information provided in this report should be addressed to the Office of the Airport Assistant Director for Finance and Accounting, Lambert – St. Louis International Airport, P.O. Box 10212, St. Louis, Missouri, 63145.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2016

(Dollars in thousands)

Assets

Current assets:		
Unrestricted assets:		
Cash and cash equivalents	$	40,200
Investments		44,551
Accounts receivable, net		3,171
Supplies and materials		2,320
Other current assets		552
Total unrestricted assets		90,794
Restricted assets:		
Cash and cash equivalents		57,141
Accrued interest receivable		292
Passenger facility charges receivable		2,223
Government grants receivable		4,281
Total restricted assets		63,937
Total current assets		154,731
Noncurrent assets:		
Unrestricted:		
Investments		27,083
Restricted:		
Cash and cash equivalents		21,018
Investments		80,799
Capital assets, net		1,585,754
Other assets		1,689
Total noncurrent assets		1,716,343
Deferred outflow of resources		30,663
Total assets and deferred outflow of resources	$	1,901,737

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Balance Sheet

June 30, 2016

(Dollars in thousands)

Liabilities and Net Position

Current liabilities:		
Payable from unrestricted assets:		
Accounts payable and accrued expenses	$	14,232
Unearned revenue and other current liabilities		1,745
Due to the City of St. Louis, Missouri		4,686
Total payable from unrestricted assets		20,663
Payable from restricted assets:		
Current maturities of revenue bonds payable		38,400
Accrued interest payable		18,266
Contracts and retainage payable		4,975
Total payable from restricted assets		61,641
Total current liabilities		82,304
Noncurrent liabilities:		
Revenue bonds payable, net		675,272
Net pension liability		30,885
Other long-term liabilities		12,160
Total noncurrent liabilities		718,317
Deferred inflows of resources		1,346
Total liabilities and deferred inflows of resources		801,967
Net position:		
Invested in capital assets		912,411
Restricted:		
Bond reserve funds		93,258
Passenger facility charges		22,961
Unrestricted		71,140
Total net position		1,099,770
Total liabilities, deferred inflows of resources, and net position	$	1,901,737

See accompanying notes to basic financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Revenues, Expenses, and Changes in Fund Net Position

Year ended June 30, 2016

(Dollars in thousands)

Operating revenue:		
Aviation revenue:		
Airfield	$	61,290
Terminal and concourses		21,707
Hangars and other buildings		1,176
Cargo buildings		393
Concessions		25,195
Parking, net		22,043
Lease revenue		4,890
Total operating revenue		136,694
Operating expenses:		
Personnel services		39,928
Supplies		4,231
Equipment		303
Contractual services		26,919
Depreciation		56,567
Interfund services used		3,214
Other operating		75
Total operating expenses		131,237
Operating income		5,457
Nonoperating revenue (expenses):		
Intergovernmental revenue		692
Investment revenue		2,896
Interest expense		(34,448)
Passenger facility charges		25,785
Loss on sale of land		(71)
Other, net		358
Total nonoperating expenses, net		(4,788)
Income before capital contributions, transfers, and extraordinary item, net		669
Capital contributions		9,378
Transfers to the City of St. Louis, Missouri		(6,415)
Extraordinary item – Natural disaster		678
Total capital contributions, transfers, and extraordinary items, net		3,641
Increase in net position		4,310
Total net position, beginning of year		1,095,460
Total net position, end of year	$	1,099,770

See accompanying notes to basic financial statements.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Statement of Cash Flows

Year ended June 30, 2016

(Dollars in thousands)

Cash flows from operating activities:	
Receipts from customers and users	$ 135,123
Payments to suppliers of goods and services	(34,595)
Payments to or on behalf of employees	(37,636)
Payments for interfund services used	(2,918)
Net cash provided by operating activities	59,974
Cash flows from noncapital financing activity:	
Transfers to other funds of the City of St. Louis, Missouri	(6,415)
Net cash used in noncapital financing activity	(6,415)
Cash flows from capital and related financing activities:	
Cash collections from passenger facility charges	27,033
Receipt of federal financial assistance	17,293
Acquisition and construction of capital assets	(28,017)
Insurance recoveries	800
Proceeds from the sale of surplus property	1,277
Principal paid on revenue bond maturities	(39,785)
Interest paid on revenue bonds	(37,399)
Net cash used in capital and related financing activities	(58,798)
Cash flows from investing activities:	
Purchases of investments	(250,517)
Proceeds from sales and maturities of investments	287,636
Investment income	3,206
Net cash provided by investing activities	40,325
Net increase in cash and cash equivalents	35,086
Cash and cash equivalents:	
Beginning of year:	
Unrestricted	36,989
Restricted	46,284
	83,273
End of year:	
Unrestricted	40,200
Restricted	78,159
	$ 118,359
Reconciliation of operating gain to net cash provided by operating activities:	
Operating income	$ 5,457
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	56,567
Changes in assets and liabilities:	
Accounts receivable, net	(850)
Supplies and materials	82
Other assets	73
Net pension liabilities	2,216
Accounts payable and accrued expenses	(3,143)
Unearned revenue	(365)
Due to/from the City of St. Louis, Missouri	413
Other long-term liabilities	(476)
Total adjustments	54,517
Net cash provided by operating activities	$ 59,974
Supplemental disclosures for noncash financing activities:	
Unrealized gain on investments	$ 704

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

The Lambert – St. Louis International Airport (the Airport) is owned and operated by the City of St. Louis, Missouri (the City). The Airport is an enterprise fund of the City, and therefore, the basic financial statements of the Airport are not intended to present the financial position, changes in financial position, and cash flows of the City as a whole in conformity with U.S. generally accepted accounting principles.

(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 U.S. generally accepted accounting principles for governmental enterprise funds, which are similar to those for private business enterprises. Accordingly, the economic resource measurement focus and the accrual basis of accounting are used whereby revenues are recorded when earned and expenses are recorded when incurred.

In reporting its financial activity, the Airport applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s ongoing operations. Revenues from airlines, concessions, and parking are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as nonoperating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense, financing costs, and losses on the disposal of capital assets are reported as nonoperating expenses.

(b) Accounts Receivable

Accounts receivable at June 30, 2016 consist of $3,171 due from air carriers and concessionaires with operations at the Airport. Such amounts are recorded net of allowances for uncollectible accounts of $21.

(c) Supplies and Materials

Supplies and materials represent items used in support of operations and maintenance of the Airport. Supplies and materials amounts are recorded at cost using a method that approximates the first-in, first-out method.

(d) Passenger Facility Charges (PFCs)

The Airport collects a $4.50 (in dollars) facility charge per enplaned passenger to fund approved FAA projects. The PFCs are 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 $0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction, and are recognized as nonoperating revenue based upon passenger enplanements. Passenger facility charges receivable as of June 30, 2016 were $2,223. These amounts were collected during July and August of 2016.

(e) Capital Assets

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost, which, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset.

Airport management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred (note 12). Such events or changes in circumstances that were considered by Airport management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations, or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

(f) Interest Expense

Bond discounts and bond premiums are recorded as reductions of or additions to the related debt obligation as appropriate. Such amounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are recognized as an outflow of resources and are expensed as incurred.

(g) Other Assets

Other noncurrent assets, as of June 30, 2016, comprise an advance of $1,689 provided to the Airport's parking contractor and will be repaid to the Airport at the conclusion of the parking contract.

(h) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2016 comprise $5,252, of accrued salaries and benefits; $7,621 due to vendors and contractors; and $1,359 of other accrued expenses.

(i) Vacation and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted vacation and sick leave. Employees who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the accompanying financial statements within other long-term liabilities representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years. The liability totaled $2,047 as of June 30, 2016, and is included in other long-term liabilities.

The vacation liability reflects amounts attributable to employee services already rendered and are cumulative. The liability totaled $2,998 as of June 30, 2016, and is included in accounts payable and accrued expenses.

(j) Capital Contributions and Intergovernmental Revenue

Capital contributions represent government grants and other aid used to fund capital projects. Generally, capital contributions are recognized when the related expenditure is made and amounts become subject to claim for reimbursement. Certain Airport Improvement Program grants include look-back provisions, which allow the Airport to seek reimbursement for expenditures incurred prior to the respective Airport Improvement Program grant award date. In such circumstances, the Airport recognizes capital contributions for such grants upon meeting both the applicable eligibility requirements established by GASB Statement No. 33, *Accounting for Nonexchange Transactions*, and upon the designation of expenditures as eligible Airport Improvement Program expenditures as evaluated through the report date of the accompanying financial statements. Amounts received from other governments that are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

(k) 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.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(m) Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The requirements of this statement are effective for the Airport for the year ending June 30, 2016. In adopting this statement, the Airport has implemented the note disclosure to reflect the level of fair value hierarchy for investments, as well as indicated the fair value methodology. This information can be referenced in Note 2.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued June 2016. The objective of this statement is to identify the hierarchy of generally accepted accounting principles. This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified with a source of authoritative GAAP. The requirements of this statement are effective for the Airport for the year ending June 30, 2016.

(n) Future Accounting Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Airport beginning with its year end June 30, 2017. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess the government's financial position and results of operations.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* will be effective for the Airport beginning with its year end June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68*, Accounting and Financial Reporting for Pensions.* This issues is associated with pensions provided through certain multiple-employer defined pension plans and to state or local government employers whose employees are provided with such pensions. The Airport has not evaluated the impact of this statement.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14,* will be effective for the Airport beginning with its year end June 30, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units.* The Airport has not evaluated the impact of this statement.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No.73,* will be effective for the Airport beginning with its year end June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Airport has not evaluated the impact of this statement.

(Dollars in thousands, unless otherwise indicated)

(2) Cash and Investments

The Airport applies the provisions of GASB Statement No. 72, which requires investments to be measured at fair value. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement established a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 inputs are inputs – other than quoted prices – included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage backed security.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

		Total	Quoted Prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:					
Federal Home Loan Bank	$	45,703	-	45,703	-
Federal National Mortgage Association		50,856	-	50,856	-
Federal Home Loan Mortgage Corporation		11,458	-	11,458	-
Commercial Paper		28,448	-	28,448	-
U.S. Treasury bills and notes		43,788	43,788	-	-
Tennessee Valley Authority		3,451	-	3,451	-
Supra National Note		2,857	-	2,857	-
Money market mutual funds		46,923	-	46,923	-
	$	233,484	43,788	189,696	-

(Dollars in thousands, unless otherwise indicated)

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.

The Airport's current assets contemplate the exclusion of resources that are restricted as to withdrawal or use for other than current operations, are designated for expenditure in the acquisition or construction of noncurrent assets, or are segregated for the liquidation of long-term debts (except for maturing debt that is recorded as a current liability).

As of June 30, 2016, the Airport had the following cash deposits and investments:

Federal Home Loan Bank	$	45,703
Federal National Mortgage Association		50,856
Federal Home Loan Mortgage Corporation		11,458
U.S. Treasury bills and notes		43,788
Tennessee Valley Authority		3,451
Money market mutual funds		46,923
Other cash deposits		37,308
Commercial paper		28,448
Supra National Note		2,857
	$	270,792

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. 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. Funds in the form of cash deposits are required to be insured or collateralized by authorized investments held in the City's name.

(a) Interest Rate Risk

The Airport seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri

(Dollars in thousands, unless otherwise indicated)

(Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the City Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The investments had the following maturities on June 30, 2016:

		Investment maturities (in years)		
	Fair value	**Less than 1**	**1–5**	**6–10**
Federal Home Loan Bank	$ 45,703	21,847	23,856	—
Federal National Mortgage Association	50,856	35,190	15,666	—
Federal Home Loan Mortgage Corporation	11,458	2,410	9,048	—
Commercial Paper	28,448	28,448	—	—
U.S. Treasury bills and notes	43,788	20,771	23,017	—
Tennessee Valley Authority	3,451	—	3,451	—
Supra National Note	2,857	—	2,857	—
Money market mutual funds	46,923	46,923	—	—
	$ 233,484	155,589	77,895	—

(b) Credit Risk

The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody’s Investors Service, Standard & Poor’s Corporation, or Fitch’s Ratings Service.

(Dollars in thousands, unless otherwise indicated)

The investments had the following ratings on June 30, 2016:

		Investment Ratings (Standard and Poor's)				
	Fair value	**AAA**	**A-1+**	**A-1**	**AA+**	**Not Rated**
Federal Home Loan Bank	$ 45,703	—	163	—	45,540	—
Federal National Mortgage Association	50,856	—	—	—	33,461	17,395
Federal Home Loan Mortgage Corporation	11,458	—	—	—	11,458	—
Commercial Paper	28,448	—	3,598	24,850	—	—
U.S. Treasury Bills and Notes*	43,788	—	—	—	—	43,788
Tennessee Valley Authority	3,451	—	—	—	3,451	—
Supra National Note	2,857	2,857	—	—	—	—
Money Market Mutual Funds	46,923	46,923	—	—	—	—
	$ 233,484	49,780	3,761	24,850	93,910	61,183

* The Airport's investments in U.S. Treasury Bills and Notes are explicitly guaranteed by the U.S. government and, therefore, do not require a rating.

(c) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Airport will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State of Missouri, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2016, all Airport investments and all collateral securities pledged against Airport deposits are held by the counterparty's trust department or agent in the City's name.

(d) Concentration of Credit Risk

The Investment Policy of the City provides that, with the exception of U.S. Treasury Securities, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The Airport has no separate policy related to the concentration of credit risk, and the Airport's concentration of credit risk is considered in conjunction with the review of the concentration of credit risk for the City's total investment portfolio.

(Dollars in thousands, unless otherwise indicated)

At June 30, 2016, the concentration of the Airport's investments (excluding cash deposits) was as follows:

Federal National Mortgage Assoc.	21.78%
Federal Home Loan Mortgage Corp.	4.91
Commercial paper	12.18
U.S. Treasury bills and notes	18.76
Tennessee Valley Authority	1.48
Supra National Note	1.22
Federal Home Loan Bank	19.57
Money market mutual funds	20.10
	100.00%

(3) Restricted Assets

Cash and investments, restricted in accordance with bond provisions, are as follows at June 30, 2016:

		2016
Airport Bond Fund:		
Debt Service Account	$	57,141
Debt Service Reserve Account		35,825
Airport Renewal and Replacement Fund		3,500
Passenger Facility Charge Fund		20,739
Airport Debt Service Stabilization Fund		38,211
Airport Construction Fund		1,456
Drug Enforcement Agency funds		2,086
	$	158,958

Bond provisions 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, and as applicable:

(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 pay fully all outstanding bonds.

(d) Arbitrage Rebate Fund: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.

(e) Subordinated Indebtedness: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.

(f) 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 moneys 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.

(g) A subaccount in the Airport Revenue Fund: an amount determined from time to time by the City such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.

(h) Airport Debt Service Stabilization Fund and the Airport Development Fund: various amounts for fiscal years 2006 through 2011, achieved a balance of $38,211 at the end of fiscal year 2011. Beginning in fiscal year 2012, the Airport will allocate an amount sufficient to bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

(i) 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.

Bond provisions 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, Airport

(Dollars in thousands, unless otherwise indicated)

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. Bond provisions 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 the related bond provisions and City ordinances.

Passenger Facility Charge Fund and Drug Enforcement Agency Funds are restricted in accordance with program agreements.

(4) Capital Assets

Following is a summary of the changes in capital assets for the year ended June 30, 2016:

	Balances, June 30, 2015	Additions	Retirements	Transfers	Balances, June 30, 2016
Capital assets being depreciated:					
Pavings	$ 1,017,671	—	—	9,138	1,026,809
Buildings and facilities	644,255	—	—	7,926	652,181
Equipment	83,809	4,202	(1,218)	142	86,935
	1,745,735	4,202	(1,218)	17,206	1,765,925
Less accumulated depreciation:					
Pavings	(465,833)	(31,827)	—	—	(497,660)
Buildings and facilities	(370,051)	(20,929)	—	—	(390,980)
Equipment	(60,055)	(3,812)	1,218	—	(62,649)
Total accumulated depreciation	(895,939)	(56,568)	1,218	—	(951,289)
Total capital assets being depreciated	849,796	(52,366)	—	17,206	814,636
Capital assets not being depreciated:					
Land	751,546	—	(455)	—	751,091
Construction in progress	12,187	21,557	(17)	(17,206)	16,521
Easements	3,506	—	—	—	3,506
Total capital assets not being depreciated	767,239	21,557	(472)	(17,206)	771,118
	$ 1,617,035	(30,809)	(472)	—	1,585,754

Construction in progress as of June 30, 2016 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.

(Dollars in thousands, unless otherwise indicated)

The estimated useful lives of capital assets are as follows:

	Years
Pavings	5–30
Buildings and facilities	5–30
Equipment	3–20

(5) Change in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2016:

	Balances, June 30, 2015	Additions	Reductions	Balances, June 30, 2016	Due within one year
Revenue bonds payable (note 6)	$ 726,010	—	(39,785)	686,225	38,400
Unamortized discounts and premiums (note 6)	31,660	—	(4,213)	27,447	—
Net pension liability	17,247	13,638	—	30,885	—
Pension Funding Project (note 14)	5,054	—	(109)	4,945	117
Other long-term liabilities	396	—	(21)	375	—
Accrued vacation, compensatory, and sick time benefits	5,573	3,369	(3,526)	5,416	3,368
Unearned lease revenues	5,190	—	(281)	4,909	—
Total	$ 791,130	17,007	(47,935)	760,202	41,885

(Dollars in thousands, unless otherwise indicated)

(6) Revenue Bonds Payable

Bonds outstanding at June 30, 2016 are summarized as follows:

Bond Series 2005, interest rate ranging from 5.00% to 5.50% , payable in varying amounts through 2032	$	228,645
Bond Series 2007A, interest rate ranging from 4.25% to 5.25%, payable in varying amounts through 2033		189,780
Bond Series 2007B, interest rate of 5.00%, payable in varying amounts through 2028		98,475
Bond Series 2009A, interest rate ranging from 5.125% to 6.625%, payable in varying amounts through 2035		107,240
Bond Series 2012, interest rate ranging from 3.00% to 5.00%, payable in varying amounts through 2033		25,095
Bond Series 2013, interest rate ranging from 2.00% to 5.00%, payable in varying amounts through 2019		19,680
Bond Series 2015, interest rate of 5.00%, payable in varying amounts through 2024		17,310
		686,225
Less:		
Current maturities		(38,400)
Unamortized discounts and premiums		27,447
		(10,953)
	$	675,272

Interest payments on the above issues are due semiannually on January 1 and July 1.

(Dollars in thousands, unless otherwise indicated)

Debt-Related Items Presented as Deferred Outflows of Resources

In accordance with GASB Statement No. 65, the loss on bond defeasance has been recorded as a deferred outflow of resources, net of the accumulated amortization and will be recognized as a component of interest expense using the bonds outstanding method over the life of the new bonds or of the old bonds, whichever is less. The detail of the debt-related items recognized as deferred outflows of resources is presented below:

Debt-Related Deferred Outflow of Resources

		2016
Loss on bond defeasance	$	14,031
Deferred outflow of resources	$	14,031

Management is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2016.

As of June 30, 2016, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2017	$	38,400	35,522	73,922
2018		40,475	33,446	73,921
2019		42,585	31,254	73,839
2020		36,150	29,175	65,325
2021		37,935	27,261	65,196
2022–2026		201,260	105,874	307,134
2027–2031		210,525	51,165	261,690
2032–2036		78,895	6,207	85,102
	$	686,225	319,904	1,006,129

(Continued)

(Dollars in thousands, unless otherwise indicated)

(7) Use Agreements and Leases with Signatory Air Carriers

Effective July 1, 2011, the Airport entered into long-term use and lease agreements with signatory air carriers that expired on June 30, 2016. Under the terms of the use and lease agreements, 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 that 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 that 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.

(c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2016, revenues from signatory air carriers accounted for 50.4% 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 year ended June 30, 2016:

		Signatory	Nonsignatory	Total
Airfield	$	47,317	13,973	61,290
Terminal and concourses		20,926	781	21,707
Hangars and other buildings		508	668	1,176
Cargo buildings		127	266	393
	$	68,878	15,688	84,566

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including (1) the growth in the population and the economy of the area served by the Airport; (2) national and international political and economic conditions, including the effects of any past or future terrorist attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the risk of significant variance in Airport revenues is mitigated by the Airport Use Agreements, concession agreements, and other leases, which contain minimum annual revenue guarantees. See note (19) subsequent events disclosure.

(8) Use Agreement with Signatory Air Carriers – Southwest Airlines and American Airlines, Inc.

Southwest Airlines (Southwest) and American Airlines, Inc. (American)* represent the major air carriers providing air passenger service at the Airport.

Southwest provided 26% of the Airport's total operating revenues and 51% of total revenues from participating air carriers for the fiscal year ended June 30, 2016. Accounts receivable at June 30, 2016 contained $516 relating to amounts owed to the Airport by Southwest. These amounts include $1,158 of unbilled aviation revenue credits at June 30, 2016.

American provided 10% of the Airport's total operating revenues and 20% of total revenues from signatory air carriers for the fiscal year ended June 30, 2016. Accounts receivable at June 30, 2016 contained $713 relating to unused credits issued by the Airport to American. These amounts include $573 of unbilled aviation revenue credits at June 30, 2016.

*American Airlines and US Airways began operating under the same certificate on April 8, 2015, and the US Airways name was discontinued on October 17, 2015. For purposes of this report, American Airlines and US Airways are treated as a single airline brand for the 12-month period ending June 30, 2016.

(Dollars in thousands, unless otherwise indicated)

(9) 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(s) ending June 30:		
2017	$	24,323
2018		23,917
2019		22,816
2020		16,924
2021		9,815
2022–2026		20,338
2027–2031		11,391
2032–2036		5,080
2037–2040		28
Total minimum future rentals	$	134,632

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $4,001 for the year ended June 30, 2016.

Unearned lease revenues included in other long-term liabilities in the amount of $4,909 as of June 30, 2016 represent the upfront lease revenues received by the Airport for the lease of certain land.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through April 2020. Expenses for operating leases and service agreements were $62 for the year ended June 30, 2016. Future minimum payments are as follows:

Year(s) ending June 30:		
2017	$	34
2018		19
2019		13
2020		8
Total minimum future rentals	$	74

(Dollars in thousands, unless otherwise indicated)

(10) Concessions Revenues

During fiscal year 2016, revenues from concessionaires accounted for 18% of total Airport operating revenues.

Following is a summary of rental revenues received by type of concessionaire for the years ended June 30, 2016:

Advertising	$	671
Transportation services		1,312
Automobile rental		11,713
General merchandise sales		4,310
Food and catering services		5,409
Other		1,780
	$	25,195

(11) Parking Revenue, net

Parking revenues, net represents revenues collected in conjunction with the operations of the Airport parking facilities, net of related expenses. Gross parking revenue and parking expenses for the year ended June 30, 2016 as follows:

Parking revenues	$	32,683
Parking expenses		(10,640)
Parking revenues, net	$	22,043

(12) Impairment of Capital Assets

Airport management performed an evaluation of capital assets, including whether prominent events or changes in circumstances affecting capital assets occurred, which may be indicative of impairment. As a result of evaluation of capital assets performed, and subsequent measurement of potential impairment losses, the Airport did not identify any impairments of capital assets during the years ended June 30, 2016.

(13) Related-Party Transactions

During the year ended June 30, 2016, the City charged the Airport $1,478 for services rendered by various City departments, which are included in the Airport's operating expenses as interfund services used.

Each year, the Airport pays the City a gross receipts tax equal to 5% of the Airport's gross receipts. During the year ended June 30, 2016, gross receipts tax amounted to $6,415 and is reflected as transfers-out in the accompanying basic financial statements. As of June 30, 2016, $1,860 remains unpaid.

(14) Retirement Plans

All employees of the Airport are covered by the following citywide employee retirement plans. Financial information has been taken directly from the financial statements that were audited by other auditors and whose reports have been furnished to us. The employees of the Airport Fire Department are covered by the Firemen's Retirement System of St. Louis (FRS), a single-employer defined-benefit retirement plan. Effective February 1, 2013, the City passed Ordinances #69149 and #69245 (amended by #69353) and Judge Dierker's ruling (Board Bill 109) replaced the FRS with a new retirement system, The Firefighters' Retirement Plan (FRP). All other employees are covered by the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer, public defined-benefit retirement plan. Each system is administered by a separate Board of Trustees, members of which are appointed by City officials and plan participants.

Firemen's Retirement System of St. Louis (FRS)

(a) System Description (FRS)

The FRS 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.

The following disclosures are based on the September 30, 2015 financial statements and the October 1, 2015 actuarial valuation. The valuation as of October 1, 2015, reflects the changes attributable to Ordinances #69245 and #69353, and Judge Dierker's subsequent ruling (Board Bill 109). Key changes to the FRS are as follows:

- FRS is frozen as of February 1, 2013. That is, benefits paid from FRS will be based on the member's service and salary earned as of February 1, 2013. Participants with benefit service in FRS are classified as "grandfathered" members.
- Firefighters hired after February 1, 2013 are not members of FRS.
- Vesting and eligibility service earned after February 1, 2013 in the newly established Firemen's Retirement Plan of St. Louis (FRP) will count toward vesting and eligibility service in FRS.
- Ancillary benefits, for disability or death occurring after February 1, 2013, are assumed to be paid from the newly established FRP to the extent that benefits do not depend on service earned prior to February 1, 2013. FRS members who become disabled or die before retirement are eligible for a refund of contributions made to FRS.
- Employer contributions to the frozen FRS will continue to be calculated under the Frozen Initial Liability cost method.
- Member contributions after February 1, 2013 from "grandfathered" participants in FRS will be paid to the FRP.

- Grandfathered members with 20 or more years of service as of February 1, 2013 are eligible to retire with unreduced FRP benefits if retirement commences before age 55.
- Grandfathered members with less than 20 years of service as of February 1, 2013 are eligible to retire with actuarially reduced FRP benefits if retirement commences before age 55.

As a result of Board Bill 109, the following assumptions were made:

- Since benefits paid under FRS will no longer depend on future salary increases, future salary increase assumptions have been eliminated in the projection of pay and valuation of benefits. Costs will continue to be spread over the present value of future salary, which includes future salary increases.
- It is assumed that grandfathered members with less than 20 years of service as of February 1, 2013 will not retire prior to age 55. The retirement rates were adjusted to reflect accelerated retirement when these members first become eligible at age 55.
- The overall rates of disability were not changed, but the proportion of ordinary accidental disabilities was changed from 20% ordinary and 80% accidental to 60% ordinary and 40% accidental.

Plan liabilities for FRS after Board Bill 109 are predominantly for retired members and their beneficiaries. That is, the proportion of retired liabilities to total plan liabilities is projected to be over 80% within 10 years.

An agreement between the City and FRS was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to FRS from February 1, 2013 to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess FRS City contributions were transferred from FRS to FRP.

The FRS, in accordance with Ordinance #62994 of the City, initiated during the Firemen's 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 1% from the normal 8%. During participation in the DROP plan, the member will not receive credit for employer contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, are available to the member in a lump sum or in installments.

(b) Funding Policy (FRS)

Firefighters contributed 8% of their salary to the FRS, as mandated per State statute and adopted by City ordinance through February 1, 2013 (date frozen). The City is required to contribute the remaining amounts necessary to fund the FRS. The City's policy is that the Airport pays 10% of the contribution for FRS.

(Dollars in thousands, unless otherwise indicated)

(c) Net Pension Liability (Asset) (FRS)

The Airport's pension liability for the FRS as of June 30, 2016 was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

		Total pension liability (TPL) (a)	Fiduciary net position (FNP) (b)	Net pension liability (asset) (NPL) (c)
Balances at July 1, 2015	$	45,154	49,444	(4,290)
Changes for the year:				
Interest		3,440	—	3,440
Difference between expected and actual experience		2	—	2
Assumption changes		4,392	—	4,392
Refunds		(129)	(129)	—
Benefit payments		(3,356)	(3,356)	—
Net investment income		—	(1,093)	1,093
Administrative expenses		—	(159)	159
Net changes		4,349	(4,737)	9,086
Balances at June 30, 2016	$	49,503	44,707	4,796

(d) Actuarial Methods and Assumptions (FRS)

No contributions were made to the FRS by the Airport during the fiscal year ended June 30, 2016. The contribution consisted of $0 of normal cost, plus $0 in unfunded actuarial accrued liability amortization payments in accordance with actuarially determined contribution requirements based on an actuarial valuation performed at October 1, 2015.

(Dollars in thousands, unless otherwise indicated)

Significant actuarial assumptions used in the valuation of the FRS are as follows:

Method:	
Date of actuarial valuation	October 1, 2015
Actuarial cost method (GASB 67 Rptg)	Entry Age - Normal
Amortization Method/period	30-year closed from establishment
Remaining amortization period	None - No unfunded actuarial liability
Asset valuation method	3-year smoothed market value
Actuarial assumptions:	
Investment rate of return	7.3%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	3% to 4% based on service. Benefits frozen as of February 1, 2013; therefore, no salary increases have been assumed
Consumer price inflation	2.75%
Mortality	Post-retirement ordinary - RP-2014 Healthy Annuitant Mortality Tables, sex distinct Pre-retirement - RP-2014 Employee Mortality Tables, sex distinct Post-disability - assumed to be 20% higher than post-retirement mortality rates

The long-term expected rate of return on the FRS investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of October 1, 2015, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	25%	1.30%
Domestic equity	26	4.30
International equity	24	4.70
Private equity	—	5.00
Real estate	15	4.80
Nondirectional hedge fund of funds	10	2.20
Total	100%	

(Dollars in thousands, unless otherwise indicated)

The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that the Airport would make the required contributions as defined by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2015 actuarial valuation, a 7.30% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2016 for the Airport is as follows:

	Discount rate	Net pension liability
1% decrease	6.30%	$ 10,015
Current rate	7.30%	4,796
1% increase	8.30%	434

(e) ***Pension Expense (FRS)***

For the fiscal year ended June 30, 2016, the Airport recognized pension expense of $1,707. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the Airport's fiscal year ended June 30, 2016 is summarized as follows:

Service cost	$ —
Interest	3,440
Administrative expenses	159
Projected earnings on pension plan investments	(3,774)
Recognized assumption changes	1,129
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	753
Pension expense for year ended June 30, 2016	$ 1,707

(Dollars in thousands, unless otherwise indicated)

(f) Deferred Outflows/Inflows of Resources Related to Pension (FRS)

In accordance with GASB Statements No. 67 and 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2016, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected & actual experience	$ 1	—
Net difference between projected and actual earnings on pension plan investments	3,229	—
Changes in assumptions	3,262	—
Total	$ 6,492	—

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of FRS employees. The following table summarizes the future recognition of these items:

Year ended June 30	Recognition
2017	$ 1,881
2018	1,881
2019	1,756
2020	974
	$ 6,492

Firefighter's Retirement Plan (FRP)

(a) System Description (FRP)

The FRP administers a single-employer defined-benefit pension plan providing pension benefits to the City of St. Louis firemen.

The FRP issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Firefighters' Retirement Plan of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

(Continued)

Effective February 1, 2013, benefit accruals under the Firemen's Retirement System of St. Louis (FRS) were frozen. The Firefighters' Retirement Plan of the City of St. Louis (FRP) was established as of that date to provide retirement, disability and death benefits for service rendered after the effective date. Credited service accrued under the FRS counts toward benefit accruals under the FRP, but benefits attributable to such services are offset by the benefits payable by the FRS. Under the FRP, the plan provisions for members who were active as of February 1, 2013 (Grandfathered Participants) are substantially the same as the plan provisions for the FRS.

The FRP provides retirement benefits as well as death and disability benefits. Grandfathered members are those who were employed prior to February 1, 2013. Members can voluntarily retire after a minimum of 20 years of service and upon reaching the normal retirement age of 55. A member who has 20 years of service but has not yet reached the age of 55 may elect an early retirement with the normal retirement benefit deferred until reaching the age of 55. In lieu of a deferred retirement benefit, the member may elect to receive his/her retirement benefit beginning on his/her early retirement date or on the first day of any month thereafter prior to reaching age 55 with such benefit actuarially reduced from age 55. A member hired on or after the effective date of February 1, 2013 who terminates employment after completing 10 years of service, but before completing 20 years of service, is eligible for a full unreduced pension beginning at age 62. Such a member may elect to receive a refund of his/her contributions, plus interest, in lieu of a pension benefit.

The monthly allowance is determined by the average final monthly compensation over the last 5 years of service. For grandfathered members, the average is over the last 2 years of service. The monthly allowance consists of 40% of the applicable final average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service after 25 years with a maximum pension of 75%. Unused accrued sick pay accumulated before September 20, 2010 may increase the maximum pension beyond this limitation.

A grandfathered member with 20 or more years of credited service may elect to enter the DROP program and defer retirement for up to five years while continuing active employment. The benefit payments the participant would have received during that period are deposited into the DROP account and earn interest at a rate equal to the percentage rate of return of the Trust Fund's investment portfolio for that year. After five years or termination from the DROP plan, the participant may retire or return to regular active service. Upon termination of employment, the participant can choose to receive the DROP account with interest earned. If the participant dies prior to termination of employment, the DROP account is paid as a lump sum to the participant's beneficiary or estate. Active service while in the DROP program is not included in the credited service used to calculate the participant's final benefit amount.

Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account of the member, and the member's contributions will be reduced to 1% from the normal contribution percentage. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for any period up to five years. At retirement the funds in the member's DROP account plus: 1) interest and 2) accrued sick leave if elected are available to the member in a lump sum or in installments.

(b) Funding Policy (FRP)

A grandfathered member with at least 20 years of service as of February 1, 2013 contribute 8% of their salary, after tax. All other members contribute 9% of their salary, pretax. The City is required to contribute the remaining amounts necessary to fund FRP. All members who terminate employment before becoming eligible to receive a retirement benefit will receive a refund of all contributions plus interest. Members hired after February 1, 2013 who terminate employment before reaching age 55 and elect a refund of contributions in lieu of a pension benefit will also receive a refund of their contributions plus interest, as will grandfathered members who terminate employment before completing 20 years of service. Contributions to the FRP made on or after the inception of the FRP are not refundable to a member who receives a service retirement benefit, ordinary disability benefit, or a service connected disability benefit, except that contributions to the FRP by a grandfathered member with at least 20 years of service as of inception who receives a service retirement benefit are refundable without interest.

An agreement between the City and FRS was reached regarding the recognition of City contributions under Board Bill 109. The City made contributions to FRS from February 1, 2013 to September 30, 2013. The contributions for this period recognize the impact of Board Bill 109, certain excess Firemen's System City contributions were transferred from the FRS to the FRP.

(Dollars in thousands, unless otherwise indicated)

(c) Net Pension Liability (FRP)

The Airport's pension liability for FRP as of June 30, 2016 was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

		Total pension liability (TPL) (a)	Fiduciary net position (FNP) (b)	Net pension liability (asset) (NPL) (a)-(b)
Balances at July 1, 2015	$	5,227	1,986	3,241
Changes for the year:				
Service cost		623	—	623
Interest		615	—	615
Difference between expected and actual experience		118	—	118
Change in benefit		98	—	98
Change of assumptions		2,224	—	2,224
Benefit payments		(26)	(26)	—
Refunds of member contributions		—	—	—
Contributions – employer		—	851	(851)
Contributions – employee		—	283	(283)
Net investment income		—	(84)	84
Administrative expenses		—	(31)	31
Net changes		3,652	993	2,659
Balances at June 30, 2016	$	8,879	2,979	5,900

(Dollars in thousands, unless otherwise indicated)

The following were some of the significant actuarial assumptions used in the valuation of the Firefighter's Plan:

Method:	
Date of actuarial valuation	October 1, 2014
Actuarial cost method (GASB 67 Rptg)	Entry Age - Normal
Funding	Entry Age - Normal
Amortization Method/period	30-year closed from establishment
Remaining amortization period	Started February 1, 2013
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.625%, net of investment expenses of 50 basis points
Long-term municipal bond rate	3.71%
Rate of payroll growth	Varies based on Members' years of service
Consumer price inflation	3.00%
Mortality	RP-2000 mortality table, sex distinct, with rates projected to 2015

The long-term expected rate of return on the FRP investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of September 30, 2015, these best estimates are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20%	(1.30)%
Domestic equity	50	4.30
International equity	30	4.70
Total	100%	

(Dollars in thousands, unless otherwise indicated)

The discount rate used to measure the total pension liability was 7.63%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2015 actuarial valuation, a 7.63% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2016 for the Airport is as follows:

	Discount rate	Net pension liability (asset)
1% decrease	6.63%	$ 7,181
Current rate	7.63	5,900
1% increase	8.63	4,838

(d) Pension Expense (FRP)

For the fiscal year ended June 30, 2016, the Airport recognized pension expense of $1,205. Annual pension expense consists of service cost, interest and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five year period. The pension expense for the Airport's fiscal year ended June 30, 2016 is summarized as follows:

Service cost	$ 623
Interest	615
Administrative expenses	31
Contributions – employee	(283)
Projected earnings on pension plan investments	(160)
Benefit changes	98
Recognized portion of change in assumptions	278
Recognized portion of current-period difference between expected and actual experience	(52)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	55
Pension expense for year ended June 30, 2016	$ 1,205

(Dollars in thousands, unless otherwise indicated)

(e) Deferred Outflows/Inflows of Resources Related to Pension (FRP)

In accordance with GASB Statements No. 67 and 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2016, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources as follows:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	$ 214	—
Change in assumptions	1,946	—
Differences between expected and actual experience	—	(299)
Total	$ 2,160	(299)

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Firefighters' Plan employees. The following table summarizes the future recognition of these items:

Year(s) ended June 30	Recognition
2017	$ 281
2018	281
2019	281
2020	274
2021	226
Thereafter	518
	$ 1,861

Employees' Retirement System of the City of St. Louis (ERS)

The Airport participates in the Employees' Retirement System of the City of St. Louis (Employees' System), a cost-sharing, multiple-employer, public defined-benefit retirement plan.

(a) System Description (ERS)

All non-uniformed 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; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

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. Employees retire with full retirement benefits after the age 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60, with five years of creditable service; age 55, with 20 years of creditable service; or at any age after 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted according to the changes in the consumer price index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost-of-living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10-year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

(b) Funding Policy (ERS)

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method.

(Dollars in thousands, unless otherwise indicated)

Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. Deductions from plan net assets are financed from plan additions. The Board of Trustees established the required employer-contributions-rate-based active member payroll of 13.93% effective July 1, 2015.

Employees who became members of the Employees' System prior to October 14, 1977, and continue to make contributions, may make voluntary contributions to the Employees' System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. The Airport's contributions to the Employee's system for the year ended June 30, 2016 were $2,997.

(c) Net Pension Liability (ERS)

The Airport reported a liability of $20,189 for its proportionate share of the net pension liability as of June 30, 2016. The net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015. The Airport's proportion of the net pension liability was based on the Airport's share of contributions to the Employees System relative to the contributions of all Employees System participating employers. As of September 30, 2015, the Airport's collective proportion was 8.90%, which was a decrease of 0.16 from its proportion measured as of September 30, 2014.

(d) Actuarial Methods and Assumptions (ERS)

The following were some of the significant actuarial assumptions used in the valuation of the Employee's System:

Date of actuarial valuation	October 1, 2015
Actuarial cost method	Entry age normal
Amortization method	Rolling 20-year level dollar amortization of unfunded liability
Remaining amortization period	20 years as of October 1, 2014
Asset valuation method	5-year smoothed market
Inflation	3.125%
Discount rate	7.50%
Projected salary increases	3.5% plus merit component bases on employee's years of service
Mortality	1994 Group Annuity Mortality Table

The long-term expected rate of return on the Employees System investments was determined using a building-block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(Dollars in thousands, unless otherwise indicated)

For each major asset class that is included in the pension plan target asset allocation as of September 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Private Equity	5.00%	8.25%
Real Estate	10.00%	5.00%
Hedge Funds	10.00%	4.50%
Master Limited Partnerships	7.50%	6.00%
International Equity	21.50%	6.84%
Domestic Equity	21.00%	5.05%
Fixed Income	25.00%	2.25%
	100.00%	

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2015 actuarial valuation, a 7.50% discount rate was used. The sensitivity of the net pension liability to changes in the discount rate for the year ended June 30, 2016 for the Airport is as follows:

	Rate	Net pension liability (NPL)
1% decrease	6.50%	$ 28,805
Current rate	7.50%	20,189
1% increase	8.50%	12,823

Pension Plan Fiduciary Net Position – Detailed information about the pension plan fiduciary net position is available in the separately issued Employees System Financial Report.

(Dollars in thousands, unless otherwise indicated)

(e) Pension Expense (ERS)

For the fiscal year ended June 30, 2016, the Airport recognized pension expense of $3,115. Annual pension expense consists of service cost, interest, and administrative expenses on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources recognized in pension expense over a five-year period.

(f) Deferred Outflows/Inflows of Resources Related to Pension (ERS)

In accordance with GASB Statement No. 68, the Airport recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, the difference between actual and expected investment returns, changes in proportion, and contributions subsequent to the measurement date as deferred outflows/inflows of resources. At June 30, 2016, the Airport reported deferred outflows of resources and inflows of resources related to pensions from the following sources as follows:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ —	(323)
Net difference between projected and actual earnings on pension plan investments	5,821	—
Changes in assumptions	—	(303)
Changes in proportion	—	(421)
Airport contributions subsequent to the measurement date	2,159	—
Total	$ 7,980	(1,047)

The $2,159 reported as deferred outflows of resources related to pensions resulting from the Airport's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017.

(Dollars in thousands, unless otherwise indicated)

The Airport recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the Employee System's employees. The following table summarizes the future recognition of these items:

Year(s) ended June 30		Recognition
2017	$	879
2018		879
2019		1,403
2020		1,613
2021		—
Thereafter		—
Total	$	4,774

During fiscal year 2008, the City of St. Louis Municipal Finance Corporation issued $46,700 in Taxable Leasehold Revenue and Refunding Bonds Series 2007 (Pension Funding Project) to fund the Employees System. While the Airport is not legally responsible for these bonds, $5,510 of the proceeds was allocated to the Airport. A $4,828 liability is reflected as an "other noncurrent long-term liability" on the balance sheet and is payable to the City of St. Louis by June 30, 2037.

(15) Commitments and Contingencies

At June 30, 2016, the Airport had outstanding commitments amounting to approximately $17,134 resulting primarily from contracts for construction projects. In addition, the Airport has $36,648 in outstanding commitments resulting from service agreements.

In connection with federal grant programs, the Airport is obligated to administer the related programs, spend the grant moneys 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 moneys.

Finally, certain lawsuits were pending against the City that involved the Airport. In the opinion of Airport officials and legal counsel, these actions are not expected to have a material effect, individually or in the aggregate, on the financial position or results of operations of the Airport.

(16) Risk Management

The Airport is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport participates in the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, Missouri. The purpose of PFPC is to account for risks in which the City is self-insured, primarily workers' compensation, unemployment benefits, certain general liability, and various other claims and legal actions. All self-insured claims liabilities and payments are recorded in PFPC. The Airport reimburses PFPC for workers' compensation claims on a cost-reimbursement basis. During the year ended June 30, 2016, expenses related to the Airport's participation in PFPC amounted to $1,736 and are reflected as interfund services used in the accompanying basic financial statements. At June 30, 2016 the Airport owed PFPC $2,826 for unreimbursed workers' compensation claims.

The Airport purchases commercial insurance for other risks it considers significant, including general liability, public officials' liability, property damage, employee honesty bond, business auto, and insurance on its fine arts. Settled claims did not exceed commercial coverage in any of the last three years.

(17) Pledged Revenues

The Airport has pledged future specific revenue streams, net of specified operating expenses, to secure the repayment of $686,225 in various long-term debt issuances, as outlined in note 6. The general purpose of the various long-term debt issuances is for land acquisition and construction of the capital assets at the Airport. The bonds are payable from Airport net revenues and are payable through July 2034. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated Airport net revenues. As of June 30, 2016, the total principal and interest remaining to be paid on the bonds is $1,006,129. Principal and interest paid was $76,902 for the year ended June 30, 2016. The pledged net revenue recognized for the year ended June 30, 2016 was $93,291.

(18) Extraordinary Item – Natural Disaster

On May 31, 2013, the Airport sustained damage from a tornado. As of June 30, 2016, most of the damages have been rebuilt or repaired and Lexington Insurance Company settled the final insurance claim during fiscal year 2016.

Also, the Airport office building at 11495 Navaid Road in St. Louis, Missouri suffered water damage on August 28, 2014 and the majority of all damaged areas were repaired and completed by June 30, 2016. Lexington Insurance Company settled the final insurance claim during fiscal year 2016.

(19) Subsequent Event

Effective July 1, 2016, the Airport entered into a new long-term Airport Use and Lease agreement (AUA) with signatory air carriers which will expire June 30, 2021. Contemporaneously, the Airport also adopted a new companion Airline Operating Agreement and Terminal Building Space Permit ("AOA"), which the Airport will make available to airlines that elect not to enter into an AUA. The new agreements retain most of the provisions of the prior master agreements which expired June 30, 2016.

Under the terms of the new use and lease agreements, the air carriers continue 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 include a pre-approved, 5-year capital improvement program which require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers will continue to be 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 landed weights. Landing fee revenues are adjusted each year by retroactive rate adjustment that is calculated as the difference between estimated and actual costs incurred and estimated and actual landed 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 that 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.

(c) Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

Schedule I

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Analysis of Cash and Investment Accounts

Year ended June 30, 2016

(Dollars in thousands)

		Unrestricted		Unrestricted Funds Designated		Restricted Held by trustee bond fund		Restricted Other restricted funds					
	Revenue fund	Revenue fund subaccount	Operation and maintenance fund	Development fund (ADF)/ Debt Service Stabilization fund (DSSF)	Construction fund	Debt service account	Debt service reserve account	Renewal and replacement fund	Passenger facility charge fund	Stabilization fund	Construction fund	DEA fund	Total
Balance at June 30, 2015	$ 9,033	4,256	15,537	83,815	(1,025)	59,244	36,880	3,500	14,874	38,211	5,748	2,048	272,121
Cash deposited with City Treasurer	148,943				704				27,034				176,681
Cash receipts	33			951		1,063	268		216		475	67	3,073
Transfer in accordance with ordinance	(128,616)	6,404	67,500	8,030		73,760	(924)		(21,385)		(4,769)		—
Vouchers and requisitions paid	(9,501)		(82,666)									(27)	(92,194)
Bond Proceeds													—
Payments													—
Interest						(37,141)	(399)						(37,540)
Redemption of bonds						(39,785)							(39,785)
Refunding of bonds													—
Payments to the City of 5% of gross receipts		(3,272)											(3,272)
Receipts from FAA, TSA & MoDOT				16,601									16,601
Transfers from Development Fund to Ordinance Fund				(32,567)									(32,567)
Capital appropriation				32,559									32,559
Capital expenditures				(24,885)									(24,885)
Balance at June 30, 2016	$ 19,892	7,388	371	84,504	(321)	57,141	35,825	3,500	20,739	38,211	1,454	2,088	270,792

See accompanying independent auditors' report.

Schedule II

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2005 Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2016	5.50%	$	18,915
2017	5.50		20,075
2018	5.50		21,955
2019	5.50		21,705
2024	5.50		2,515
2025	5.50		2,655
2026	5.50		2,795
2027	5.50		24,545
2028	5.50		26,135
2029	5.50		27,570
2030	5.50		29,090
2031	5.50		30,690
		$	228,645

See accompanying independent auditors' report.

Schedule III

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2007A Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2016	5.00%	$	2,585
2017	5.00		2,645
2018	5.00		2,410
2019	4.00		2,530
2020	5.00		18,625
2021	5.00		22,150
2022	5.00		24,335
2023	5.00		20,865
2024	4.25–5.00		21,915
2025	5.00–5.25		22,935
2026	5.25		24,105
2027	4.25		3,700
2028	4.25		3,855
2029	4.25		4,015
2030	4.25		4,190
2031	4.25		4,365
2032	4.25		4,555
		$	189,780

See accompanying independent auditors' report.

Schedule IV

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2007B Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2016	5.00%	$	6,545
2017	5.00		6,850
2018	5.00		6,760
2019	5.00		7,105
2020	5.00		7,460
2021	5.00		7,830
2022	5.00		8,220
2023	5.00		8,635
2024	5.00		9,065
2025	5.00		9,520
2026	5.00		9,995
2027	5.00		10,490
		$	98,475

See accompanying independent auditors’ report.

Schedule V

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2009A Revenue Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2016	5.125%	$	3,195
2017	5.250		3,355
2018	5.375		3,535
2019	6.000		3,720
2020	6.125		3,945
2021	6.125		4,185
2022	6.125		4,445
2023	6.125		4,715
2024	6.125		5,005
2025	6.250		5,310
2026	6.250		5,645
2027	6.250		5,995
2028	6.250		6,370
2029	6.250		6,770
2030	6.625		7,190
2031	6.625		7,670
2032	6.625		8,175
2033	6.625		8,720
2034	6.625		9,295
		$	107,240

See accompanying independent auditors' report.

Schedule VI

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT

(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2012 Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate	Principal maturity
2016	5.00%	$ 925
2017	5.00	990
2018	5.00	1,040
2019	3.00	1,090
2020	3.25	1,130
2021	5.00	1,165
2022	5.00	1,220
2023	5.00	1,280
2024	5.00	1,345
2025	4.00	1,415
2026	5.00	1,465
2027	4.25	1,545
2028	5.00	1,610
2029	4.25	1,690
2030	—	—
2031	—	—
2032	5.00	7,185
		$ 25,095

See accompanying independent auditors' report.

Schedule VII

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2013 Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2016	5.00%	$	6,235
2017	5.00		6,560
2018	5.00		6,885
		$	19,680

See accompanying independent auditors’ report.

Schedule VIII

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of 2015 Revenue Refunding Bonds Payable

June 30, 2016

(Dollars in thousands)

Maturity on July 1	Interest rate		Principal maturity
2020	5.00%	$	6,775
2021	5.00		4,625
2022	5.00		3,670
2023	5.00		2,240
		$	17,310

See accompanying independent auditors’ report.

LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
(An Enterprise Fund of the City of St. Louis, Missouri)

Schedule of Insurance

June 30, 2016

(Dollars in thousands)

Insurer		Amount	Expiration date	Character of coverage
Starr Aviation	$	350,000	10/1/2016	Airport Owners & Operators Liability
Lexington		907,684	10/1/2016	Property damage and business interruption
Western World and Landmark		7,000	10/1/2016	Public official’s and employee’s liability
Granite States Insurance Company		1,000	10/1/2016	Business auto and excess
AIG		20,671	10/1/2016	Inland Marine/Property equipment
The Hartford Insurance Company		100	10/1/2016	Employee Honesty Bond
Nationwide Mutual		100	10/31/2016	Surety Bond US Customs
Lloyd's		5,410	10/31/2016	Property for Bridgeton Army Guard location

See accompanying independent auditors’ report.

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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Appendix C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Amended and Restated Indenture of Trust dated as of July 1, 2009, between the City and the Trustee (the "Restated Indenture"), which restated and superseded the Indenture of Trust dated as of October 15, 1984 (the "Original Indenture"), between the City and the Trustee. (The Original Indenture, as amended and restated by the Restated Indenture, and as amended and supplemented from time to time, including the Twenty-First Supplemental Indenture of Trust (the "21st Supplemental Indenture") and the Twenty-Second Supplemental Indenture of Trust (the "22nd Supplemental Indenture"), is referred to herein collectively 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:

"2017 Project" means the Project described in the 22nd Supplemental Indenture.

"2017C Project" means the portion of the 2017 Project to be paid from the proceeds of the Series 2017C Project Bonds as more particularly described in the 22nd Supplemental Indenture.

"2017D Project" means the portion of the 2017 Project to be paid from the proceeds of the Series 2017D Project Bonds as more particularly described in the 22nd Supplemental Indenture

"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 any Bonds 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, and the acquisition of land, for the Airport to be financed, in whole or in part, from the proceeds of 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 St. Louis Lambert International Airport owned and operated by the City, including all land owned as of the date of the Indenture or acquired after the date of the Indenture 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 as of the date of the Indenture and located on any such land, as said Airport may be added to, extended, improved or constructed and equipped after the date of the Indenture.

"Airport Authority" means the entity that was created by the City's Board of Aldermen pursuant to an ordinance in 1968 and that operates the Airport and consists of the Airport Commission, the Airport Authority's Chief Executive Officer and other managers and personnel required to operate the Airport, or any subsequent entity created by the City's Board of Aldermen to operate the Airport.

"Airport Commission" means the 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.

"Airport Consultant" means the airport consultant or airport consulting firm or corporation at time 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 Airport Arbitrage Rebate Fund established by the Indenture.

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

"Beneficial Owner" means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

"Bond" or "Bonds" means the Series 2017 Refunding Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture. (21st Supplemental Indenture)

"Bond" or "Bonds" means the Series 2017 Project Bonds and any other bond or bonds, as the case may be, authenticated and delivered under and pursuant to the Indenture. (22nd Supplemental Indenture)

"Bond Counsel" means Armstrong Teasdale LLP, St. Louis, Missouri, and the Hardwick Law Firm, LLC, St. Louis, Missouri, as co-Bond Counsel 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.

"Bondholder," "Bondowner," "Holders of the Series 2017 Refunding Bonds" or "Owner" or any similar term means any person who shall be the registered owner of any Bond or Bonds. (21st Supplemental Indenture)

"Bondholder," "Bondowner," "Holders of the Series 2017 Project Bonds" or "Owner" or any similar term means any person who shall be the registered owner of any Bond or Bonds. (22nd Supplemental Indenture)

"Bond Counsel's Opinion" means an opinion of an attorney or firm of attorneys experienced and nationally recognized in matters relating to tax-exempt financing under the Code.

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

"Bond Insurance Policy" means the municipal bond insurance policy issued by a Bond Insurer that guarantees payment of the principal of, and interest on a series of Bonds or any portion thereof.

"Bond Insurer" means each insurance company which has insured the payment of the principal of and interest on all or any portion of the Bonds, and any successor thereto.

"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" also includes any Co-Registrar appointed pursuant to the Indenture.

"Bond Year" means, except as otherwise provided in a Supplemental Indenture or a Tax Certificate delivered in connection with a Series of Bonds, the one-year period beginning on the date such Series of Bonds is issued and all subsequent one-year periods beginning on the day following the expiration of the preceding Bond Year, or such other period as may be required under Section 148 of the Code.

"Business Day" means any day of the year other than (a) a Saturday or Sunday or (b) a 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" means the City of St. Louis, Missouri.

"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.

“City Sub-Account” means the City Sub-Account established within the Revenue Fund in the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations thereunder, as applicable, and any successor to such Code.

“Comptroller” means the Comptroller of the City.

“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 applicable Series of 2017 Bonds.

“Cost of Construction” means, with respect to the Initial Project or an Additional Project, the City’s costs properly attributable to the construction or acquisition thereof, including but not limited to, the cost of acquisition by or for the City of real or personal property or other interest therein, costs of physical construction, and costs of the City incidental to such construction or acquisition, including but not limited to the cost of any indemnity and surety bonds and premiums on insurance during construction, planning, architectural, engineering, inspection and construction management fees, legal fees and expenses, cost of audits, fees and expenses of the Fiduciaries and costs of financing, construction period interest on any Bonds issued in connection with such Project, administrative and general overhead and keeping accounts and making reports required by the Indenture prior to commencement of operation of such Project, amounts, if any, required by the Indenture to be paid into any Fund or Account established under the Indenture upon the issuance of any Series of Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the City (other than the Bonds) incurred for such Project, costs of machinery, equipment and supplies and initial working capital required by the City for the commencement of operation of such Project, the initial funding of the reserves required under the Indenture, and may include reimbursement to the City for any such items of Cost of Construction theretofore paid by or on behalf of the City. “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 a Series of Bonds in accordance with the Indenture.

“Cost of Issuance” means all items of expense, directly or indirectly payable or reimbursable by or to the City and related to the 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 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 12 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, that if the City in a Supplemental Indenture for a Series of Bonds elects to enter into an Interest Rate Exchange Agreement and deem any payments received thereunder as Revenues, Debt Service will include any amounts payable by the City during such interest rate period pursuant to such Interest Rate Exchange Agreement (other than termination payments thereunder).

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

"Debt Service Reserve Account" means the Debt Service Reserve Account established within the Bond Fund.

"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 least 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 shall be rated at the time of issuance of the applicable Series of Bonds in one of the three highest rating categories by the Rating Agencies (without giving effect to gradations within a rating category), and shall permit the full amount thereof to be drawn down at least thirty days prior to the expiration thereof, **provided, however**, that if the rating of any issuer or provider of such letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument is thereafter downgraded below the fourth highest rating category (without giving effect to gradations within a rating category) by any of the Rating Agencies, then, upon notice of such downgrade to the City from the Trustee, a deficiency shall exist in the Debt Service Reserve Account in the amount of such downgraded letter of credit, revolving credit agreement, standby purchase agreement, surety bond, insurance policy or similar obligation, arrangement or instrument, which amount shall be replenished as set forth in the Indenture or by the deposit of cash or a substitute 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 shall be rated in one of the three highest rating categories by the Rating Agencies at the time of deposit (without giving effect to gradations within a rating category). A Supplemental Indenture for a Series of Bonds may specify that the Debt Service Reserve Requirement may be satisfied either at the closing date for 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 Stabilization Fund" means the Airport Debt Service Stabilization Fund established by the Indenture.

"Debt Service Stabilization Fund Requirement" means an amount equal to 35% of the maximum annual Debt Service on the Bonds due in the then current or any future Airport Fiscal Year, subject to the provisions of the Indenture.

"Depositary" means any bank or trust company qualified under the Indenture, selected by the City pursuant to the Indenture and approved in writing by the Trustee as a depositary of moneys and securities held under the provisions of the Indenture and will include the Trustee.

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

"Director of Airports" means the Director of Airports of the City or such officer of the City who after the date of the Indenture may be given the powers and duties currently given to the Director of Airports.

"Dissemination Agent" means UMB Bank, N.A., and any successor dissemination agent under the Continuing Disclosure Agreement.

"*DSRF Surety Policy*" means the municipal bond debt service reserve insurance policy issued by the Insurer to satisfy the Debt Service Reserve Requirement with respect to the Series 2017 Refunding Bonds.

"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 Bond Registrar and any Paying Agent, or any or all of them as may be appropriate.

"Fitch" means Fitch Ratings, Inc.

"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 do not include: (a) any revenue or income from any Special Facilities, except ground rentals therefor or any payments made to the City in lieu of such ground rentals and the revenue or income from Special Facilities which are not pledged to the payment of Special Facilities Indebtedness, (b) any moneys received as grants, appropriations or gifts from the United States of America, the State 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, (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 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" provided that such reference shall be to clauses (1) and (10) of the proviso to such definition so long as such proviso shall apply.

"Indenture" means the Original Indenture, as amended and restated by the Restated Indenture, as supplemented and amended, authorizing Airport Revenue Bonds of the City, as the same may from time to time be amended or supplemented by a Supplemental Indenture in accordance with the terms of the Indenture.

"Index Interest Rate" means the per annum interest rate set forth in the most recently issued 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 July 1 and January 1 of each year beginning January 1, 2018.

"Interest Rate Exchange Agreement" means and includes 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 that 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; (iii) 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 (iv) 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 and includes, unless otherwise specified in a Supplemental Indenture, any of the following obligations, to the extent the same are at the time legal for investment of funds of the City, 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 by each 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.

"Moody's" means Moody's Investors Service, Inc.

"Net Revenues" means 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 Bonds" means Bonds which by their 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.

"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" means UMB Bank, N.A., as Paying Agent with respect to the Bonds.

"PFC Account" means the Airport PFC Account established by the Indenture and held by the City.

"PFC Act" means the Aviation Safety and Capacity Expansion Act of 1990, 49 U.S.C. § 40117, as amended from time to time.

"PFC-Eligible Debt Service" means, for any PFC Year, the debt service on 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 Revenues" means the PFCs remitted to the City as a result of enplanements at the Airport, including any interest earned thereon.

"PFCs" means the passenger facility charges imposed at the Airport from time to time pursuant to the PFC Act, the regulations thereunder 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 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 a Supplemental Indenture with respect to PFC-Eligible Projects which have been financed by proceeds of Bonds.

"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 amounts of Bonds and of such unsatisfied balances 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 beginning July 1, 2018.

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

"Rebate Amount" means the amount required to be paid to the United States under Section 148(f) of the Code.

"Record Date" means the 15th day of the month (whether or not a Business Day) preceding an Interest Payment Date.

"Redemption Price" means, with respect to any Series 2017 Refunding Bond, the amount payable upon redemption thereof pursuant to the 21st Supplemental Indenture.

"Refunded Bonds" means the Series of Bonds being defeased and refunded pursuant to the 21st 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 July 1, 2009.

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

"Revenues" means, collectively, GARB Revenues, the Pledged PFC Revenues and any other available moneys deposited in the Revenue Fund.

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

"Series 2017 Debt Service Reserve Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017 Project Costs of Issuance Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017 Project Bonds" means the Series 2017C Project Bonds and Series 2017D Project Bonds.

"Series 2017 Refunding Bonds" means the Series 2017A Refunding Bonds and Series 2017B Refunding Bonds.

"Series 2017 Refunding Costs of Issuance Sub-Account" means the subaccount by that name to be held by the Trustee and used to pay the Costs of Issuance of the Series 2017 Refunding Bonds as established in the Indenture;

"*Series 2017 Refunding Debt Service Reserve Requirement*" means, as of any date of calculation, an amount equal to the least of (a) 10% of the aggregate original principal amount (or "issue price", as computed for federal income tax purposes, if original issuance premium or discount is greater than 2%) of the Series 2017 Refunding Bonds, (b) Maximum Annual Debt Service on the Series 2017 Refunding Bonds, and (c) 125% of the average annual Debt Service Requirements for the Series 2017 Refunding Bonds. The initial Series 2017 Refunding Debt Service Reserve Requirement as of the date of issuance of the Series 2017 Refunding Bonds is $21,607,050.11 and shall initially be satisfied by the DSRF Surety Policy.

"*Series 2017 Refunding Debt Service Reserve Sub-Account*" means the subaccount by that name created in the Debt Service Reserve Account of the Airport Bond Fund as established in Section 4.01(a)(ii) of the Indenture;

"Series 2017 Refunding Debt Service Sub-Account" means the subaccount by that name created in the Debt Service Account of the Airport B"*Series 2017 Refunding Debt Service Reserve Requirement*" means, as of any date of calculation, an amount equal to the least of (a) 10% of the aggregate original principal amount (or "issue price", as computed for federal income tax purposes, if original issuance premium or discount is greater than 2%) of the Series 2017 Refunding Bonds, (b) Maximum Annual Debt Service on the Series 2017 Refunding Bonds, and (c) 125% of the average annual Debt Service Requirements for the Series 2017 Refunding Bonds. The initial Series 2017 Refunding Debt Service Reserve Requirement as of the date of issuance of the Series 2017 Refunding Bonds is $21,607,050.11 and shall initially be satisfied by the DSRF Surety Policy.

"*Series 2017 Refunding Debt Service Reserve Sub-Account*" means the subaccount by that name created in the Debt Service Reserve Account of the Airport Bond Fund as established in Section 4.01(a)(ii) of this Indenture;

"*Series 2017 Refunding Debt Service Sub-Account*" means the subaccount by that name created in the Debt Service Account of the Airport Bond Fund as established in Section 4.01(a)(iii) of this Indenture;

"*Series 2017A Refunding Sub-Account*" means the subaccount by that name created in the Debt Service Account of the Airport Bond Fund as established in Section 4.02(a)(iv) of this Indenture;

"*Series 2017B Refunding Sub-Account*" means the subaccount by that name created in the Debt Service Account of the Airport Bond Fund as established in Section 4.02(b)(v) of this Indenture;

ond Fund as established in Section 4.01(a)(iii) of the Indenture;

"*Series 2017A Refunding Sub-Account*" means the subaccount by that name created in the Debt Service Account of the Airport Bond Fund as established in Section 4.02(a)(iv) of the Indenture;

"*Series 2017B Refunding Sub-Account*" means the subaccount by that name created in the Debt Service Account of the Airport Bond Fund as established in Section 4.02(b)(v) of the Indenture;

"Series 2017C Construction Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017C Debt Service Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017C Project Bonds" means the Airport Revenue Bonds, Series 2017C (St. Louis Lambert International Airport) (Non-AMT).

"Series 2017D Construction Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017D Debt Service Sub-Account" means the account by that name established pursuant to the Indenture.

"Series 2017D Project Bonds" means the Airport Revenue Bonds, Series 2017D (St. Louis Lambert International Airport) (AMT).

"S&P" means S&P Global Ratings, a division of S&P Global, Inc.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the Indenture.

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

"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.

"State" means the State of Missouri.

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

“Supplemental Indenture” means any indenture of the City amending or supplementing the Indenture and adopted and becoming effective in accordance with the terms of the Indenture.

“Tax Certificate” means the Tax Certificate to be delivered by the City to evidence compliance with the provisions of Sections 103 and 141-150 of the Code.

“Tax-Exempt Bonds” means Bonds the interest on which at the time of their original issuance was, in Bond Counsel’s Opinion, exempt from federal income taxation or excluded from gross income for federal income tax purposes under the Code.

“Treasurer” means the Treasurer of the City.

“Trustee” means UMB Bank, N.A., as successor to Mercantile Trust Company National Association, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

“Trust Estate” means (i) the proceeds of the sale of the Bonds; (ii) Revenues; and (iii) all funds established by the Indenture, including the investments, if any, thereof; (iv) 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 (v) all proceeds of any of the foregoing.

“Underwriters” means those underwriters identified in the Bond Purchase Agreement relating to the sale, purchase and delivery of the Series 2017 Bonds.

“Use Agreements” means the commercial airlines/airport use agreements between the principal certificated air carriers and the City, as amended from time to time.

“Variable Rate Bond” means any Bond the rate of interest on which is subject to change prior to maturity and cannot be determined in advance of such change.

Issuance of Bonds

The Indenture authorizes the issuance of one or more series as provided in the Indenture. 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.

Additional Bonds

The Indenture authorizes the issuance of one or more Series of Additional Bonds for the purpose of paying the Cost of Construction of the completion of the Additional 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 Additional Project for which such Series of Additional Bonds is being issued, and (b) an estimate of the Cost of Construction of such Additional Project;

(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 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 pursuant to paragraph (3) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that such 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) above, for each of the three Airport Fiscal Years following the Airport Fiscal Year in which it is estimated that such 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 such Additional Project utilizing the Index Interest Rate) will be required to complete payment of the Cost of Construction of 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 Bond 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.

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

Refunding Bonds

The Indenture authorizes the issuance of one or more Series of Refunding Bonds for the purpose of refunding all or a portion of the principal and/or interest components of (i) any Outstanding Bonds, (ii) any Subordinated Indebtedness, (iii) any Special Facilities Indebtedness, or (iv) any other indebtedness issued for Airport purposes. Refunding Bonds are to be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Funds under the Indenture required by the provisions of the Supplemental Indenture authorizing such Bonds.

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 for 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; and

(4) Either of the following: (a) a certificate of an Authorized Officer of the City setting forth (i) the Aggregate Debt Service and the Aggregate Adjusted Debt Service for the then current and each future Airport Fiscal Year to and including the Airport Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (X) with respect to the Bonds of all Series Outstanding immediately prior to the date of authentication and delivery of such Refunding Bonds, and (Y) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (ii) that the Aggregate Debt Service and the Aggregate Adjusted Debt Service set forth for each Airport Fiscal Year pursuant to (Y) above are no greater than the corresponding amounts set forth for such Airport Fiscal Year pursuant to (X) above; 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 tests, that such Series of Refunding Bonds is a Series of Additional Bonds, provided that, for such purpose, the estimated date of completion for the Additional Project being refinanced by such Series of Refunding Bonds shall be the later of (i) the date of issuance of such Series of Refunding Bonds or (ii) the then estimated completion date for the Additional Project being refinanced having the latest estimated completion date.

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 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) Revenues, and (iii) all Funds established by the Indenture, including the investments, if any, thereof.

Pledged PFC Revenues

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 Debt Service due during such PFC Year. Pursuant to the Indenture, the City has pledged the Pledged PFC Revenues for the benefit of the Owners of the Bonds. The City will not create a lien on Pledged PFC Revenues that is senior to the lien of the 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.

Elimination of or Decrease in the Amount of Pledged PFC Revenues

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 Years 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

Refunding Bonds. The following sub-accounts are created within the specified Accounts established by the 21st Supplemental Indenture:

(i) the Series 2017A Refunding Sub-Account (the "Series 2017A Refunding Sub-Account") of the Debt Service Account of the Airport Bond Fund;

(ii) the Series 2017B Refunding Sub-Account (the "Series 2017B Refunding Sub-Account") of the Debt Service Account of the Airport Bond Fund;

(iii) the Series 2017 Refunding Bonds Debt Service Reserve Sub-Account (the "Series 2017 Refunding Debt Service Reserve Sub-Account") of the Debt Service Reserve Account of the Airport Bond Fund;

(iv) the Series 2017A Refunding Bonds Debt Service Sub-Account (the "Series 2017A Debt Service Sub-Account") of the Debt Service Account of the Airport Bond Fund; and

(v) the Series 2017B Refunding Bonds Debt Service Sub-Account (the "Series 2017B Debt Service Sub-Account") of the Debt Service Account of the Airport Bond Fund; and

(vi) the Series 2017 Refunding Bonds Costs of Issuance Sub-Account (the "Series 2017 Costs of Issuance Sub-Account") to be held by the Trustee and used to pay the Costs of Issuance of the Series 2017 Refunding Bonds.

(b) The sub-accounts created pursuant to the 21st Supplemental Indenture are hereinafter referred to collectively as the 2017 Refunding Bonds Accounts. Each of the 2017 Refunding Bonds Accounts shall be used for the same purposes as the respective fund or account to which it relates. Moneys on deposit in each of the 2017 Refunding Bonds Accounts pursuant to this Section shall be held and used for purposes and on the conditions specified in the Indenture. Money credited to the 2017 Refunding Bonds Accounts may be held by the City, in the case of funds deposited with the City under the Indenture, or by the Trustee, in the case of funds deposited with the Trustee under the Indenture. However, the investment of monies with respect to each of the 2017 Refunding Bonds Accounts shall be separately made and maintained. The investment earnings of any of the 2017 Refunding Bonds Accounts shall be transferred to the Revenue Fund as provided in the Indenture.

(c) The City and the Trustee, as the case may be, may eliminate any of the aforementioned 2017 Refunding Bonds Accounts and transfer all amounts therein to the related Fund if both receive the written opinion of Bond Counsel that the failure to maintain such account will not adversely affect the tax-exempt status of interest on the Series 2017 Refunding Bonds.

Project Bonds. The following sub-accounts are created within the specified Accounts established by the 22nd Supplemental Indenture:

(i) the Series 2017C Project Sub-Account (the "Series 2017C Project Debt Service Sub-Account") of the Debt Service Account of the Airport Bond Fund;

(ii) the Series 2017D Project Sub-Account (the "Series 2017D Project Debt Service Sub-Account") of the Debt Service Account of the Airport Bond Fund;

(iii) the Series 2017 Project Debt Service Reserve Sub-Account (the "Series 2017 Project Debt Service Reserve Sub-Account") of the Debt Service Reserve Account of the Airport Bond Fund;

(iv) the 2017C Construction Sub-Account (the "Series 2017C Construction Sub-Account") to be held by the Trustee and used to pay the costs of the 2017C Project; and

(v) the Series 2017D Construction Sub-Account (the "Series 2017D Construction Sub-Account") to be held by the Trustee and used to pay the costs of the 2017D Project; and

(vi) the Series 2017 Project Costs of Issuance Sub-Account (the "Series 2017 Costs of Issuance Sub-Account") to be held by the Trustee and used to pay the Costs of Issuance of the Series 2017 Project Bonds.

(b) The sub-accounts created pursuant to 22^{nd} Supplemental Indenture are hereinafter referred to collectively as the 2017 Project Bonds Accounts. Each of the 2017 Project Bonds Accounts shall be used for the same purposes as the respective fund or account to which it relates. Moneys on deposit in each of the 2017 Project Bonds Accounts pursuant to this Section shall be held and used for purposes and on the conditions specified in the Indenture. Money credited to the 2017 Project Bonds Accounts may be held by the City, in the case of funds deposited with the City under the Indenture, or by the Trustee, in the case of funds deposited with the Trustee under the Indenture. However, the investment of monies with respect to each of the 2017 Project Bonds Accounts shall be separately made and maintained. The investment earnings of any of the 2017 Project Bonds Accounts shall be transferred to the Revenue Fund as provided in the Indenture. Moneys may be transferred between the 2017C Construction Sub-Account and the 2017D Construction Sub-Account on written instruction from the City together with an opinion from Bond Counsel that such transfer will not impact the tax-exempt status of the 2017 Project Bonds.

(c) The City and the Trustee, as the case may be, may eliminate any of the aforementioned 2017 Project Bonds Accounts and transfer all amounts therein to the related Fund if both receive the written opinion of Bond Counsel that the failure to maintain such account will not adversely affect the tax-exempt status of interest on the Series 2017 Project Bonds.

The Indenture also establishes

(A) the Airport Revenue Fund, including the City Sub-Account therein, to be held by the City;

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

(C) Airport Bond Fund held by the Trustee, including the (i) 2017 Debt Service Sub-Account of the Debt Service Account, (ii) 2017 Debt Service Reserve Sub-Account of the Debt Service Account, (iii) 2017 Debt Service Sub-Account of the Debt Service Account and (iv) 2017 Debt Service Reserve Sub-Account of the Debt Service Account;

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

(E) Airport Debt Service Stabilization 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;

(H) Arbitrage Rebate Fund, to be held by the City; and

(I) Airport PFC Account, 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. As soon as practicable in each month after the deposit of Revenues in the Revenue Fund but in any case no later than five (5) Business Days before the end of each month, 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 purpose 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, that 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 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, that 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 such 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 Investment Securities and any cash therein will equal the Debt Service Reserve Requirement.

(4) To the Arbitrage Rebate Fund, there shall be deposited as soon as practicable, the amount necessary to fund the Arbitrage Rebate Fund in order to pay the Rebate Amount when due and payable;

(5) Amounts sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness (as certified by the trustee or other fiduciary with respect to such Subordinated Indebtedness) shall be transferred by the City to such trustee or other fiduciary for payment or deposit;

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

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

(8) For Airport Fiscal Year ending June 30, 2011, to the Debt Service Stabilization Fund and the Development Fund for the times and in the amounts and pursuant to the calculations set forth below:

(a) To the Debt Service Stabilization Fund any amounts withdrawn therefrom during Airport Fiscal Years ending June 30, 2006 through 2010 and not previously replenished; and then

(b) To the Debt Service Stabilization Fund and the Development Fund a total of up to $5,725,000, with 87.25% of each such transfer to the Debt Service Stabilization Fund and 12.75% of each such transfer to the Development Fund;

(9) Beginning in Airport Fiscal Year ending June 30, 2012, and thereafter, to the Debt Service Stabilization Fund an amount sufficient to bring the amount on deposit in the Debt Service Stabilization Fund equal to the Debt Service Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

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

(11) The remaining Pledged PFC Revenues in the Revenue Fund will be deposited into the PFC Account.

As soon as practicable after the end of each Airport Fiscal Year and except as otherwise provided in the Indenture and subject to the satisfaction of the conditions set forth therein, after all deposits required to be made into each of the aforesaid Funds have been made, the City is required to transfer from the City Sub-Account 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, that for all periods subsequent to July 1, 1996, the applicable percentage of GARB Revenues (as specified above) will equal the percentage of the gross revenues then required to be paid to the City by public utilities operating within the City (such percentage being ten percent (10%) as of the date of the Restated Indenture).

Notwithstanding the foregoing, 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 United States 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 (80%) of the amount deposited in such month in the City Sub-Account in respect of amounts payable to the City pursuant to the preceding paragraphs.

The final installment of the amount payable to the City 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.

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 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, immediately after each monthly transfer required by the Indenture provision concerning application of Revenues, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, after any transfers from the Debt Service Stabilization Fund, the Trustee shall transfer amounts from the Debt Service Reserve Account to the Debt Service Account to the extent necessary to make good such deficiency or deficiencies. In addition to the annual valuation of Accounts and Funds as of June 30 of each year required by the Indenture, amounts on deposit in the Accounts established in the Debt Service Reserve Account shall be determined (i) upon the issuance of Additional Bonds, (ii) at any time, on the written request of the City to the Trustee, and (iii) at any time the Trustee believes such determination to be necessary or desirable (each of the foregoing including the annual valuation is a "Valuation Date"). If, as of any Valuation Date, 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 Valuation Date, 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 Rebate Amount estimated by the City, if any, and (ii) the Revenue Fund. 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 the market value of Investment Securities, the City will immediately deposit such amounts as will be necessary to cure such deficiency.

Whenever the amount in the Debt Service Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal and applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account are to be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Debt Service Reserve Account are to be liquidated to the extent deemed necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds Outstanding.

The Trustee is required to transfer to the City for deposit in the Revenue Fund all investment earnings on moneys in the Debt Service Reserve Account, such transfer to be made at such times required by the City.

Renewal and Replacement Fund. Money in the Renewal and Replacement Fund may be applied to pay costs of the renewal or replacement of machinery, equipment, rolling stock, facilities or other capital items used in connection with the operation of the Airport. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account, the Debt Service Stabilization Fund, the Development Fund and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Renewal and Replacement Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on

Subordinated Indebtedness, then the City shall transfer from the Renewal and Replacement Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund and the Contingency Fund will be insufficient to pay Operation and Maintenance Expenses when due, the City is required to transfer from the Renewal and Replacement Fund to the Operation and Maintenance Fund the amount necessary (or all 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 Service Reserve Account is reduced below the amount required therein pursuant to the Indenture, the City may transfer from the Renewal and Replacement Fund to the Debt Service Reserve Account all or a portion of the amount of such deficiency.

Development Fund. Moneys in the Development Fund may be applied, in accordance with the Capital Budget or otherwise, at the discretion of the City, to the acquisition of land or easements for the expansion or improvement of the Airport, to purchase items of machinery, equipment, rolling stock or other capital items for use in connection with the Airport, to pay the cost of planning, engineering, design and construction of new facilities for the Airport, or to pay the cost of any other capital improvements to the Airport. If at any time the moneys in the Debt Service Account, Debt Service Reserve Account, the Debt Service Stabilization Fund, and the Contingency Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Development Fund to the Trustee, for deposit in the Debt Service Account, the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. So long as there is no deficiency in the Debt Service Account or the Debt Service Reserve Account, in the event the City receives a requisition from the trustee or other fiduciary for any Subordinated Indebtedness, with respect to a deficiency in available moneys to pay debt service on Subordinated Indebtedness, then the City shall transfer from the Development Fund to such trustee or other fiduciary, the amount necessary (or all the moneys in said Fund if less than the amount necessary) to make up such deficiency. If at any time the moneys in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Contingency Fund are insufficient to pay Operation and Maintenance expenses when due, the City is required to transfer from the Development Fund to the Operation and Maintenance Fund the amount necessary to make up such deficiency. If the amount on deposit at any time in the Debt Service Reserve Account is reduced below the amount required therein in accordance with the Indenture, the City may transfer from the Development Fund to the Debt Service Reserve Account all or a portion of the amount of 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 or as otherwise specified in a Supplemental Indenture for a Series of Bonds. The City may, but if and only to the extent consistent with the Capital Budget, transfer from the Development Fund to the Contingency Fund any moneys in the Development Fund which are no longer needed for the purposes of moneys on deposit in the Development Fund.

Contingency Fund. If at any time the moneys in the Debt Service Account, the Debt Service Reserve Account and the Debt Service Stabilization Fund are insufficient to pay the interest and Principal Installments when due on the Bonds, the City, upon requisition of the Trustee, is required to transfer from the Contingency Fund to the Trustee for deposit in the Debt Service Account the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency or deficiencies. If at any time the moneys in the Operation and Maintenance Fund are insufficient to pay Operation and Maintenance Expenses when due, the City will transfer from the Contingency Fund to the Operation and Maintenance Fund the amount necessary (or all of the moneys in said Fund if less than the amount necessary) to make up such deficiency. If the amount on deposit in the Debt Service Reserve Account is reduced below the amount required therein in accordance with the Indenture, 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 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 Arbitrage Rebate Fund are to be invested in Government Securities or securities described in clause (x) of the definition of "Investment Securities" and investment earnings thereon are to be credited to the Arbitrage Rebate Fund.

Debt Service Reserve Surety.

The City shall repay any draws under the DSRF Surety Policy and pay all related reasonable expenses incurred by the Insurer and shall pay interest thereon from the date of payment by the Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the City had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the DSRF Surety Policy will be increased by a like amount, subject to the terms of the DSRF Surety Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Indenture).

All cash and investments in the Series 2017 Refunding Bonds Debt Service Reserve Sub-Account shall be transferred to the Series 2017 Refunding Bonds Debt Service Account for payment of debt service on the Series 2017 Refunding Bonds before any drawing may be made on the DSRF Surety Policy or any other credit facility credited to the Debt Service Reserve Account in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the DSRF Surety Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Series 2017 Refunding Bonds Debt Service Reserve Account. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2017 Refunding Bonds Debt Service Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

If the City shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the Series 2017 Refunding Bonds or (ii) remedies which would adversely affect owners of the Series 2017 Refunding Bonds.

The City shall include any Policy Costs then due and owing the Insurer in the calculation of the Additional Bonds test and the rates and charges covenant in the Indenture.

The City covenants and agrees that the DSRF Surety Policy constitutes a permitted Debt Service Reserve Account instrument under the applicable provisions of the Indenture.

The Trustee shall ascertain the necessity for a claim upon the DSRF Surety Policy in accordance with the provisions of subparagraph (a) hereof and to provide notice to the Insurer in accordance with the terms of the DSRF Surety Policy at least five business days prior to each date upon which interest or principal is due on the Series 2017 Refunding Bonds. Where deposits are required to be made by the City with the Trustee to the Debt Service Account for the Series 2017 Refunding Bonds more often than semi-annually, the Trustee shall be instructed to give notice to the Insurer of any failure of the City to make timely payment in full of such deposits within two business days of the date due.

Subordinated Indebtedness

Nothing contained in the Indenture will prohibit or prevent, or be deemed, or construed, to prohibit or prevent, the City from issuing or refunding bonds, notes, commercial paper, certificates, warrants or other evidence of indebtedness payable as to principal and interest from the Revenue Fund and the Net Revenues, subject and subordinate to the deposits and credits required to be made therefrom to the Debt Service Account and the Debt Service Reserve Account, or from securing such bonds, notes, commercial paper, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Net Revenues junior and inferior to the lien and pledge on the Net Revenues created for the payment and security of the Bonds.

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

For purposes of compliance with the paragraph above, the Certificate of the City may include any of the following provisions or assumptions:

1. Once executed with respect to a Certified Amount, the Certificate of the City shall remain effective with respect to all issuances and reissuances, from time to time (and regardless of any repayment or maturity) of such Certified Amount until the authorized time period for issuance and final maturity of such Certified Amount has expired. (By way of example, (i) if the Certified Amount is with respect to a commercial paper program, then once such amount is certified with respect to the initial Airport project, such certificate shall remain effective until the final eligible maturity date of the commercial paper has passed such that it cannot be issued, re-issued or refunded; or (ii) if the Certified Amount is with respect to long-term fixed rate bonds, then once certified such certificate shall remain effective until such bonds or notes are issued and they mature or are paid off or defeased prior to maturity.)

2. With respect to the identification of the Airport project to be financed or refinanced (in whole or in part) with the proceeds of the Certified Amount and the

determination of the applicable three (3) Airport Fiscal Years for the coverage test, the Certificate of the City may assume, without regard to the estimated beneficial occupancy date of a specific Airport project, that, with respect to the Certified Amount, the three (3) year test period begins with the first full Airport Fiscal Year beginning after the date of the Certificate of the City.

3. If the Certified Amount is structured so that the principal coming due on the final maturity date exceeds by at least 25% the principal coming due in any prior year then debt service on the Certified Amount may be calculated based upon an assumed 30-year level debt amortization schedule and applying a 10-year average of the Index Interest Rate. For purposes of calculating estimated debt service for any Certified Amount, the calculation may be based on then prevailing market conditions as determined by a third party expert or by applying the appropriate average of the Index Interest Rate as determined by the City or a third party expert.

4. The Certificate of the Authorized Officer of the City may be based, in whole or in part, upon reports or certificates from the Airport Consultant, an Accountant's Certificate or reports of other third party experts.

5. Subordinated Indebtedness issued for the following purposes may be excluded from any calculation of debt service coverage with respect to Subordinated Indebtedness (including certification with respect to a Certified Amount):

i. Subordinated Indebtedness issued to refund outstanding Subordinated Indebtedness.

ii. Subordinated Indebtedness issued to refund Outstanding Bonds.

iii. Subordinated Indebtedness which the City expects to pay from a source of funds other than estimated Net Revenues available, after payment of Debt Service of the Outstanding Bonds, to the extent such source is anticipated as being available or obligated to the City for Airport purposes, such as grant moneys, passenger facility charges or other available moneys, including, without limitation, moneys in the Development Fund.

Any ordinance or indenture providing for the issuance of Subordinated Indebtedness may provide that additional Subordinated Indebtedness may be issued on a parity therewith.

The principal amount of any Subordinated Indebtedness shall, by its terms, not be subject to acceleration upon default unless and until the principal amount of the Bonds has been accelerated pursuant to the Indenture.

Debt Service Stabilization Fund

If, immediately after each monthly transfer required by the Indenture, the amount in the Debt Service Account shall be less than the amount required to be in such Account pursuant to the Indenture, the City shall transfer amounts from the Debt Service Stabilization Fund to the Trustee for deposit to the Debt Service Account to the extent necessary to make good such deficiency or deficiencies. Amounts on deposit in the Debt Service Stabilization Fund may be withdrawn at any time and used for (1) emergency debt service needs with respect to Bonds, Subordinated Indebtedness or other indebtedness issued for Airport purposes and (2) Airport operational emergencies. Notwithstanding the foregoing, after the Net

Revenues for three consecutive Airport Fiscal Years equals at least 1.60 times the Aggregate Adjusted Debt Service for such Airport Fiscal Years, the Comptroller, upon the receipt of a request of the Airport Commission, may determine to reduce or eliminate the Debt Service Stabilization Fund Requirement and/or eliminate the Debt Service Stabilization Fund. The Comptroller, upon any such determination, shall notify the Airport Commission and the Trustee of such determination.

PFC Account

Amounts in the PFC Account shall be applied as provided in the applicable Supplemental Indenture relating to the designation and pledge of Pledged PFC Revenues.

Expenditures from City Held Funds and Accounts

Expenditures from any Funds and Accounts held by the City shall be subject to the then existing requirements for expenditure of City funds, which requirements consist of approvals by the Airport Commission and the Board of Estimate and Apportionment of the City and appropriation of funds by the Board of Aldermen of the City. Notwithstanding the foregoing, if the timing of the need for any expenditure of moneys from any Fund or Account held by the City is deemed an emergency, then the approval of the expenditure of such moneys may occur in accordance with the provisions of Article XV, Section 2 of the City Charter, or any successor provision.

Investment of Certain Funds

Moneys held in the Debt Service Account, the Debt Service Reserve Account and the Rebate Fund 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 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, the Contingency Fund, the Debt Service Stabilization Fund, the PFC Account and the Arbitrage Rebate 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 or investments in all Funds and Accounts established under the Indenture will be deposited in the Revenue Fund, except that earnings on the moneys or investments in the Construction Fund will, to the extent expressly required by the terms of any Supplemental Indenture authorizing the issuance of a Series of Bonds, be retained in the Construction Fund.

Particular Covenants of the City

Powers as to the Airport and Collection of Rates, Fees and Rentals. The City has and will have, so long as any Bonds are Outstanding, good right and lawful authority to acquire, construct, develop, operate, maintain, repair, improve, reconstruct, enlarge, and extend the Airport and to fix rates, fees, rentals and other charges in connection therewith.

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

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

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

Operation Maintenance and Reconstruction. The City shall at all times operate, or cause to be operated, the airport properly and in a sound, efficient and economical manner, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved and kept with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted, and I, if any useful part of the Airport is damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Indenture shall require the City to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Airport (1) from sources other than the Revenues or (2) if there shall be filed with the Trustee (i) a certificate executed by an Authorized Officer of the City stating that in the opinion of the City abandonment of operation of such part is economically justified and is not prejudicial to the interests of the Owners of the Bonds, and (ii) a consent to the filing of such certificate is given by the Trustee, which consent shall be withheld only upon reasonable grounds.

Notwithstanding any provisions in the Indenture to the contrary, the City and the Airport Commission shall at all times operate the Airport so long as there are any Outstanding Bonds under the Indenture. Operation of the Airport may not be transferred by the City or the Airport Commission to another entity and may not be assumed by any other entity so long as there are any Outstanding Bonds under the Indenture; provided, however, that the City and the Airport Commission may enter into agreements with third party vendors, consultants and contractors for specific aspects or portions of the maintenance or operation of the Airport or the construction of capital projects at the Airport.

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

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

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

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

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

At least every five (5) 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 (5) 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 and 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 shall annually, within 120 days after the close of each Airport Fiscal Year, 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 with each Rating Agency. 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 on 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; and

(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.

Tax Covenant of the City. The City shall at all times do and perform, or cause to be done and performed, all acts and things permitted by law and necessary in order to assure that the interest paid on the Bonds which are Tax-Exempt Bonds shall, for the purpose of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation, except in the case of any Bond which is a "private activity bond" which is held by a person who is a "substantial user" or a "related person" within the meaning of Section 147(a) of the Code or except in the event that interest on the Bonds is subject to any other federal income tax otherwise applicable to obligations, the interest on which is excluded from gross income under Section 103 of the Code.

The City shall not permit at any time or times any of the proceeds of the Tax-Exempt Bonds or any other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Tax-Exempt Bond issued pursuant to the Indenture to be an "arbitrage bond" within the meaning of Section 103(b)(2) of the Code. In addition, the City shall not permit at any time or times, any moneys or securities in any fund or account created or continued hereunder to be invested or held in such manner so as to cause any Tax-Exempt Bond issued pursuant to the Indenture to be an "arbitrage bond" as aforesaid.

The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Tax-Exempt Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the funds and accounts established under the Indenture and available therefor.

The City agrees to continually comply with the provisions of any Tax Certificate entered into in connection with each Series of Bonds, as such certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code.

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, that 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 an 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;

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

(F) if an order or decree is entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Airport or any part thereof, or the revenues therefrom, or if such order or decree has been entered without the consent or acquiescence of the City, such order or decree 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 (25%) 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 payment date on the Bonds due and payable solely by virtue of such declaration) will either be paid by or for the account of the City or provision satisfactory to the Trustee will be made for such payment, and all defaults under the Bonds or under the Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) will be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will be made therefor, then and in every such case the Owners of fifty-one percent (51%) in principal amount of the Bonds Outstanding, by written notice to the City and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee will have acted itself, and if there will not have theretofore delivered to the Trustee written direction to the contrary by the Owners of fifty-one percent (51%) 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 (25%) 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 Owners of any Bonds may be taken by the 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.

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 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 not less than fifty-one percent (51%) 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 Owners. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owners 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 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 Bond, 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 obligations of any Fiduciary without its written assent thereto.

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

The consent of the Owner of any Bond which is entitled to the benefits of a Bond Insurance Policy issued by a Bond Insurer will not be effective unless the Trustee will have received a written consent of such Bond Insurer. For purposes of certain provisions of the Indenture, certain actions required or permitted to be taken thereunder by the Owners of any Bonds may be taken by such Bond Insurer without any action being taken by the Owners thereof. Any action taken by such Bond Insurer will be deemed to be the action taken by such Owners.

Discharge of Lien of the Indenture

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

Bonds or interest installments for payment or redemption of which moneys will have been set aside and will be held in trust by the Paying Agents (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof will be deemed to have been paid within the meaning and with the effect expressed in the Indenture. All Outstanding Bonds of any Series will prior to the maturity or redemption date thereof be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Trustee in form satisfactory to it irrevocable instructions to mail as provided in the Indenture notice of redemption of such Bonds on said date; (ii) there will have been deposited with the Trustee either moneys in an amount which will be sufficient, or Government Securities the principal of and the interest on which when due will provide money which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and 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 notice 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.

After payment in full of the principal of, redemption premium, if any, and interest on any Series of Bonds (or after provision has been made for the payment thereof as provided in the Indenture), the fees, charges and expenses of the Trustee and Paying Agent, and any other amounts required to be paid under the Indenture relating to such Series of Bonds, all amounts remaining in the accounts or sub-accounts established with the Trustee for such Series of Bonds shall be transferred to the various sub-accounts of the Debt Service Account for the Outstanding Bonds, as directed by the City, unless otherwise directed in a Supplemental Indenture adopted in accordance with the Indenture.

Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Trustee shall designate any portion of payment of principal on Insured Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Insured Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the City on any Insured Bond or the subrogation rights of the Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of holders of the Insured Bonds referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of holders of the Insured Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to holders of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections hereof regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the City agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The City hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Revenues and payable from such Revenues on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following an Insured Bond payment date shall promptly be remitted to the Insurer.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE USE AGREEMENTS AND THE OPERATING AGREEMENTS

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The following is a summary of certain provisions of the Use Agreements, the Operating Agreements and the Cargo Addenda. This summary does not purport to be complete or definitive and reference is made to the Use Agreements, the Operating Agreements and the Cargo Addenda for a complete recital of the terms of such documents.

Airport Use and Lease Agreement. The term of the current Use Agreement began on July 1, 2016. Each Use Agreement will expire on June 30, 2021, unless earlier terminated by the City for nonperformance or default. An air carrier may terminate its Use Agreement if the City fails to keep any material promise or covenant, or if the air carrier is denied the right to operate at the Airport by a governmental agency with competent jurisdiction or, under certain circumstances, if the air carrier is prevented from conducting its air transportation business at the Airport for an extended period of time. The terms of the Use Agreements may be extended by mutual agreement of the parties.

Air carriers operating at the Airport pursuant to the Use Agreements are referred to as "Signatory Airlines." The Use Agreements grant the Signatory Airlines the right to use the airfield and, as applicable, use and lease certain areas in the passenger terminal buildings, including concourses, and related facilities for the business of transporting persons, property, cargo, and mail by air. Signatory Airlines that operate from the passenger terminal buildings at the Airport may, but are not required to, lease space in the terminal buildings. The Use Agreements also provide for the payment of certain rentals, fees and charges by the Signatory Airlines.

Signatory Airlines. Signatory Airlines must commit to pay the City a minimum amount in landing fees throughout the term of their respective Use Agreements. The minimum landing fee commitment is $1,000,000 for Signatory Airlines with Use Agreements that began on July 1, 2016. Signatory Airlines may include affiliate airline fees in the commitment test and the landing fee commitment is prorated in Use Agreements that began after July 1, 2016.

A Pre-Approved 5-Year Capital Improvement Program is detailed in the Use Agreements and the Airport may proceed with each project without MII approval. Signatory Airlines have the right to review and approve certain capital acquisitions and projects with a net cost (net of federal and/or state grants-in-aid and PFCs) in excess of $200,000 ("Capital Improvements") at the Airport, as well as the right to participate in the Airport's annual rate setting process (budget review and comment; meet and confer over rents, fees and charges), and, under certain circumstances, are eligible for a waiver of the security deposit requirements of their respective Use Agreements. Signatory Airlines may designate certain non-signatory airlines as their "Affiliates." Affiliates enjoy some, but not all, of the benefits of Signatory Airlines.

Airlines Rates and Charges Methodology. The Use Agreements set forth the methodology for computing the user fees and space rentals that are charged to the air carriers. Rentals, fees and charges are assessed to the Signatory Airlines and the other air carriers using the Airport to support the primary activities of the Airport - the airfield and the terminal buildings (including Terminal 1,Terminal 2 and passenger loading bridges). The 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, and, to the extent necessary, replenish reasonable reserves for uncollected revenues.

Landing Fees. Under the terms of the Use Agreements, the Airport landing fees are computed based on a modified cost center residual rate methodology. In calculating the annual landing fee rate, the total costs of the Airfield are first calculated by adding the following costs for such year allocable to the Airfield Cost Center:

- direct and indirect Operation and Maintenance Expenses;
- amortization of Capital Improvements made to the airfield and put into service before July 1, 2011

- debt service associated with Capital Improvements made to the airfield, approved by the Signatory Airlines, and put into service on or after July 1, 2016;

- debt service associated with Capital Improvements made to the airfield, approved by the Signatory Airlines, and put into service on or after July 1, 2011, and approved by MII;

- debt service or depreciation charges, as the case may be, associated with certain Capital Improvements undertaken on the airfield: to comply with laws and regulations or with the requirements of the Trust Indenture; as an emergency project; to settle claims, satisfy judgments, or comply with judicial orders; to repair casualty damage on the airfield; to mitigate aircraft noise as part of a Noise Compatibility Program; or to conduct any necessary environmental investigation or remediation;

- any replenishment or rebate of the Debt Service Reserve Account and the Renewal and Replacement Fund; and

- share of the Debt Service Stabilization Fund Contribution.

The "Initial Airfield Requirement" is then calculated by subtracting the following from the total costs allocable to the Airfield Cost Center:

- non-signatory airline landing fees;

- general aviation landing fees, if any;

- military use fees;

- fuel flowage fees;

- remote parking fees;

- rent paid to the City by a consortium of airlines leasing the fuel farm; and

- certain credits made available annually by the City from the Debt Service Stabilization Fund.

The landing fee rate is then calculated by dividing the aggregate landed weight of all Signatory Airlines and their Affiliates into the sum of the Initial Airfield Requirement and that portion allocated to the Airfield Cost Center of Airport-wide residual shortfalls or overages that would result if airline charges were limited to the Initial Airfield Requirement and the Initial Terminal Requirement (see below) (the "Additional Airline Requirement").

In accordance with the terms of the Use Agreements, the landing fee rate applicable to non-signatory airlines that have signed an Operating Agreement is equal to 125% of the landing fee rate payable by the Signatory Airlines. The landing fee payable by each air carrier is then calculated by multiplying that air carrier's actual landed weight for the period in question, by the applicable landing fee rate.

Terminal Building Space Rentals. The Use Agreements establish two passenger terminal building cost centers: Terminal 1 Cost Center (including Terminal 1 and Concourses A, B, C and all but the four easternmost gates in Concourse D), and Terminal 2 Cost Center (including Terminal 2, the International Facilities, and the four easternmost gates in Concourse D). Under the terms of the Use Agreements, Signatory Airlines are charged terminal building rental rates computed based on a modified compensatory rate methodology. In calculating the annual rental rate for each terminal cost center, the total annual costs are first calculated by adding the following costs allocable to each terminal cost center:

- direct and indirect Operation and Maintenance Expenses;

- fifty percent (50%) of the total costs in the terminal roadways allocated between each of the terminal buildings based on the ratio that the usable space in each of the terminal buildings is to the aggregate usable space in all terminal buildings;

- amortization of Capital Improvements made to the terminal buildings and put into service before July 1, 2011;

- debt service associated with Capital Improvements made to the terminal buildings, approved by the Signatory Airlines, and put into service on or after July 1, 2016;

- debt service associated with Capital Improvements made to the terminal buildings, approved by the Signatory Airlines, and put into service on or after July 1, 2011, and approved by MII;

- debt service or depreciation charges, as the case may be, associated with certain Capital Improvements undertaken on the terminal buildings: to comply with laws and regulations or with the requirements of the Trust Indenture; as an emergency project; to settle claims, satisfy judgments, or comply with judicial orders; to repair casualty damage of the terminal buildings; to mitigate aircraft noise as part of a Noise Compatibility Program; or to conduct any necessary environmental investigation or remediation;

- any replenishment or rebate of the Debt Service Reserve Account and the Renewal and Replacement Fund; and

- share of the Debt Service Stabilization Fund Contribution.

Passenger Loading Bridge Charge. The total cost of the Passenger Loading Bridges Cost Center is calculated by adding together the following:

- direct and indirect Operating and Maintenance Expenses;

- the Depreciation Charge or Debt Service, as the case may be, of each new passenger loading bridge acquired by the City on or after July 1, 2011.

The annual Passenger Loading Bridge Charge applicable to each new passenger loading bridge shall be calculated by dividing the total cost and charges allocable to the Passenger Loading Bridges Cost Center in accordance with the Use Agreement, by the total number of passenger loading bridges acquired by the City on or after July 1, 2011. The monthly Passenger Loading Bridge Charge shall be 1/12 of the annual Passenger Loading Bridge Charge.

The net costs attributable to each terminal cost center is then calculated by subtracting the following from the total costs allocable to each corresponding terminal cost center:

- rent payable for apron-level =enclosed space;

- non-signatory airline terminal rents; and

- certain credits made available annually by the City from the Debt Service Stabilization Fund.

The "Initial Terminal Requirement" is then calculated by dividing the net costs attributable to each terminal cost center by the usable space of such terminal building, and the resulting quotient (the "Initial Terminal Rental Rate") multiplied by the rented space of such terminal building.

The annual terminal rental rate applicable to the Signatory Airlines in each terminal building is then calculated by adding the Initial Terminal Rental Rate in each terminal cost center to the quotient derived by dividing the Additional Airline Requirement allocable to each terminal cost center by the rented space in each of the respective terminal buildings and beginning in fiscal year ending June 30, 2018, reallocating the Additional Airline Requirement from the current 50% airfield and 50% terminal cost centers to 100% to the terminal cost center.

The annual terminal rental rate to the non-signatory airlines that have signed an Operating Agreement is equal to the applicable terminal rental rate calculated in accordance with the Use Agreements.

Airline Review and Approval of Capital Projects. A Pre-Approved 5-Year Capital Improvement Program is detailed in the Use Agreements and the Airport may proceed with each project without MII approval by using Airport funds lawfully available for such purpose, up to a total cost, in the Fiscal Years, and in the Cost Centers for each project. The City may undertake all Capital Improvements for which it receives MII approval. Except for projects included in the 5-Year Capital Improvement Program, the City may not undertake Capital Improvements that are funded with Bond proceeds unless it receives MII approval for such projects.

Except as enumerated below, before undertaking any Capital Improvement not included in the Pre-Approved 5-Year Capital Improvement Program, the City must notify the Signatory Airlines and request a MII approval for each such Capital Improvement. An MII is deemed to be 50% plus one of the Signatory Airlines operating at the Airport at the time of the voting action, having paid no less than 66.67% of the aggregate rents, fees, and charges paid by all signatory Airlines operating at the Airport during the immediately preceding fiscal year. The City may substitute any individual capital project listed in the Pre-Approved 5-Year Capital Improvement Program if the replacement project has the same or similar total cost, the net cost is chargeable to the same cost center, and the capital asset will accomplish the same purpose or function.

No MII approval is required for Capital Improvements undertaken: (a) to comply with laws and regulations or with the requirements of the Trust Indenture; (b) as an emergency project; (c) to settle claims, satisfy judgments, or comply with judicial orders; (d) to repair casualty damage at the Airport; (e) to mitigate aircraft noise as part of a Noise Compatibility Program; (f) to conduct any necessary environmental investigation or remediation; (g) to build special facilities for which the City has a contractual commitment from a Signatory Airline or a financially-responsible third party; (h) to be fully funded from PFCs or (i) with funds from Airport Development Fund Deposits made after July 1, 2016 in excess of 6%.

Airline Operating Agreement and Terminal Space Permit. The Operating Agreements are month-to-month operating permits that may be terminated by either party by providing the other party 30-day written notice. Air carriers electing to operate at the Airport under the Operating Agreements are considered to be "non-signatory" airlines. The Operating Agreements are short term permits intended to provide flexibility for charter airlines, new entrants that may wish to test the market, and regional airlines that operate at the airport under a contract with other air carriers. Air carriers operating at the Airport pursuant to Operating Agreements are subject to a landing fee rate equal to 125% of the landing fee rate paid by the Signatory Airlines (unless the Operating Agreement airline is designated as an Affiliate by a Signatory Airline, in which case its landing fee rate is equal to the landing fee rate applicable to the Signatory Airlines). A passenger air carrier that signs an Operating Agreement and requests space in one of the terminal buildings pays a space use fee equal to the terminal rental rate payable by the Signatory Airlines.

Allocation of Space in the Terminal Building. Neither the Use Agreements nor the Operating Agreements require an air carrier to lease space in the Airport terminal buildings as a condition precedent to entering into either of those agreements. A Signatory Airline may lease space in the terminal buildings for its exclusive, preferential, joint, or common use and occupancy. As noted below, air carriers that sign an Operating Agreement may also receive a month-to-month space permit. All gates in the passenger terminal buildings have been designated as preferential use space. In accordance with the Use Agreements, a Signatory Airline's right to a preferential gate is subject to an average gate utilization requirement (by that air carrier and/or its Affiliate or partner airlines if applicable) of four flight departures each day from that gate. A Signatory Airline that fails to meet the average gate utilization during any given six-month period may be required to relinquish its preferential rights to one or more gates. In addition, under the provisions of the Use Agreements, the City retains the right to accommodate requesting air carriers (either new entrants or incumbents in need of more gate space) in an air carrier's preferential use gates if similar space cannot be found elsewhere in one of the terminal buildings. Finally, in accordance with the provisions of the Use Agreements and the Operating Agreements, the City retains the right to consolidate, force relinquishment, and/or relocate airline leased space, both preferential use and exclusive space, under certain circumstances and following agreed upon criteria.

Itinerant Air Carriers. The City has retained under its exclusive control six gates at the terminal buildings where itinerant air carriers can be accommodated and handled by an authorized gate agent. The Airport Commission has established a schedule of fees and charges for the use of the Airport, including the use of the airfield, space in the terminal buildings, and hangars, applicable to all users of the Airport whose activities are not governed by a contract, lease, or agreement, such as a Use Agreement or an Operating Agreement.

Airport Maintenance. Under the terms of both the Use Agreements and the Operating Agreements, the City is required to maintain and keep in good repair all of the public areas and facilities of the Airport, including the structures associated with the terminal buildings, the utility systems within the Airport, and all other common use systems owned and operated by the City. For their part, the Signatory Airlines and the air carriers operating at the Airport pursuant to an Operating Agreement are individually required to repair and maintain in good condition the premises leased or assigned to each of them, including that portion of the utility systems serving each of their exclusive use facilities.

Cargo Addendum. Cargo air carriers may elect to operate under either a Use Agreement or an Operating Agreement, but must execute the applicable cargo addendum which prohibits cargo air carriers from operating from the Airport's passenger terminal buildings. Among other things, the cargo addenda for the Use Agreements and the Operating Agreements require cargo air carriers to arrange for operating space at the Airport separately with the City or with a third-party Airport tenant whose rights include providing such space.

Other Air Carrier Facilities. The City also has available throughout the Airport, and leases to individual air carriers, space suitable for maintenance activities, cargo operations, and other related facilities. Rental rates for these facilities are adjusted from time-to-time to reflect their fair market value.

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APPENDIX E

DTC INFORMATION

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The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by , the Underwriters or the City. The Underwriters and the City make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of Beneficial Owners will act in accordance with the procedures described above or in a timely manner.

Book-Entry Only System

The Depository Trust Company ("***DTC***"), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond for each maturity of each series of Bonds will be issued in the aggregate principal amount of the Series 2017 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("***Direct Participants***") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("***DTCC***"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("***Indirect Participants***" and, together with the Direct Participants, the "***Participants***"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("***Beneficial Owner***") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC's 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. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 Series 2017 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2017 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. 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 redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Indenture.

None of the Underwriters, the Trustee, nor the City will have any responsibility or obligations to any Direct Participants or Indirect Participants or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or any such Direct Participant or Indirect Participant; (ii) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of, premium, if any, or interest on the Series 2017 Bonds; (iii) the delivery by any such Direct Participant or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms *of the Indenture to be given to owners of the Series 2017 Bonds; (iv) any consent given or other action taken by DTC as Bondholder.*

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Underwriters believe to be reliable, but the City 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. Neither the City nor the Underwriters makes any assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described above or in a timely manner. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

APPENDIX F

FORM OF OPINION OF CO-BOND COUNSEL

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June 28, 2017

The City of St. Louis, Missouri
City Hall, Room 200
1200 Market Street
St. Louis, Missouri 63103

Wells Fargo Bank, N.A.
10 S. Wacker Drive, 15th Floor
Chicago, Illinois 60606

Stern Brothers & Co.
8000 Maryland Avenue, Suite 800
St. Louis, Missouri 63105

Re: $258,430,000 The City of St. Louis, Missouri Airport Revenue Refunding Bonds and Airport Revenue Bonds (St. Louis Lambert International Airport), Series 2017

Ladies and Gentlemen:

We have acted as Co-Bond Counsel to The City of St. Louis, Missouri (the "**City**") in connection with the issuance of the City's: (a) $125,410,000 Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport) (the "**Series 2017A Refunding Bonds**") and its $74,715,000 Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport) (the "**Series 2017B Refunding Bonds**", and, together with the Series 2017A Refunding Bonds, collectively, the "**Series 2017 Refunding Bonds**") under and pursuant to the Indenture of Trust dated as of October 15, 1984 (the "**Original Indenture**"), which Original Indenture, as previously amended, supplemented and restated, was amended, restated and superseded by that certain Amended and Restated Indenture of Trust dated as of July 1, 2009 (the "**Restated Indenture**"), as amended and supplemented, including by the Twenty-First Supplemental Indenture of Trust dated as of June 1, 2017 (the "**Twenty-First Supplemental Indenture**"), between the City and UMB Bank, N.A., as trustee (the "**Trustee**"); and (b) $31,700,000 Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the "**Series 2017C Project Bonds**") and its $26,605,000 Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the "**Series 2017D Project Bonds**", and, together with the Series 2017C Project Bonds, collectively, the "**Series 2017 Project Bonds**" and together with the Series 2017 Refunding Bonds, collectively, the "**Series 2017 Bonds**") under and pursuant to the Restated Indenture, as amended and supplemented, including by the Twenty-First Supplemental Indenture and the Twenty-Second Supplemental Indenture of Trust dated as of June 1, 2017 (the "**Twenty-Second Supplemental Indenture**") between the City and the Trustee. The Restated Indenture, as amended and supplemented to date including by the Twenty-First Supplemental Indenture and the Twenty-Second Supplemental Indenture, is collectively referred to herein as the "**Indenture**".

We have reviewed the transcript of proceedings related to the issuance of the Series 2017 Bonds, including the Constitution of the State of Missouri (the "**State**"), the statutes of the State, as amended, including particularly, Chapter 108.170 of the Revised Statutes of Missouri, as amended, the Charter of the City (the "**Charter**"), Ordinance No. 70541, adopted by the Board of Aldermen on April 28, 2017 and, approved by the Mayor on May 23, 2017, and the Indenture, the Tax Certificate of the City dated as of the date hereof (the "**Tax Certificate**") and such other law, certified proceedings and other documents and materials as we have deemed necessary to enable us to render the opinions contained herein. Capitalized terms used and not defined herein shall have the same meanings given to such terms in the Indenture.

The Internal Revenue Code of 1986, as amended (the "**Code**") imposes certain requirements that must be met on the date of issuance of the Series 2017 Bonds and on a continuing basis subsequent to the issuance of the Series

2017 Bonds in order for interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) to be excludable from gross income for federal income tax purposes under Section 103 of the Code. Such requirements include, but are not limited to, requirements relating to private use limitations and yield restriction of certain funds. The City has represented, certified and covenanted in the Indenture and the Tax Certificate (i) that so long as it owns the Airport, it will take no action that will impair the excludability of interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) from federal income taxes, (ii) that it will comply with the provisions and procedures set forth in the Tax Certificate, and (iii) that it will do and perform all acts and things necessary or desirable in order to assure that under the Code, as presently in force and effect, interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) will, for purposes of federal income taxation, be excludable from gross income of the recipients thereof pursuant to Section 103 of the Code.

In making our examination of documents, we have assumed that the parties to such documents had the power to enter into and perform all obligations thereunder; the due and valid authorization, execution and delivery of such documents; that such documents are valid and binding obligations of the parties thereto and are enforceable against such parties in accordance with their terms; and that the parties to such documents have complied and will comply with their obligations thereunder. We have assumed the genuineness of all signatures on all documents examined by us, the authenticity of all documents submitted to us as originals and the conformity to authentic originals of all documents submitted to us as copies.

As to questions of fact material to this opinion, we have relied upon representations of the City contained in the Indenture, the Tax Certificate and the other financing documents delivered in connection with the Series 2017 Bonds, the representations and information contained in the above-described documents, and the certified proceedings and other certifications of public officials and others furnished to us, in each case without undertaking to verify the same by independent investigation. We note that we have relied upon the opinion of even date herewith of the City Counselor of the City with respect to the matters set forth therein. Except as otherwise stated herein, we express no opinion with respect to those issues.

For purposes of this opinion, without limiting the generality of the foregoing, we have assumed that the Indenture has been duly and lawfully executed and delivered by the parties thereto and is in full force and effect.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion that, under existing law:

1. The Series 2017 Bonds have been duly authorized and executed by the City in accordance with the Constitution and statutes of the State and the Charter and, when duly authenticated and delivered by the Trustee, will be valid and binding special, limited obligations of the City, payable solely from the sources provided therefor in the Indenture. The Series 2017 Bonds and the interest thereon are not a debt or general obligation of the City, the State or any political subdivision thereof, and do not constitute an indebtedness of the City, the State or any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not constitute a pledge of the full faith and credit of the City, the State or any political subdivision thereof. We express no opinion with respect to the perfection or priority of any lien or security interest created or purported to have been created by any documents related to the issuance of the Series 2017 Bonds.

2. The Twenty-First 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 the valid and binding obligation of the City in accordance with its terms.

3. The Twenty-Second 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 the 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. We express no opinion with respect to the perfection or priority of any lien or security interest created or purported to have been created by the Indenture.

5. Based upon existing law, interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from the gross income of the owners of the Series 2017 Bonds for federal income tax purposes. No opinion is expressed as to the status of interest on any Series 2017B Refunding Bonds or any Series 2017D Project Bonds for any period that such Series 2017B Refunding Bonds or such Series 2017D Project Bonds are held by a "substantial user" of the facilities financed or refinanced by the Series 2017B Refunding Bonds or the Series 2017D Project Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In addition, interest on the Series 2017A Refunding Bonds and the Series 2017C Project Bonds is not a specific preference item for purposes of calculating the federal alternative minimum tax that may be imposed under the Code with respect to individuals and corporations. Interest on Series 2017B Refunding Bonds and Series 2017D Project Bonds is treated as an item of preference for purposes of calculating the federal alternative minimum tax that may be imposed on individuals and corporations. In rendering the opinions set forth in this paragraph, we have assumed compliance by the City with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2017 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure by the City to comply with certain of such requirements may cause interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Series 2017 Bonds.

6. Under the laws of the State as presently enacted and construed, and subject to the assumptions set forth in the preceding paragraph, interest on the Series 2017 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable from taxable income for the purposes of the personal income tax and corporate income tax imposed by the State. No opinion is expressed regarding whether the interest on the Series 2017 Bonds is exempt from the taxes imposed by the State on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended. We express no opinion regarding any other State tax consequences arising with respect to the Series 2017 Bonds.

Except as stated in paragraphs 5 and 6 above, we express no opinion regarding any federal or state tax consequences arising with respect to the Series 2017 Bonds including, but not limited to, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds.

Although we are not opining as to enforceability, it is to be understood that the rights of the owners of the Series 2017 Bonds and the enforceability thereof and of the Indenture may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium and other similar laws relating to or affecting creditors' rights and by equitable principles, whether considered at law or in equity, and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Except as expressly stated in our supplemental co-bond counsel opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy or completeness of any offering material relating to the Series 2017 Bonds, and we express no opinion relating thereto.

The opinions expressed herein are limited to the federal law of the United States of America and the laws of the State, and we express no opinion as to the laws of any other state or jurisdiction, including any local or municipal laws. In rendering our opinion, we have not considered, and hereby disclaim any opinion as to, the application or impact of any laws, cases, decisions, rules or regulations of any other jurisdiction, court or administrative agency.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result. Further, the opinions expressed herein are as of the date hereof only and are based on laws, orders, contract terms and provisions and facts as of such date. By rendering this opinion, we do not undertake, and hereby disclaim any obligation, to update this opinion letter after such date or to advise you of any changes in law or fact stated or assumed herein that may occur or come to our attention after the date hereof.

This opinion is furnished only to you and is solely for your use and benefit in connection with the transactions described herein. Without our prior written consent, this opinion may not be used, quoted or otherwise referred to for any other purpose or relied upon by, or assigned to, any other person for any purpose, including any other person that seeks to assert your rights in respect of this opinion.

Very truly yours,

APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

Dated as of June 1, 2017

between

THE CITY OF ST. LOUIS, MISSOURI

and

UMB BANK, N.A.,
as Dissemination Agent

$125,410,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017A (Non-AMT)
(St. Louis Lambert International Airport)

$74,715,000
The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017B (AMT)
(St. Louis Lambert International Airport)

$31,700,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017C (Non-AMT)
(St. Louis Lambert International Airport)

$26,605,000
The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017D (AMT)
(St. Louis Lambert International Airport)

CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated as of June 1, 2017 (this *"Continuing Disclosure Agreement"*), is executed and delivered by The City of St. Louis, Missouri (the *"City"*) and UMB Bank, N.A., as dissemination agent (the *"Dissemination Agent"*).

RECITALS

1. This Continuing Disclosure Agreement is executed and delivered by the City and the Dissemination Agent in connection with the issuance by the City of its (i) $125,410,000 Airport Revenue Refunding Bonds, Series 2017A (Non-AMT) (St. Louis Lambert International Airport) (the "*Series 2017A Refunding Bonds*"), (ii) $74,715,000 Airport Revenue Refunding Bonds, Series 2017B (AMT) (St. Louis Lambert International Airport) (the "*Series 2017B Refunding Bonds*," and, together with the Series 2017A Refunding Bonds, the "*Series 2017 Refunding Bonds*") under and pursuant to the Indenture of Trust dated as of October 15, 1984 (the "*Original Indenture*"), which Original Indenture, as previously amended, supplemented and restated, was amended, restated and superseded by that certain Amended and Restated Indenture of Trust dated as of July 1, 2009 (the "*Restated Indenture*"), as amended and supplemented, including by the Twenty-First Supplemental Indenture of Trust dated as of June 1, 2017 (the "*Twenty-First Supplemental Indenture*"), between the City and UMB Bank, N.A., as Trustee (the "*Trustee*"), (iii) $31,700,000 Airport Revenue Bonds, Series 2017C (Non-AMT) (St. Louis Lambert International Airport) (the "*Series 2017C Project Bonds*"), and (iv) $26,605,000 Airport Revenue Bonds, Series 2017D (AMT) (St. Louis Lambert International Airport) (the "*Series 2017D Project Bonds*," and, together with the Series 2017C Project Bonds, the "*Series 2017 Project Bonds*" and, together with the Series 2017 Refunding Bonds, the "*Series 2017 Bonds*") under and pursuant to the Restated Indenture, as amended and supplemented, including by the Twenty-Second Supplemental Indenture of Trust dated as of June 1, 2017 (the "*Twenty-Second Supplemental Indenture*" and, together with the Restated Indenture and the Twenty-First Indenture, the "*Indenture*"), between the City and the Trustee.

2. The City and the Dissemination Agent are entering into this Continuing Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2017 Bonds and in order to assist the Participating Underwriters in complying with the Rule (all as defined below). The City acknowledges that no other party has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Continuing Disclosure Agreement.

In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Continuing Disclosure Agreement, unless otherwise defined in the Recitals or this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Beneficial Owner" means any registered owner of any Bonds and any person who (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 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the Comptroller, on behalf of the City, or her successors or designees, or such other person as the City shall designate in writing to the Dissemination Agent from time to time.

"EMMA" means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org, or such other location as may be designated in the future by the MSRB pursuant to the Rule.

"Listed Events" means any of the events listed in Section 4(A) of this Continuing Disclosure Agreement, and includes any Material Listed Events.

"Material Listed Events" means such of the events listed in Section 4(A) of this Continuing Disclosure Agreement which requires a determination of materiality and which the City has advised the Dissemination Agent are material under applicable federal securities law.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the SEC in accordance with the Rule.

"National Repository" means any nationally recognized municipal securities information repository for purposes of the Rule. Currently, the sole National Repository within the meaning of the Rule is the MSRB through EMMA and filings shall be submitted solely at its website, http://emma.msrb.org.

"Objective Criteria" means any air carrier that is party to a use agreement with the City with a term of more than one year pursuant to which it (or its corporate parent) has paid amounts equal to at least 20% of the Revenues of the Airport for each of the prior two fiscal years. As of the date of the Official Statement, Southwest Airlines is the only airline which meets the criteria in the preceding sentence.

"Obligated Person" means the City and any airline meeting the Objective Criteria.

"Official Statement" means the Official Statement dated June 9, 2017, relating to the issuance and sale of the Series 2017 Bonds.

"Participating Underwriter" means any of the original underwriter(s) of the Series 2017 Bonds required to comply with the Rule in connection with the offering of the Series 2017 Bonds.

"Repository" means each National Repository and each State Repository, if any.

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

"SEC" means the U.S. Securities and Exchange Commission.

"State" means the State of Missouri.

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

Unless the context clearly indicates otherwise, words used in the singular include the plural and words used in the plural include the singular.

Section 2. Provision of Annual Reports.

A. The City shall, or shall cause the Dissemination Agent to, not later than two hundred ten (210) days (if the 210th day is not a Business Day, then the next succeeding Business Day) after the end of the City's Fiscal Year (presently June 30) commencing with the report for the Fiscal Year ending June 30, 2017, provide to each Repository an Annual Report which is consistent with the requirements of Section 3 of this Continuing Disclosure Agreement. In each case, 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 Section 3 of this Continuing 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 shall give notice of such change in the same manner as for a Listed Event under Section 4(A) of this Continuing Disclosure Agreement.

B. Not later than three (3) Business Days prior to the date specified in Subsection A above for providing the Annual Report to the Repositories, the City shall either provide the Annual Report, in PDF format, word-searchable, to the Dissemination Agent with instructions to file the Annual Report as specified in Subsection A above or provide a written certification to the Dissemination Agent that the City has provided the Annual Report to the Repositories.

C. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date in Subsection A above, the Dissemination Agent shall send a notice to each Repository in substantially the form of **Exhibit A** hereto.

D. The Dissemination Agent shall:

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

2. unless the City has certified in writing that the City has provided the Annual Report to the Repositories, promptly following receipt of the Annual Report and the instructions required by Subsection B above, provide the Annual Report to the Repositories and file a report with the City certifying that the Annual Report has been provided pursuant to this Continuing Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided or that the City has certified that it filed the Annual Report; and

3. unless the City has provided the Annual Report as provided above, notify the City in each year not later than ninety (90) days and again not later than thirty (30) days prior to the date for providing the Annual Report to the Repositories, of the date on which its Annual Report must be provided to the Dissemination Agent or the Repositories.

Section 3. Content of Annual Reports.

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

A. 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 Governmental Accounting Standards Board ("GASB") and all statements and interpretations issued by the Financial Accounting Standards Board which are not in conflict with the statements issued by GASB, provided, however, that the Airport may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which such financial statements are provided. Notice of any such modification shall be provided to the MSRB and shall include a reference to the applicable law or requirement describing such accounting basis. If the Airport's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to this Continuing Disclosure Agreement, the Annual Report will contain unaudited financial statements in a format similar to the financial statements contained in the Annual Report for the prior Fiscal Year, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

B. The following statistical and operating data of the Airport, updated for the Airport's prior Fiscal Year:

(1) The list of Major Air Carriers, Regional Air Carriers and Air Cargo Carriers at the Airport, including information as to which are Signatory Airlines and Non-Signatory Airlines comparable to the list contained in the Official Statement under the caption "THE AIRPORT–Air Carrier Service";

(2) The table captioned "Airport Revenues and Expenses and Certain Bond-Related Data" contained in the Official Statement in the section "AIRPORT FINANCIAL INFORMATION–Revenues and Expenses";

(3) A table reflecting "O&D and Connecting Enplanements" comparable to the table contained in the Official Statement in the section "THE AIRPORT–Passenger Enplanements";

(4) A table reflecting "Annual Enplanements of Three Largest Carriers" and Market Share comparable to the table in the Official Statement under the caption "THE AIRPORT–Airline Market Shares";

(5) A table reflecting "Projected Airport Revenues St. Louis Lambert International Airport Fiscal Years Ending June 30 (In Thousands) comparable to the table in the Official Statement under the caption "REPORT OF THE AIRPORT CONSULTANT - Projected Airport Revenues";

(6) A table reflecting "Trends in Scheduled Air Service at STL" comparable to Table 3-8 in APPENDIX A - "Report of the Airport Consultant" in the Official Statement;

(7) A table reflecting "Base Forecast Commercial Enplanements by Fiscal Year" (actual only) comparable to Table 3-6 APPENDIX A - "Report of the Airport Consultant" in the Official Statement;

(8) A table reflecting "Base Forecast Commercial Aircraft Departures (Landings) by Fiscal Year" (actual only) comparable to Table 3-7 in APPENDIX A - "Report of the Airport Consultant" in the Official Statement;

(9) A table reflecting "Base Forecast Commercial Aviation Landed Weights by Fiscal Year" (actual only) comparable to Table3-8 in APPENDIX A - "Report of the Airport Consultant" in the Official Statement;

(10) A table reflecting "Projected Signatory Landing Fee Rates and Terminal Rental Rates (in Thousands)" (actual only) comparable to Table 4-3 in APPENDIX A - "Report of the Airport Consultant" in the Official Statement; and

(11) A table reflecting "Projected Debt Service Coverage (in Thousands)" comparable to Table 4-8 in APPENDIX A - "Report of the Airport Consultant" in the Official Statement.

Section 4. Reporting of Listed Events.

A. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2017 Bonds, in a timely manner not in excess of ten (10) business days after the occurrence of such event:

1. principal and interest payment delinquencies;

2. non-payment related defaults, if material;

3. modifications to rights of Bondholders, if material;

4. Bond calls, if material, and tender offers;

5. defeasance;

6. rating changes;

7. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2017 Bonds, or other material events affecting the tax status of the Series 2017 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 Series 2017 Bonds, if material;

12. bankruptcy, insolvency, receivership or similar event of an Obligated Person;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee or the change of name of a trustee, if material.

B. The Dissemination Agent shall, within three (3) Business Days of obtaining actual knowledge of the occurrence of any Listed Event, contact the City, inform the Disclosure Representative of the event, and, if such Listed Event requires a determination of materiality, request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsection F below. For the purpose of this Continuing Disclosure Agreement, "actual knowledge" of the Listed Events shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to this Continuing Disclosure Agreement.

C. Whenever the City obtains knowledge of the occurrence of a Listed Event requiring a determination of materiality, as set forth in Subsection A above, because of a notice from the Dissemination Agent pursuant to Subsection B above or otherwise, the City shall as soon as possible determine if such event is a Material Listed Event.

D. If knowledge of the occurrence of a Listed Event requiring a determination of materiality would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing that it is a Material Listed Event. Such notice shall instruct the Dissemination Agent to report the occurrence of the Material Listed Event pursuant to Subsection F below.

E. If in response to a request under Subsection B above, the City determines that the Listed Event requiring a determination of materiality is not a Material Listed Event, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to Subsection F below.

F. The Dissemination Agent shall file a notice of all Listed Events within the timeframe set forth in Subsection A above with the Repository, with a copy to the City.

Section 5. EMMA. The Dissemination Agent shall use EMMA for the submission of Annual Reports and Listed Events for so long as EMMA is recognized, authorized or approved by the SEC. Submission of an Annual Report or a Listed Event by the Dissemination Agent to EMMA shall be deemed to satisfy the Dissemination Agent's obligations under this Continuing Disclosure Agreement with respect to that Annual Report or Listed Event.

Section 6. Termination of Reporting Obligations. The City's and the Dissemination Agent's obligations under this Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2017 Bonds. If the City's obligations under this Continuing Disclosure Agreement are assumed in full by another entity, such entity shall be responsible for compliance with this Continuing Disclosure Agreement in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Series 2017 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 4(A) of this Continuing Disclosure Agreement. This Continuing Disclosure Agreement shall 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 and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 2017 Bonds.

Section 7. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing 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 this Continuing 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 this Continuing Disclosure Agreement, the City shall not have any obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

Section 8. Amendment; Waiver.

Notwithstanding any other provision of this Continuing Disclosure Agreement, the City and the Dissemination Agent may amend this Continuing Disclosure Agreement (and the execution of such amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of this Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 2A, 3 or 4A of this Continuing 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, rule or regulation or change in the identity, nature or status of an Obligated Person with respect to the Series 2017 Bonds, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, should, in the opinion of counsel to the Participating Underwriters, have complied with the requirements of the Rule at the time of the original issuance of the Series 2017 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 in the Opinion of Co-Bond Counsel for the Series 2017 Bonds, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2017 Bonds.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall 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 shall be given in the same manner as for a Listed Event under Section 4A of this Continuing 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.

Section 9. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Continuing Disclosure Agreement, any Bondholder or Beneficial Owner of the Series 2017 Bonds may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Continuing Disclosure Agreement. A default under this Continuing Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture or with respect to the Series 2017 Bonds, and the sole remedy under this Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Continuing Disclosure Agreement shall be action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent.

The Dissemination Agent at the time acting hereunder may at any time resign by giving not less than sixty (60) days' written notice to the City specifying the date when such resignation will take effect. No such resignation shall take effect unless a successor Dissemination Agent shall have been appointed by the City. If no successor Dissemination Agent has been appointed within sixty (60) days of the notice, the Dissemination Agent may petition a court of competent jurisdiction to have a successor Dissemination Agent appointed.

The Dissemination Agent shall have only such duties as are specifically set forth in this Continuing Disclosure Agreement, and, to the extent permitted by applicable law, the City agrees to indemnify and save 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 costs and expenses (including reasonable attorney's fees and expenses) of defending against any claim of liability as it relates to the City, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct.

The Dissemination Agent shall not be responsible for the content of any notice or information provided by the City to the Dissemination Agent for filing or the City's failure to submit a complete Annual Report. The Dissemination Agent shall not be responsible for ensuring the compliance with any rule or regulation of the City or Participating Underwriter in connection with the filings of information herein, but is merely responsible for the filing of any such information provided to the Dissemination Agent by the City.

The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2017 Bonds. The City shall pay the fees, charges, and expenses of the Dissemination Agent in connection with its administration of this Continuing Disclosure Agreement.

Section 11. Notices. Any notices or communications to or between any of the parties to this Continuing Disclosure Agreement may be given by registered or certified mail, return receipt requested, or by confirmed facsimile, or delivered in person or by overnight courier, and will be deemed given on the second day following the date on which the notice or communication is so mailed, as follows:

To the Airport:	St. Louis Lambert International Airport 10701 Lambert International Drive St. Louis, Missouri 63145 Attention: Rhonda K. Hamm-Niebruegge Telephone: (314) 426-8000 Facsimile: (314) 426-5733
To the City:	The City of St. Louis, Missouri City Hall West 1520 Market Street, Room 3005 St. Louis, Missouri 63103 Attention: Kelley Anderson, Esq., Special Assistant to the Comptroller Telephone: (314) 612-1467 Facsimile: (314) 622-4026

With copy to:	The City of St. Louis, Missouri City Hall, Room 314 1200 Market Street St. Louis, Missouri 63103 Attention: City Counselor Telephone: (314) 622-4078 Facsimile: (314) 622-4956
To the Dissemination Agent:	UMB Bank, N.A. 2 South Broadway, Suite 600 St. Louis, Missouri 63102 Attention: Corporate Trust Department Telephone: (314) 612-8480 Facsimile: (314) 612-8499

Any person may, by written notice to the other persons listed above, designate a different address, telephone number(s) or facsimile number(s) to which subsequent notices or communications should be sent.

Section 12. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and Bondholders and the Beneficial Owners from time to time of the Series 2017 Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14. Governing Law; Venue. This Continuing Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of Missouri. Any action under this Continuing Disclosure Agreement shall be filed in the 22nd Judicial Circuit of the State of Missouri (City of St. Louis) or in the United States District Court for the Eastern District of Missouri.

Section 15. Severability. If any provision in this Continuing Disclosure Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 16. Captions. The captions or headings in this Continuing Disclosure Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision or section of this Continuing Disclosure Agreement.

Section 17. Electronic Means. The transaction described herein may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

IN WITNESS WHEREOF, The City of St. Louis, Missouri, has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf and its corporate seal to be hereunto affixed and attested by its duly elected officials and/or authorized officers, all as of the day and year first above written.

[SEAL]

THE CITY OF ST. LOUIS, MISSOURI

By:____________________________________
Lyda Krewson, Mayor

By:____________________________________
Darlene Green, Comptroller

[SEAL]

ATTEST

By:____________________________________
Parrie L. May, Register

APPROVED AS TO FORM:

By:____________________________________
Julian L. Bush, City Counselor

[Continuing Disclosure Agreement]

IN WITNESS WHEREOF, UMB Bank, N.A., as Dissemination Agent, has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf by one of its duly authorized officers as of the day first above written.

UMB BANK N.A., as Dissemination Agent

By: ____________________________________
Brian P. Krippner, Senior Vice President

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The City of St. Louis, Missouri (the *"City"*)

Name of Bond Issue: $125,410,000 The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017A (Non-AMT)
(St. Louis Lambert International Airport)

$74,715,000 The City of St. Louis, Missouri
Airport Revenue Refunding Bonds, Series 2017B (AMT)
(St. Louis Lambert International Airport)

$31,700,000 The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017C (Non-AMT)
(St. Louis Lambert International Airport)

$26,605,000 The City of St. Louis, Missouri
Airport Revenue Bonds, Series 2017D (AMT)
(St. Louis Lambert International Airport)

Date of Issuance: June 28, 2017

NOTICE IS HEREBY GIVEN that the City has not filed an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of June 1, 2017, between the City and UMB Bank, N.A., as Dissemination Agent. [The City has informed the Dissemination Agent that the City anticipates that the Annual Report will be filed by _____________.]

Dated: __________ ___, _____

UMB BANK, N.A., as Dissemination Agent
on behalf of The City of St. Louis, Missouri

cc: The City of St. Louis, Missouri

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APPENDIX H

THE PFC PROGRAM

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THE PFC PROGRAM

Authority and Purpose of Passenger Facility Charges. Section 40117 of Title 49 of the United States Code allows public agencies controlling commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a $1, $2, $3, $4 or $4.50 charge, referred to as a Passenger Facility Charge, or "PFC". The purpose of the charge is to provide additional capital funding for the expansion of the national airport system. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity, or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

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 Control Act, 42 USC 4901-4918 (the "Noise Act"), 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.

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 PFC approvals issued by the FAA in 2000 included 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.

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.

Treatment of PFCs in Air Carrier Bankruptcies. The PFC Act was amended in 1996 to provide that PFCs that are held by a Collecting Carrier constitute a trust fund that is held for the beneficial interest of the eligible agency imposing the PFCs and that the Collecting Carrier holds neither legal nor equitable interest in the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, PFC Regulations require Collecting Carriers to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in financial statements. The Collecting Carriers, however, are permitted to commingle PFC collections with their other sources of revenue and are also entitled to retain interest earned on PFC collections until such PFCs must be remitted. Despite the language in the PFC Act, at least one bankruptcy court in an unpublished opinion has indicated that PFC revenues held by an air carrier in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of such air carrier's unsecured creditors. In an unpublished opinion rendered in the TWA bankruptcy, the Court entered a stipulated order on March 12, 2001 establishing a $7 5 million PFC trust fund for the benefit of various airports to whom TWA was not current on PFC payments. At the time TWA filed its petition for reorganization, the Airport was owed approximately $2 million in PFCs for the month of November 2000, which were payable by December 31, 2000. Pursuant to Court authorization, the Airport was paid all PFC amounts then due it on January 17, 2001. Thereafter, during the bankruptcy proceedings, TWA paid all PFC amounts due the Airport. There is no assurance as to which approach other bankruptcy courts will use in the future. In 2003, Congress added a provision (Section 124 of Pub. L. 108-176 (December 12, 2003)) that imposes additional requirements relating to PFC revenues on air carriers filing for bankruptcy after the date of enactment. These air carriers in bankruptcy would have to segregate PFC money so that the airport for which the PFC was collected would be assured of receiving its money should the airline go out of business during the interim period between the date that the PFC was collected and the time it was remitted to the airport. Such air carriers would not be required, however, to put that money in an escrow account.

The PFC Program at the City

City PFC Approvals. The Airport has obtained the approval under seven PFC applications (PFC #1, PFC #2, PFC #3, PFC #4, PFC #5 and PFC #6 and PFC #9) to impose and use PFCs (on both a pay-as-you-go and leveraged basis) for a variety of projects including the Noise Compatibility Program, Terminal 2, a number of smaller airfield and terminal projects, the ADP and the Terminal Improvement Program. The Airport collected a total of $26 million in PFC Revenues (including investment earnings) for the Fiscal Year ended June 30, 2016. In September 2001, the Airport obtained approval to increase the PFC rate from $3.00 per passenger to $4.50. The $4.50 rate has been collected since December 2001.

As of April 30, 2016, the FAA had authorized the City to collect up to $1.1 billion in PFCs through 2026, of which approximately $743 million has been collected, plus an additional $52 million of interest earned totaling $795 million of PFC Revenues. From this total, $774 million has been expended, leaving a PFC Account balance of approximately $21 million.

APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

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THE CITY OF ST. LOUIS, MISSOURI • AIRPORT REVENUE REFUNDING AND AIRPORT REVENUE BONDS (ST. LOUIS LAMBERT INTERNATIONAL AIRPORT)

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