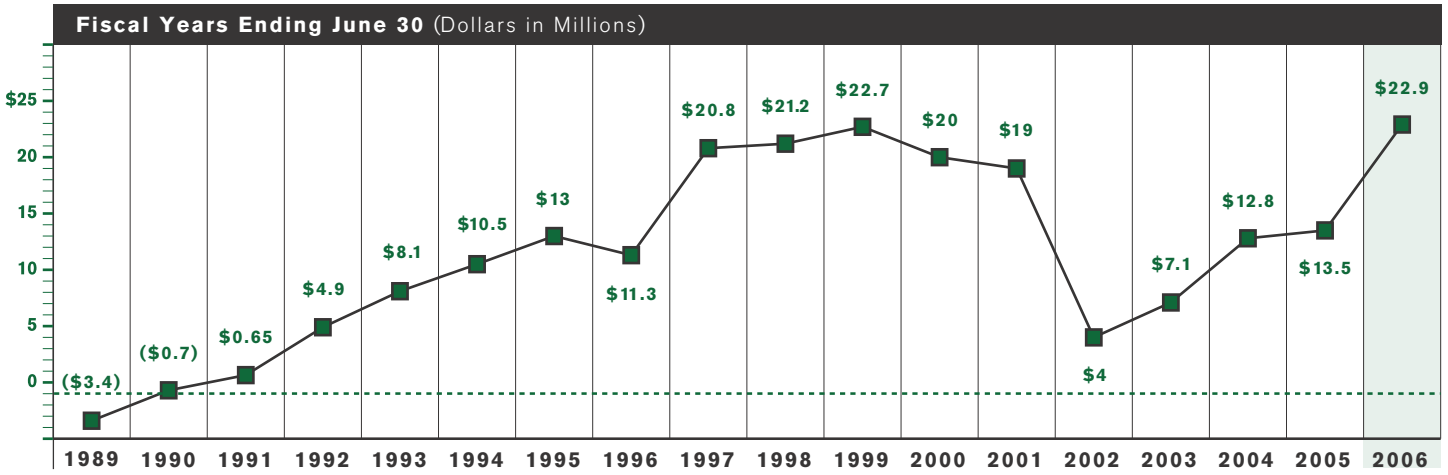

WASHINGTON STATE CONVENTION & TRADE CENTER

FISCAL 2006 ANNUAL REPORT
JULY 1, 2005 – JUNE 30, 2006

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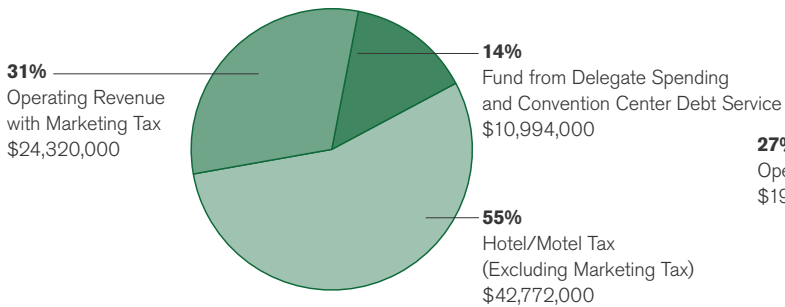
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NET ANNUAL CASH FLOW TO STATE

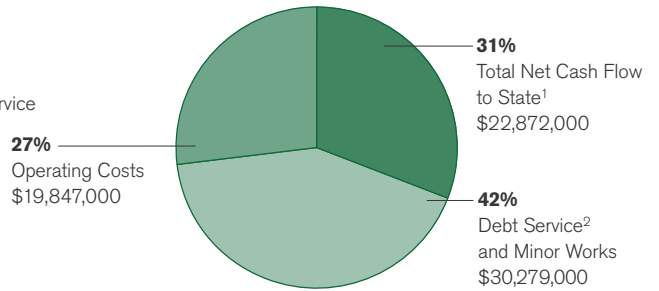


Amounts include net cash contributions to state Convention Center fund and state general fund, after deducting all operating costs and debt service payments.

SOURCES



USES



¹ Includes state general fund and state Convention Center fund.

² Includes bond principal and interest, Certificate of Participation lease payments and a legislatively-directed payment from the Convention Center account for minor works capital projects.

CONVENTION CENTER CASH FLOW SUMMARY

Fiscal Years Ending June 30 (Dollars in Thousands)

| | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-----------------|-----------------|------------------------------|------------------------------|------------------------------|
| STATE CONVENTION CENTER FUNDS | | | | | |
| REVENUE SOURCES | | | | | |
| Hotel/Motel Tax ¹ (Excluding Marketing Tax and Including City Transient Tax) | \$32,770 | \$33,194 | \$35,171 | \$37,081 | \$42,772 |
| Operating Revenue with Marketing Tax | 15,732 | 17,123 | 19,154 | 18,765 | 24,232 |
| Total Revenues | 48,502 | 50,317 | 54,325 | 55,846 | 67,004 |
| EXPENSES | | | | | |
| Debt Service ² | 30,279 | 28,097 | 29,684 | 29,666 | 29,652 |
| Minor Works ³ | 0 | 1,989 | (54) | 635 | 627 |
| Operating Costs | 16,000 | 16,701 | 17,662 | 18,092 | 19,847 |
| Total Expense | 46,279 | 46,787 | 47,292 | 48,393 | 50,126 |
| Net Cash Flow to Convention Center | 2,223 | 3,530 | 7,033 | 7,453 | 16,878 |
| STATE GENERAL FUND | | | | | |
| Estimated Direct State Sales Tax on Delegate Spending | 8,576 | 10,621 | 13,235 | 13,933 | 15,062 |
| Cash Transfer from Convention Center | 0 | 0 | 5,000 ⁴ | 5,000 ⁴ | 5,150 ⁴ |
| Less Credit for City Transient Tax | (6,823) | (7,011) | (7,519) | (7,918) | (9,068) |
| Net Cash Flow to General Fund | 1,753 | 3,610 | 10,716 | 11,015 | 11,144 |
| TOTAL NET CASH FLOW TO STATE | \$ 3,976 | \$ 7,140 | \$ 12,749⁴ | \$ 13,468⁴ | \$ 22,872⁴ |

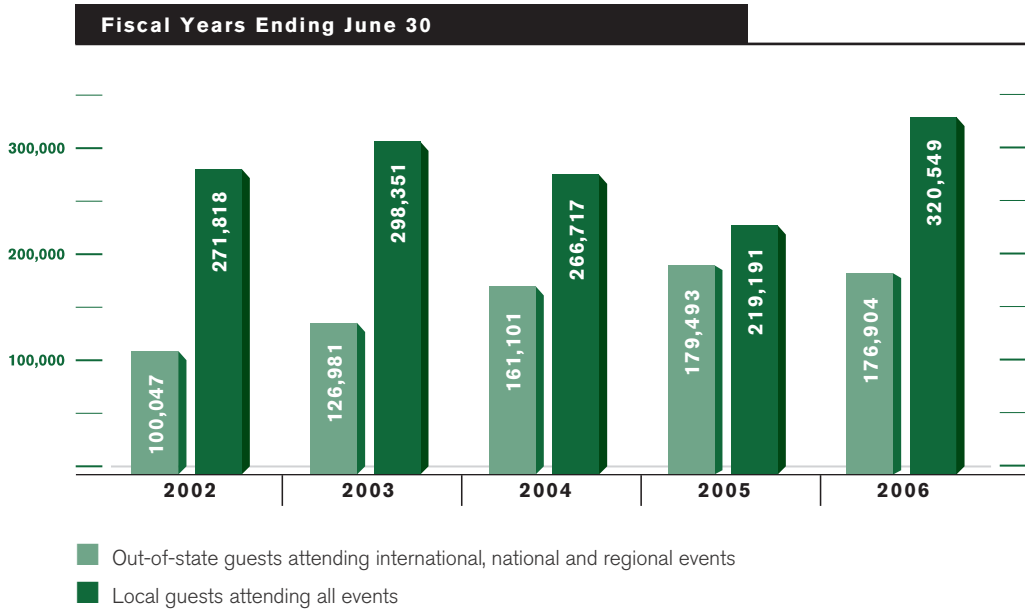
¹ A hotel/motel excise tax authorized by the state Legislature is imposed on room rates charged for lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payments for Convention Center debt service, Certificate of Participation lease payments and for marketing expenses incurred by Seattle's Convention and Visitors Bureau.

² Debt service includes bond principal and interest payments and annual Certificate of Participation lease payments, as well as \$2.7 million directly appropriated by the Legislature in 2002 for low-income housing mitigation projects.

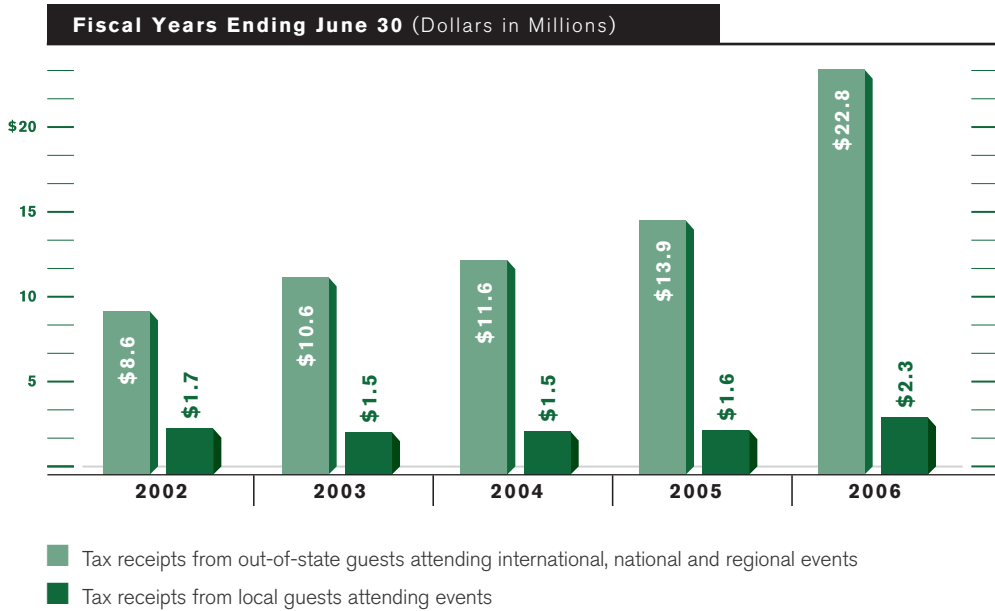
³ Minor works is appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement, energy-efficient lighting fixtures and freeway fire protection systems).

⁴ Cash transfer of \$5 million in March 2004 and March 2005, and \$5.15 million in March 2006 to the state general fund as approved by the Legislature. These funds are appropriated from existing balances in the Convention Center's capital fund. As a result, this cash transfer increases the net cash flow to the state general fund, but does not impact total net cash flow to state for the fiscal year.

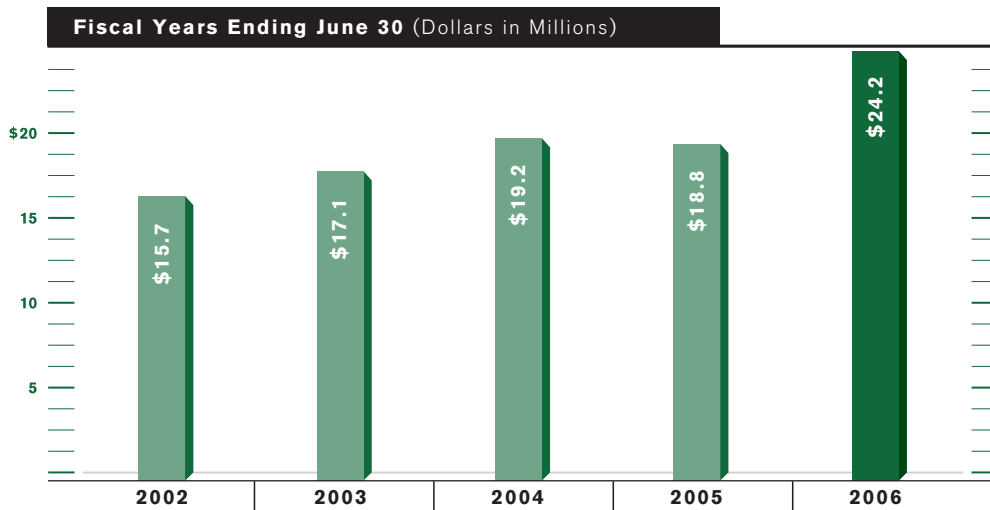
EVENT ATTENDANCE



ESTIMATED STATE SALES TAX RECEIPTS FROM DELEGATE SPENDING

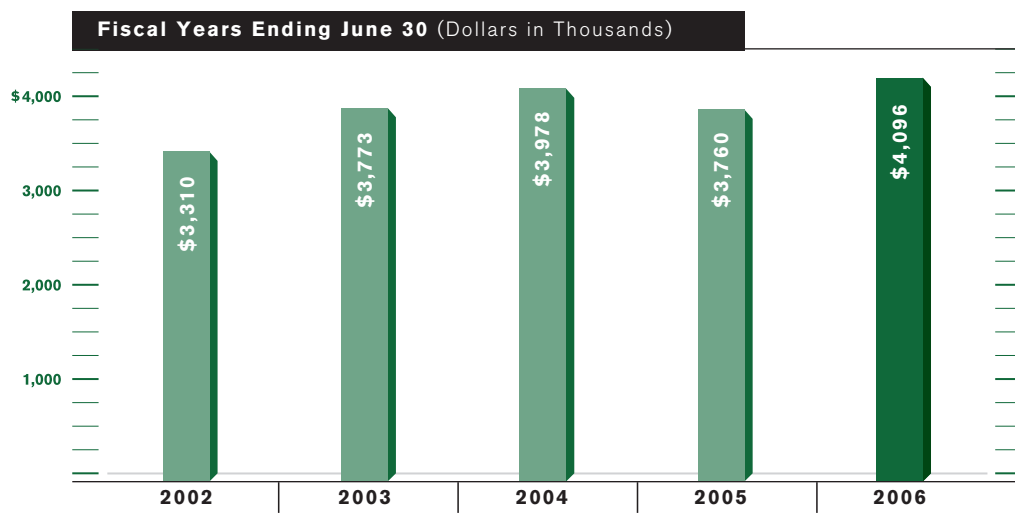


OPERATING REVENUES
TOTAL OPERATING REVENUE

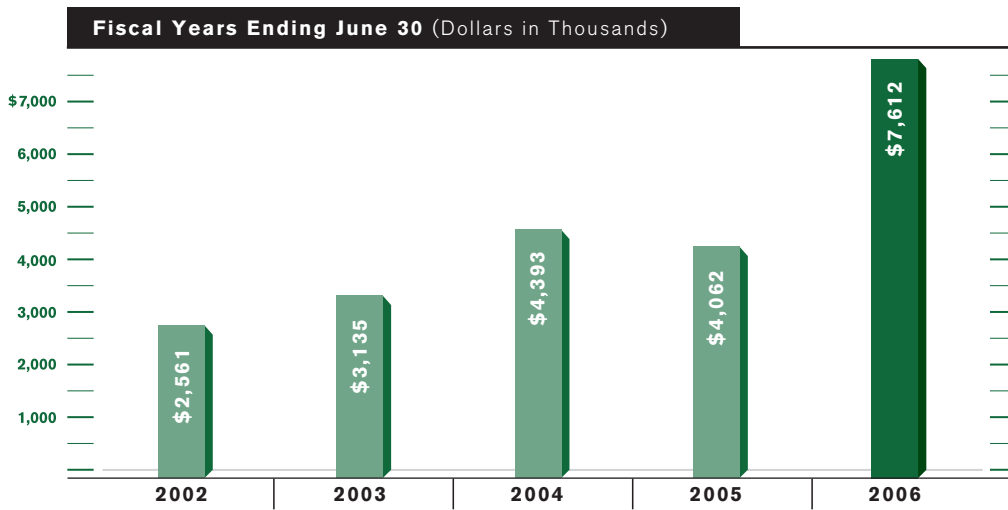


This statutory definition of operating revenue includes income from all Convention Center departments plus the 1 percent hotel tax for marketing, but excludes other hotel taxes received by the Center and direct sales taxes paid by delegates.

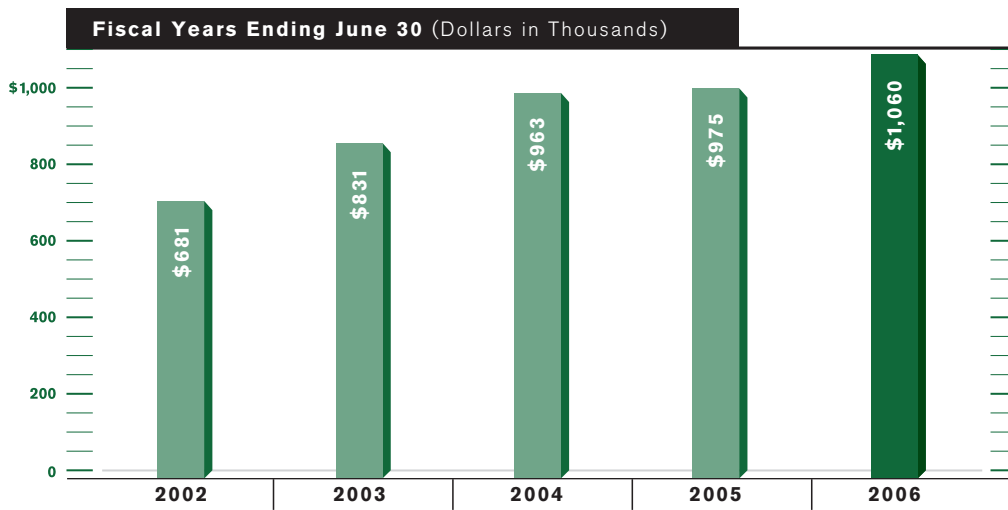
BUILDING RENT REVENUE



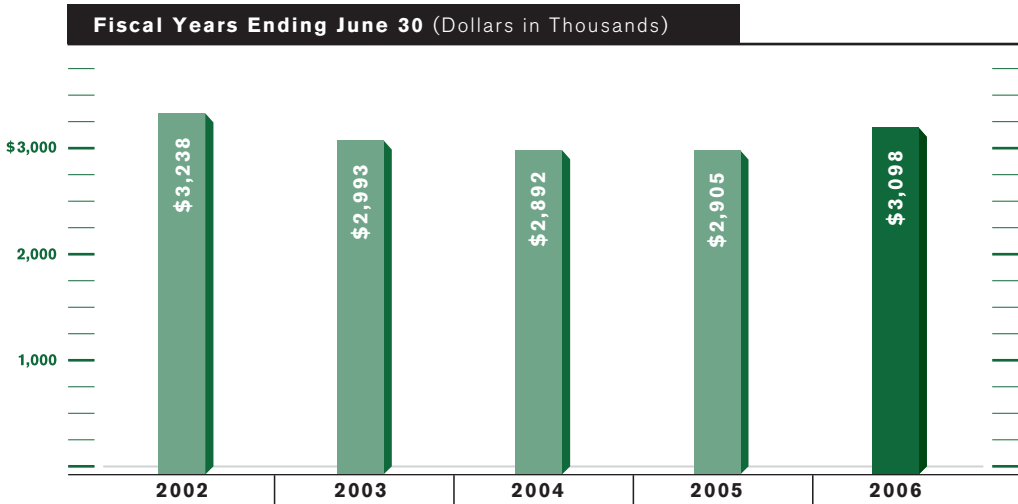
FOOD SERVICE REVENUE (NET)



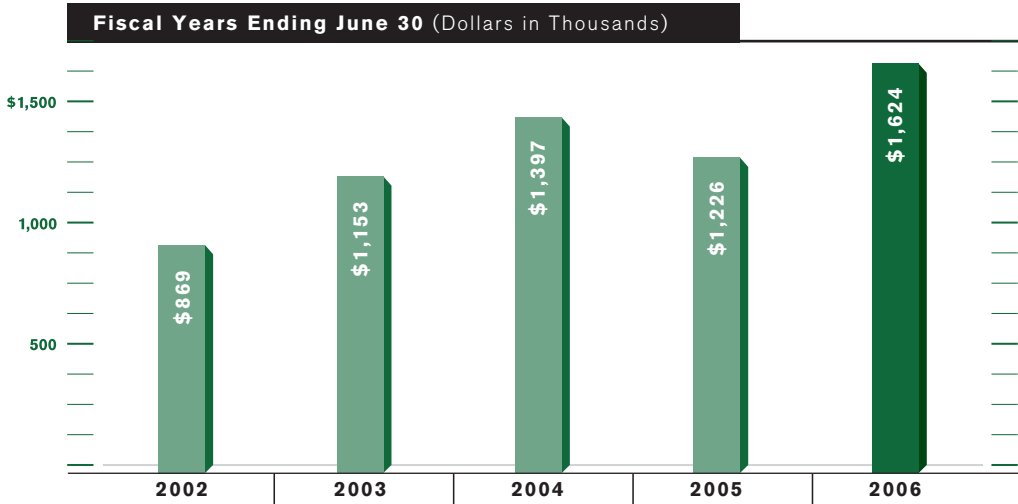
RETAIL RENT REVENUE



PARKING REVENUE



FACILITY SERVICES REVENUE



CASH FLOW TO LOCAL INSTITUTIONS
IMPACT OF THE CONVENTION CENTER (FORECAST)

| | |
|--|----------------------|
| King County (1989–2020) | \$ 125,518,370 |
| City of Seattle (1989–2020) | 72,657,064 |
| Seattle School District (1989–2020) | 12,998,923 |
| Regional Transit Authority (1997–2020) | 24,761,957 |
| Arts and Culture Organizations (1997–2012) | 8,875,298 |
| TOTAL | \$244,811,612 |

IMPACT OF CONVENTION CENTER ON KING COUNTY TAX RECEIPTS

| FISCAL YEARS | ACTUAL | FORECAST ¹ | | |
|---|---------------------|-----------------------|---------------------|----------------------|
| | 1989–2006 | 2007–10 | 2011–15 | 2016–20 |
| GENERAL COUNTY SALES TAX (0.15%) | | | | |
| Construction - Original (\$114,000,000) | \$ 171,000 | | | |
| Construction - Expansion (\$185,300,000) | 277,950 | | | |
| Retail Sales - Delegates | 2,859,185 | \$ 1,053,782 | \$ 1,446,367 | \$ 1,596,906 |
| Hotel Rooms - Delegates | 1,507,685 | 539,144 | 744,140 | 821,591 |
| KINGDOME TAX (2% on lodging) | 20,102,466 | 7,188,587 | 9,921,868 | 10,954,544 |
| METRO TRANSIT SALES TAX | | | | |
| Sales Tax (0.4%) | 11,644,987 | 5,195,678 | 5,841,351 | 6,449,324 |
| Sales Tax (0.2%) effective April 2001 | 2,150,618 | 2,597,839 | 2,920,676 | 3,224,662 |
| CRIMINAL JUSTICE SALES TAX (0.3%) | 8,733,741 | 3,896,759 | 4,381,013 | 4,836,993 |
| PROPERTY TAX (Expansion Codevelopments and Eagles)² | 1,323,117 | 1,043,291 | 1,046,553 | 1,046,553 |
| KING COUNTY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS | | | | |
| | \$48,770,749 | \$21,515,080 | \$26,301,968 | \$ 28,930,573 |
| ESTIMATED CUMULATIVE TAX RECEIPTS TO KING COUNTY, FISCAL 1989–2020 | | | | \$125,518,370 |

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² 2006 actual and forecasts at 2006 levy rate of \$1.43146 per \$1,000. ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON CITY OF SEATTLE TAX RECEIPTS

| FISCAL YEARS | ACTUAL | FORECAST ¹ | | |
|---|---------------------|-----------------------|---------------------|---------------------|
| | 1989–2006 | 2007–10 | 2011–15 | 2016–20 |
| GENERAL SALES TAX (0.85%) | | | | |
| Construction - Original (\$114,000,000) | \$ 969,000 | | | |
| Construction - Expansion (\$185,300,000) | 1,575,050 | | | |
| Retail Sales - Delegate Spending | 24,734,864 | \$ 9,018,083 | \$12,412,871 | \$13,704,813 |
| PROPERTY TAX (\$3.36 per \$1,000) | | | | |
| Grand Hyatt Hotel (\$90,434,500) | 1,987,012 | 1,215,314 | 1,492,360 | 1,492,360 |
| One Convention Place Office Tower (\$82,968,100) | 1,504,906 | 1,202,762 | 1,239,753 | 1,239,753 |
| Less Taxes Paid on Previous Property Values | (355,690) | (235,977) | (294,971) | (294,971) |
| Eagles Building ² | 0 | 11,486 | 19,143 | 19,143 |
| CITY OF SEATTLE TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS | | | | |
| | \$30,415,142 | \$11,211,668 | \$14,869,156 | \$16,161,098 |
| ESTIMATED CUMULATIVE TAX RECEIPTS TO CITY OF SEATTLE, FISCAL 1989–2020 | | | | \$72,657,064 |

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON SEATTLE SCHOOL DISTRICT TAX RECEIPTS

| FISCAL YEARS | ACTUAL | FORECAST ¹ | | |
|---|--------------------|-----------------------|--------------------|---------------------|
| | 1989–2006 | 2007–10 | 2011–15 | 2016–20 |
| PROPERTY TAX (\$2.30181 per \$1,000) | | | | |
| Grand Hyatt Hotel (\$90,434,500) | \$1,392,912 | \$832,663 | \$1,022,461 | \$ 1,022,461 |
| One Convention Place Office Tower (\$82,968,100) | 1,062,431 | 763,906 | 849,391 | 849,391 |
| Less Taxes Paid on Previous Property Values | (253,556) | (161,675) | (202,093) | (202,093) |
| Eagles Building ² | 0 | 7,869 | 13,116 | 13,116 |
| STATE GENERAL FUND SUPPORT FOR SEATTLE SCHOOLS (1.62%) ³ | | | | |
| Sales Tax: Delegate Hotel and Retail Spending | 2,611,519 | 753,259 | 1,035,441 | 1,143,211 |
| Sales Tax: Construction | 315,163 | | | |
| Property Tax - State School Fund (\$2.30181 per \$1,000) | 40,859 | 21,742 | 40,166 | 27,263 |
| SEATTLE SCHOOL DISTRICT TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS | | | | |
| | \$5,169,328 | \$2,217,764 | \$2,758,482 | \$ 2,853,349 |
| ESTIMATED CUMULATIVE TAX RECEIPTS TO THE SEATTLE SCHOOL DISTRICT, FISCAL 1989–2020 | | | | \$12,998,923 |

¹ Forecast adjusted for expansion and 2 percent annual inflation.

² ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

³ Approximately 1.62 percent of the state's general fund is used to support Seattle schools.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON REGIONAL TRANSIT AUTHORITY TAX RECEIPTS

| FISCAL YEARS | ACTUAL | FORECAST ¹ | | |
|--|--------------------|-----------------------|--------------------|---------------------|
| | 1999–2006 | 2007–10 | 2011–15 | 2016–20 |
| SALES TAX (0.4%) | | | | |
| Expansion Construction (\$185,300,000) | \$ 741,200 | | | |
| Retail Sales - Delegate Spending | 6,184,677 | \$5,299,592 | \$5,958,178 | \$ 6,578,310 |
| REGIONAL TRANSIT AUTHORITY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS | \$6,925,877 | \$5,299,592 | \$5,958,178 | \$ 6,578,310 |
| ESTIMATED CUMULATIVE TAX RECEIPTS TO THE REGIONAL TRANSIT AUTHORITY, FISCAL 1999–2020 | | | | \$24,761,957 |

¹ Forecast adjusted for expansion and 2 percent annual inflation.

NOTE: All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

IMPACT OF CONVENTION CENTER ON ARTS AND CULTURE ORGANIZATIONS TAX RECEIPTS

| FISCAL YEARS | ACTUAL | FORECAST ¹ | | |
|--|------------------------|-----------------------|-------------|-------------|
| | 1997–2006 ² | 2007–10 | 2011–12 | TOTAL |
| To Arts and Culture Organizations ^{3,4} | \$2,954,556 | \$1,825,514 | \$1,006,793 | \$5,786,863 |
| To Arts and Culture Endowment ⁵ | 1,200,230 | 1,217,009 | 671,196 | 3,088,435 |

ESTIMATED CUMULATIVE TAX RECEIPTS APPLIED BY KING COUNTY TO ARTS AND CULTURE ORGANIZATIONS OUT OF 2% KINGDOME HOTEL TAX, FISCAL 1997–2012⁶

\$8,875,298

¹ Forecasts adjusted for expansion, 2 percent annual inflation, and run until 2012 when the present statutory allocation ends.

² Revenues accrued prior to 1997 are not included in this table.

³ 75 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 1992–2000 per RCW 67.28.180 (3)(a)(i).

⁴ 70 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 2001–2012 per RCW 67.28.180 (3)(a)(i), less 40 percent used to establish the arts and culture endowment.

⁵ 40 percent of amounts distributed to arts and cultural organizations from 2001–2012 per RCW 67.28.180 (3)(e).

⁶ Amounts based on projected hotel expenditures by Convention Center out-of-state delegates only.

EXCERPT FROM KINGDOME HOTEL TAX LEGISLATION

RCW 67.28.180, AS LAST AMENDED IN 1997

“(3)(a) Taxes collected under this section in any calendar year before 2013 in excess of five million three hundred thousand dollars shall only be used as follows: (i) Seventy-five percent from January 1, 1992, through December 31, 2000, and seventy percent from January 1, 2001, through December 31, 2012, for art museums, cultural museums, heritage museums, the arts, and the performing arts. Moneys spent under this subsection (3)(a)(i) shall be used for the purposes of this subsection (3)(a)(i) in all parts of the county. (e) At least forty percent of the revenues distributed pursuant to (a)(i) of this subsection for the period January 1, 2001, through December 31, 2012, shall be deposited in an account and shall be used to establish an endowment. Principal in the account shall remain permanent and irreducible. The earnings from investments of balances in the account may only be used for the purposes of (a)(i) of this subsection.”

CONVENTION CENTER CASH FLOW AND IMPACT TO STATE - 1982-2020 (Dollars in Thousands)

| CAPITAL PROJECTS | | | | | CONVENTION CENTER OPERATIONS AND FUND CASH FLOW | | | | |
|-------------------------------|---|--|--|---------------------------|---|--|-------------------------------------|---|-----------------|
| Fiscal Year July 1-June 30 | SOURCE OF FUNDS | | | USE OF FUNDS | SOURCE OF FUNDS | | USE OF FUNDS | SOURCE OF FUNDS | USE OF FUNDS |
| | State Bond and Certificates of Participation Proceeds | Additional Funding Sources (Private, City, Department of Transportation) | Proceeds of Settlement and Sale of Property and Development Rights | Capital Development Costs | Hotel/Motel Tax Revenues with Sales Tax and Excluding Marketing Tax | Net Interest Received from Invested Cash | Debt Service Principal and Interest | Gross Operating Revenue Including Marketing Tax | Operating Costs |
| Pre-Open | | | | \$ 148,270 | \$ 34,017 | \$ 24,159 | \$ 41,936 | \$ 0 | \$ 11,938 |
| Act. 1989 | \$ 101,390 | \$ 15,427 | \$ 29,360 | 17,212 | 8,321 | 46 | 12,722 | 3,982 | 8,412 |
| Act. 1990 | 24,625 | | | 7,096 | 9,679 | 202 | 12,668 | 4,744 | 8,176 |
| Act. 1991 | 21,344 | 912 | | 20,809 | 10,950 | | 12,648 | 5,518 | 9,569 |
| Act. 1992 | 7,820 | 758 | | 3,605 | 11,221 | | 11,346 | 6,331 | 9,466 |
| Act. 1993 | | 450 | | 2,500 | 12,472 | | 11,731 | 7,398 | 9,795 |
| Act. 1994 | | | | 1,264 | 14,597 | | 12,128 | 8,122 | 10,345 |
| Act. 1995 | 2,700 | | | 3,030 | 16,283 | | 11,988 | 9,459 | 12,096 |
| Act. 1996 | | | | 200 | 16,897 | | 12,131 | 10,023 | 11,193 |
| Act. 1997 | 111,700 | 3,450 | | 12,243 | 21,088 | | 12,683 | 12,264 | 11,575 |
| Act. 1998 | | 9,961 | | 14,441 | 22,513 | | 12,673 | 13,498 | 12,412 |
| Act. 1999 | | 7,803 | | 46,621 | 25,118 | | 14,614 | 14,380 | 12,609 |
| Act. 2000 | 73,040 | 17,676 | | 93,561 | 27,123 | | 14,793 | 14,702 | 13,264 |
| Act. 2001 | 4,600 | 23,489 | | 45,569 | 36,505 | | 21,014 | 15,390 | 13,964 |
| Act. 2002 | | 1,614 | | 23,999 | 32,770 | | 30,279 | 15,732 | 16,000 |
| Act. 2003 | | 58 | | 11,383 | 33,194 | | 29,801 | 17,123 | 16,701 |
| Act. 2004 | | 3,175 | | 2,684 | 35,171 | | 29,630 | 19,154 | 17,662 |
| Act. 2005 | | 140 | | 4,725 | 37,110 | | 30,301 | 18,765 | 18,092 |
| Prelim. 2006 | | 9 | | 1,485 | 42,772 | | 32,211 | 24,232 | 19,847 |
| Est. 2007 | | | | | 46,649 | | 33,429 | 22,040 | 21,462 |
| Est. 2008 | | | | | 50,627 | | 32,298 | 20,287 | 20,150 |
| Est. 2009 | | | | | 57,341 | | 31,609 | 21,894 | 20,553 |
| Est. 2010 | | | | | 60,208 | | 32,593 | 22,332 | 21,272 |
| Est. 2011 | | | | | 63,218 | | 32,580 | 22,779 | 21,804 |
| Est. 2012 | | | | | 66,379 | | 33,516 | 23,690 | 22,676 |
| Est. 2013 | | | | | 69,698 | | 33,452 | 24,637 | 23,583 |
| Est. 2014 | | | | | 73,183 | | 34,790 | 25,623 | 24,527 |
| Est. 2015 | | | | | 76,842 | | 35,393 | 26,648 | 25,508 |
| Est. 2016 | | | | | 80,684 | | 36,068 | 27,714 | 26,528 |
| Est. 2017 | | | | | 84,718 | | 36,773 | 28,822 | 27,589 |
| Est. 2018 | | | | | 88,954 | | 24,318 | 29,975 | 28,693 |
| Est. 2019 | | | | | 94,291 | | 25,123 | 31,474 | 29,841 |
| Est. 2020 | | | | | 99,949 | | 26,004 | 33,047 | 31,034 |
| | \$ 347,219 | \$ 84,922 | \$ 29,360 | \$ 460,697 | \$ 1,460,542 | \$ 24,407 | \$ 815,243 | \$ 581,779 | \$ 588,336 |
| | A | B | C | D | | | E | | F |

- A** This column includes the issuance of General Obligation Bonds, Certificates of Participation (COPs) and state financing contracts used to construct and expand the building.
- B** The pre-1988 figure varies from pre-1996 annual reports due to an audit adjustment for previously unrecognized receipts. Received for the current expansion: city of Seattle \$7,500,000; sales tax appropriation from Legislature \$5,750,000; private developers \$27,526,200 (R.C. Hedreen \$15,000,000, Trammell Crow \$4,176,200 and Museum of History & Industry \$8,350,000) and an estimated \$25,650,000 of interest on financing proceeds along with \$800,000 in construction site rents.
- C** Cash received from the Industrial Indemnity Corporation (IIC).
- D** Includes the original settlement budget of \$156,909,070; the budget for the 1989 conversion and expansion of the facility of \$26,300,000; interest earned on proceeds of conversion/expansion bonds of \$1,050,000; settlement cost related to construction litigation of \$2,260,000; \$3,000,000 authorized and appropriated to develop low income housing; \$2,300,000 to supplement parking revenue note payments to IIC for three years; and \$253,216,200 for the current expansion, including \$27,526,200 in local private participation; \$5,750,000 in sales tax on construction authorized and appropriated by the Legislature; \$7,500,000 from the city of Seattle; \$189,340,000 in COP proceeds, \$800,000 in rents and estimated \$25,650,000 in anticipated interest earning on proceeds of expansion financing and the net cost of the McKay parcel of \$9,000,000.
- E** Debt service schedule reflects all refunding of callable bonds accomplished by the state treasurer and includes the estimated annual lease payments on the financing contracts which are being used to finance the most recent expansion of the facility. Debt service entries include \$2.3 million (fiscal year 2001) and \$2.7 million (fiscal year 2002) directed by appropriation from the Legislature to be paid directly out of capital fund O1V for low-income housing mitigation.

CASH INFLOWS TO STATE GENERAL FUND FROM THE CONVENTION CENTER

| Convention Center Annual Cash Flow | Borrowed from the State | Repayment to State General Fund Including Interest | Direct Sales Tax Revenues from Construction | Direct Sales Tax Revenues from Delegate/Exhibition Spending | Directed Transfer to State General Fund | General Fund Credit for City Transient Tax | Interest Earnings Retained by State | CONVENTION CENTER NET CASH CONTRIBUTIONS TO GENERAL FUND | | Fiscal Year July 1-June 30 |
|------------------------------------|-------------------------|--|---|---|---|--|-------------------------------------|--|--|----------------------------|
| | | | | | | | | Convention Center Net Annual Cash Contribution to State General Fund | Convention Center Cumulative Cash Contribution to State General Fund | |
| \$ 4,302 | \$ (2,889) | | \$6,741 | | | | \$ 673 | \$ 4,525 | \$ 4,525 | Pre-Open 1982-88 |
| (8,785) | (8,785) | | 145 | \$ 6,678 | | | | (1,962) | 2,563 | Act. 1989 |
| (6,219) | (6,219) | | 355 | 3,238 | | | | (2,626) | (63) | Act. 1990 |
| (5,749) | (5,749) | | 1,353 | 8,608 | | | | 4,212 | 4,149 | Act. 1991 |
| (3,260) | (3,260) | | 234 | 7,614 | | | | 4,588 | 8,737 | Act. 1992 |
| (1,656) | (1,656) | | 163 | 6,963 | | | | 5,470 | 14,207 | Act. 1993 |
| 246 | | \$ 246 | 82 | 7,371 | | | | 7,699 | 21,906 | Act. 1994 |
| 1,658 | | 1,658 | 21 | 9,336 | | | | 11,015 | 32,921 | Act. 1995 |
| 3,596 | | 3,596 | 13 | 7,696 | | | | 11,305 | 44,226 | Act. 1996 |
| 9,094 | | 4,500 | | 11,755 | | | | 16,255 | 60,481 | Act. 1997 |
| 10,926 | | 5,700 | | 10,111 | | | | 15,811 | 76,292 | Act. 1998 |
| 12,275 | | 11,000 | | 10,758 | | | | 21,758 | 98,050 | Act. 1999 |
| 13,768 | | 9,458 | | 8,176 | | \$ (1,907) | 540 | 16,267 | 114,317 | Act. 2000 |
| 16,917 | | | | 9,731 | | (7,666) | 902 | 2,967 | 117,284 | Act. 2001 |
| 2,223 | | | | 8,576 | | (6,823) | 526 | 2,279 | 119,563 | Act. 2002 |
| 3,815 | | | | 10,621 | | (7,011) | 432 | 4,042 | 123,605 | Act. 2003 |
| 7,034 | | | | 13,235 | \$ 5,000 | (7,519) | 381 | 11,097 | 134,702 | Act. 2004 |
| 7,482 | | | | 13,933 | 5,000 | (7,529) | 497 | 11,901 | 146,603 | Act. 2005 |
| 14,946 | | | | 13,876 | 5,150 | (9,068) | 2,042 | 12,000 | 158,603 | Prelim. 2006 |
| 13,798 | | | | 14,306 | 5,150 | (9,822) | 2,937 | 12,571 | 171,174 | Est. 2007 |
| 18,466 | | | | 14,939 | | (10,701) | 3,554 | 7,792 | 178,966 | Est. 2008 |
| 27,073 | | | | 15,163 | | (12,090) | 4,986 | 8,059 | 187,025 | Est. 2009 |
| 28,675 | | | | 15,467 | | (12,695) | 6,129 | 8,901 | 195,926 | Est. 2010 |
| 31,613 | | | | 15,776 | | (13,139) | 7,028 | 9,665 | 205,591 | Est. 2011 |
| 33,877 | | | | 16,092 | | (13,796) | 8,340 | 10,635 | 216,226 | Est. 2012 |
| 37,300 | | | | 16,413 | | (14,486) | 9,053 | 10,980 | 227,206 | Est. 2013 |
| 39,489 | | | | 16,742 | | (15,210) | 9,914 | 11,446 | 238,652 | Est. 2014 |
| 42,589 | | | | 17,076 | | (15,971) | 10,262 | 11,367 | 250,019 | Est. 2015 |
| 45,802 | | | | 17,418 | | (16,769) | 10,083 | 10,732 | 260,751 | Est. 2016 |
| 49,178 | | | | 17,766 | | (17,608) | 11,466 | 11,624 | 272,375 | Est. 2017 |
| 65,918 | | | | 18,122 | | (18,488) | 13,407 | 13,041 | 285,416 | Est. 2018 |
| 70,801 | | | | 18,484 | | (19,597) | 14,840 | 13,727 | 299,143 | Est. 2019 |
| 75,958 | | | | 18,854 | | (20,773) | 14,843 | 12,924 | 312,067 | Est. 2020 |
| \$663,150 | \$(28,558) | \$36,158 | \$9,107 | \$400,894 | \$20,300 | \$(258,668) | \$132,835 | | | |
| | | | | | G | H | | | | |
| | | | | | | | | GENERAL FUND TOTAL END OF 2020 | \$ 312,067 | |
| | | | | | | | | CONVENTION CENTER ACCOUNT TOTAL END OF 2020 | 637,263 | |
| | | | | | | | | TOTAL STATE FUNDS AT END OF 2020 | \$ 949,330 | |

F A one-time expenditure of \$766,000 for the preliminary expansion study incurred in 1995.

G Appropriated by the 2003 and 2005 Legislatures as a directed cash transfer from Convention Center capital fund (O1V) to the state general fund of \$5,000,000 in fiscal years 2004 and 2005, and \$5,150,000 in fiscal years 2006 and 2007.

H This column shows annual reductions in the amount of state sales tax deposited in the state general fund from the sale of hotel rooms in the city of Seattle, effective January 1, 2000, to pay costs of the expansion project.

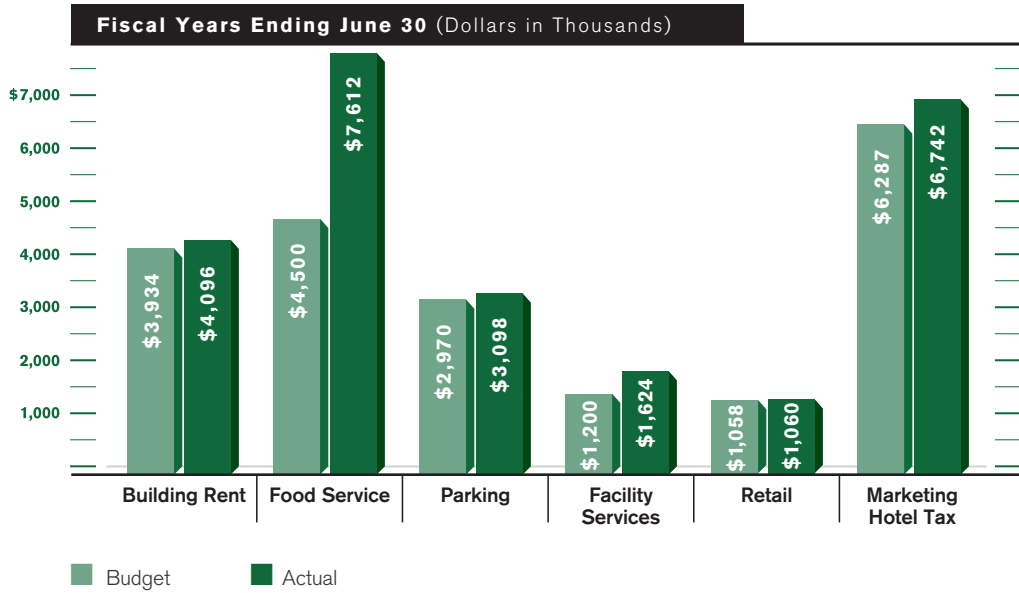
OPERATING FUND (537) REPORT

Fiscal year ended June 30, 2006

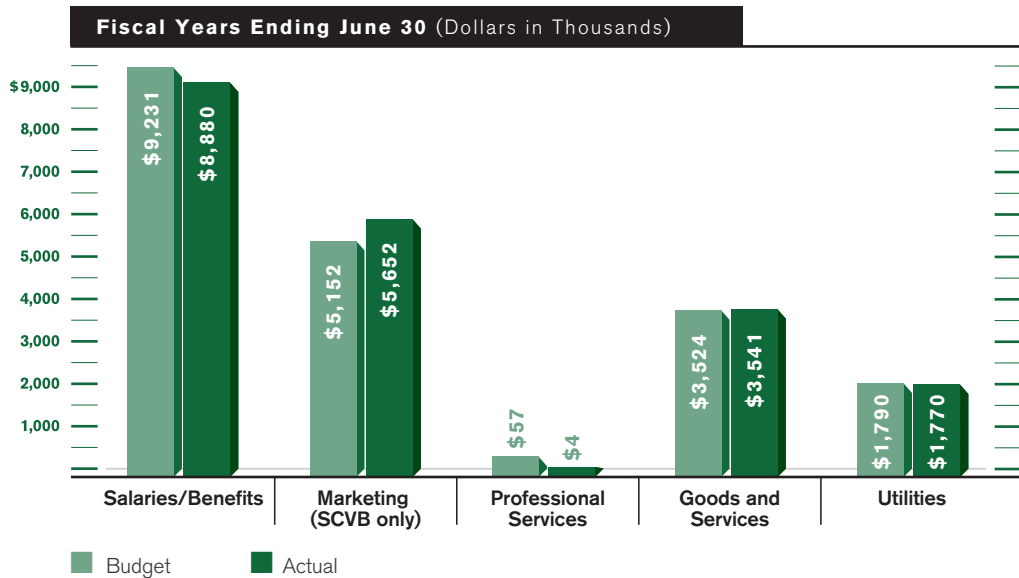
| CATEGORY | 2006 BUDGET | ACTUAL | VARIANCE |
|--------------------------------|---------------------|---------------------|---------------------|
| REVENUE | | | |
| Building Rent | \$ 3,934,063 | \$ 4,095,991 | \$ 161,928 |
| Food Service | 4,500,000 | 7,612,059 | 3,112,059 |
| Parking | 2,970,143 | 3,097,562 | 127,419 |
| Facility Services | 1,200,000 | 1,624,291 | 424,291 |
| Retail | 1,057,500 | 1,059,902 | 2,402 |
| Marketing Hotel/Motel Tax | 6,286,769 | 6,742,340 | 455,571 |
| TOTAL | \$19,948,475 | \$24,232,145 | \$ 4,283,670 |
| EXPENDITURE¹ | | | |
| Salaries | \$ 6,239,902 | \$ 6,114,777 | \$ (125,125) |
| Benefits | 2,991,125 | 2,765,065 | (226,060) |
| Marketing (SCVB only) | 5,151,972 | 5,651,972 | 500,000 |
| Professional Services | 57,000 | 3,710 | (53,290) |
| Goods and Services | 3,523,834 | 3,541,319 | 17,485 |
| Utilities | 1,790,390 | 1,770,315 | (20,075) |
| TOTAL | \$19,754,223 | \$19,847,158 | \$ 92,935 |
| NET INCOME | \$ 194,252 | \$ 4,384,987 | \$ 4,190,735 |

¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues paid to SCVB for their services are reflected in the expenditure item. Expenditures by Center sales staff are included in various items such as Salaries, Benefits, Professional Services and Goods and Services.

ANNUAL OPERATING REVENUES - BUDGET VS ACTUAL



ANNUAL OPERATING EXPENDITURES¹ - BUDGET VS ACTUAL



¹ Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues are reflected in the Marketing expenditure item. Expenditures by Center sales staff are included in various items such as Salaries/Benefits, Professional Services and Goods and Services.

FISCAL BUDGET NOTE: The Convention Center operates within an overall biennial budget as approved by the state Legislature and a detailed annual budget approved by the board of directors.

INCOME STATEMENT

Fiscal Year Ended June 30, 2006

| BUDGET TO ACTUAL AS OF JUNE 30, 2006 | BUDGET | 2006 | 2005 |
|---|----------------------|----------------------|---------------------|
| TOTAL OPERATING INCOME | \$ 13,661,706 | \$ 17,489,805 | \$ 12,927,404 |
| NON-OPERATING INCOME | | | |
| Hotel / Motel Tax | 36,987,569 | 40,445,951 | 35,030,429 |
| Transient Rental Tax | 8,289,300 | 9,068,417 | 7,917,453 |
| Total Hotel Room Tax | 45,276,869 | 49,514,368 | 42,947,882 |
| Contribution of Capital | 0 | 0 | 0 |
| Total Non-Operating Income | 45,276,869 | 49,514,368 | 42,947,882 |
| Total Income | 58,938,575 | 67,004,173 | 55,875,286 |
| OPERATING EXPENSES | | | |
| Personnel Costs | 9,231,027 | 8,913,585 | 8,546,363 |
| Marketing (SCVB only) | 5,151,972 | 5,651,972 | 5,054,641 |
| Professional Services | 57,000 | 3,710 | 31,596 |
| Non-Capital Equipment | 100,000 | 90,056 | 87,130 |
| Goods and Services | 5,193,424 | 5,204,422 | 4,337,088 |
| Travel | 20,800 | 17,156 | 34,983 |
| Total Operating Expenses | 19,754,223 | 19,880,901 | 18,091,801 |
| NON-OPERATING EXPENSES | | | |
| Interest Expense | 0 | 0 | 0 |
| Depreciation Expense | 8,200,000 | 8,410,387 | 8,118,119 |
| Total Non-Operating Expenses | 8,200,000 | 8,410,387 | 8,118,119 |
| BOND INTEREST EXPENSE | 18,600,000 | 19,653,980 | 20,168,432 |
| TOTAL EXPENSES | 46,554,223 | 47,945,268 | 46,378,352 |
| NET INCOME | \$ 12,384,352 | \$ 19,058,905 | \$ 9,496,934 |

COMPARATIVE BALANCE SHEET

Fiscal Year Ended June 30, 2006

| ASSETS AS OF JUNE 30, 2006 | 2006 | 2005 |
|--|----------------------|----------------------|
| CURRENT ASSETS | | |
| Petty Cash | \$ 46,100 | \$ 46,100 |
| Cash and Cash Equivalents | 50,415,891 | 39,535,535 |
| Total Cash and Cash Equivalents | 50,461,991 | 39,581,635 |
| Accounts Receivable | 2,006,549 | 1,234,594 |
| Other Current Assets | 1,865,247 | 2,009,941 |
| Total Current Assets | 54,333,787 | 42,826,170 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Land | 77,355,416 | 77,355,416 |
| Furnishings and Equipment | 14,597,822 | 13,673,190 |
| Less Accumulated Depreciation | (4,506,393) | (3,796,156) |
| Net Furnishings and Equipment | 10,091,429 | 9,877,034 |
| Building | 379,328,224 | 379,329,224 |
| Less Accumulated Depreciation | (79,791,263) | (72,193,816) |
| Net Building | 299,536,961 | 307,135,408 |
| TOTAL ASSETS | \$441,317,593 | \$437,194,028 |
| LIABILITIES AND RETAINED EARNINGS AS OF JUNE 30, 2006 | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 338,212 | \$ 26,895 |
| Interest Payable | 836,690 | 1,061,533 |
| Other Accrued Expenses | 19,731,109 | 18,945,144 |
| Operating Deposits Payable | 1,861,296 | 1,959,282 |
| Total Current Liabilities | 22,767,307 | 21,992,854 |
| LONG-TERM LIABILITIES | | |
| General Obligation Bonds | 60,104,390 | 72,854,390 |
| Other Long-Term Liabilities | 183,870,447 | 186,786,632 |
| Deferred Refunding Gain | 253,201 | 296,808 |
| Total Long-Term Liabilities | 244,228,038 | 259,937,830 |
| Total Liabilities | 266,995,345 | 281,930,684 |
| RETAINED EARNINGS | | |
| Retained Earnings, Prior | 155,263,343 | 145,766,410 |
| Retained Earnings, Current | 19,058,905 | 9,496,934 |
| Total Retained Earnings | 174,322,248 | 155,263,344 |
| TOTAL LIABILITIES AND RETAINED EARNINGS | \$441,317,593 | \$437,194,028 |

SOURCES AND USES OF FUNDS

Fiscal Year Ended June 30, 2006

| | OPERATIONS | CAPITAL |
|--|--------------------|---------------------|
| BEGINNING CASH BALANCE JULY 1, 2005 | \$6,078,902 | \$33,456,632 |
| Fund Revenue | 4,384,987 | 42,772,028 |
| BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME | | |
| Other Assets | (1,011,067) | 383,806 |
| Land | 0 | 0 |
| Buildings | 0 | 0 |
| Improvements | 0 | (518,367) |
| Furnishings and Equipment | (406,267) | 0 |
| Construction In-Process | 0 | 0 |
| Accounts Payable | 323,514 | (12,196) |
| Other Short-Term Liabilities | 97,820 | 688,144 |
| Operating Deposits Payable | (97,986) | 0 |
| Long-Term Liabilities | (33,743) | 3,286,514 |
| Bonds Payable | 0 | (12,750,000) |
| Deferred Refunding | 0 | (43,606) |
| Expansion Financing | 0 | (6,202,699) |
| Funds Transferred to the State General Fund | 0 | (5,150,000) |
| Bond Debt Interest | 0 | (14,830,525) |
| Total | (1,127,729) | (35,148,929) |
| NET INCREASE IN CASH | 3,257,258 | 7,623,099 |
| CASH BALANCE AS OF JUNE 30, 2006 | \$9,336,160 | \$41,079,731 |

NOTES TO FINANCIAL STATEMENTS

**NOTE 1:
DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES**

These financial statements reflect a summary of transactions affecting the combined Convention Center capital fund and Convention Center operating fund for the capital development and operation of the Washington State Convention & Trade Center (the Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax on such larger lodgings of 60 units or more inside the Seattle city limits is being collected on behalf of the Convention Center to pay for debt service of the expansion project. The transient lodging tax will remain in effect until 2020, when the Convention Center debt is eliminated.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in a Convention Center hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Convention Center uses the accrual method of accounting, recognizes fixed assets and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The auditor does, however, audit the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

The Center does not apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

| Asset | Useful Life |
|-------------------------------|-------------|
| Building and Improvements | 600 months |
| Air Conditioning Equipment | 156 months |
| Vehicular Equipment | 120 months |
| Furniture and Fixtures | 120 months |
| Communications Equipment | 84 months |
| Data Processing Equipment | 72 months |
| Vehicles, All Other Equipment | 60 months |

To date, depreciation has been based on the \$197 million capitalized to the building through June 30, 1997. This includes original construction and a conversion/expansion completed in 1993. As of June 30, 2006, the Center capitalized construction-to-date on the current expansion, which was fundamentally complete as of September 2002. Depreciation is based on the capitalized building amount of \$379 million.

CHANGES IN PROPERTY, PLANT AND EQUIPMENT FOR FISCAL 2006

| | Fiscal 2005 | Additions | Deletions | Fiscal 2006 |
|---------------------------|--------------|-------------|-----------|--------------|
| Furnishings and Equipment | \$13,673,190 | \$1,142,266 | \$217,633 | \$14,597,823 |

NOTE 2: CASH AND INVESTMENTS

The Office of the State Treasurer manages Convention Center cash and investments. Interest earned on cash in Convention Center funds remains under the jurisdiction of the state treasurer. Interest earnings, estimated to be over \$2.5 million in fiscal 2006, are neither credited to the Convention Center funds nor available to expend.

NOTE 3: TENANT LEASING AGREEMENTS

The Center leases building space to various retail tenants. A total of 19 retail leases provided revenue of \$1,059,902 in fiscal 2006. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Based on 19 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

| | |
|--------------|--------------------|
| 2007 | 1,054,832 |
| 2008 | 1,076,916 |
| 2009 | 1,099,325 |
| 2010 | 1,121,641 |
| TOTAL | \$4,352,714 |

NOTE 4: REFUNDED LONG-TERM DEBT

To date, the following Convention Center debt has been defeased through the issuance of the following advance refunding bonds:

| Proprietary Bond Type | Bond Issue Refunded | Amount Refunded | Refunding Bond Debt | Refunded Debt Outstanding |
|-----------------------|---------------------|----------------------|----------------------|---------------------------|
| G.O. | AT-6 | \$ 910,000 | \$ 970,000 | \$ 960,000 |
| G.O. | R-89C-AT-1 | 70,770,000 | 78,375,000 | 19,515,000 |
| Zero-Coupon | AT-5 | 15,346,428 | 25,026,467 | 25,026,467 |
| G.O. | R-90A, AT-3 | 4,910,000 | 4,935,000 | 1,310,000 |
| G.O. | R-92A | 19,565,000 | 19,030,000 | 16,570,000 |
| G.O. | AT-6 | 1,075,000 | 1,080,000 | 0 |
| G.O. | R-92C | 6,255,000 | 6,195,000 | 1,635,000 |
| G.O. | AT-8 | 1,795,000 | 1,850,000 | 1,800,000 |
| TOTAL | | \$120,626,428 | \$137,461,467 | \$66,816,467 |

NOTE 5: LONG-TERM DEBT AUTHORIZATION

Convention Center long-term debt outstanding at June 30, 2006 consisted of the following:

| Long-Term Debt Issue | Interest Rates (Percent) | Maturity Dates | Original Principal Balances | Balance Outstanding as of FYE 2006 |
|------------------------------------|--------------------------|----------------|-----------------------------|------------------------------------|
| AT-8 | 4.8-7.0 | 7/96-7/15 | \$2,835,000 | \$ 0 |
| AT-6 | 3.75-6.375 | 9/93-9/11 | 5,520,000 | 1,805,000 |
| AT-5 | 6.55-7.1 | 8/97-8/12 | 21,343,610 | 4,232,924 |
| R-98A (AT-6 Refunding) | 4.25-5.0 | 1/98-7/12 | 970,000 | 960,000 |
| R-93A (R-89C and AT-1 Refunding) | 3.5-5.75 | 9/93-9/07 | 78,375,000 | 19,515,000 |
| R-97A (AT-5 Refunding) | 5.825-5.875 | 7/15-7/19 | 25,026,467 | 25,026,467 |
| R-2000A (R-90A and AT-3 Refunding) | 4.625-5.5 | 1/00-1/08 | 4,935,000 | 1,310,000 |
| R-2001A (R-92A) | 4.5-9.0 | 9/01-9/12 | 19,030,000 | 16,570,000 |
| R-2002A (AT-6 Refunding) | 3.0-5.0 | 9/02-9/05 | 1,080,000 | 0 |
| R-2002A (R-92C Refunding) | 3.0-5.0 | 9/02-9/06 | 6,195,000 | 1,635,000 |
| R-2004A (AT-8 Refunding) | 2.0-5.0 | 1/04-7/15 | 1,850,000 | 1,800,000 |
| TOTAL | | | | \$72,854,391 |

| | | | | |
|-----------------------------------|-------------|-----------|---------------|----------------------|
| Certificates of Participation | 4.125-5.625 | 7/02-7/17 | \$188,479,594 | \$162,950,227 |
| Accreted Interest, 0-Coupon Bonds | n/a | n/a | n/a | 27,122,919 |
| TOTAL | | | | \$190,073,146 |

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

| | Principal | Interest | Total |
|--------------|----------------------|----------------------|----------------------|
| 2007 | \$ 18,952,699 | \$ 10,433,607 | \$ 29,386,306 |
| 2008 | 19,887,446 | 9,398,265 | 29,285,711 |
| 2009 | 17,581,499 | 11,026,876 | 28,608,375 |
| 2010 | 18,328,921 | 10,250,805 | 28,579,726 |
| 2011 | 19,130,782 | 9,433,566 | 28,564,348 |
| Thereafter | 141,923,271 | 81,242,909 | 223,166,180 |
| TOTAL | \$235,804,618 | \$131,786,028 | \$367,590,646 |

NOTE 6: LEASE COMMITMENTS

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the \$1.3 million of city bonds outstanding at the time, funds a capital reserve account of \$500,000 with annual maximum payments of \$20,000, and is responsible for repairs and maintenance. The final debt service payment was made in June 2002. The capital reserve account payment for fiscal 2006 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

| | |
|--------------|-----------------|
| 2007 | \$20,000 |
| 2008 | 20,000 |
| 2009 | 20,000 |
| 2010 | 20,000 |
| TOTAL | \$80,000 |

NOTE 7: RISK MANAGEMENT

As a state agency, the Convention Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Convention Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Convention Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

NOTE 8: EMPLOYEE PENSION PLANS

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Convention Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A Convention Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.

The Center's contributions to the plan amounted to approximately \$168,461 for fiscal 2006. Plan assets at June 30, 2006 totaled \$4.18 million.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$536,829 for fiscal 2006.

NOTE 9: COMMITMENTS

The expansion budget of \$205.5 million was closed out April 1, 2006. The remaining fund balance of \$4,541 was transferred to debt service. The expansion project was completed on budget and without expending any of the additional \$5.5 million of budgeted COP contingency.

In fiscal 2003, the state legislature appropriated \$5 million for the state's general fund in each of fiscal years 2004 and 2005, to be paid out of Center's capital fund (O1V). Both payments have been made to the general fund. In addition, the 2005 state legislature appropriated \$5.15 million for the state's general fund for fiscal years 2006 and 2007, to be paid out of Center's capital fund (O1V). In March 2006, fiscal year 2006 payment of \$5.15 million was transferred to the general fund.