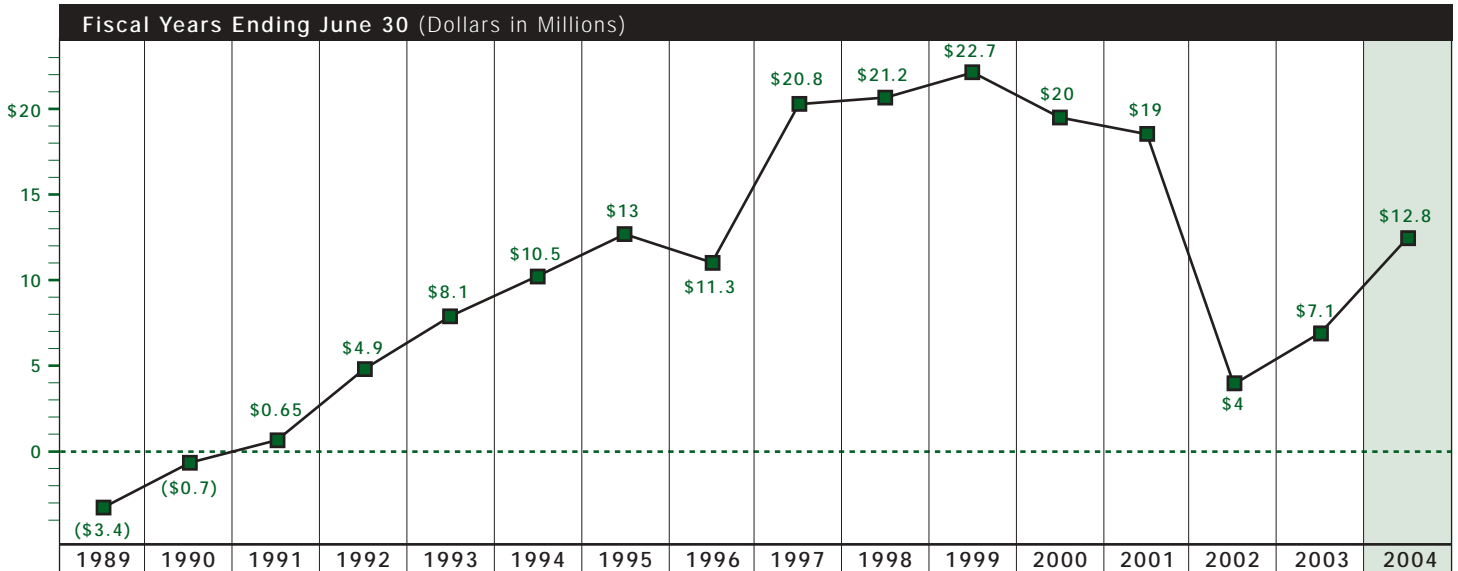

WASHINGTON STATE CONVENTION & TRADE CENTER

ANNUAL REPORT FISCAL YEAR 2004
JULY 1, 2003 – JUNE 30, 2004

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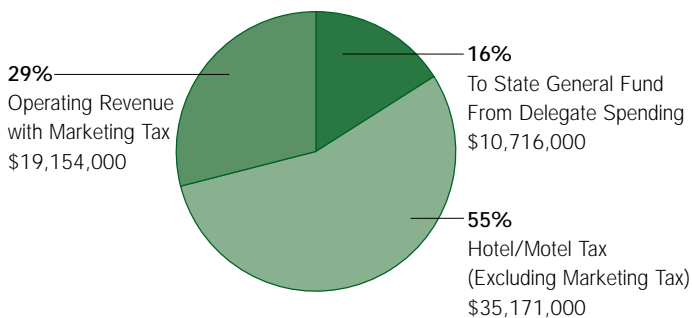
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NET ANNUAL CASH FLOW TO STATE

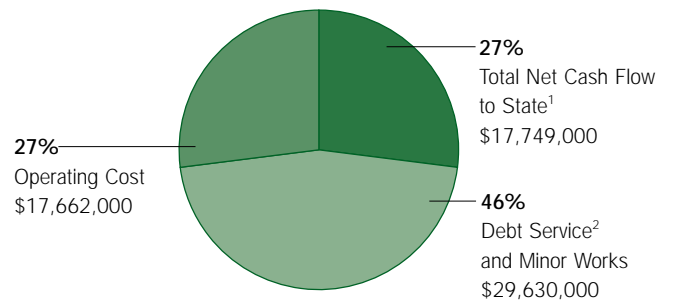


Amounts include net cash contributions to state Convention Center fund and state general fund, after deducting all operating costs and debt service payments.

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)

	2000	2001	2002	2003	2004
STATE CONVENTION CENTER FUNDS					
REVENUE SOURCES					
Hotel/Motel Tax ¹ (Excluding Marketing Tax and Including City Transient Tax)	\$27,123 ^{2,3}	\$36,506 ^{2,3}	\$32,770 ²	\$33,194 ²	\$35,171 ²
Operating Revenue with Marketing Tax	14,708 ³	15,390 ³	15,732	17,123	19,154
Total Revenues	41,831	51,896	48,502	50,317	54,325
EXPENSES					
Debt Service	14,793	21,014 ⁴	30,279 ⁴	28,097 ⁴	29,684 ⁴
Minor Works ⁵	0	0	0	1,989	(54)
Operating Costs	13,264	13,964	16,000	16,701	17,662
Total Expense	28,057	34,978	46,279	46,787	47,292
Net Cash Flow to Convention Center	13,774	16,918	2,223	3,530	7,033
STATE GENERAL FUND					
Estimated Direct State Sales Tax on Delegate Spending	8,176	9,731	8,576	10,621	13,235
Cash Transfer from Convention Center	0	0	0	0	5,000 ⁶
Less Credit for City Transient Tax	(1,907)	(7,666)	(6,823)	(7,011)	(7,519)
Net Cash Flow to General Fund	6,269	2,065	1,753	3,610	10,716
TOTAL NET CASH FLOW TO STATE	\$20,043	\$18,983	\$3,976	\$7,140	12,749⁶

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 Fiscal 2000 account reflects six months of city transient tax generating \$1.9 million. Fiscal 2001, and each subsequent year, reflect a 12-month collection of city transient tax.

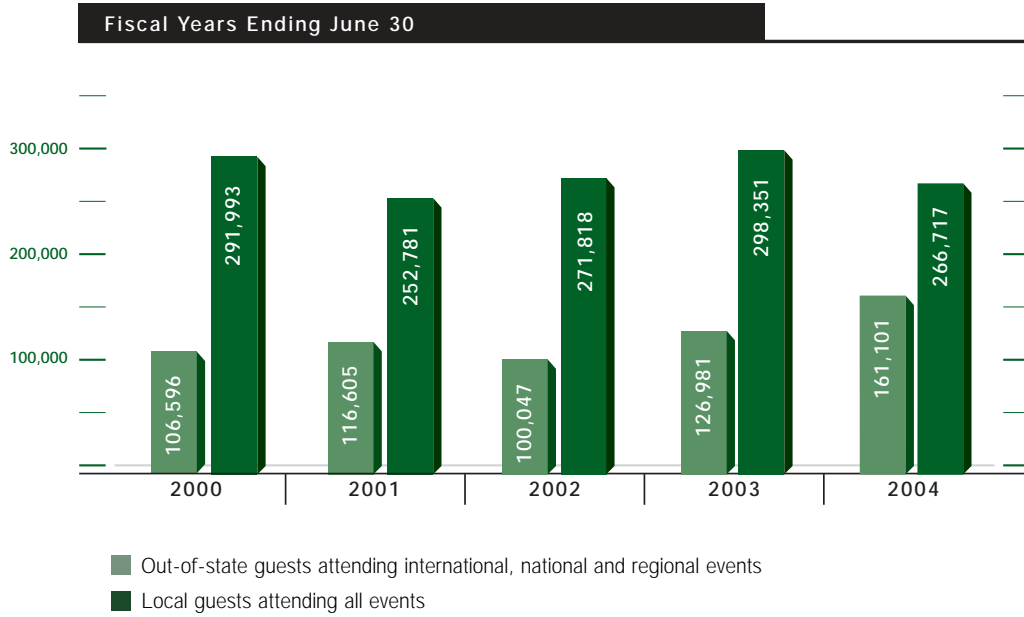
³ The Department of Revenue reported an error that occurred over a period of four fiscal years (1998-2001) that artificially inflated the Center's hotel/motel revenues funds by \$2,667,372 during this period. Corrective adjustments have been made and are reflected in this table and other financial statements. However, when comparing this table to annual reports from prior periods, revenue amounts will be slightly lower.

⁴ Debt service in fiscal year 2001 and after includes bond principal and interest payments and annual Certificate of Participation lease payments, as well as \$2.3 million (in 2001) and \$2.7 million (in 2002) directly appropriated by the Legislature for low-income housing mitigation projects.

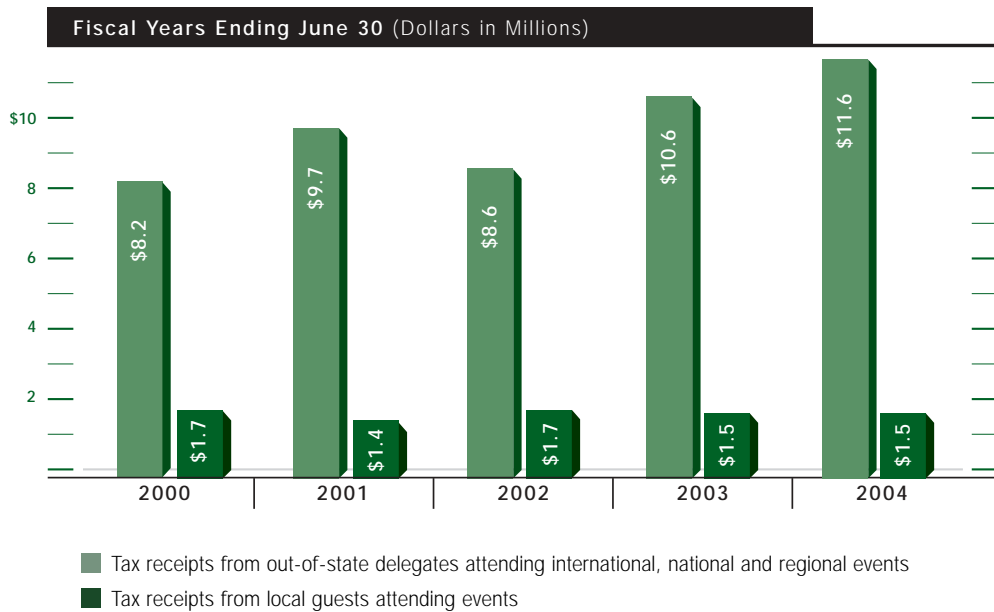
⁵ Minor works appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement and freeway fire protection systems).

⁶ Cash transfer of \$5 million in March 2004 to the state general fund as approved by the Legislature. An additional \$5 million payment will be made in March 2005. 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.

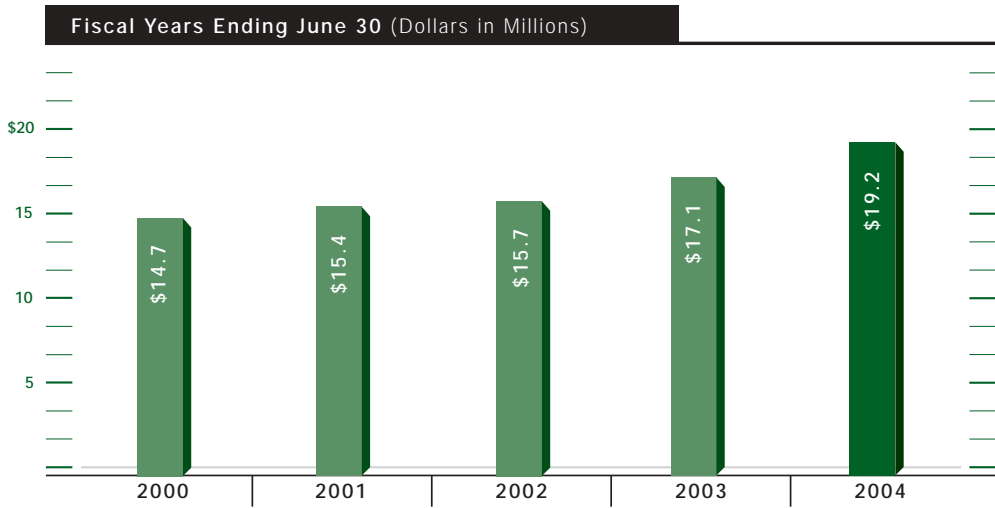
EVENT ATTENDANCE



ESTIMATED STATE SALES TAX RECEIPTS FROM DELEGATE SPENDING

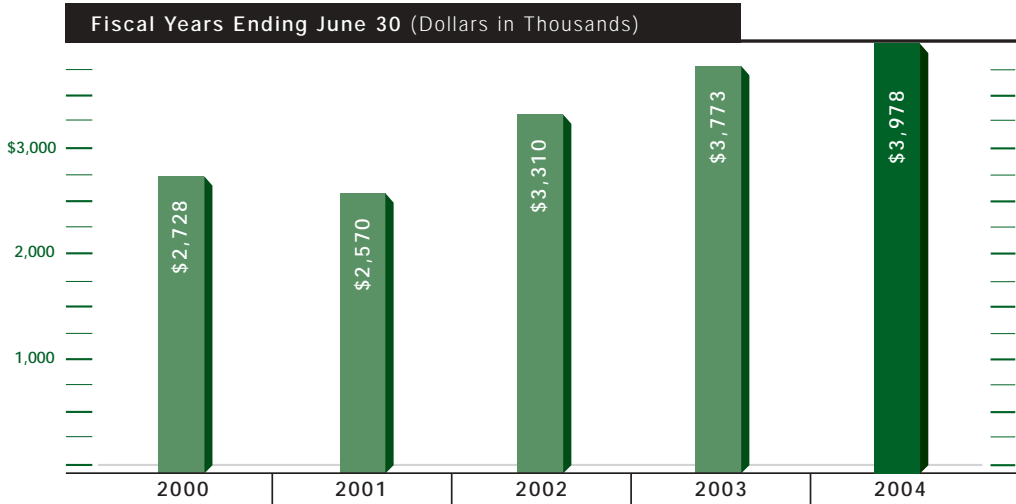


OPERATING REVENUES
TOTAL OPERATING REVENUE

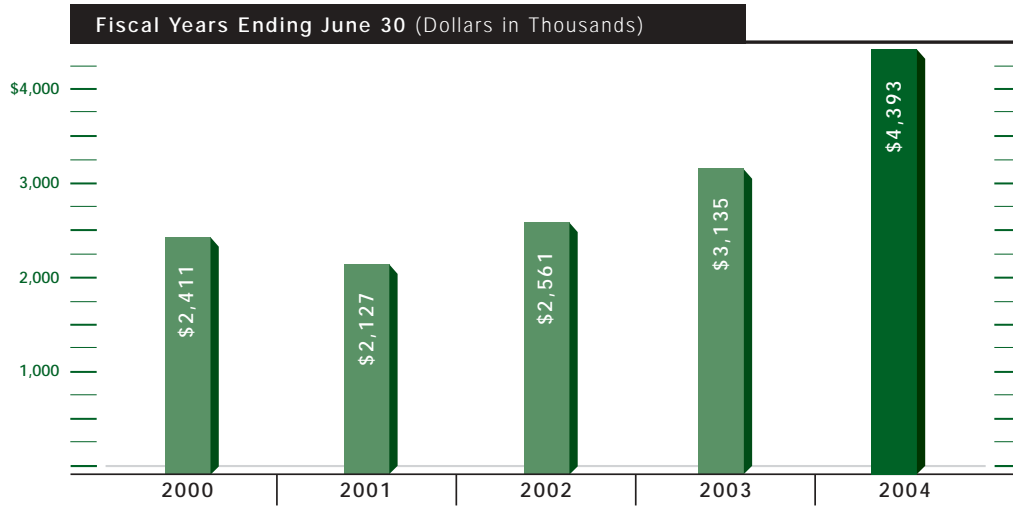


This statutory definition of operating revenue includes income from all Convention Center departments plus the 1 percent hotel tax for marketing, but excludes other hotel taxes received by the Center and direct sales taxes paid by delegates.

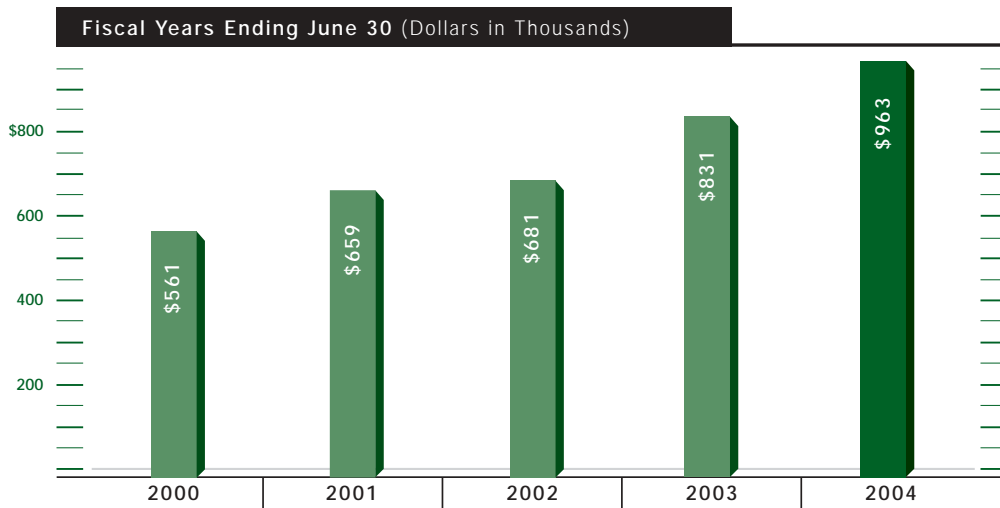
BUILDING RENT REVENUE



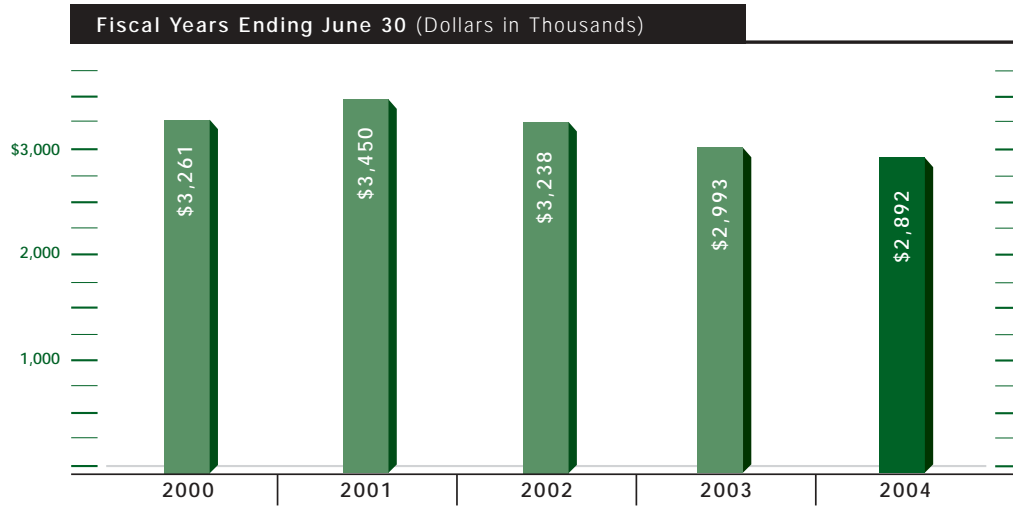
FOOD SERVICE REVENUE



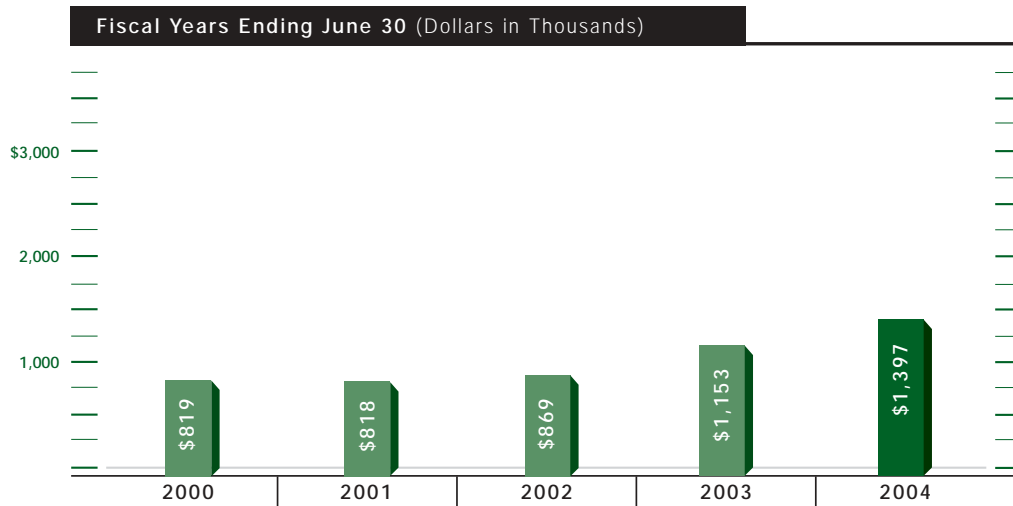
RETAIL RENT REVENUE



PARKING REVENUE



FACILITY SERVICES REVENUE



CASH FLOW TO LOCAL INSTITUTIONS

IMPACT OF THE CONVENTION CENTER (FORECAST)

King County (1989-2020)	\$138,379,383
City of Seattle (1989-2020)	78,579,300
Seattle School District (1989 -2020)	14,059,334
Regional Transit Authority (1997-2020)	27,373,633
Arts and Culture Organizations (1997-2012)	10,306,192
TOTAL	\$268,697,842

IMPACT OF CONVENTION CENTER ON KING COUNTY TAX RECEIPTS

FISCAL YEARS	ACTUAL	FORECAST ¹			
	1989-2004	2005	2006-10	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	2,365,693	\$210,980	\$1,352,846	\$1,642,922	\$1,904,597
Hotel Rooms - Delegates	1,265,130	121,143	772,006	936,901	1,086,125
KINGDOME TAX (2% on lodging)	16,868,409	1,609,241	10,293,424	12,492,017	14,481,672
METRO TRANSIT SALES TAX					
Sales Tax (0.4%)	9,682,197	884,461	5,666,273	6,879,529	7,975,259
Sales Tax (0.2%) effective April 2001	1,169,222	442,231	2,833,137	3,439,764	3,987,630
CRIMINAL JUSTICE SALES TAX (0.3%)	7,261,647	663,346	4,249,705	5,159,647	5,981,445
PROPERTY TAX (Expansion Codevelopments and Eagles)²	907,759	207,678	1,043,291	1,046,553	1,046,553
KING COUNTY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS					
	\$39,969,007	\$4,139,080	\$26,210,682	\$31,597,333	\$36,463,281
ESTIMATED CUMULATIVE TAX RECEIPTS TO KING COUNTY, FISCAL 1989-2020					\$138,379,383

¹ Forecast adjusted for expansion and 3 percent annual inflation.

² 2004 actual and forecasts at 2004 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			
	1989-2004	2005	2006-10	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	20,574,668	\$1,879,480	\$12,040,830	\$14,619,000	\$16,947,427
PROPERTY TAX (\$3.36 PER \$1,000)					
Grand Hyatt Hotel (\$88,800,000)	1,384,712	298,472	1,492,360	1,492,360	1,492,360
One Convention Place Office Tower (\$73,800,000)	978,211	247,950	1,239,752	1,239,752	1,239,752
Less Taxes Paid on Previous Property Values	(237,702)	(58,994)	(294,971)	(294,971)	(294,971)
Eagles Building ²	0	0	11,487	19,143	19,143
CITY OF SEATTLE TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS					
	\$25,243,939	\$2,366,908	\$14,489,458	\$17,075,284	\$19,403,711
ESTIMATED CUMULATIVE TAX RECEIPTS TO CITY OF SEATTLE, FISCAL 1989-2020					\$78,579,300

¹ Forecast adjusted for expansion and 3 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			
	1989-2004	2005	2006-10	2011-15	2016-20
PROPERTY TAX (\$2.36021 PER \$1,000)					
Grand Hyatt Hotel (\$88,800,000)	\$994,220	\$209,681	\$1,048,403	\$1,048,403	\$1,048,403
One Convention Place Office Tower (\$73,800,000)	710,718	174,188	870,941	870,941	870,941
Less Taxes Paid on Previous Property Values	(172,719)	(41,444)	(207,221)	(207,221)	(207,221)
Eagles Building ²	0	0	8,069	13,448	13,448
STATE GENERAL FUND SUPPORT FOR SEATTLE SCHOOLS (1.62%) ³					
Sales Tax: Delegate Hotel and Retail Spending	2,188,440	180,695	1,158,139	1,406,295	1,630,281
Sales Tax: Construction	315,163				
Property Tax - State School Fund (\$2.75678 per \$1,000)	30,013	6,479	32,549	32,651	32,651
SEATTLE SCHOOL DISTRICT TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS					
	\$4,065,835	\$529,599	\$2,910,880	\$3,164,517	\$3,388,503
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE SEATTLE SCHOOL DISTRICT, FISCAL 1989-2020					\$14,059,334

¹ Forecast adjusted for expansion and 3 percent annual inflation.

² ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments has 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			
	1997-2004	2005	2006-10	2011-15	2016-20
SALES TAX (0.4%)					
Expansion Construction (\$185,300,000)	\$741,200				
Retail Sales - Delegate Spending	5,226,911	\$884,461	\$5,666,273	\$6,879,529	\$7,975,259
REGIONAL TRANSIT AUTHORITY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS					
	\$5,968,111	\$884,461	\$5,666,273	\$6,879,529	\$7,975,259
ESTIMATED CUMULATIVE TAX RECEIPTS TO THE REGIONAL TRANSIT AUTHORITY, FISCAL 1997-2020					\$27,373,633

¹ Forecast adjusted for expansion and 3 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			TOTAL
	1997-2004 ²	2005	2006-10	2011-12	
To Arts and Culture Organizations ^{3,4}	\$2,155,490	\$361,467	\$2,751,165	\$1,377,278	\$6,645,400
To Arts and Culture Endowment ⁵	667,519	240,978	1,834,110	918,185	3,660,792

ESTIMATED CUMULATIVE TAX RECEIPTS APPLIED BY KING COUNTY TO ARTS AND CULTURE ORGANIZATIONS OUT OF 2% KINGDOME HOTEL TAX, FISCAL 1997-2012⁶ **\$10,306,192**

¹ Forecasts adjusted for expansion, 3 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.”

EXPANSION PROJECT FUNDING

FUNDING RESOURCES	AMOUNT
State of Washington Certificates of Participation (COPs)	\$133,700,000
Construction Sales Tax Credit	5,750,000
City of Seattle Contribution	7,500,000
Codeveloper: R.C. Hedreen Co. (Sale of Surplus Property)	15,000,000
Codeveloper: Trammell Crow Company (Sale of Surplus Property)	4,176,200
Codeveloper: Museum of History & Industry (Sale of Surplus Property)	8,350,000
Interest Earnings on Invested Project Funds	25,650,000
Miscellaneous Revenue	800,000
State of Washington Equipment COPs	4,600,000
Unsold COPs (Appropriated Contingency)	5,500,000
TOTAL	\$211,026,200

EXPENDITURES	AMOUNT
Expansion Property Acquisition	\$59,076,169
Contaminated Material Removal	888,118
Replacement Housing/Residential and Business Relocations	8,092,216
Construction (Including Installed Equipment)	115,988,351
Design, Management and Miscellaneous Costs	19,286,540
Fixtures, Furnishings and Equipment	2,194,806
Subtotal	\$205,526,200
Unspent Appropriated Contingency	5,500,000
TOTAL	\$211,026,200

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

CAPITAL PROJECTS					CONVENTION CENTER OPERATIONS & 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	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 and Freeway Park Garage	Operating Costs
Pre-Open									
1982-88	\$101,390	\$15,427	\$29,360	\$148,270	\$34,017	\$24,159	\$41,936	\$0	\$11,938
Act. 1989	24,625			17,212	8,321	46	12,722	3,982	8,412
Act. 1990				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
Prelim. 2004		3,175		2,684	35,171		29,630	19,154	17,662
Est. 2005				6,065	35,561		31,013	18,838	18,838
Est. 2006					37,313		32,421	19,403	19,309
Est. 2007					40,523		32,579	19,985	19,888
Est. 2008					41,739		30,308	20,785	20,485
Est. 2009					42,991		29,709	21,616	21,099
Est. 2010					44,496		29,768	22,481	21,732
Est. 2011					46,053		29,435	23,380	22,602
Est. 2012					48,356		29,246	24,315	23,280
Est. 2013					50,774		29,237	25,288	24,211
Est. 2014					53,312		29,290	26,299	25,179
Est. 2015					55,978		29,343	27,351	26,187
Est. 2016					58,777		29,413	28,445	27,234
Est. 2017					61,716		29,452	29,583	28,323
Est. 2018					64,801		16,265	30,766	29,456
Est. 2019					68,042		16,265	32,305	30,635
Est. 2020					71,444		16,260	33,920	31,860
	\$347,219	\$84,773	\$29,360	\$460,552	\$1,189,795	\$24,407	\$744,789	\$582,580	\$595,495
	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	CASH INFLOWS TO STATE GENERAL FUND FROM THE CONVENTION CENTER							CONVENTION CENTER NET CASH CONTRIBUTIONS TO GENERAL FUND		Fiscal Year July 1-June 30	
	Borrowed from the State	Repayment to 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 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)	(61)	Act. 1990	
(5,749)	(5,749)		1,353	8,608				4,212	4,148	Act. 1991	
(3,260)	(3,260)		234	7,614				4,588	8,736	Act. 1992	
(1,656)	(1,656)		163	6,963				5,470	14,206	Act. 1993	
246		\$246	82	7,371				7,699	21,905	Act. 1994	
1,658		1,658	21	9,336				11,015	32,920	Act. 1995	
3,596		3,596	13	7,696				11,305	44,225	Act. 1996	
9,094		4,500		11,755				16,255	60,480	Act. 1997	
10,926		5,700		10,111				15,811	76,291	Act. 1998	
12,275		11,000		10,758				21,758	98,049	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	123,604	Act. 2003
7,034				13,234	\$5,000		(7,518)	381	11,097	134,702	Prelim. 2004
4,549				12,763	5,000		(7,529)	497	10,731	145,433	Est. 2005
4,986				13,839			(7,877)	730	6,692	152,124	Est. 2006
8,042				15,040			(8,554)	1,088	7,574	159,698	Est. 2007
11,730				17,117			(8,811)	1,110	9,416	169,114	Est. 2008
13,799				17,630			(9,075)	1,132	9,687	178,801	Est. 2009
15,476				18,159			(9,529)	1,155	9,785	188,586	Est. 2010
17,397				18,704			(10,005)	1,178	9,877	198,463	Est. 2011
20,145				19,264			(10,505)	1,201	9,960	208,423	Est. 2012
22,613				19,843			(11,031)	1,226	10,038	218,461	Est. 2013
25,142				20,438			(11,582)	1,251	10,107	228,565	Est. 2014
27,800				21,051			(12,161)	1,276	10,166	238,734	Est. 2015
30,575				21,682			(12,769)	1,301	10,214	248,948	Est. 2016
33,523				22,333			(13,408)	1,324	10,249	259,197	Est. 2017
49,847				23,003			(14,078)	1,389	10,314	269,511	Est. 2018
53,447				23,693			(14,782)	1,416	10,327	279,839	Est. 2019
57,244				24,404			(15,521)	1,444	10,327	290,165	Est. 2020
\$456,500	(\$28,558)	\$36,158	\$9,107	\$449,429	\$10,000	\$(208,142)	\$22,172	\$290,166			
				G		H					
								\$290,166			
									430,612		
										\$720,778	

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

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

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.

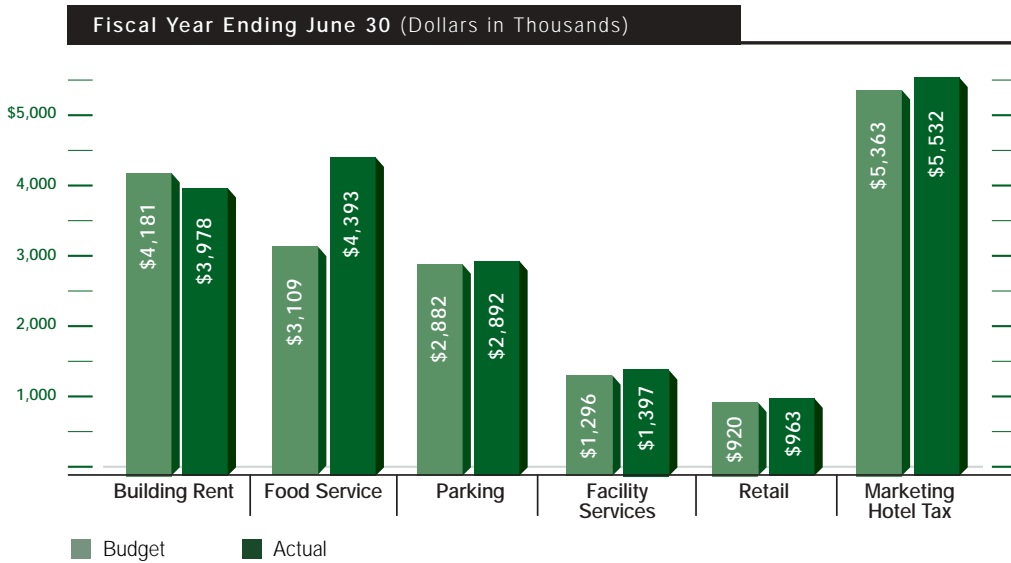
OPERATING FUND (537) REPORT

Fiscal year ended June 30, 2004

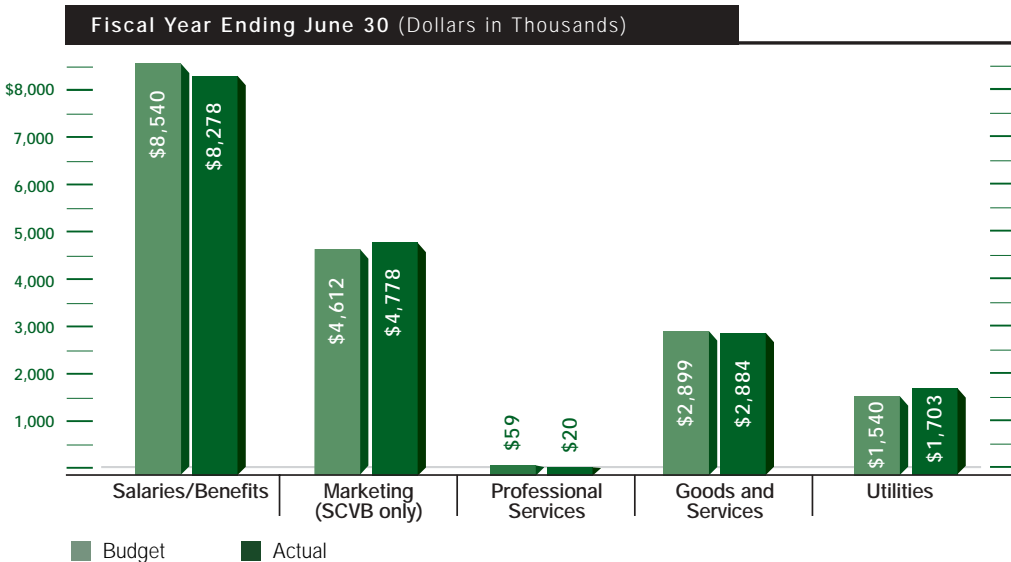
CATEGORY	2004 BUDGET	ACTUAL	VARIANCE
REVENUE			
Building Rent	\$4,181,000	\$3,977,729	\$(203,271)
Food Service	3,108,663	4,392,759	1,284,096
Parking	2,881,722	2,892,007	10,285
Facility Services	1,296,110	1,397,322	101,212
Retail	919,674	962,831	43,157
Marketing Hotel/Motel Tax	5,363,025	5,531,512	168,487
TOTAL	\$17,750,194	\$19,154,160	\$1,403,966
EXPENDITURE¹			
Salaries	\$5,866,472	\$5,706,718	\$(159,754)
Benefits	2,673,125	2,570,819	(102,306)
Marketing (SCVB only)	4,612,202	4,777,875	165,673
Professional Services	58,625	19,697	(38,928)
Goods and Services	2,899,447	2,884,063	(15,384)
Utilities	1,540,323	1,702,524	162,201
TOTAL	\$17,650,194	\$17,661,696	\$11,502
NET INCOME	\$100,000	\$1,492,464	\$1,392,464

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, 2004

Budget to Actual as of June 30, 2004	BUDGET	2004	2003
TOTAL OPERATING INCOME	\$11,620,024	\$13,622,648	\$11,885,436
NON-OPERATING INCOME			
Hotel/Motel Tax	32,178,155	33,183,545	31,420,759
Transient Rental Tax	7,230,431	7,519,280	7,011,338
Total Hotel Room Tax	39,408,586	40,702,825	38,432,097
Contribution of Capital	4,100,879	4,100,879	60,339,930
Total Non-Operating Income	43,509,465	44,803,704	98,772,027
Total Income	55,129,489	58,426,352	110,657,463
OPERATING EXPENSES			
Personnel Costs	8,539,597	8,275,128	7,986,882
Marketing (SCVB only)	4,612,202	4,777,875	4,504,413
Professional Services	58,625	19,697	32,874
Non-Capital Equipment	100,000	30,135	23,444
Goods and Services	4,422,368	4,533,547	4,138,312
Travel	17,402	22,905	15,045
Total Operating Expenses	17,750,194	17,659,287	16,700,970
NON-OPERATING EXPENSES			
Interest Expense			29,439
Depreciation Expense	8,600,000	8,828,595	4,899,599
Total Non-Operating Expenses	8,600,000	8,828,595	4,929,038
BOND INTEREST EXPENSE	17,900,000	20,811,472	16,889,612
TOTAL EXPENSES	44,250,194	47,299,354	38,519,620
NET INCOME	10,879,295	11,126,998	72,137,843

COMPARATIVE BALANCE SHEET

Fiscal Year Ended June 30, 2004

Assets as of June 30, 2004	2004	2003
CURRENT ASSETS		
Petty Cash	\$18,600	\$18,600
Cash and Cash Equivalents	36,729,104	35,351,303
Total Cash and Cash Equivalents	36,747,704	35,369,903
Accounts Receivable	3,502,730	3,594,833
Other Current Assets	2,219,891	2,379,927
Total Current Assets	42,470,325	41,344,663
PROPERTY, PLANT AND EQUIPMENT		
Land	77,355,416	77,355,416
Furnishings and Equipment	6,801,347	7,156,687
Less Accumulated Depreciation	(4,200,728)	(3,278,379)
Net Furnishings and Equipment	2,600,619	3,878,308
Building	385,661,914	381,561,036
Less Accumulated Depreciation	(64,524,504)	(56,719,962)
Net Building	321,137,410	324,841,074
TOTAL ASSETS	\$443,563,770	\$447,419,461
Liabilities and Retained Earnings as of June 30, 2004		
CURRENT LIABILITIES		
Accounts Payable	\$23,438	\$632,369
Interest Payable	1,271,345	1,479,348
Other Accrued Expenses	18,130,794	17,610,012
Operating Deposits Payable	1,911,695	2,032,165
Total Current Liabilities	21,337,272	21,753,894
LONG-TERM LIABILITIES		
General Obligation Bonds	84,734,390	95,879,390
Other Long-Term Liabilities	190,078,744	193,401,205
Deferred Refunding Gain	340,415	439,021
Total Long-Term Liabilities	275,153,549	289,719,616
Total Liabilities	296,490,821	311,473,510
RETAINED EARNINGS		
Retained Earnings, Prior	135,945,951	63,808,107
Retained Earnings, Current	11,126,998	72,137,844
Total Retained Earnings	147,072,949	135,945,951
TOTAL LIABILITIES AND RETAINED EARNINGS	\$443,563,770	\$447,419,461

SOURCES AND USES OF FUNDS

Fiscal Year Ended June 30, 2004

	OPERATIONS	CAPITAL
BEGINNING CASH BALANCE JULY 1, 2003	\$4,722,498	\$30,628,805
Fund Revenue	1,492,463	35,171,313
BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME		
Other Assets	(287,085)	539,226
Land	0	0
Buildings	0	(4,100,879)
Furnishings and Equipment	(9,853)	365,193
Accounts Payable	0	(84,210)
Other Short-Term Liabilities	(549,567)	545,627
Operating Deposits Payable	(120,469)	0
Long-Term Liabilities	2,409	2,900,825
Bonds Payable	0	(11,145,000)
Deferred Refunding Gain (Loss)	0	(98,607)
Expansion Financing	0	(6,223,286)
Bond Debt Interest	0	(21,121,178)
Contributed Capital	0	4,100,879
Total	(964,565)	(34,321,410)
NET INCREASE IN CASH	527,898	849,903
CASH BALANCE AS OF JUNE 30, 2004	\$5,250,396	\$31,478,708

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, 2003, the Center capitalized construction-to-date on the current expansion, which was fundamentally complete as of September 2002. Future depreciation will be based on the new capitalized building amount of \$386 million.

Changes in Property, Plant and Equipment for Fiscal 2004

	FISCAL 2003	ADDITIONS	DELETIONS	FISCAL 2004
Furnishings and Equipment	\$7,156,686	\$0	\$355,339	\$6,801,347

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 not held by U S Bank Trust (the Trustee) remains under the jurisdiction of the state treasurer and is not available to the Convention Center to expend. Remaining project funds are held by the Trustee and are invested in a manner that anticipates construction drawdowns, presently expected through December 2005.

NOTE 3: TENANT LEASING AGREEMENTS

The Center leases building space to various retail tenants. A total of 19 retail leases provided revenue of \$962,831 in fiscal 2004. 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. Additional retail leases are in negotiations. Based on 20 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2005	\$989,815
2006	1,078,160
2007	1,100,537
2008	1,125,327
TOTAL	\$4,293,839

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	36,305,000
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	2,535,000
G.O.	R-92A	19,565,000	19,030,000	17,730,000
G.O.	AT-6	1,075,000	1,080,000	555,000
G.O.	R-92C	6,255,000	6,195,000	4,680,000
G.O.	AT-8	1,795,000	1,850,000	1,820,000
TOTAL		\$120,626,428	\$137,461,467	\$89,611,467

NOTE 5: LONG-TERM DEBT AUTHORIZATION

Convention Center long-term debt outstanding at June 30, 2004 consisted of the following:

Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2004
AT-8	4.8-7.0	7/96-7/15	\$2,835,000	\$255,000
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	36,305,000
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	2,535,000
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	17,730,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	555,000
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	4,680,000
R-2004A (AT-8 Refunding)	2.0-5.0	1/04-7/15	1,850,000	1,820,000
TOTAL				\$95,904,391

Certificates of Participation	4.125-5.625	7/02-7/17	\$188,479,594	\$175,544,825
Accreted Interest, 0-Coupon Bonds	n/a	n/a	n/a	20,743,963
TOTAL				\$196,288,788

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

	Principal	Interest	Total
2005	\$17,380,043	\$12,285,804	\$29,665,847
2006	18,264,555	11,387,487	29,652,042
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
Thereafter	179,382,974	100,927,280	280,310,254
TOTAL	\$271,449,216	\$155,459,319	\$426,908,535

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 2004 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2005	\$20,000
2006	20,000
2007	20,000
2008	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 \$163,607 for fiscal 2004.

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 \$532,586 for fiscal 2004.

NOTE 9: COMMITMENTS AND PLANNED EXPANSION

The 1995 Legislature approved the Center's expansion project and a financing authorization of \$189 million was subsequently approved by the state Finance Committee. COPs finance the Center and state portion of the project.

The expansion project added 105,700 square feet of new contiguous heavy-load exhibit space north of the Center, across Pike Street, that opened for events in August 2001. In addition, the McKay parcel on the northwest corner of the Center was developed into a new entrance. The project included three codevelopers: the R.C. Hedreen Co., which constructed a hotel, retail, and parking facility on the Northwest Block of the expansion site that opened June 2001; the Trammell Crow Company, which constructed an office tower over and a parking garage under the new Convention Center entrance that opened December 2000; and the Museum of History & Industry (MOHAI), which will construct a museum facility on the Northeast Block of the expansion site. MOHAI made their final property payment on December 20, 2003.

Out of the total construction budget of \$205.5 million, \$6 million remains to be expended by December 31, 2005. To date, the project has been done on budget and without expending any of the additional \$5.5 million of budgeted COP contingency. Claims originally filed by the contractor, Tower@801, and a former property owner have been settled.

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 WSCTC's capital fund (O1V). The first payment of \$5 million was made in March 2004, with the remaining payment to be made in March 2005.