

In the opinion of King Hershey, P.C., Kansas City, Missouri, Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, the interest component of the Rentals paid by the City and distributed to the registered owners of the Series 2008 Certificates is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The Series 2008 Certificates have not been designated "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended. See the section herein captioned "TAX MATTERS" and the form of Opinion of Bond Counsel attached hereto as APPENDIX D.

\$9,100,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
LEASE CERTIFICATES OF PARTICIPATION
(City of St. Louis, Missouri, Lessee)
Series 2008
Evidencing Proportionate, Undivided Interests of the Owners Thereof
in Rentals Payable, Subject to Annual Appropriation, by the
CITY OF ST. LOUIS, MISSOURI

Dated: Date of Delivery

Due: July 1, as shown in the inside cover

The St. Louis Municipal Finance Corporation (the "Corporation") \$9,100,000 Lease Certificates of Participation (City of St. Louis, Missouri, Lessee) Series 2008 (the "Series 2008 Certificates") represent proportionate, undivided interests in the right to receive Rentals (as herein described) to be paid by the City of St. Louis, Missouri (the "City"). The Series 2008 Certificates will be issued under and secured by an Indenture of Trust dated as of September 1, 2008 (the "Indenture"), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "Trustee"). The proceeds of the Series 2008 Certificates will be used to: (i) refund the Land Clearance for Redevelopment Authority of the City of St. Louis' (the "LCRA") Kiel Site Lease Revenue Refunding Bonds, Series 1997A and Series 1997B (collectively, the "Refunded Bonds"), (ii) to pay the costs of issuance in connection with the Series 2008 Certificates, and (iii) to provide a debt service reserve fund for the Certificates.

The Series 2008 Certificates evidence proportionate ownership interests in the right to receive Rentals, Additional Payments (as described herein) and certain other payments, revenues, and receipts derived by the Corporation pursuant to the Lease Agreement (all as herein described) and are secured by a pledge and assignment of the Trust Estate (as herein described) to the Trustee pursuant to the Indenture. The obligation of the City to pay Rentals and Additional Payments is subject to annual appropriation by the St. Louis Board of Aldermen. **The Corporation has no taxing power.** See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES" herein. No incorporator, member, agent, employee, director or officer of the Corporation or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Agreement for anything done or omitted to be done by the Corporation or the City thereunder. The Series 2008 Certificates and interest component distributable with respect thereto shall not be a debt of the City, the State of Missouri (the "State"), or any instrumentality thereof, and none of the City, the State, or any instrumentality thereof shall be liable thereon, and the Series 2008 Certificates shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Series 2008 Certificates are offered for sale in those jurisdictions in the United States where it is lawful to make such offers. Clearance is expected to be available through The Depository Trust Company, New York, New York ("DTC") (as described herein).

The Series 2008 Certificates are issuable only as fully registered Certificates, without coupons, and, when issued, will be registered in the name of Cede & Co. or other such name (either, the "Nominee"), as may be requested by an authorized representative of DTC. Purchases of the Series 2008 Certificates will be made in book-entry form in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Purchasers will not receive certificates representing their interests in the Series 2008 Certificates purchased. So long as the Nominee is the registered owner of the Series 2008 Certificates, references herein to the Certificate Holders or registered owners shall mean the Nominee, as aforesaid, and shall not mean the beneficial owners of the Series 2008 Certificates. See "Underwriting - Global Plan of Distribution" and Appendix E "BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES" herein.

The principal component of Rentals distributable to the Registered Owners of the Series 2008 Certificates will be payable as set forth on the inside front cover of this Official Statement. The Series 2008 Certificates will bear interest from their dated date, payable beginning on January 1, 2009, and semiannually thereafter on January 1 and July 1 of each year. The principal component, redemption premium, if any, and interest distributable with respect to the Series 2008 Certificates are payable by the Trustee to the Nominee for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the beneficial owners of the Series 2008 Certificates. The Series 2008 Certificates shall be subject to optional redemption prior to maturity as more fully described herein.

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

The purchase of the Series 2008 Certificates is subject to certain risks and may not be a suitable investment for all persons. Prospective purchasers should carefully evaluate the risks and merits of investing in the Series 2008 Certificates. See "CERTIFICATE HOLDERS' RISKS" herein.

The Series 2008 Certificates are offered when, as and if issued by the City and accepted by the underwriters listed below (the "Underwriters"), subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2008 Certificates by King Hershey, P.C., Bond Counsel and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor and for the LCRA by Leslye Mitchell-Yancey, as Counsel to the LCRA. Certain legal matters will be passed upon for the Underwriters by their counsel White Coleman & Associates, LLC. It is expected that the Series 2008 Certificates will be available for delivery through DTC, in New York, New York on or about September 18, 2008.

Edward Jones[®]

Siebert Brandford Shank & Co., LLC

Merrill Lynch & Co.

This cover page contains information for reference only. It is not a complete summary of the Series 2008 Certificates. Investors must read the entire Official Statement, including the cover page, the inside front cover, and Appendices hereto to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

**BOOK-ENTRY ONLY, MATURITIES, PRINCIPAL AMOUNTS,
INTEREST RATES, PRICES AND
CUSIP NUMBERS**

The Series 2008 Certificates will be issued in book-entry form and represented by one or more global bond certificates for each stated maturity (each a “Global Bond Certificate”), in fully registered form, without coupons, which will be registered in the name of Cede & Co. or other such name as may be requested by an authorized representative of The Depository Trust Company (“DTC”), New York, New York, as Depository for the accounts of its participants. Except as described in this Official Statement, beneficial interests in the Global Bond Certificates will be represented, and transfers thereof will be effected, only through book-entry accounts maintained by DTC and its direct or indirect participants. Initial settlement for the Series 2008 Certificates will be made in immediately available funds and secondary market trading activity in beneficial interests therein will be settled in such funds. So long as the Series 2008 Certificates are held in book-entry form, definitive certificates will not be issued in exchange for beneficial interests in the Global Bond Certificates. See Appendix E – “BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES.”

**\$9,100,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
LEASE CERTIFICATES OF PARTICIPATION
(City of St. Louis, Missouri, Lessee)
Series 2008**

Payment Date (July 1)	Principal	Interest Rate	Prices	CUSIP†
07/01/2009	\$570,000	2.150%	100%	79166A AA9
07/01/2010	580,000	2.550	100	79166A AB7
07/01/2011	595,000	3.000	100	79166A AC5
07/01/2012	615,000	3.200	100	79166A AD3
07/01/2013	630,000	3.400	100	79166A AE1
07/01/2014	655,000	3.550	100	79166A AF8
07/01/2015	680,000	3.700	100	79166A AG6
07/01/2016	705,000	3.850	100	79166A AH4
07/01/2017	750,000	4.000	100	79166A AJ0
07/01/2018	780,000	4.150	100	79166A AK7
07/01/2019	810,000	4.300	100	79166A AL5
07/01/2020	845,000	4.450	100	79166A AM3
07/01/2021	885,000	4.550	100	79166A AN1

†CUSIP data herein are set forth herein for convenience of reference only. None of the Trustee, the Corporation, the City or the Underwriters assumes responsibility for the accuracy of such information.

This Official Statement is provided in connection with the initial offering and sale of the Series 2008 Certificates referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation or the City, DTC, 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 Corporation, the City or the Underwriters to give any information or to make any representations with respect to the Series 2008 Certificates 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 can there be any sale of the Series 2008 Certificates by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Series 2008 Certificates 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 2008 Certificates in accordance with applicable provisions of securities laws of any states in which the Series 2008 Certificates 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 2008 Certificates 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 2008 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included in or incorporated by reference in this Official Statement that are not purely historical are "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 27A of the Securities Act and reflect the Corporation's or 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 Corporation and the City on the date hereof, and the Corporation and the City assume no obligation to update any such forward-looking statements if or when their respective 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."

THE CITY OF ST. LOUIS ELECTED OFFICIALS

Francis G. Slay, Mayor
Darlene Green, Comptroller
Lewis E. Reed, President of the Board of Aldermen
Larry C. Williams, Treasurer

BOARD OF ALDERMEN

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

ST. LOUIS MUNICIPAL FINANCE CORPORATION

BOARD OF DIRECTORS

Ivy Neyland-Pinkston	President
Ronald H. Smith	Vice President
Tom Shepard	Vice President
Stephen J. Kovac	Secretary
Paul Payne	Treasurer

OTHER CITY OFFICIALS

Ivy Neyland-Pinkston, Deputy Comptroller for Finance and Development
Elaine Harris Spearman, Legal Advisor to the Comptroller
Candice Gordon, Accounting Executive
Patricia A. Hageman, City Counselor
Stephen J. Kovac, Deputy City Counselor

BOARD OF ESTIMATE AND APPORTIONMENT

Francis G. Slay, Mayor
Darlene Green, Comptroller
Lewis E. Reed, President of the Board of Aldermen

FINANCIAL ADVISOR

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

INVESTMENT ADVISOR

Columbia Capital Management LLC
St. Louis, Missouri

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OFFICIAL STATEMENT

Relating to
\$9,100,000

**ST. LOUIS MUNICIPAL FINANCE CORPORATION
LEASE CERTIFICATES OF PARTICIPATION
(City of St. Louis, Missouri, Lessee)
Series 2008**

**Evidencing Proportionate, Undivided Interests of the Owners Thereof
in Rentals Payable, Subject to Annual Appropriation, by the
CITY OF ST. LOUIS, MISSOURI**

INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of the \$9,100,000 St. Louis Municipal Finance Corporation Lease Certificates of Participation (City of St. Louis, Missouri, Lessee) Series 2008 (the “**Series 2008 Certificates**”), issued by The City of St. Louis, Missouri and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section “**DEFINITIONS OF WORDS AND TERMS**” set forth in **Appendix C** to this Official Statement.

The City

Certain information relating to The City of St. Louis, Missouri (the “**City**”) is set forth in “**Appendix A – INFORMATION CONCERNING THE CITY OF ST. LOUIS**”. The City’s basic audited financial statements for the fiscal year ended June 30, 2007, the most recent fiscal year for which audited financial statements of the City are available, are set forth in “**Appendix B – INDEPENDENT AUDITOR’S REPORT AND BASIC FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI, FOR THE FISCAL YEAR ENDED June 30, 2007**”. A complete copy of the City’s 2007 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007, is available for inspection at the City’s Comptroller’s Office, 1200 Market Street, City Hall, Room 212, St. Louis, Missouri, 63103. Rentals and Additional Payments made by the City under the Lease Agreement (as described herein) will be made from funds to the extent appropriated by the City from its General Fund (as defined in **Appendix A** hereto) on an annual basis. See “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES**” herein.

The St. Louis Municipal Finance Corporation

The City is obligated to pay Rentals and Additional Payments under a Lease Agreement (as described herein) with the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under the laws of the State of Missouri (the “**State**”), specifically Chapter 355 RSMo., the Missouri Nonprofit Corporation Act, as amended to date (the “**Corporation**”). See “**ST. LOUIS MUNICIPAL FINANCE CORPORATION**” herein.

Authorization for the Series 2008 Certificates

The Series 2008 Certificates are issued under the authority of the laws and Constitution of the State, Ordinance No. 68056, adopted by the Board of Aldermen of the City on July 11, 2008, and approved by the Mayor on July 11, 2008, (the “**Ordinance**”), and a resolution of the Board of Directors of the Corporation adopted on September 9, 2008 (the “**Corporation Resolution**”). The Series 2008 Certificates are issued under and secured by a Trust Indenture dated as of September 1, 2008 (the “**Indenture**”), by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the “**Trustee**”). The Series 2008 Certificates, and any certificate or certificates, including “**Additional Certificates**” (as defined in the Indenture), that may be authenticated and delivered under the Indenture are referred to herein from time to time as “**Certificate**” or “**Certificates.**”

Purposes of the Series 2008 Certificates

The proceeds of the Series 2008 Certificates will be used to: (i) refund the LCRA’s Kiel Site Lease Revenue Refunding Bonds, Series 1997A and Series 1997B (collectively, the “**Refunded Bonds**”), (ii) to pay the costs of issuance in connection with the Series 2008 Certificates, and (iii) to provide a debt service reserve fund for the Certificates. See “**PLAN OF FINANCE**” herein.

Security and Sources of Payment for the Series 2008 Certificates

The Series 2008 Certificates evidence proportionate ownership interests in the right to receive Rentals, Additional Payments and certain other payments, revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement (all as herein described) and are secured by a pledge and assignment of the Trust Estate pursuant to the Indenture. Payment of the principal component of, redemption premium, if any, and interest component on the Rentals distributable with respect to the Series 2008 Certificates will be on a parity basis with the payment of any Additional Certificates that may be issued pursuant to a supplemental Indenture. For additional information on the security and sources of payment for the Series 2008 Certificates, see “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES**” herein.

The Series 2008 Certificates are not obligations of the Corporation, but are rights to receive a proportionate share of rents, revenues and receipts received by the Corporation from the City under the Lease Agreement (including, in certain circumstances, Certificate proceeds, and income from the temporary investment thereof, and proceeds from insurance and condemnation awards, but excluding any moneys required to be held by the Trustee for rebate to the federal government). The Series 2008 Certificates are secured by a pledge and assignment of the Corporation’s interest in the Lease Agreement and all Rentals and other payments, revenues and receipts received by the Corporation under the Lease Agreement. The obligation of the City to pay Rentals and Additional Payments under the Lease Agreement is limited to certain moneys of the City that its Board of Alderman appropriates annually.

Pursuant to an Assignment and Assumption of Master Lease Agreement, dated as of September 1, 2008, between the LCRA and the Corporation, the LCRA will assign to the Corporation the Amended and Restated Master Lease, dated as of November 2, 1992 (the “**Master Lease**”), wherein the City conveyed to LCRA a leasehold interest in certain real estate known as the Master Lease Premises, as further described in the Indenture (the real estate and the improvements located thereon are referred to herein as (the “**Master Lease Premises**”). Pursuant to a Lease Financing Agreement, dated as of September 1, 2008, between the City and the Corporation (the “**Lease Agreement**”) the Corporation will lease the Master Lease Premises back to the City for consecutive one-year terms, subject to annual appropriation by the City of Rentals and Additional Payments in amounts necessary to pay the principal component and interest component on the Series 2008 Certificates. In addition, pursuant to the Lease

Agreement, the Corporation will grant the City an option to purchase its leasehold interest under the Lease Agreement in the Master Lease Premises, subject to Permitted Encumbrances. Under the Lease Agreement, the City has covenanted and agreed that during each fiscal year of the City, which currently begins on July 1 (the “**Fiscal Year**”) to pay the Rentals and Additional Payments with respect to the Series 2008 Certificates.

The Lease Agreement is a financing lease only. The Master Lease Premises do not secure payment of the Series 2008 Certificates, and upon an Event of Default under the Lease Agreement or a failure of the City to appropriate Rentals or Additional Payments, the Trustee shall not have the right to relet or further sublease the Master Lease Premises.

THE SERIES 2008 CERTIFICATES AND THE INTEREST THEREON SHALL NOT BE A DEBT OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF AND NONE OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF SHALL BE LIABLE THEREON, AND THE SERIES 2008 CERTIFICATES SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION OR THE CITY THEREUNDER.

Definitions and Summaries of Certain Legal Documents

Capitalized terms used and not defined herein are defined in the section “**DEFINITIONS OF WORDS AND TERMS**” set forth in **Appendix C** to this Official Statement. Summaries of the Indenture and the Lease Agreement are set forth in **Appendix C** to this Official Statement and the Master Lease is set forth as Appendix F. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Lease Agreement, the Master Lease and the Lease and Development Agreement are qualified in their entirety by reference to such documents. The definitive forms of such documents may be reviewed prior to delivery of the Series 2008 Certificates at the offices of the City’s Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request. Following delivery of the Series 2008 Certificates, copies of such documents may be reviewed at the office of the Trustee, UMB Bank, N.A., 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490.

Certificate Holders’ Risks

Payment of the principal components and interest components distributable to the Owners of the 2008 Certificates is subject to certain risks. See the caption “**CERTIFICATE HOLDERS’ RISKS**” herein.

THE LEASED PROPERTY

Lease of the Master Lease Premises

Concurrently with the issuance of the Series 2008 Certificates, and in order to secure the payment of the Series 2008 Certificates, the Corporation will, among other agreements, enter into the following:

- (i) an Assignment and Assumption of Master Lease Agreement, pursuant to which the LCRA will transfer and convey to the Corporation its leasehold interest in the Master Lease Premises;
- (ii) an Assignment and Assumption of Lease and Development Agreement, dated as of September 1, 2008 between the LCRA and the Corporation, pursuant to which the LCRA will assign to the Corporation the Amended and Restated Lease and Development Agreement, dated as of November 24, 1992 (the “**Lease and Development Agreement**”), wherein the LCRA leased its interest in the Master Lease Premises to the Kiel Center Redevelopment Corporation (“**KCRC**”) and under authority of which KCRC has further subleased the Master Lease Premises to Kiel Center Partners, LP; and
- (iii) the Lease Agreement, pursuant to which the Corporation will convey to the City a leasehold interest in the Master Lease Premises, together with an option to purchase the Corporation’s leasehold interest in the Master Lease Premises under the Lease Agreement.

The Master Lease

This Section provides a general description of the Master Lease. For more detailed information on the terms of the Master Lease, see “**APPENDIX F – THE AMENDED AND RESTATED MASTER LEASE.**”

The Master Lease, which will be assigned by the LCRA to the Corporation, is a master lease of the Master Lease Premises from the City to the LCRA for a term of fifty (50) years with four (4) successive renewal options by the LCRA for five (5) years each. The Master Lease reflects the agreement of the LCRA to undertake the Project (as defined therein) and sublease the Site (as defined therein), as cleared, for redevelopment. In support of the LCRA’s undertaking of the Project with respect to the Site, the City agreed in the Master Lease, but subject to annual appropriation, to make payments in an amount not to exceed \$1,100,000 per year for a period of thirty (30) years, for payment of principal of, premium, if any, and interest on the Bonds issued pursuant to a Bond Resolution, dated December 18, 1990, as amended and supplemented by a Supplemental Resolution dated November 24, 1992, and by a Second Supplemental Bond Resolution dated June 22, 1997 and by a Third Supplemental Bond Resolution dated July 22, 1997 (collectively, the “**Series 1990 Resolution**”). The City will lease the Master Lease Premises to the Corporation on the same terms and conditions, except for the annual amount of Rentals, with the first renewal term to commence immediately upon the expiration of the initial term of the Master Lease.

The Refunded Bonds are the only Bonds which remain outstanding under the Series 1990 Resolution. No proceeds of the Refunded Bonds were applied to the Project and the Project does not provide security for the Refunded Bonds or the Series 2008 Certificates. The Refunded Bonds were used to refinance obligations issued for application to the Master Lease Premises, including removal of asbestos from an opera house and auditorium and demolition and clearance of the auditorium and parking garage portions of the building, excavation and preparation of foundations for construction of certain

facilities, patching, costs related to the vacation of 15th Street and other site work on the Master Lease Premises.

Management of the Master Lease Premises

The Master Lease Premises have been and will continue to be managed by the Kiel Center Partners, LP. Pursuant to the Lease and Development Agreement, Kiel Center Partners, LP has undertaken certain obligations with respect to management and operation of the Master Lease Premises. KCRC and/or Kiel Center Partners, LP have in the past and may from time to time in the future grant or pledge to lenders an interest in their sublease of the Master Lease Premises. The City has and may in the future execute non-disturbance agreements with such lenders or other creditors.

Appropriation

THE CITY IS NOT AND CANNOT BE LEGALLY OBLIGATED TO APPROPRIATE FUNDS TO PAY RENTALS AND ADDITIONAL PAYMENTS UNDER THE LEASE AGREEMENT. See SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES” herein.

THE SERIES 2008 CERTIFICATES

General

The Series 2008 Certificates will be issued in denominations of \$5,000 or any integral multiple thereof, and will be dated as of the date of delivery thereof. The principal component of Rentals distributable to the Registered Owners of the Series 2008 Certificates will bear interest at specified rates as set forth on the inside cover page hereof. The interest component of Rentals distributable to the Registered Owners of the 2008 Certificates will be payable semiannually on January 1 and July 1 of each year beginning on January 1, 2009. The principal component of Rentals distributable to the Registered Owners of the 2008 Certificates is payable on July 1 of each year in the principal amounts set forth on the inside cover page of this Official Statement.

The Series 2008 Certificates will be subject to optional redemption prior to maturity as described herein.

The interest component distributable to the Registered Owner of each Series 2008 Certificate is payable (1) by check or draft mailed by the Paying Agent to the address of such Registered Owner shown on the registration books for the Certificates (the “**Register**”), or (2) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Series 2008 Certificates, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than five (5) days prior to the Record Date for such interest, containing the electronic transfer instructions including the name of the bank (which shall be in the continental United States), the bank’s ABA routing number and the account number to which such Registered Owner wishes to have such transfer directed or in such other manner as such Certificate Holder and the Paying Agent may determine. The principal component of Rentals and redemption premium, if any, distributable to the Registered Owner of each Certificate is payable upon presentation and surrender thereof at the principal corporate office of the Paying Agent or such other office as the Trustee shall designate.

It is anticipated that CUSIP identification numbers will be printed on the Certificates, but neither the failure to print such numbers on any Certificates, nor any error in the printing of such numbers, shall

constitute cause for a failure or refusal by the purchaser of the Certificates to accept delivery of and pay for any Certificates.

Paying Agent and Registrar

Pursuant to the Indenture, UMB Bank, N.A., St. Louis, Missouri, has been appointed as Paying Agent and Registrar (the “**Paying Agent**” and “**Registrar**”) for the Series 2008 Certificates. The corporate trust office of UMB Bank, N.A. for purposes of its duties as Paying Agent and Registrar is: 2 South Broadway, Suite 435, St. Louis, Missouri 63102, Attention: Corporate Trust.

Optional Redemption

The Series 2008 Certificates, including portions thereof, maturing in the year 2015 and thereafter shall be subject to redemption and payment prior to maturity at the option of the Corporation, upon the direction of and instructions from the City, on and after July 1, 2014, as a whole or in part at any time, at the redemption price of 100% of the principal amount thereof, plus interest accrued to the Redemption Date.

Selection of Series 2008 Certificates to be Redeemed

Certificates shall be redeemed in their Authorized Denominations. In the case of a partial redemption of Certificates of the same Series, the Certificates to be redeemed shall be selected by the Corporation, upon the direction and instruction of the City, from the Outstanding Certificates of that Series. Whenever less than all of the Certificates of a particular maturity are to be redeemed, the Trustee shall select the particular Certificates to be redeemed by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Outstanding Certificates of a denomination larger than \$5,000.

Notice and Effect of Call for Redemption

If and when any of the Series 2008 Certificates are called for redemption and payment prior to their Stated Maturity, the Trustee shall give written notice of said redemption and payment by first class mail, postage prepaid, mailed not less than thirty (30) days nor more than sixty (60) days prior to the Redemption Date to each Holder of Certificates to be redeemed, at the address appearing on the Certificate Register. All notices of redemption shall include the appropriate Redemption Notice Information. The failure of the Holder of any Certificate to be so redeemed to receive written notice mailed shall not affect or invalidate the redemption of Certificates. The Trustee is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Certificate to be redeemed.

Notice of the redemption of Certificates, except with respect to any notice which refers to Certificates which are the subject of a refunding, shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Certificates to be redeemed. Prior to any date fixed for redemption and prior to the giving of notice of redemption of any certificates (unless such notice shall state that the foregoing deposits shall be made only to the extent there are funds available therefore), there shall be deposited with the Trustee funds, sufficient, or United States Government Obligations, maturing as to principal and interest at such times and in such amounts as to provide available funds sufficient, to pay the principal of Certificates to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the

requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Certificates to be issued to refund all or a portion of the Certificates to be redeemed.

Upon the happening of the above conditions, and notice having been given as provided in the Indenture, the Certificates or the portions of the principal amount of Certificates thus called for redemption shall cease to bear interest on their Redemption Date, provided funds or United States Government Obligations sufficient for the payment of principal component and redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit, or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

Registration, Transfer and Exchange

The Trustee is appointed Certificate Registrar for the purpose of registering and transferring Certificates and as such shall keep the Certificate Register as provided in the Indenture. All of the Series 2008 Certificates and all transfers and all exchanges thereof shall be fully registered as to principal and interest in the Certificate Register. Subject to any restrictions imposed by any Supplemental Indenture relating to Global Bond Certificates in the event Certificates are issued in book-entry only form, Certificates may be transferred in the Certificate Register only upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the Registered Owner thereof or its attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Trustee shall execute and deliver in exchange for such Certificate, a new Certificate or Certificates, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture or any Supplemental Indenture authorizing such Certificates in an aggregate principal amount equal to the principal amount of such Certificate, of the same Series and Stated Maturity, and bearing interest at the same rate. Certificates, upon surrender thereof at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate, together with a written instrument of transfer duly executed by the Registered Owner thereof or its attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate principal amount of Certificates of the same Series and Stated Maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate.

In all cases in which Certificates shall be exchanged or transferred as provided in the Indenture, the Trustee shall execute and deliver at the earliest practicable time Certificates in accordance with the Indenture. All Certificates surrendered in any such exchange or transfer shall forthwith be canceled by the Trustee. No service charge shall be made to any Certificate Holder for registration, transfer, or exchange of Certificates, but the Corporation or the Trustee may impose a charge for every such exchange or transfer of Certificates sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such transfer or exchange is completed. Except as provided in the preceding sentence, the fees and charges of the Trustee for making any transfer or exchange hereunder and the cost of any Certificate printing necessary to effect any such transfer or exchanges shall be paid by the City pursuant to the Indenture. In the event any Certificate Holder fails to provide a correct taxpayer identification number to the Trustee, the Corporation or the Trustee may impose a charge against such Certificate Holder for the reimbursement of any governmental charge required to be paid as a result of such failure. Such charge may be deducted from an interest or principal payment due to the Certificate Holder.

The Trustee shall not be required (i) to issue, transfer, or exchange any Certificate during a period beginning at the opening of business fifteen (15) days preceding the date of mailing a notice of

redemption for Certificates selected for redemption pursuant to the Indenture and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Certificate so selected for redemption in whole or in part.

Book-Entry Only System

The Series 2008 Certificates will be issued as fully registered Certificates without coupons and will be registered in the name of Cede & Co. or such other name (either, the “**Nominee**”), as may be requested by an authorized representative of The Depository Trust Company (“**DTC**”), New York, New York, as registered owner and nominee for DTC. No beneficial owners of the Series 2008 Certificates will receive certificates representing their respective interests in the Series 2008 Certificates, except in the event that use of the book-entry system for the Securities is discontinued. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC’s participants (“**Direct Participants**”) or others that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”).

So long as the Nominee is the registered owner of the Series 2008 Certificates, payments of the principal, redemption premium, if any, and interest on the Series 2008 Certificates will be made by the Trustee directly to such Nominee. Disbursement of such payments to Direct Participants is the responsibility of DTC and disbursement of such payments by the Direct and Indirect Participants to the beneficial owners of the Series 2008 Certificates is the responsibility of the Direct and Indirect Participants. See **Appendix E – “BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES.”**

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 OBLIGATIONS

General

The Series 2008 Certificates evidence proportionate ownership interests in the right to receive Rentals and Additional Payments (as such terms are described below) and certain other payments, revenues, and receipts derived by the Corporation pursuant to the Lease Agreement (including, in certain circumstances, Certificate proceeds, and income from the temporary investment thereof, and proceeds from insurance and condemnation awards, but excluding any moneys required to be held by the Trustee for rebate to the federal government), and are secured by the pledge and assignment of the Trust Estate to the Trustee in favor of the Owners of the Series 2008 Certificates, as provided in the Indenture. Pursuant to the Lease Agreement, the City is required, subject to annual appropriation, to pay to the Trustee as assignee of the Corporation, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as Rentals with respect to the Master Lease Premises, amounts which shall correspond to the payments with respect to the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates whenever and in whatever manner the same shall become due (said amounts being referred to herein as the “**Rentals**”). Additionally, the City has covenanted in the Lease Agreement, subject to annual appropriation, to pay to such parties and at such times the amounts as are set forth in the Lease Agreement (said amounts being referred to herein as the “**Additional Payments**”). Pursuant to the Lease Agreement, the Rentals and Additional Payments (except the Corporation’s rights to indemnification under the Lease Agreement and certain other amounts as set forth in the Lease Agreement) have been assigned by the Corporation to the Trustee for the benefit of the Owners of the Series 2008 Certificates. See “**SUMMARIES OF LEGAL DOCUMENTS**” set forth in *Appendix C* hereto.

THE CITY'S OBLIGATION TO PAY RENTALS AND ADDITIONAL PAYMENTS PURSUANT TO THE LEASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND A REASONABLE ESTIMATE OF ADDITIONAL PAYMENTS IN ANY FISCAL YEAR, THE LEASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND THE TRUSTEE MAY (i) TERMINATE THE LEASE AGREEMENT OR TAKE ANY ACTION AT LAW OR (ii) AT EQUITY DEEMED NECESSARY OR DESIRABLE TO ENFORCE ITS RIGHTS WITH RESPECT TO THE MASTER LEASE PREMISES.

THE LEASE AGREEMENT IS A FINANCING LEASE ONLY. THE MASTER LEASE PREMISES DO NOT SECURE PAYMENT OF THE SERIES 2008 CERTIFICATES, AND UPON AN EVENT OF DEFAULT UNDER THE LEASE AGREEMENT OR A FAILURE OF THE CITY TO APPROPRIATE RENTALS, THE TRUSTEE SHALL NOT HAVE THE RIGHT TO RELET OR FURTHER SUBLEASE THE MASTER LEASE PREMISES.

THE SERIES 2008 CERTIFICATES AND THE INTEREST COMPONENT DISTRIBUTABLE WITH RESPECT THERETO SHALL NOT BE A DEBT OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF AND NONE OF THE CITY, THE CORPORATION, THE STATE, OR ANY INSTRUMENTALITY THEREOF SHALL BE LIABLE THEREON, AND THE SERIES 2008 CERTIFICATES SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

Although subject to annual appropriation, the City's obligation to make payments of Rentals and Additional Payments for which it has appropriated is absolute and unconditional, must be sufficient to fund debt service on the Series 2008 Certificates and to pay all other amounts required under the Lease Agreement and the Indenture, and are not subject to notice or demand, or abatement, offset, deduction, setoff, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever. Additionally, subject to annual appropriation, the City has agreed in the Lease Agreement that to the extent Rentals and Additional Payments are insufficient to provide the Corporation and the Trustee with funds sufficient to pay the foregoing, the City will pay as Additional Payments, upon demand therefore, such further sums of money as may be required from time to time for such purposes.

Under the Lease Agreement, the City has covenanted and agreed that the City's budget director, or any other officer at any time charged with the responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request or requests for the Rentals and a reasonable estimate of Additional Payments. Requests for appropriations are required to be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Payments to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Payments for the Master Lease Premises pursuant to the Lease Agreement shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to appropriate, in each Fiscal Year of the City during the Lease Term, funds for the City in an amount sufficient to pay the principal component of, redemption premium, if any, and interest component of the Rentals represented by Series 2008 Certificates. Upon such appropriation, the Rentals and reasonably estimated Additional Payments

will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease Agreement.

If the City fails to appropriate sufficient funds to cover Rentals, an Event of Nonappropriation occurs under the Lease Agreement which may lead to a default under the Series 2008 Certificates.

Budget Process

Each Fiscal Year, the Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards. The Board of Estimate and Apportionment is made up of the Mayor, the Comptroller, and the President of the Board of Aldermen of the City.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is approved by the Board of Estimate and Apportionment and submitted to the Board of Aldermen.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen at least 60 days prior to July 1, the first day of the City's Fiscal Year. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute or for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may neither increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See "**GENERAL REVENUE RECEIPTS – The Hancock Amendment**" set forth in **Appendix A** hereto.

In the event the Board of Estimate and Apportionment does not timely submit its proposed budget or real property tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or real property tax rate by the beginning of any Fiscal Year, the proposed budget or real property tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the proposed budget submitted by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance

recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Funds Created

The Indenture provides for the creation and/or ratification of the following special trust funds and accounts designated as follows:

- (a) “St. Louis Municipal Finance Corporation, Lease Certificates of Participation Costs of Issuance Fund (the “**Costs of Issuance Fund**”)
- (b) “St. Louis Municipal Finance Corporation, Lease Certificates of Participation Debt Service Fund” (the “**Debt Service Fund**”)
- (c) “St. Louis Municipal Finance Corporation Lease Certificates of Participation Debt Service Reserve Fund” (the “**Debt Service Reserve Fund**”)
- (d) “St. Louis Municipal Finance Corporation Lease Certificates of Participation Redemption Fund” (the “**Redemption Fund**”)
- (e) “St. Louis Municipal Finance Corporation, Rebate Fund (the “**Rebate Fund**”).

The proceeds of the Series 2008 Certificates deposited in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Indenture and the Lease Agreement.

Debt Service Fund

The Corporation has authorized the Trustee to withdraw sufficient funds from the Debt Service Fund to pay the principal component, and redemption premium, if any, and interest component of the Rentals represented by the Certificates as the same become due and payable. Whenever the amounts in the Debt Service Fund are sufficient to redeem all of the Certificates Outstanding and pay interest to accrue thereon prior to such redemption, the Corporation, upon the direction and instruction of the City, shall take and cause to be taken the necessary steps to redeem all such Certificates. Except as otherwise provided in the Indenture, any moneys in the Debt Service Fund may be used to redeem a portion of the Certificates Outstanding so long as the City is not in default with respect to any payments under the Lease Agreement and to the extent said moneys exceed the amount required (i) for payment of Certificates theretofore matured or called for redemption, and (ii) for payment of any past due interest remaining unpaid.

Debt Service Reserve Fund

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Debt Service Fund shall be insufficient to pay the principal component and interest component of the Rentals represented by the Certificates as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Certificates called for redemption or to purchase Certificates in the open market, prior to their Stated

Maturity, provided all Certificates at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Certificates last becoming due, unless such Certificates and all interest thereon are otherwise paid.

The Debt Service Reserve Fund shall secure the Series 2008 Certificates and any Additional Certificates. Any Supplemental Indenture authorizing Additional Certificates shall provide that the amount to be deposited into the Debt Service Reserve Fund will be an additional amount which, when added to the amount then on deposit in the Debt Service Reserve Fund, shall equal the Debt Service Reserve Fund Requirement.

“Debt Service Reserve Fund Requirement” means with respect to the Series 2008 Certificates the sum of \$910,000 and at the time of issuance of Additional Certificates means the additional amount, if any, which, when added to the amount then on deposit in the Debt Service Reserve Fund, will cause the Debt Service Reserve Fund to hold the least of (i) the maximum annual debt service on the Certificates, (ii) 10% of the original stated amount of the Certificates, (iii) 125% of the average annual debt service requirements on the Certificates. The Debt Service Reserve Fund Requirement may be satisfied by Debt Service Reserve Fund Deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility at the time of issuance of such Surety Bond.

So long as the sum on deposit in the Debt Service Reserve Fund on any valuation date provided in the Indenture shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Debt Service Reserve Fund to prevent a default and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the City shall make up such deficiency by making monthly payments of Additional Rentals, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

In the event that the sum on deposit in the Debt Service Reserve Fund on any valuation date exceeds the Debt Service Reserve Fund Requirement by reason of the issuance of Additional Certificates refunding a portion or all of the Certificates hereunder, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the Debt Service Fund.

In the case of the utilization of any cash substitute as described above, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the account and subaccounts in the Debt Service Fund attributable to each Outstanding Series of Certificates pursuant to the Indenture, or if such cash substitute is attributable to a particular Series of Certificates, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Debt Service Fund associated with such Series of Certificates.

Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on March 15, June 15, September 15 and December 15 of each year and the amount on deposit therein determined accordingly. In the event that on

any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount less than the applicable Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the City shall make up such deficiency as Additional Payments equal to such deficiency no later than the next evaluation date. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount which is equal to or exceeds the Debt Service Reserve Fund Requirement, such amount in excess of the Debt Service Reserve Fund Requirement shall be transferred to the Debt Service.

After payment in full of the principal component, and redemption premium, if any, and interest component of the Rentals represented by all Outstanding Certificates (or provision has been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agent and any other amounts required to be paid under the Indenture, the Lease Agreement, the Series 2008 Tax Compliance Agreement, any agreements related to Additional Certificates and any agreement with respect to credit enhancement, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City, free and clear of the lien of the Indenture.

Rebate Fund

In accordance with the Series 2008 Tax Compliance Agreement, the Corporation has covenanted to calculate and pay directly to the United States of America all amounts due for payment of “arbitrage rebate” under Section 148(f) of the Code with respect to the Series 2008 Certificates. Accordingly, no amounts shall be deposited in the Rebate Fund, provided, however, that the Corporation may in the future deposit with the Trustee or direct the Trustee in writing to deposit the Rebate Fund amounts held in any fund or account under the Indenture for the Certificates (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate). The Rebate Fund is a trust fund, but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States of America under Section 148 of the Code and to pay costs related to the calculation of the amounts due. Any amounts remaining in the Rebate Fund upon redemption and payment of all the Certificates and payment and satisfaction of all rebate obligations payable to the United States of America shall be transferred to the City.

Additional Certificates

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Certificates are Refunding Certificates or are being issued to cure such event), Additional Certificates may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2008 Certificates and any other Outstanding Certificates, at any time and from time to time, upon compliance with the conditions provided in the Indenture, for the following purposes:

- (i) paying the Costs of additions or improvements to the Master Lease Premises, such cost to be evidenced by a certificate signed by a City Representative; or
- (ii) providing funds for refunding all or any part of the Certificates then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

PLAN OF FINANCE

General

The proceeds of the Series 2008 Certificates will be used to: (i) refund the Refunded Bonds, (ii) to pay the costs of issuance in connection with the Series 2008 Certificates, and (iii) to provide a debt service reserve fund for the Certificates.

Plan of Refunding

The Series 2008 Certificates are being issued to refund the Refunded Bonds to realize savings. The Series 2008 Certificates will constitute a current refunding since the Refunded Bonds will be redeemed within ninety (90) days of the issuance of the Series 2008 Certificates. The Refunded Bonds maturing on July 1, 2009 and thereafter will be called and redeemed on September 19, 2008, at a price of 100.5% plus accrued interest.

The Trustee will apply moneys in the Redemption Fund to purchase the Escrowed Securities and to establish an initial cash balance. The cash and Escrowed Securities held in the Redemption Fund will be transferred without further authorization by the Trustee on the Closing Date for the Series 2008 Certificates to the trustee for the Refunded Bonds to be applied to the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds. The Refunded Bonds shall be redeemed at the office of the trustee for such Refunded Bonds, the paying agent for said bonds, on the redemption date by the payment of the principal thereof, together with the redemption premium and accrued interest thereon to the redemption date.

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ESTIMATED SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The table below summarizes the sources and uses of funds in connection with the issuance of the Series 2008 Certificates and other available funds:

Sources of Funds:

Par Amount of Series 2008 Certificates	\$ 9,100,000.00
Other Sources*	<u>1,439,220.96</u>
TOTAL SOURCES OF FUNDS	<u>\$10,539,220.96</u>

Uses of Funds:

Deposit to the Redemption Fund	\$ 9,353,588.50
Deposit to Debt Service Reserve Fund	910,000.00
Deposit to Costs of Issuance Fund**	<u>275,632.46</u>
TOTAL USES OF FUNDS	<u>\$10,539,220.96</u>

*Transfers from various funds and accounts related to the Refunded Bonds.

**Includes printing, legal, underwriters' discount and other miscellaneous expenses associated with the issuance of the Series 2008 Certificates.

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DEBT SERVICE REQUIREMENTS

The Series 2008 Certificates

The following table shows the annual debt service of the Corporation for the Series 2008 Certificates for the Fiscal Years set forth below:

<u>Fiscal Year Ending June 30</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Debt Service</u>
2009	\$ 0	\$ 96,310.72	\$ 96,310.72
2010	570,000	330,492.50	900,492.50
2011	580,000	316,970.00	896,970.00
2012	595,000	300,650.00	895,650.00
2013	615,000	281,885.00	896,885.00
2014	630,000	261,335.00	891,335.00
2015	655,000	238,998.75	893,998.75
2016	680,000	214,792.50	894,792.50
2017	705,000	188,641.25	893,641.25
2018	750,000	160,070.00	910,070.00
2019	780,000	128,885.00	908,885.00
2020	810,000	95,285.00	905,285.00
2021	845,000	59,068.75	904,068.75
2022	<u>885,000</u>	<u>20,133.75</u>	<u>905,133.75</u>
Total	<u>\$9,100,000</u>	<u>\$2,693,518.22</u>	<u>\$11,793,518.22</u>

CERTIFICATE HOLDERS' RISKS

General

THE SERIES 2008 CERTIFICATES INVOLVE CERTAIN RISKS, AND THE DISCUSSION BELOW SHOULD BE REVIEWED IN EVALUATING THESE RISKS. THE SERIES 2008 CERTIFICATES MAY NOT BE SUITABLE INVESTMENTS FOR ALL PERSONS, AND PROSPECTIVE PURCHASERS SHOULD CAREFULLY EVALUATE THE RISKS AND MERITS OF AN INVESTMENT IN THE SERIES 2008 CERTIFICATES AND SHOULD CONFER WITH THEIR OWN LEGAL AND FINANCIAL ADVISORS. THE FOLLOWING DISCUSSION OF RISK FACTORS IS NOT INTENDED TO BE EXHAUSTIVE.

Limited Obligations

The Series 2008 Certificates evidence proportionate ownership interests in the right to receive Rentals, Additional Payments, and certain other payments, revenues, and receipts derived by the Corporation from leasing the Master Lease Premises to the City pursuant to the Lease Agreement. The Series 2008 Certificates evidence the undivided, proportionate interest of the Owners thereof in the right to receive Rentals and Additional Rentals to be paid by the City under the Lease Agreement. The Corporation has no taxing power. The Series 2008 Certificates and the interest thereon are not a debt of the Corporation, the City or the State or any instrumentality thereof and none of the Corporation, the City nor the State or any instrumentality thereof is liable thereon. The Series 2008 Certificates do not constitute an indebtedness within the meaning of any Constitutional or Statutory debt limitation or restriction.

The City is not obligated to renew the Lease Agreement beyond the current term which ends on June 30 of each year. The Rentals and Additional Payments of the City under the Lease Agreement and any payments of the Series 2008 Certificates, do not constitute a general obligation or other indebtedness of the City or a mandatory payment or obligation of the City for any fiscal year in which the Lease Agreement is in effect.

Whether the City will renew the Lease Agreement throughout the term of the Series 2008 Certificates is dependent upon certain factors which are beyond the control of the Certificate Holders, including the demographic conditions within the City and the ability of the City to generate sufficient fees, taxes and other funds to pay the obligations under the Lease Agreement and the other obligations of the City, and then to appropriate such funds for use in meeting its obligations under the Lease Agreement.

Event of Non-Appropriation

The City is not and cannot be legally obligated to appropriate funds and thus no representation or assurance can be given that the City will appropriate revenues in amounts sufficient to make Rentals and Additional Payments under the Lease Agreement. The appropriation by the City of future revenues to be paid under the Lease Agreement is dependent upon, among other things, government regulations, the capabilities of the management of the City and future changes in economic and other conditions that are unpredictable and cannot be determined at this time. Failure by the City to appropriate funds in any Fiscal Year to make Rentals and Additional Payments when due constitutes an Event of Non-Appropriation under the Lease Agreement pursuant to which the Trustee may (i) terminate the Lease Agreement or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Master Lease Premises.

Restrictions on Use of Leased Property After Default Under Lease Agreement

If an Event of Default occurs for any reason with respect to the City under the Lease Agreement or if the City terminates the Lease Agreement and fails to exercise its option to purchase the Corporation's interest in the Master Lease Premises, the Corporation or the Trustee may take whatever action at law or in equity which may appear necessary or desirable to collect Rentals and Additional Payments then due and thereafter to become due, or to enforce performance and observation of any obligation, agreement or covenant of the City under the Lease Agreement, however, the Corporation or the Trustee does not have the right to assign the Master Lease or sublease the Master Lease Premises or sell its interest in the Master Lease or the Master Lease Premises unless (i) permitted under the Lease and Development Agreement or (ii) the Lease and Development Agreement shall have terminated.

Certain Matters Relating to Enforceability

The remedies available upon a default under the Indenture and the Lease Agreement will, in many respects, be dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the United States Bankruptcy Code and State laws concerning the use of assets of certain organizations, the remedies specified in the Indenture and the Lease Agreement may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2008 Certificates will be expressly subject to the qualification that the enforceability of the Indenture and the Lease Agreement and other legal documents is limited by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors and by the exercise of judicial discretion in appropriate cases.

Delays in Exercising Remedies

A termination of the Lease Agreement will give the Trustee the right to possession and use of the Master Lease Premises, but not the right to assign the Master Lease and the Corporation's rights thereunder or to sublease the Master Lease Premises, unless (i) permitted under the Lease and Development Agreement or (ii) the Lease and Development Agreement shall have been terminated, all in accordance with the provisions of the Master Lease, the Lease Agreement and the Indenture. However, the enforceability of the Lease Agreement and the Indenture is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the exercise of judicial authority by State of Missouri or federal courts and the exercise by the United States of America of the powers delegated to it by the U.S. Constitution.

Any delays in the ability of the Trustee to take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Lease Agreement will, of necessity, result in delays in any payment of principal components and interest components of Rentals represented by the Series 2008 Certificates.

No Mandatory Redemption Upon a Determination of Taxability

The Corporation and the City have agreed to comply with certain legal requirements in order to maintain the tax-exempt status of the Series 2008 Certificates. As described herein under the caption "**TAX MATTERS --Federal and Missouri Tax Exemption**", failure to comply with such requirements may cause the interest component of the Rentals distributable with respect to the Series 2008 Certificates to become subject to federal income taxation retroactive to the date of issuance of the Series 2008 Certificates.

Effect of Termination of Lease Agreement on Tax-Exemption

Bond Counsel is not rendering an opinion with respect to the tax-exempt status of the interest component of Rentals distributable to the registered owners of the Series 2008 Certificates subsequent to the termination of the Lease Term for any reason (including an Event of Default under the Lease Agreement or an Event of Nonappropriation). If the Lease Term is terminated while the Series 2008 Certificates are Outstanding, there is no assurance that after such termination the interest component of the Rentals will be excluded from gross income of the registered owners thereof for federal or Missouri income tax purposes.

Secondary Markets and Prices

The Series 2008 Certificates are not readily liquid, and no person should invest in the Series 2008 Certificates with funds such person may need to convert readily into cash. Owners of the Series 2008 Certificates should be prepared to hold their Series 2008 Certificates to the stated maturity date. The Underwriters will not be obligated to repurchase any of the Series 2008 Certificates, and no representation is made concerning the existence of any secondary market for the Series 2008 Certificates. No assurance can be given that any secondary market will develop following the completion of the offering of the Series 2008 Certificates as no assurance can be given that the initial offering price for the Series 2008 Certificates will continue for any period of time.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Organization, Powers and Purposes

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring and leasing to the City real property and improvements thereon and personal property for use by or on behalf of the City. In furtherance of its purposes, the Corporation may borrow money, invest funds, disburse funds and issue certificates. Neither the members of the Board of Directors of the Corporation (the “**Board of Directors**”) nor any person executing the Series 2008 Certificates is personally liable on the Series 2008 Certificates by reason of the issuance thereof. The Series 2008 Certificates are being issued by the City and will not constitute a debt, liability or obligation of the City, the Corporation, the State or any instrumentality thereof. The Corporation has by proper corporate actions of its officers been duly authorized to execute and deliver the Lease Agreement, the Assignment and Assumption of the Master Lease, the Assignment and Assumption of the Lease and Development Agreement, the Indenture and all related documents.

Board of Directors/Officers

The property and day-to-day affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of five persons who serve by virtue of their position within the City government for so long as they hold their respective positions:

- 1) The Mayor of the City or designee.
- 2) The Comptroller of the City or designee.
- 3) The President of the Board of Aldermen or designee.
- 4) The City Counselor of the City or designee.
- 5) The Budget Director of the City or designee.

The officers of the Corporation include a President, two Vice Presidents, a Treasurer and a Secretary who are chosen by vote of a majority of the directors in office. The officers hold their respective offices for a term of three years. In addition, the Board of Directors may appoint such other officers and agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

FINANCIAL STATEMENTS

The audited financial statements of the City and the related report of the City's independent certified public accountants for the Fiscal Year ended June 30, 2007, are included in **Appendix B** hereto. Pursuant to its customary practice, the City did not request the consent of the accountants to inclusion of their report in **Appendix B** and such consent was not required. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2007, and have not conducted any procedures with respect to the Fiscal Year 2007 financial statements subsequent to their audit.

RATING

Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**") has assigned a rating of "A" to the Series 2008 Certificates.

Such rating reflects only the view of said organization and any desired explanation of the significance of the rating should be obtained from the rating agency. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2008 Certificates.

LITIGATION

There is not now pending or, to the knowledge of the Corporation or the City, threatened, any litigation seeking to restrain or enjoin or in any way limit the approval or the issuance, execution and delivery of the Series 2008 Certificates, the preparation, execution and delivery of this Official Statement or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the knowledge of the City or the Corporation, threatened, in any manner challenging or threatening the powers of the City or the Corporation, restraining or enjoining the issuance or delivery of the Series 2008 Certificates or questioning or affecting the validity of the Series 2008 Certificates or the proceedings and authority under which they are to be issued.

The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. The following is a summary of lawsuits in which the City is a defendant that may be material, if the outcome of the lawsuit is adverse to the City.

Zoological Subdistrict, et al. v. Employees' Retirement System, City of St. Louis Circuit Court, Cause No. 0722-CC07132. The Zoological Subdistrict (the “**Subdistrict**”) filed suit, originally only against the Board of Trustees of The City Employees Retirement System (“**ERS**”), for declaratory judgment and breach of fiduciary duty. The Subdistrict participates as an employer in ERS. This suit claims that when ERS sent its annual certifications to various employers who participate in ERS for the percentage of payroll to be contributed for the next fiscal year, for several years the City failed to make the full amount of contributions certified. As a result, the suit alleges, because of the shortfall in the City’s payments, the actuarial certification for all participants in the ERS increased in each subsequent year. Essentially, the suit alleges that the burden of contribution has been disproportionately placed on the Subdistrict. ERS recently filed an answer and counterclaim. ERS, through its attorneys, advised the Subdistrict that other employers who participate in ERS should have been made additional parties to the suit because they will be affected by it. The Subdistrict has sent correspondence to those other employers inquiring whether they would object to being joined as parties to the litigation. The Subdistrict has added the City as a defendant as an “affected party” for purposes of declaratory judgment, but has not alleged any theory of liability against it. Recently, the St. Louis Public Library joined as a plaintiff in the case. See **Appendix A – “INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI – LITIGATION – Zoological Subdistrict, et al. v. Employees Retirement System”** for more information.

Except as provided above, there is no litigation, proceedings or investigations pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City. No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Master Lease and the Lease Agreement. See **Appendix A – “INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI”** for a more detailed discussion.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale of the Series 2008 Certificates and with regard to the tax status of the Series 2008 Certificates are subject to the approving legal opinion of King Hershey P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be delivered with the Series 2008 Certificates. The expected form of the opinion of Bond Counsel is attached as **Appendix D** hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor and for the LCRA by Leslye Mitchell-Yancey, Counsel for the LCRA. Certain legal matters will be passed upon for the Underwriters by their counsel, White Coleman & Associates, LLC, St. Louis, Missouri.

Bond Counsel has not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions “**THE SERIES 2008 CERTIFICATES**” (excluding information concerning DTC and its book-entry system), “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES**”, “**APPROVAL OF LEGAL PROCEEDINGS**”, “**TAX MATTERS**”, and **Appendices C, D and G** 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.

TAX MATTERS

General

“THE FOLLOWING INFORMATION HAS NOT BEEN PREPARED OR FURNISHED BY THE CORPORATION OR THE CITY AND IS PROVIDED ONLY AS A MATTER OF CONVENIENCE TO POTENTIAL PURCHASERS OF THE SERIES 2008 CERTIFICATES, AND IS NOT INTENDED TO BE COMPREHENSIVE OR DEFINITIVE. POTENTIAL PURCHASERS ARE ADVISED TO SEEK APPROPRIATE PROFESSIONAL ADVICE WITH RESPECT TO THE MATTERS DISCUSSED BELOW WHICH MAY AFFECT SUCH POTENTIAL PURCHASERS.”

Further, U.S. Internal Revenue Service (the “IRS”) regulations state that only a formal opinion that meets specific requirements can be used to avoid tax penalties. Any tax advice in this communication is not intended or written to be used, and cannot be used by a taxpayer, for the purpose of avoiding penalties that may be imposed on a taxpayer, because it does not meet the requirements of a formal opinion.

Tax Opinion of Bond Counsel

Federal and Missouri Tax Exemption. In the opinion of King Hershey, P.C., Bond Counsel, under existing law, the interest component of the Rentals paid by the City and distributed to the registered owners of the Series 2008 Certificates is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest component of the Rentals is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2008 Certificates in order that the interest component of the Rentals be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of said interest component of the Rentals represented by the Series 2008 Certificates in gross income for federal and Missouri income tax purposes retroactive to the date of the initial delivery of the Series 2008 Certificates. The Series 2008 Certificates have not been designated “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

No Other Opinions. Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series 2008 Certificates.

Other Tax Consequences

Prospective purchasers of the Series 2008 Certificates should be aware that there may be tax consequences of purchasing the Series 2008 Certificates other than those discussed under the caption “Opinion of Bond Counsel,” including the following (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2008 Certificates, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code); (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest components of Rentals represented by the Series 2008 Certificates; (iii) interest components of Rentals represented by the Series 2008 Certificates earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the

Code; (iv) passive investment income, including interest components of Rentals represented by the Series 2008 Certificates, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest components of Rentals represented by the Series 2008 Certificates. Bond Counsel expresses no opinion regarding these tax consequences. These categories of owners of the Series 2008 Certificates should consult their own tax advisors as to the applicability of these consequences.

Tax Consequences Subsequent to an Event of Default or Failure to Appropriate

Bond Counsel has rendered no opinion with respect to the income tax consequences applicable to the Series 2008 Certificates subsequent to a termination of the Lease Term by reason of a failure to appropriate or an Event of Default. If the Lease Term is terminated by reason of either such event there is no assurance that the interest component of the Rentals will remain excludable from gross income for federal or Missouri income tax purposes.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc., Philadelphia, Pennsylvania (the “**Financial Advisor**”), has been retained to render certain professional services to the City. The Financial Advisor has provided advice on the plan of financing and structure of the Series 2008 Certificates and has assisted in the preparation of this Official Statement. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. The Financial Advisor has not independently verified the factual information contained in this Official Statement, but has relied on the information supplied by the Corporation, the City and other sources who have certified that such information contains no material misstatement of information.

INVESTMENT ADVISOR

Columbia Capital Management LLC (“**Columbia Capital**”) serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2008 Certificates and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

General

Edward D. Jones & Co., L.P. and the other underwriters listed on the cover of this Official Statement (collectively, the “**Underwriters**”), have agreed to purchase the Series 2008 Certificates from the Corporation at an aggregate purchase price equal to \$8,983,525.00 (which amount represents the par amount of the Series 2008 Certificates less the underwriters’ discount of \$116,475.00), pursuant to a

Purchase Agreement with the Corporation and the City (the “**Purchase Agreement**”). The Purchase Agreement provides that the Underwriters will purchase all of the Series 2008 Certificates if any are purchased.

The Series 2008 Certificates are being purchased by the Underwriters from the City for resale in the normal course of the Underwriters’ business activities. The Underwriters reserve the right to offer any of the Series 2008 Certificates to one or more purchasers on such terms and conditions and at such price or prices as the Underwriters determine.

Global Plan of Distribution

The Series 2008 Certificates are offered by the Underwriters for sale in those jurisdictions where it is lawful to make such offers. Each Underwriter has undertaken that it will not offer, sell, or deliver, directly or indirectly, any of the Series 2008 Certificates or distribute this Official Statement or any other material relating to the Series 2008 Certificates in or from any jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with the applicable laws and regulations thereof and not impose any obligations on the City or the Corporation except as contained in the Purchase Agreement among the City, the Corporation and the Underwriters. Persons who receive this Official Statement are required to comply with all applicable laws and regulations in each jurisdiction in which they purchase, offer, sell, or deliver the Series 2008 Certificates or have in their possession, distribute, or publish any offering material relating to the Series 2008 Certificates in all cases at their own expense.

Reference Information about the Series 2008 Certificates

The table on the inside cover of this Official Statement provides information about the Series 2008 Certificates. The CUSIP numbers for each maturity have been obtained from sources the City and the Corporation believe to be reliable, but the City, the Corporation, the Trustee and the Underwriters are not responsible for the correctness of the CUSIP numbers or other identifying numbers assigned to the Series 2008 Certificates.

TRUSTEE

UMB Bank, N.A., St. Louis, Missouri, is serving as Trustee with respect to the trusts imposed upon it by the Indenture.

CERTAIN RELATIONSHIPS

King Hershey, P.C. is serving as Bond Counsel with respect to the issuance of the Series 2008 Certificates. The firm also represents the City from time to time on other transactions or matters. White Coleman & Associates, LLC, St. Louis, Missouri, are serving as counsel to the Underwriters in connection with the issuance of the Series 2008 Certificates. The firm also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

All references herein to the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2008 Certificates at the offices of the City's Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis Missouri 63103, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request. Following delivery of the Series 2008 Certificates, copies of such document may be reviewed at the office of the Trustee, UMB Bank, N.A., 2 South Broadway, Suite 435, St. Louis, Missouri 63102, (314) 612-8490.

Pursuant to the Continuing Disclosure Agreement, the City has covenanted for the benefit of Holders and beneficial owners of the Series 2008 Certificates to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 210 days following the end of the City's Fiscal Year (the "**Annual Report**"), commencing with the report for the 2008 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be provided by or on behalf of the City to any person who requests it and to each Nationally Recognized Municipal Securities Information Repository (each a "**National Repository**") and the repository for the State of Missouri (the "**State Repository**"), if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board or to each National Repository) and the State Repository, if any.

Any default in compliance with such covenants shall not be deemed an Event of Default under the Indenture, and the sole remedy in the event of any failure of the City or UMB Bank, N.A., acting in its capacity as dissemination agent or any successor dissemination agent designated in writing by the City (the "**Dissemination Agent**") to comply with such covenants shall be an action to compel performance. These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12 (b)(5) of the Securities and Exchange Commission (the "**Rule**").

The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The Annual Report will contain or include by reference:

(1) The audited financial statements of the City for the prior Fiscal Year prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board, or if such audited financial statements are not then available, the Annual Report shall contain unaudited financial statements of the City for the most recent Fiscal Year and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(2) Financial information and operating data of the type included in the Official Statement in the tables in APPENDIX A under the captions: "ECONOMIC AND DEMOGRAPHIC DATA": "Population and Other Statistics," "Employment," "Major Employers," "Economic Development," "Major Taxpayers," "Budget and Construction Data;" "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS:" "General Revenue Funds;" "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Tax," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts," and "Operating Transfers" and under the captions "INSURANCE," "LITIGATION," and "RETIREMENT SYSTEMS."

(3) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in the final Official Statement in tables under the section captioned “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 CERTIFICATES”.

In addition, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2008 Certificates, if material (each a “**Material Event**”):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the security;
7. modifications of the rights of security holders;
8. optional, contingent or unscheduled bond calls;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2008 Certificates; or
11. rating changes.

If the Dissemination Agent has been instructed by the City to report the occurrence of a Material Event, the Dissemination Agent shall promptly file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, with a copy to the City, the Underwriter and the Trustee, if the Trustee is not the Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent for the Series 2008 Certificates shall be UMB Bank, N.A. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Dissemination Agent may amend the Continuing Disclosure Agreement (and the approval of such Amendment by the Dissemination Agent shall not be unreasonably withheld) and any provisions of the Continuing Disclosure Agreement may be waived, provided certain conditions are met, Bond Counsel or other counsel experienced in federal securities law matters provides the Dissemination Agent and the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule at the time of the original issuance of the Series 2008 Certificates and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Agreement.

The amendment or waiver must be either (i) approved by the Holders of the Series 2008 Certificates in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Certificateholders, or (ii) in the opinion of Special Counsel or other counsel of nationally recognized expertise in matters relating to securities law affecting municipal securities, does not materially impair the interests of the Certificateholders or Beneficial Owners of the Series 2008 Certificates.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter, or the owners of at least 25% aggregate principal amount of outstanding Series 2008 Certificates, shall), or any owner or beneficial owner of Series 2008 Certificates may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the

Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture or Lease Agreement and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2008 Certificates. Any statement made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the 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 its agencies and authorities the Corporation.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The attached *Appendices A, B, C, D, E, F and G* are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The City has reviewed the information contained herein which relates to it and has approved all such information for use within this Official Statement.

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This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2008 Certificates, have been approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Ivy Neyland-Pinkston
Ivy Neyland-Pinkston, President

THE CITY OF ST. LOUIS, MISSOURI

By: /s/ Francis G. Slay
Francis G. Slay, Mayor

By: /s/ Darlene Green
Darlene Green, Comptroller

APPENDIX A
INFORMATION CONCERNING THE CITY OF
ST. LOUIS, MISSOURI

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**APPENDIX A
INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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APPENDIX A

INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI

The information contained in this Appendix relates to and has been obtained from The City of St. Louis, Missouri (the “City”). The delivery of this Official Statement is not intended to create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

ORGANIZATION AND GOVERNMENT

General

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

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

Government

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

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

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City’s 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. 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. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS—Budget Process” herein.

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 Sheriff, Treasurer, Collector of Revenue, License Collector, Circuit Clerk, Circuit Attorney, Recorder of Deeds, and Public Administrator of the City are elected independently for four-year terms. Appointments of certain officials, whose decisions also may affect the City as a whole, including the members of the Board of Police Commissioners (the “Police Board”) and the Board of Election Commissioners, are made by the Governor of the State of Missouri.

MUNICIPAL SERVICES

General

The City provides a wide range of municipal and county services, including police and fire protection, non-commercial refuse collection, park and recreational facilities, forestry services, social services, street and other public lighting, traffic control and street maintenance.

Water and Sewer/Transportation

The City operates a water utility and Lambert-St. Louis International Airport (the “Lambert Airport”), both of which are self-supporting enterprises. All of the Lambert Airport facilities and portions of the water utility facilities are located in St. Louis County on property owned by the City. Sewage and drainage facilities in the City and in adjacent St. Louis County are operated by The Metropolitan St. Louis Sewer District, a separate taxing authority established under Section 30 of Article VI of the Constitution of Missouri and financed by ad valorem taxes and user fees. Public transportation facilities for the City and much of the surrounding metropolitan area are operated by the Bi-State Development Agency of the Missouri-Illinois Metropolitan District (the “Bi-State Development Agency”), which operates as “Metro”. For additional information on the Bi-State Development Agency, see “Local Governmental Commissions and Agencies” herein.

Fire Protection

The Fire Department of the City of St. Louis provides fire protection throughout the corporate limits of the City as well as to Lambert Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 631 full-time firefighters. Seventy-nine full-time firefighters serve Lambert Airport.

Education

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis (the “School District”) and The Junior College District of St. Louis and St. Louis County (the “Junior College District”). The School District and the Junior College District are independent of the City and have their own elected or appointed officials, budgets and administrators. Each of the School District and the Junior College District is empowered to levy taxes,

separate and distinct from those levied by the City, sufficient to finance the operations of its respective public school system within the jurisdictions. The School District has historically been operated by the St. Louis Board of Education (the “School Board”).

Under state law, the State Board of Education (the “State Board”) has the authority to accredit public school districts and the authority to intervene in the governance thereof through the creation of a “transitional school district.” State law also authorizes the creation of a three-person governing board to replace the School Board, with the Missouri governor, the Mayor of St. Louis, and the President of the Board of Aldermen each appointing one person to such governing board. Upon the recommendation of the Department of Elementary and Secondary Education, the State Board voted to remove the accreditation of the School District effective June 15, 2007. As a result, The Special Administrative Board of the Transitional School District of the City of St. Louis (the “Special Board”) was created. The School Board appealed the State Board’s decision to the Cole County Circuit Court. On January 23, 2008, the Cole County Circuit Court entered its final judgment and order upholding the State Board’s decision and denied multiple constitutional and other challenges to the section of State law under which the State Board transferred control of the School District to the Special Board. The School Board has appealed the Cole County Circuit Court’s decision to the Supreme Court of Missouri. The Special Board will continue to operate the St. Louis Public Schools while the appeal is pending.

Medical

Historically, the City has provided health care services for indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts with private third parties to provide such services. Saint Louis ConnectCare, Inc. (“ConnectCare”) was formed as a nonprofit corporation in 1997 to provide health care services for indigent citizens of the City. A portion of local use tax revenues are earmarked for providing health care services. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, which begins on July 1 (the “Fiscal Year”), the City has contributed \$5 million annually for health services. In Fiscal Year 2009, the City expects to make \$5 million in payments to ConnectCare.

Local Governmental Commissions and Agencies

There are a number of significant governmental authorities and commissions that provide services within the City.

Police

The Police Department of the City of St. Louis is directed by the Police Board, consisting of the Mayor of the City, ex-officio, and four members appointed by the Governor, with the advice and consent of the State Senate. The Police Board’s duties and powers, among others, include the power to administer oaths, summon witnesses and establish a police force. The holidays, vacations, pensions and other employment benefits of the police force are set by State statute. The Police Board provides level of employment and salaries of the police force with approval of the City and provides itself with offices, office furniture, clerks and other staff as needed. On the last day of February each year, the Police Board must certify in writing an estimate of the amount of money necessary to carry out its duties during the next Fiscal Year. The State statute provides that the City must appropriate the certified amount in the General Revenue Fund budget for that year. However, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), the Supreme Court of Missouri held that the City need only appropriate an amount equal to the amount appropriated in the 1980-1981 Fiscal Year, the year in which voters approved an amendment to the State Constitution limiting governmental tax and spending powers. After an appropriation has been made for a particular Fiscal Year, the Police Board is not permitted to transfer

appropriated funds from one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

Transit

The Bi-State Development Agency is a body corporate and politic established by a compact between the states of Missouri and Illinois and approved by an Act of Congress. Since February 1, 2003, the Bi-State Development Agency has been doing business under the name of “Metro”. Metro has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, the St. Louis County and certain Illinois counties within the St. Louis Metropolitan Area. Currently, there is a special ½ cent sales tax authorized by the State and assessed by the City and St. Louis County that is primarily used to pay a portion of the costs of the bus transportation system of Metro. In August 1994, an additional ¼ cent sales tax was approved by the voters for the expansion of the MetroLink system, a transportation system within the City, St. Louis County, East St. Louis and Belleville, Illinois. Metro operates the MetroLink system between Belleville, Illinois and the Airport and between the Forest Park station and Shrewsbury, Missouri.

The original MetroLink system commenced operations in late 1993 and was extended to Lambert Airport in 1994. The first phase of the MetroLink extension to St. Clair County, Illinois, extending the system to Southwestern Illinois College (formerly known as Belleville Area College), was completed in 2001, and the second phase, extending the system to Shiloh, Illinois and the Scott Air Force Base, was completed in 2003. This extension to St. Clair County was funded by State of Illinois grants and local funding from St. Clair County through a special ½ cent sales tax authorized by the State of Illinois. The City conveyed title to the McArthur Bridge, which crosses the Mississippi River, to the Bi-State Development Agency to be used in the MetroLink system in exchange for the older Eads Bridge, formerly used by a railroad. Other capital costs were federally financed. The deck of the Eads Bridge was refurbished and reopened in July 2003. The Cross County MetroLink extension was completed in August 2006. This project was locally funded through the current and the future revenues of the ¼ cent sales tax. The MetroLink system is now approximately 46 miles long with 37 passenger stations.

If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to Metro. The City presently has no legal obligation to increase its level of funding to Metro.

Development

The St. Louis Development Corporation (the “SLDC”) is a nonprofit corporation which provides technical expertise, staff and support services to public or civic bodies engaged in improving economic opportunities in the City. The SLDC functions as an umbrella entity for numerous agencies and authorities with a broad variety of functions and powers for the City. There are approximately 75 staff members who work under several divisions, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration. The agencies served by the staff of the SLDC include: Land Clearance for Redevelopment Authority; Planned Industrial Expansion Authority; Land Reutilization Authority; Local Development Company (SBA); Industrial Development Authority; Port Authority; Tax Increment Financing Commission; Downtown Economic Stimulus Authority; and Operation Impact. SLDC works especially closely on planning and development matters with two City departments – the Planning and Urban Design Agency and the Community Development Administration.

Other

Other public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, Regional Convention and Visitors Commission, Regional Chamber and Growth Association, the East-West Gateway Coordinating Council, the Regional Convention and Sports Complex Authority and the Downtown Saint Louis Partnership, Inc.

ECONOMIC AND DEMOGRAPHIC DATA

Population Statistics

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the “Metropolitan Area”) consisting of: the City; the City of Sullivan in Crawford County, Missouri; Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren and Washington Counties in Missouri; and Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering approximately 8,649 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States in terms of population. During the past 35 years, there has been substantial population growth in the outermost counties surrounding the City. At the same time, the City had experienced a substantial population loss. According to Census Bureau estimates for 2003, however, the City’s population grew for the first time in more than four decades. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

<u>Calendar Year</u>	<u>City of St. Louis</u>	<u>Metropolitan Area</u>
2001	347,954	2,720,830
2002	347,252	2,736,733
2003	348,039	2,750,114
2004	350,705	2,766,043
2005	352,572	2,782,411
2006	353,837	2,796,368
2007	350,759	2,803,707

Source: U.S. Bureau of Census and Missouri Department of Economic Development.

Estimates of population since 2000 have been challenged by the City because the Census Bureau has used an Administrative Records methodology (births, deaths, domestic migration and international migration) which treats the City as a County. The City has challenged lower Census Bureau estimates by using the Census Bureau’s Housing Unit methodology (net increase in units times the occupancy rate and household size as of 2000), which the Census Bureau uses for all cities that are not also counties. Upon receipt of the City’s challenges, the Census Bureau adjusted the estimates upwards to the figures shown in the table above. The new estimates are now reflected in the Census Bureau’s records and website.

Industry

There are approximately 90,000 employees working in downtown St. Louis. The downtown area is the office center in a region of approximately 2.8 million residents with more than 11 million square feet of Class A and B office space and is home to approximately 1,700 businesses. The St. Louis region ties as the nation’s sixth largest corporate headquarters market, with eight Fortune 500 corporations located in the St. Louis Metropolitan Area in 2006. Twelve additional St. Louis companies ranked between 501 and 1,000 on the Fortune 1000 list.

In April 2006, the City opened a new ballpark to house the St. Louis Cardinals baseball team. The new ballpark and other downtown developments such as lofts, condominiums, more than 60 new street level retail stores and restaurants, new hotels, and newly rehabilitated office space are creating a “24/7” environment. The City believes the new ballpark, coupled with the variety of other new activity downtown, has helped generate optimism among businesses and developers about locating in downtown St. Louis. This optimism also permeates neighborhoods throughout the City as manufacturers, retail businesses, service providers, restaurants and other companies are locating within the City or expanding their current facilities and a variety of quality new homes are being built throughout the City. Additional detail on these developments is provided in the “Employment and Business Development” section below.

In recognition of the turnaround in downtown, Partners for Livable Cities honored the City in March 2006 with an award for significant transformation of the City’s downtown. The World Leadership Forum also honored the City with an international award for urban renewal in December 2006, and with an international award for housing vitalization in December 2007.

Tourism

According to the St. Louis Convention and Visitors Commission (the “CVC”), the City ranks among the top 25 markets nationally for hotel room inventory. Each year an estimated 20.3 million people visit St. Louis for conventions, meetings, and other business and leisure travel. Those visitors spend an estimated \$3.5 billion in the area on lodging, meals, sightseeing, local transportation, shopping, admissions and a variety of goods and services.

The hospitality industry in St. Louis employs approximately 75,000 area residents. Downtown St. Louis has 23 hotels within a mile of the convention complex known as the America’s Center - most recently, the region’s first Four Seasons Hotel, a 200 guest room and suite hotel, opened in Downtown St. Louis in early 2008. These hotels offer more than 7,800 sleeping rooms, an increase of more than 2,400 downtown rooms in the past four years.

Some of the newest hotels are a result of renovations of historic structures, including the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Existing hotels, including the St. Louis Riverfront Hyatt Regency (formerly the Adam’s Mark), St. Louis Union Station Hyatt Regency, Millennium, Roberts Mayfair and others, have undertaken extensive renovations to their properties. The former Marriott Pavilion hotel has been converted to a Hilton, following extensive renovations. In addition, a new Marriott Residence Inn opened in late 2005 on the western edge of downtown, and a new Hampton Inn opened in May 2005 at the Highlands across from Forest Park.

In 2006, 360 convention and meeting groups booked by the CVC used approximately 467,694 hotel room nights in City and St. Louis County hotels. As of August 2007, 435,252 room nights have been or are expected to be used by convention and meeting groups booked by the CVC in 2007. A concerted effort is being made to increase that number, with the recruitment of a new CVC President with extensive experience in the national convention booking arena.

Transportation

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. Additionally, approximately 273,000 commercial aircraft operations (arrivals and departures) were performed at Lambert Airport in 2006 and approximately 15.2 million passengers enplaned and deplaned in such year. On average, there were 789 daily departures and arrivals in such year. A \$1.1 billion multi-year expansion was completed in 2006 adding a third parallel runway,

capable of increasing capacity in all weather conditions. Lambert Airport has 83 gates serving 10 major airlines. American Airlines is Lambert Airport's primary carrier. In 2007, Lambert Airport embarked on major renovations and upgrades to the main terminal and concourses for the purpose of improving Lambert Airport's appeal to passengers of all types.

Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri and the Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the U.S. Department of Labor, the February 2007 data shows that manufacturing jobs represented 10.35% or 138,600 of the total 1,339,600 non-farm jobs in the Metropolitan Area. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications and transportation.

On July 13, 2008 in St. Louis, Missouri and July 14, 2008 in Leuven, Belgium, Anheuser-Busch, one of the top 20 employers in the City and the leading American brewer, and InBev, the leading global brewer, announced an agreement to combine the two companies, pending shareholder and regulatory approval. The new company will make St. Louis, Missouri the headquarters for the North American region and the global home of the flagship Budweiser brand. Anheuser-Busch will become a wholly-owned subsidiary of InBev upon completion of this transaction.

The following table reflects the City's annual average employment by industry group for 2007.

CITY EMPLOYMENT BY INDUSTRY GROUP (TOTAL NON FARM)

<u>Industry Group</u>	<u>Employees</u>	<u>Percentage</u>
Services	89,060	38.52%
Government	33,547	14.51
Manufacturing	19,592	8.47
Finance Activities	9,388	4.06
Trade, Transportation and Utilities	25,901	11.20
Leisure and Hospitality	31,613	13.67
Information	5,792	2.51
Natural Resources, Mining and Construction	<u>16,317</u>	<u>7.06</u>
Total	231,210	100.0%

Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

There were 231,210 non-farm jobs within the City in 2007, representing 16.9% of the region's job base. Job growth in the City has been concentrated in the service sector and the City anticipates strong, long-term employment growth in the areas of medical, business and recreational services, as well as in education, and the tourism and convention business.

Employment Rates

The following table shows employment rates for City, state and U.S. residents in the calendar years below, except as otherwise indicated.

	<u>June 2008</u>	<u>Average 2007</u>	<u>Average 2006</u>	<u>Average 2005</u>	<u>Average 2004</u>
Labor Force	156,950	156,007	158,275	160,920	161,554
Number Employed	144,444	145,091	147,428	147,825	146,935
% City Unemployed	8.0%	7.0%	6.9%	8.1%	9.0%
% State Unemployed	6.0%	5.0%	4.8%	5.4%	5.8%
% U.S. Unemployed	5.7%	4.6%	4.6%	5.1%	5.5%

Source: Missouri Department of Economic Development.

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Major Employers

The following table lists the top 20 employers in the City based on the average of the fourth quarter payroll tax reports of 2006.

TOP 20 EMPLOYERS BY NUMBER OF EMPLOYEES CALENDAR YEAR 2006

<u>Name</u>	<u>Employees</u>
BJC Health System	15,351
Washington University	13,006
St. Louis University	9,379
City of St. Louis	8,647
AT&T	6,628
St. Louis Board of Education	6,232
United States Postal Service	5,800
State of Missouri	5,310
Anheuser-Busch*	5,033
A.G. Edwards & Sons, Inc.~	5,016
Federated Retail Holdings†	4,137
National Finance Center	3,658
Express Personnel Services	3,366
Defense Finance and Accounting Services*	3,336
Ameren Corporation	2,427
Schnucks Markets Inc.	2,406
Veterans Administration	2,362
Tenet Health Systems	2,241
St. Louis Junior College District	2,206
St. Louis Sports Service	2,227

♣InBev and Anheuser-Busch announced on July 13-14, 2008, that the companies reached an agreement to merge the two companies. The new company will be named Anheuser-Busch InBev pending shareholder and regulatory approval.

~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

†May Company was acquired by Federated Department Stores, Inc. in August 2005.

*Federal payroll agency.

Source: City Collector of Revenue.

Major Taxpayers

The following tables list the 20 largest payers of earnings, payroll, real property and personal property taxes to the Collector of Revenue for calendar year 2007.

TOP 20 TAXPAYERS - EARNINGS TAX CALENDAR YEAR 2007

<u>Company Name</u>	<u>Amount Paid</u>
Washington University	\$ 5,566,086
BJC Health Systems	4,175,117
AT&T Services Inc.	3,875,752
Anheuser-Busch♣	3,483,833
City of St. Louis	3,232,098
A.G. Edwards & Sons, Inc.~	3,193,678
St. Louis University	2,667,022
United States Postal Service	2,102,359
Defense Finance & Accounting Service	2,090,011
St. Louis Board of Education	1,827,071
National Finance Center	1,775,064
Ameren Corporation	1,445,962
Nestlé Purina Petcare	1,393,394
State of Missouri	1,221,537
Veterans Administration	1,079,863
St. Louis Children's Hospital	1,027,773
Macy's	987,120
Peabody Investments	937,695
Sigma Aldrich	883,220
Bank of America	822,351

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~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.
Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - PAYROLL EXPENSE TAX
CALENDAR YEAR 2007**

<u>Company Name</u>	<u>Amount Paid</u>
AT&T	\$ 2,101,874
Anheuser-Busch♣	2,016,266
A.G. Edwards & Sons, Inc.~	1,768,457
Peabody Investments	1,542,990
Nestlé Purina Petcare	739,101
Ameren Corporation	716,550
Macy's	572,128
Sigma Aldrich	433,362
Thompson Coburn	415,052
Tenet Health Systems	398,450
Tyco Healthcare Group	398,074
The Wellpoint Companies	385,616
US Bank National Association	377,759
St. Louis Cardinals, LP	352,499
Bank of America NA	338,252
Laclede Gas Company	290,056
Bryan Cave LLP	219,696
St. Louis Post-Dispatch LLC	204,407
St. Louis Blues Hockey	186,446
Stifel Nicolaus & Company	180,836

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~ A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.

Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - REAL ESTATE TAX
CALENDAR YEAR 2007**

<u>Company Name</u>	<u>Amount Paid</u>
Anheuser-Busch♣	\$ 5,939,434
Ameren	5,561,097
Hertz	3,254,028
UGP-Kiener Stadium Parking LLC	2,576,573
First States Investor	2,370,048
Metropolitan Square & East 10 th St. LLC	2,213,724
A.G.E. Properties	1,985,590
AT & T	1,877,085
Mercantile/US/Firstar	1,873,563
Union Station Holdings Inc.	1,583,588
Laclede Gas	1,554,047
Ralston Purina/Nestle	1,425,857
NNN Gateway One LLC	919,613
Mallinckrodt	833,218
Gateway Regal Holdings LLC	793,532
Seven-Seventeen Redevelopment	744,493
Sigma Chemical Corporation	730,857
Chase Park Plaza	605,880
Hampton Village Association	555,513
Kimco/KRC Christy 804 Inc.	468,885

♣InBev and Anheuser-Busch announced on July 13-14, 2008, that the companies reached an agreement to merge the two companies. The new company will be named Anheuser-Busch InBev pending shareholder and regulatory approval.
Source: City Collector of Revenue.

**TOP 20 TAXPAYERS - PERSONAL PROPERTY TAX
CALENDAR YEAR 2007**

<u>Company Name</u>	<u>Amount</u>
SBC Service Inc.	\$ 2,671,029
Anheuser-Busch♣	1,545,453
Ameren	1,180,148
Tenet Health System Laclede Gas	1,017,968
Cybertel Cellular	874,748
Laclede Gas Company	699,781
SLC Holdings LLC	669,376
Ralston Purina/Nestle	531,286
IBM Credit Corp	371,360
Mallinckrodt Inc.	358,673
Federated Retail Holdings	357,240
A.G. Edwards & Sons, Inc.~	341,817
Hogan Motor Leasing Inc.	280,088
Peabody Investment Corp.	245,703
President Riverboat Casino	235,860
GE Capital Information	230,640
Kiel Center Partners LP	214,212
Enterprise Leasing Co.	213,916
Wellpoint, Inc.	205,627
Metcalf, Walter Etal.	187,966

♣InBev and Anheuser-Busch announced on July 13-14, 2008, that the companies reached an agreement to merge the two companies. The new company will be named Anheuser-Busch InBev pending shareholder and regulatory approval.
 ~A.G. Edwards & Sons, Inc. was acquired by Wachovia Corp. in October 2007.
 Source: City Collector of Revenue.

Building and Construction Data

The following table shows trends in the number of building permits and value of housing construction, rehabilitation and commercial construction in the City for the calendar years 2003 through 2007.

<u>Calendar Year</u>	<u>Value of Housing New</u>	<u>Rehabilitation</u>	<u>Value of Commercial, Industrial or other Non-Housing</u>	<u>Total Number of Permits</u>	<u>Total Value</u>
2003	\$ 112,499,325	\$ 103,501,991	\$ 326,046,296	5,965	\$ 542,047,612
2004	\$ 41,002,001	\$ 104,936,144	\$ 526,140,457	6,069	\$ 672,078,602
2005	\$ 155,865,516	\$ 193,213,943	\$ 306,599,451	7,050	\$ 655,678,910
2006	\$ 67,285,849	\$ 137,618,669	\$ 664,198,597	6,341	\$ 869,103,115
2007	\$ 77,677,613	\$ 191,705,223	\$ 332,808,347	5,476	\$ 602,191,183

Source: City Building Division.

Sports Related Economic Development

The City is home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues and the St. Louis Cardinals. The three teams make significant contributions to the economy of the St. Louis Metropolitan Area with ticket sales, dollars spent at concessions and on merchandise, and money spent at local restaurants and hotels. The three teams also generate positive national media attention for the City. In 2006, such attention was particularly heavy due to the opening of the new ballpark, Busch Stadium. Thanks to the quality of its teams and the excellence of its fan base, St. Louis is regarded by many as America's best sports city.

St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2005, the region hosted the Men's NCAA Final Four, generating \$62.1 million in economic impact and significant positive media recognition. St. Louis has hosted three of the past five NCAA Wrestling Championships at the Savvis (now Scottrade) Center. The City hosted the U.S. Figure Skating Championships in January 2006 and the NCAA Frozen Four hockey finals in 2007, and will host the Women's NCAA Basketball Final Four in 2009. In addition, Busch Stadium will host the 2009 Major League Baseball All-Star Game.

The new ballpark, Busch Stadium, opened in April 2006 and attendance for the 2006 baseball season exceeded 3.5 million, with approximately 40% of the attendees coming to the City from outside the St. Louis region. As in many previous years, the Cardinals baseball team's post-season play generated approximately \$2 million in additional City revenue in fiscal year 2007, as national attention generated by the new ballpark was enhanced by the Cardinals World Series win. The new Busch ballpark holds more than 46,000 baseball fans. It cost approximately \$386 million to develop, the majority of which (\$290 million) was financed with taxable bonds issued by the ball club and which will be repaid by the club and Cardinals' equity. The remainder of the cost was financed with Missouri tax credit proceeds, a loan from St. Louis County and highway ramp modification funding from the Missouri Department of Transportation. As an inducement for the Cardinals to proceed with the development, the City agreed to waive the 5% amusement tax on ticket sales for games played in the new ballpark if the amount of private investment in the project exceeded \$200 million. The Cardinals met this threshold. Additional revenues from sales tax on game tickets and concessions are expected to offset the loss of the amusement tax revenue. Ticket and concession sales will continue to generate City and State sales taxes, and the team and visiting teams will continue to pay City earnings and payroll taxes.

The former Busch Stadium has been demolished, setting the stage for the new Stadium and the development of Ballpark Village, a six-block, mixed use complex that will occupy the northern half of the site of the old stadium. The Cardinals have teamed with the Cordish Company, a developer with extensive national experience in the development of mixed use entertainment districts, for the development of the Village. As of July 23, 2008, investment in Phase I of the Village development is expected to exceed \$320 million. The Village development is expected to include 100,000 – 750,000 square feet of new office space - as well as 225,000 – 360,000 square feet of retail space in Phase I. Also contemplated are 100 – 250 new residential units in Phase II. It is anticipated that state and local tax increment incentive financing will be provided for this first phase of the development, with no City general revenue exposure. In addition to recurring tax revenues after completion from taxes based on the extensive economic activity the development will create, the development also is expected to generate significant City revenues during construction.

Business Development

The City has devoted significant attention during the past six years to business retention and attraction. Following a loss of approximately 20,000 jobs in calendar years 2001 through 2003, the City's job base has now stabilized at approximately 223,000. These jobs represent more than 8% of the jobs and more than 10% of the wage base in the entire State of Missouri, concentrated in the City's 61.4 square mile geographic area.

As a part of these business attraction and retention efforts, the Business Development Division of the SLDC administers a number of different kinds of loans, working in conjunction with the Local Development Corporation, the Small Business Administration and the Federal Economic Development Administration. In addition, the SLDC, working as a team with the Comptroller's Office, the Mayor's Office, and the St. Louis Board of Aldermen, administers the City's Tax Increment Financing ("TIF") program, Downtown Economic Stimulus Authority, and real estate tax abatement incentive programs. The Planning and Urban Design Agency and the Land Clearance for Redevelopment Authority, together with the Board of Aldermen, developed plans for the revitalization of various areas of the City—in 2005, the City's Planning Commission adopted the City's first city-wide land use plan since 1947. In addition, SLDC applied for and received from the U.S. Department of Treasury a \$52 million allocation of New Markets Tax Credits that have now been allocated to a variety of organizations for business and real estate development in the City. In March, SLDC applied for an additional allocation of New Markets Tax Credits and is awaiting a decision on the application. During 2006 and 2007, the following notable business attraction, retention, expansion and entrepreneurial business development activities occurred:

- In the business attraction arena, a new Lowe's home improvement store—the first in the City—opened in the fall of 2006 on a vacant site near the southern City limits. This store is attracting business from county as well as City residents. 60 new retailers and restaurants have opened street-level downtown locations since 2003. Pogue Label, a manufacturing facility, relocated from the county to the City to facilitate the company's expansion. St. Louis Business Center, a 900,000 square foot rehabilitated warehouse/light manufacturing park on the north riverfront, has attracted a wide variety of users from Illinois and other parts of the region, filling the available space. The success of the Business Center has sparked plans for development of two new warehouse/light manufacturing parks on the North Riverfront—one is currently under construction. SLDC also attracted a successful suburban business park developer who is purchasing the long-vacant 33-acre Carondelet Coke site on the City's southern riverfront and is assisting with the environmental cleanup of the property. A new Restaurant Depot—the first in the region—is currently under construction not far from the City's western border and is expected to attract customers from all over the region. The variety of rehabilitated office space is attracting new downtown office tenants, some of whom are currently finalizing their leases on downtown

office space. The planned Class A office space in Ballpark Village is also attracting attention from office users throughout the region and the country.

- In the business expansion arena, Weismann Dance doubled the size of its manufacturing space and increased its employees by 50%. The company is completing its move to a new location with both a manufacturing facility and a retail store. This move has opened the door to an expansion by American Pulverizer to the location vacated by Weismann. Bissinger's Chocolates expanded its current facility and is now marketing nationwide via catalog and the internet. Solae's consolidated and expanded headquarters and research facility are currently under construction in the CORTEX life sciences district. A number of other existing businesses—Middendorf Meats, LaBarge Products, Tri-Rinse, Asynchrony IT, Rodgers & Townsend, and Nooter—are expanding their City operations. Procter & Gamble continues to expand and add products to its manufacturing line in the City.
- In the “growing new businesses” arena, the City's two incubators—the Center for Emerging Technologies (“CET”) and Midtown—are hosting life science and other businesses and assisting them in becoming self-sufficient. Stereotaxis, a CET client, raised capital through an IPO and is now located in the original CORTEX building. Dynalabs, a Midtown client, is moving towards an IPO. Other businesses hosted by the Midtown Center include a cookie company, a heating/cooling company, and an environmental testing firm. In addition, local entrepreneurs have purchased majority holdings in a pharmaceutical company with promising drug and drug manufacturing patents, and are in the process of expanding the business and relocating portions of it to the City.
- In the business retention arena, several major professional firms (PriceWaterhouseCoopers, Peckham Guyton Albers & Viets, Inc. and Northwestern Mutual, among others) have renewed their downtown leases, and others are expected to do so. AT&T recently announced its decision to consolidate the Bell South and SBC Yellow Pages headquarters in downtown St. Louis, retaining approximately 700 jobs and opening the door to jobs relocated from Atlanta in the future. AT&T is also in the process of filling vacant space in company-owned property in the City with jobs from other parts of the region and country. Federated Department Stores has completed the transition of May Company and related store operations to Federated branding. The downtown department store remains open as a Macy's.
- The burgeoning market for urban living throughout the City's neighborhoods has not only resulted in the City's first population growth in more than four decades but has also attracted retail development in the City's traditional neighborhood commercial districts. Corner storefronts in Benton Park and along Morganford are being revived as avant garde restaurants and retailers. South Grand continues to grow as the City's Asian ethnic business district, with restaurants, retailers and grocers. The Bosnian community has firmly established itself in the southeastern section of the City and has opened a variety of ethnic restaurants, retail stores, and groceries in this area. Lindell Plaza, newly reinvigorated following its initial construction in the mid-1980s, is now home to an Office Depot and a Qdoba. A City resident and suburban retail developer is moving forward with plans for a “new urbanist” office and retail complex in the Tower Grove East neighborhood. The new Walgreens has opened in MLK Plaza located a short distance from downtown St. Louis, and the area across from the former and newly renovated City Hospital will now be home to a City Market—a new urban concept grocery being introduced in St. Louis by a national grocery chain—as well as a variety of other retailers and office users.

Significant numbers of loft-style apartments and condominiums continue to be developed in downtown St. Louis. Loft development also is expanding into other City neighborhoods where historic

buildings suitable for adaptive reuse still exist. Response to both loft product and new luxury non-loft product has been positive, and the new residential population is improving both the retail and office markets in downtown. Several developers are planning the construction of new residential towers. The number of newly constructed and substantially rehabilitated homes has dramatically increased in many of the City's neighborhoods. In calendar years 2001 through 2006, approximately 23,000 new and substantially rehabilitated homes were produced in the City. This represents a 13% reconstruction, replacement or addition to the 178,000 homes in the City that were counted in the 2000 census.

Improvement in the downtown environment is also translating into greater attractiveness as a convention and tourism destinations, as former eyesores are transformed into historically rehabilitated businesses, homes and stores. The change in the nine-block Old Post Office District immediately south of the America's Center convention facility and the headquarters Renaissance Hotel has been particularly dramatic. The Old Post Office reopened in early 2006 as a new home for Webster University, the Missouri Court of Appeals, other state offices and several businesses. In addition, the Paul Brown and Board of Education Buildings reopened as new rental lofts and retail space. A new parking facility is under construction and the rehabilitation of the Syndicate Trust Building is approximately 50% complete. St. Louis Center and the One City Center Office Tower have been acquired by new owners who plan to reconfigure and convert the Center to street level retail and condominiums. Pinnacle Entertainment has recently opened its new \$507 million gaming and hotel development. The development, Lumière Place, is located immediately east of the Convention Center and includes a 75,000 square foot casino floor, restaurants, bars, and nightlife venues, and Hotel Lumière, a 294 room all-suite hotel.

The City is also embarking on a variety of public and civic improvement initiatives designed to make downtown even more attractive to residents, workers and visitors. An application is currently pending with the Missouri Department of Economic Development that is expected to provide approximately \$26 million in capital for downtown streetscape improvements. The Gateway Foundation has provided funding for a plan for the Gateway Mall, an 18-block green space that runs through the center of downtown. A new "Celebration Center" again hosted a series of 16 free concerts held on the riverfront during the summer of 2007. And the City, the Danforth Foundation, and the National Park Service continue to work together to explore ways in which the riverfront can become an even better center for recreational activities for residents, workers and visitors.

While financing plans for a new Mississippi River bridge immediately north of the riverfront have not been finalized, leaders on both sides of the Mississippi River are now working together to develop a funding plan for the bridge that is acceptable to both Missouri and Illinois.

In January 2008, the Missouri Department of Transportation commenced the \$535 million, 2-year reconstruction of a segment of Highway I-64 from Spoede Road in St. Louis County to a point in the City west of downtown. Since downtown St. Louis is not included in the construction zone and a variety of interstate highways (I-70, I-44 and I-55, in addition to I-64) converge in downtown, it is not expected downtown will suffer serious negative impact. Nevertheless, City leaders are working with the regional council of governments and the Downtown Partnership to ensure that the City's roadways and signalization system are well-prepared for the commencement of full construction of the City segment in January 2009, and the City has received a special \$3 million grant from the regional council of governments to assist in this process. Reconstruction of the Jefferson Avenue Viaduct and the new Multimodal transportation station is expected to be completed by the end of 2008, paving the way for both more efficient public transit use and detouring during the construction period. The completion of this I-64 reconstruction project will eliminate the need for major additional construction in this stretch of highway for years to come and will enhance both the efficiency and attractiveness of this entranceway into the City.

Economic Development

Since 2002, more than \$3.3 billion of development has been completed in the City, including more than \$2.0 billion of projects in Downtown St. Louis and more than \$1.3 billion of projects in St. Louis neighborhoods. Recently completed projects include the new Busch Stadium, the Old Post Office and the CORTEX Building. A number of neighborhood development projects also are planned or underway. Construction is either underway or soon to begin on nearly \$4.9 billion of additional developments, including \$3.3 billion of Downtown projects and \$1.6 billion of neighborhood projects.

FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS

Introduction

Management of the City's finances includes preparation of an annual budget, control of the expenditure of City funds, cash management and the levy and collection of real and personal property taxes. This section presents information regarding the City's finances, including the City's accounting and budgeting practices.

Accounting and Reporting Practices

The City maintains its accounting records on the basis of funds.

Governmental Type Funds—Governmental Type Funds are used to account for the acquisition, use and balances of the City's financial resources and related liabilities. The measurement focus is upon determination of changes in financial position, rather than net income determination. The City's governmental type funds include the following:

General Revenue Fund—The General Revenue Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts of major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund—Debt Service Fund is used to account for the accumulation of resources for and the payment of general obligation long term debt principal, interest and related costs.

Capital Project Fund—Capital Project Fund is used to account for financial resources to be used for acquisition or construction of major capital facilities (other than those financed by proprietary funds types).

Proprietary Funds—Proprietary Funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income. The City's proprietary fund types include the following:

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the 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 or

(b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds—Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis.

Fiduciary Funds—Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. A description of the City’s fiduciary fund follows:

Agency Funds—Agency Funds are used to account for assets held as an agent by the City for others. Agency Funds are custodial in nature and are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Pension Trust funds are accounted for and reported similar to proprietary funds.

An annual audit is made of the accounts and the records of the City. This examination is conducted by independent certified public accountants, KPMG LLP, engaged by the Mayor through a competitive process, for this purpose. KPMG LLP has not been engaged to perform and has not performed, since the date of its report referenced herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

Budget Process

The Board of Estimate and Apportionment proposes annual operating and capital budgets for the ensuing Fiscal Year, based on information provided by the various City departments (including the Budget Division), commissions and boards.

After internal review and analysis by the Board of Estimate and Apportionment, a proposed budget, which includes a statement showing estimated receipts and expenditure requirements of each department, commission and board, and a comparative statement of receipts and expenses incurred for the previous year, is submitted to the Board of Alderman.

The Board of Estimate and Apportionment must submit its proposed budget to the Board of Aldermen no less than 60 days prior to the beginning of the Fiscal Year, July 1. The budget bill is assigned to the Ways and Means Committee of the Board of Aldermen, which conducts public hearings on segments of the proposed budget prior to taking any action. Thereafter, the proposed budget is reviewed and considered by the Board of Aldermen.

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute for the payment of principal of or interest on City debt or for meeting any ordinance obligations. The Board of Aldermen may not increase the amount of the proposed budget nor insert new items. Also under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City’s real property tax rates. Currently, increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See the caption “GENERAL REVENUE RECEIPTS—The Hancock Amendment” herein.

Should the Board of Estimate and Apportionment fail to timely submit its proposed budget or tax rate to the Board of Aldermen, the Budget Director is required to submit directly to the Board of

Aldermen data, including projected revenues and expenses, necessary to permit the Board of Aldermen to approve an operating budget prior to the beginning of the Fiscal Year.

Should the Board of Aldermen not approve a budget or tax rate by the beginning of a Fiscal Year, the proposed budget or tax rate recommended by the Board of Estimate and Apportionment, or, in its absence, the submission by the Budget Director, is deemed to have been approved by the Board of Aldermen.

Except with respect to the general appropriation bill and bills providing for the payment of principal of or interest on debt, no appropriation may be made from any revenue fund in excess of the credit balance of such fund, and no appropriation may be made for any purpose to which the money is not lawfully applicable. The Board of Estimate and Apportionment may, from time to time, appropriate any accruing, unappropriated City revenue, and whenever an appropriation exceeds the amount required for the purpose for which it was made, the excess or any portion or portions thereof may, by ordinance recommended by the Board of Estimate and Apportionment, be appropriated to any other purpose or purposes. All unexpended appropriated money, not appropriated by special ordinance for a specific purpose, reverts at the end of the then current Fiscal Year to the fund or funds from which the appropriation was made.

Financing Controls

During recent years, the City has implemented significant measures to upgrade its financial reporting systems. This was done in an effort to bring the financial system in line with the requirements of generally accepted accounting principles. The City's Comprehensive Annual Financial Report for Fiscal Year 2006 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the twentieth consecutive year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit that published an easily readable and efficiently organized comprehensive annual report that meets both generally accepted accounting principles and applicable legal requirements. The GFOA presented an award of Distinguished Presentation to the Budget Division, City of St. Louis for its annual budget for the Fiscal Year beginning July 1, 2006. This award is given in recognition of a government unit that publishes a budget document that meets program criteria as a policy document, an operations guide and as a communicative device.

At present, the City utilizes a fully computerized Accounting Information Management System (the "AIM System"). The AIM System is based on a single transaction concept of processing whereby all relevant files and reports are updated from a single input of information. The AIM System provides (1) integrated general and subsidiary accounting of all funds, (2) appropriation/encumbrance accounting and controls, and (3) generation of cost/expenditure data in multiple formats that are useful for budgetary control and other managerial purposes. In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal account controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets.

Through annual appropriations, the City maintains budgetary control at the department level by line item. Cost classifications are categorized in the following groups: personnel services, supplies and materials, rental and leases, non-capital equipment, capital leases, contractual and other services, and debt service.

Encumbrances are recorded by the Control Section through an on line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient funds are not available to cover a purchase, the requisition is returned to the originating department for transfer of funds or cancellation. Department appropriations are allowed to be adjusted by transfers of appropriations with the prior approval of the Board of Estimate and Apportionment. The Comptroller is able to control all of the above using the AIM System.

It is the special responsibility of the Comptroller, as set forth in the Charter, to provide City officials and taxpayers with reasonable assurances that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded. The internal audit staff of the Office of the Comptroller is responsible for carrying out the Charter and ordinance provisions relating to the audit of records, funds and securities of every person charged with safekeeping of the City's assets. The objective is to evaluate the procedures in effect to conserve and safeguard the City's property. Besides the focus on the collection and recording of receipts, department audits include development of recommended procedures for improvement of internal controls in the maintenance of accounts receivable and properly control records. Audits are conducted on a continuing cycle.

Cash Management

Cash management is handled by the City Treasurer. The City Treasurer, an elected official, maintain bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The City Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. Consistent with state law, all investments held by the City Treasurer are in direct securities backed by the full faith and credit of the U.S. Government or its agencies and those that may be approved by the State Treasurer, or in time deposits collateralized by those securities.

General Revenue Fund

In accordance with generally accepted accounting procedures for governmental units, the City records its financial transactions under various funds. The largest is the General Revenue Fund, from which all general operating expenses are paid and to which taxes and all other revenues not specifically allocated by law or contractual agreement to other funds are deposited. Expenditures from the General Revenue Fund are for payments of the payroll, pension, employee benefits and other miscellaneous ordinary operating expenses.

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General Revenue Fund Expenditures

The following table is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2003 through 2007.

**CITY OF ST. LOUIS
GENERAL REVENUE FUND
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ACCRUAL BASIS – FISCAL YEARS ENDED JUNE 30
(IN THOUSANDS)**

Revenues	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Taxes	\$321,610	\$323,848	\$308,836	\$294,387	\$310,932
Licenses & Permits	18,384	20,009	18,597	16,960	15,942
Intergovernmental Aid	23,359	25,331	25,593	22,531	13,082
Charges for Services, net	17,588	16,301	14,747	15,810	12,340
Court Fines & Forfeitures	8,273	7,893	8,773	8,906	8,680
Investment Income	5,965	5,800	1,749	1,621	2,260
Interfund Services provided	3,719	4,009	4,519	3,921	4,476
Miscellaneous	<u>2,512</u>	<u>4,265</u>	<u>2,766</u>	<u>4,263</u>	<u>7,499</u>
Total Revenues	401,410	407,456	385,580	368,399	375,211
Expenditures					
General Government	36,992	53,941	41,651	43,036	42,474
Convention & Tourism	154	204	1,795	199	2,201
Parks and Recreation	19,167	18,667	18,279	18,501	18,184
Judicial	41,806	40,427	40,478	40,059	41,603
Streets	27,070	27,930	28,000	28,695	30,005
Public Safety	234,350	230,814	218,927	223,776	216,095
Health and Welfare	2,663	3,511	2,941	4,989	2,705
Public Services	23,259	23,122	21,401	22,131	24,283
Capital Outlay	-	-	-	-	-
Debt Service	<u>26,604</u>	<u>16,925</u>	<u>27,000</u>	<u>19,832</u>	<u>30,060</u>
Total Expenditures	<u>412,065</u>	<u>415,541</u>	<u>400,472</u>	<u>401,218</u>	<u>407,610</u>
Excess of Revenues Over (Under) Expenditures Other Finance Sources/(Uses)	(10,655)	(8,085)	(14,892)	(32,819)	(32,399)
Issuance leasehold revenue bonds	23,165	-	-	-	141,975
Premium on leasehold revenue bonds	-	-	-	-	11,251
Bond discount on debt issuances	(321)	-	-	-	-
Payment refunded to Bond Escrow Agent	(22,830)	-	-	-	(149,808)
Transfers In	19,768	18,536	20,386	24,458	21,025
Recovery of legal judgment	-	-	-	2,972	-
Transfers Out	(14,693)	(2,954)	(2,603)	(1,419)	(3,249)
Total Other Financing Sources (Uses)	5,089	15,582	17,783	26,011	21,194
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	(5,566)	7,497	2,891	(6,808)	(11,205)
Fund Balances (Beginning of Fiscal Year)	<u>80,294</u>	<u>72,797</u>	<u>69,906</u>	<u>76,714</u>	<u>87,919</u>
Fund Balances (End of Fiscal Year)	<u>\$ 74,728</u>	<u>\$ 80,294</u>	<u>\$ 72,797</u>	<u>\$ 69,906</u>	<u>\$ 76,714</u>

Source: Audited Financial Statements.

The following table shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years 2005 through 2007.

**CITY OF ST. LOUIS
GENERAL REVENUE FUND
SUMMARY OF OPERATIONS
CASH BASIS - FISCAL YEARS ENDED JUNE 30
(IN THOUSANDS)**

Revenues	<u>2007</u>	<u>2006</u>	<u>2005</u>
Taxes	\$333,933	\$329,956	\$313,108
Licenses & Permits	18,392	19,504	18,597
Intergovernmental Aid	17,449	19,766	17,979
Charges for Services	20,930	20,736	19,954
Court Fines & Forfeitures	4,390	4,109	4,730
Interest	2,830	2,079	680
Miscellaneous	<u>3,139</u>	<u>3,414</u>	<u>2,910</u>
Total Revenues	<u>401,063</u>	<u>399,564</u>	<u>377,958</u>
Expenditures			
General Government	39,527	41,603	42,829
Convention & Tourism	156	208	1,797
Parks & Recreation	19,149	19,343	18,208
Judicial	42,016	41,475	40,102
Streets	26,900	28,058	28,104
Public Safety	100,815	101,542	91,244
Police	131,775	133,247	129,754
Health & Welfare	2,857	3,590	2,719
Public Services	23,218	23,069	21,447
Debt Service	<u>24,997</u>	<u>9,901</u>	<u>22,398</u>
Total Expenditure	<u>411,410</u>	<u>402,036</u>	<u>398,602</u>
Excess of Revenues Over (Under)	<u>(10,347)</u>	<u>(2,472)</u>	<u>(20,644)</u>
Expenditures			
Other Financial Sources (Uses):			
Transfers In	23,898	25,202	21,461
Transfers Out ¹	<u>(14,293)</u>	<u>(11,667)</u>	<u>(2,639)</u>
Total Other Finance Sources (Uses)	<u>9,605</u>	<u>13,535</u>	<u>18,822</u>
Excess of Revenues & Other Finance Sources Over (Under)			
Expenditures & Other Finance Uses	(742)	11,063	(1,822)
Fund Balances (Beginning of Fiscal Year)	<u>22,278</u>	<u>11,215</u>	<u>13,037</u>
Fund Balances (End of Fiscal Year)	<u>\$ 21,536</u>	<u>\$ 22,278</u>	<u>\$ 11,215</u>

¹Transfers include transfers to and from reserves.
Source: City Comptroller's Office.

GENERAL REVENUE RECEIPTS

General Revenue Fund Receipts by Category

The following table sets forth the percentage of receipts for various categories of the General Revenue Fund for the Fiscal Years 2005 through 2007.

	Fiscal Year		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
TAXES:			
Earnings	32.10%	31.67%	30.78%
Franchise	12.35	12.70	13.04
Sales	11.47	11.38	11.52
Gross Receipts	1.92	3.06	2.96
Motor Vehicle Sales Tax	0.96	0.86	0.89
Real Estate	8.72	8.20	8.15
Personal Property	2.46	2.41	2.78
Payroll	8.20	8.72	7.91
Other Taxes	<u>0.40</u>	<u>0.41</u>	<u>0.36</u>
Total Taxes	<u>78.58</u>	<u>79.34</u>	<u>78.39</u>
License Fees	<u>4.33</u>	<u>4.68</u>	4.66
Departmental Receipts	<u>11.47</u>	<u>12.03</u>	11.54
27 th Pay Reserve Transfers			0.04
Transfers	<u>5.62</u>	<u>3.95</u>	<u>5.37</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City Comptroller's Office.

Earnings Tax

The City's Earnings Tax is the most significant single source of General Revenue Fund revenues, representing approximately 32% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2007. The Earnings Tax is levied against residents of the City, nonresidents employed within the City and businesses within the City. The Earnings Tax was authorized by State statute in 1954 and is imposed on the gross income of individuals and of net profits of businesses within the City. The current rate of 1% has been in effect since 1959.

Earnings Taxes are withheld by employers and submitted to the City on a quarterly basis, except for employers withholding more than \$1,500 per month, who remit their taxes monthly. Residents of the City who are employed outside of the City and do not have the Earnings Tax withheld from their pay are required to file a tax return and pay the Earnings Tax on an annual basis.

The City's General Fund Earnings Tax revenue for the Fiscal Years 2003 through 2007 was as follows:

<u>Fiscal Year</u>	<u>Earnings Tax</u>
2003	\$122,206,236
2004	121,111,509
2005	122,941,515
2006	131,735,560
2007	136,433,476

Source: City Comptroller's Office.

Franchise Tax

The Franchise Tax of the City is a tax on utilities operating within the City and on certain gross receipts of the Airport. This tax is passed on to the consumers by the utilities. The tax on Laclede Gas Company and AmerenUE is 10% on the gross receipts from their commercial customers and 4% on the gross receipts from their residential customers. Charter Communications, Inc. is taxed at 5% on the gross revenues for its City cable franchise. Charter Communications tax revenues are not included in General Fund. The telecommunications companies, Trigen Energy Corp. and the Water Division of the City, are taxed at 10% on their gross receipts from all users, and the Airport pays 5% of its gross receipts, all to the General Revenue Fund. Franchise Taxes are collected and paid to the City monthly and/or quarterly.

The City's General Fund Franchise Tax revenue for the Fiscal Years 2003 through 2007 was as follows:

<u>Fiscal Year</u>	<u>Franchise Tax</u>
2003	\$52,153,791
2004	52,271,960
2005	52,083,765
2006	52,851,002
2007	52,455,509

Source: City Comptroller's Office.

Sales and Use Tax

A City sales tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, is collected on a monthly basis by the State of Missouri along with the State sales tax and is remitted to the City by the 10th of the following month. The current sales tax rate is 7.741%, which includes both the State and the City portions of the sales tax. A portion of revenue collected from the tax goes to the Metropolitan Park and Recreation District as well as to the Capital Improvement Fund. St. Louis Public Schools receive .666% of the sales tax collected. Effective April 1, 2007, City voters passed an increase to the tax rate of .125% to be used for City parks and recreation.

In addition, the City imposes a use tax on all out-of-state purchases by in-state residents that are greater than \$2,000. Use tax is earmarked to provide funds for the development and the preservation of affordable and accessible housing, public health care services and building demolition. The current use tax rate is 6.95%. The use tax revenues are revenues of a special revenue fund and are not deposited into or a part of the general fund.

The City's General Fund Revenue Sales Tax receipts for the Fiscal Years 2003 through 2007 were as follows:

<u>Fiscal Year</u>	<u>Sales Tax</u>
2003	\$46,280,903
2004	44,916,621
2005	46,013,082
2006	47,346,639
2007	48,759,269

Source: City Comptroller's Office.

Gross Receipts Tax

The City's Gross Receipts Tax is derived from three sources: (1) public garage and parking lots tax; (2) amusements admission tax; and (3) restaurant tax. The City's Gross Receipts Tax revenue for the Fiscal Years 2003 through 2007 was as follows:

<u>Fiscal Year</u>	<u>Gross Receipts Tax</u>
2003	\$11,982,766
2004	11,566,876
2005	11,826,756
2006	12,748,707
2007	8,168,761*

Source: City Comptroller's Office.

*Beginning Fiscal Year 2007, the city waived the 5% amusement tax on Cardinal ticket sales as an incentive to promote economic development by tying economic development to tax relief pursuant to Ordinance 65699.

Motor Vehicle Sales Tax

The Motor Vehicle Sales Tax is collected by the State in the form of the State sales tax and remitted to the City monthly. The distribution is based on residence of the purchaser and not point of purchase.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years 2003 through 2007 was as follows:

<u>Fiscal Year</u>	<u>Motor Vehicle Sales Tax</u>
2003	\$3,364,018
2004	3,522,049
2005	3,563,374
2006	3,573,545
2007	4,060,390

Source: City Comptroller's Office.

Real and Personal Property Taxes

Taxes are levied on all real and personal property within the City owned as of January 1 of each year. Tax bills are mailed out in November and payment is due by December 31, after which taxes become delinquent. Residential property is currently assessed at 19% of true value, commercial property is assessed at 32% of true value, and agricultural property is assessed at 12% of true value. Real property is reassessed every two years (in odd-numbered years), as required by State law. Real property and personal property are not taxed at the same rate. The formula for setting the tax rate does not allow for more than normal growth in tax collections. As a result, there is no "windfall" to the City based upon the reassessments.

Calendar Year	Real Property¹		Personal Property¹		Manufacturers¹ Inventory Value	Total Assessed Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2003	\$2,277,100,961	\$9,611,957,762	\$789,866,491	\$2,371,971,444	\$296,768,056	\$3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603
2006	2,839,458,315	12,323,639,135	767,274,268	2,304,126,931	286,014,328	3,892,746,911
2007	3,459,513,734	15,105,666,861	805,297,902	2,418,312,018	292,370,530	4,557,182,166

¹ Source: City Assessor's Office.

¹ Source: City License Collector's Office.

The estimated "Market Value" of real property in the City for the last five calendar years is set forth below:

Calendar Year	Commercial	Residential	Total Real Property
2003	\$3,467,915,278	\$ 6,144,042,484	\$ 9,611,957,762
2004	3,533,864,775	6,207,536,526	9,741,401,301
2005	3,834,901,094	8,292,185,795	12,127,086,889
2006	3,830,514,456	8,493,124,679	12,323,639,135
2007	4,534,131,003	10,571,535,858	15,105,666,861

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2007 was \$1.3262 per \$100 of assessed valuations and during the Fiscal Year 2006 was \$1.3074 per \$100 of assessed valuations. The collection rate for the Fiscal Year 2007 was 90.3% compared to the rate of 86.1% for the Fiscal Year 2006. Tax receipts paid in protest are distributed to the City after the normal due date for real property taxes. Consequently, the rate of collection as a percentage of current amounts due is understated. The City's General Fund Real and Personal Property Tax revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2003	\$29,729,948	\$12,051,536
2004	31,133,552	11,308,831
2005	32,535,672	11,117,309
2006	34,108,578	10,019,639
2007	37,020,349	10,460,702

Source: City Comptroller's Office.

Payroll Tax

Voters approved a Payroll Tax in 1988. The Payroll Tax is ½ percent of total compensation paid by a business to its employees for work in the City. The tax is not applicable to nonprofit, charitable, civic organizations or hospitals. The Payroll Tax is administered by the Collector of Revenue and is payable quarterly on the last day of January, April, July and October for the preceding calendar quarter. The City's General Fund Payroll Tax revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Payroll Taxes</u>
2003	\$31,890,987
2004	31,483,891
2005	31,588,099
2006	36,280,566
2007	34,857,007

Source: City Comptroller's Office.

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturers tax, commercial property surcharge and county stock insurance tax. The City's General Fund other tax revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Other Taxes</u>
2003	\$1,335,736
2004	1,427,576
2005	1,438,646
2006	1,273,080
2007	1,717,635

Source: City Comptroller's Office.

License Fees

License Fees are collected by the City for the use or sale of or conduct of business in the following categories: automobiles, cigarettes, liquor, business, contractors and certain miscellaneous items. A variety of business licenses and inspection fees were replaced with the Graduated Business License Tax and the Payroll Tax in 1988 by voter approval. The Graduated Business License Tax is a flat rate, depending on the number of City employees in the previous calendar year. The tax ranges from \$150 for employers with two or fewer employees to \$25,000 for employers with greater than 500 employees. The issuing of business licenses and the collection of the new license fees is administered by the License Collector's Office. The City's General Fund license fee revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>License Fees</u>
2003	\$15,821,888
2004	17,164,611
2005	18,597,181
2006	19,504,418
2007	18,392,139

Source: City Comptroller's Office.

Departmental Receipts

Several City departments generate revenues from fees and charges. Those revenue-producing departments include the Department of Parks and Recreation and Forestry, the Public Safety Department, the Street Department, the Public Utilities Department, the Department of Health and Hospitals, Recorder of Deeds, Circuit Court, Juvenile Detention Center, Sheriff, Medical Examiner, Probate Court and the City Courts. Also included in Departmental Receipts is Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2003 through 2007, on a cash basis, was as follows:

<u>Fiscal Year</u>	<u>Departmental Receipts</u>
2003	\$42,665,267
2004	45,717,274
2005	46,253,141
2006	50,104,137
2007	48,737,953

Source: City Comptroller's Office.

Operating Transfers

A major source of transferred funds is from other Special Revenue Funds. Other Special Revenue Funds consist of the Tourism Fund and pledge accounts released on lease purchase agreements. Remaining transfers represent funds which by law must first be deposited in a fund, other than the General Revenue Fund, which, after a determination by the Comptroller that such deposits are a surplus, are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2003 through 2007, on a cash basis, were as follows:

<u>Fiscal Year</u>	<u>Operating Transfers¹</u>
2003	\$24,793,323
2004	18,664,916
2005	21,460,749
2006	16,443,308
2007	23,298,344

¹ Figures do not include transfers related to certain employment reserves.
Source: City Comptroller's Office.

The Hancock Amendment

An amendment to the Missouri Constitution limiting taxation and government spending was approved by voters on November 4, 1980. The amendment (popularly known as the “Hancock Amendment”) limits the rate of increase and the total amount of taxes which may be imposed in any Fiscal Year, and provides that the limit may not be exceeded without voter approval. Provisions are included in the amendment for rolling back tax rates to produce an amount of revenues equal to that of the previous year if the definition of tax base is changed or if property is reassessed. The tax levy on the assessed valuation of new construction is exempt from this limitation. The limitation on local governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

The Hancock Amendment also requires political subdivisions of the State to obtain voter approval in order to increase any “tax, license or fee.” The precise meaning and application of the phrase “tax, license or fee” is unclear, but in recent decisions, the Missouri Supreme Court has opined that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

The Missouri legislature passed Senate Bill No. 711 on May 16, 2008, affecting provisions of the Hancock Amendment. The Governor signed Senate Bill No. 711 on July 1, 2008. Senate Bill No. 711 becomes effective August 28, 2008. The current version of the Hancock Amendment distinguishes between the tax rate and the tax rate ceiling. The tax rate is the levy actually imposed by a political subdivision while the tax rate ceiling is the maximum levy the political subdivision may impose under the provisions of the Hancock Amendment. Political subdivisions have not reduced their tax rates in a fiscal year if the tax rate is below the tax rate ceiling. Senate Bill No. 711 requires political subdivisions to reduce their tax rates in a fiscal year according to the Hancock Amendment formula even if the political subdivision’s tax rate is below the tax rate ceiling.

INSURANCE

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by third-party insurance are handled by the City Counselor’s Office. The City’s staff of attorneys attempts to settle or defend all claims which are made. Each year an appropriation is made to a judgment account, which is segregated and reserved in a nonprofit corporation from which all judgments or settlements are paid. Expenditures for judgments and settlements during the Fiscal Years 2003 through 2007 were:

<u>Fiscal Year</u>	<u>Expenditures</u>
2003	\$1,392,281
2004	1,577,279
2005	849,533
2006	1,419,180
2007	1,182,762

Source: City Comptroller’s Office.

During Fiscal Year 1992, the City turned the administration of all workers’ compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was

contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers' compensation claims. This also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

In June 2002, the City became self-insured for its employees' health insurance. An internal service fund was established to account for payment of health insurance claims for participants. During Fiscal Year 2005, the City ceased the self-insurance program and again contracted out the health insurance due to favorable rates available at that time.

DEBT OF THE CITY

General

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution that reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds to four-sevenths at elections on the general municipal election days or the state primary or general election days. Since the City Charter presently requires a two-thirds vote for the issuance of bonds of the City, voter approval of a Charter amendment is needed to reduce the majority requirements as authorized by the State constitutional amendment. A proposed Charter amendment was submitted to City voters in August and November 1988 but at each election the proposal received more than a majority of the votes cast, but less than the required 60%. The Missouri Constitution provides that the amount of bonds payable out of tax receipts (which includes bonds payable from the special assessments) will not exceed 10% of the total assessed valuation of the taxable property of the City. The Constitution permits the City to become indebted for an additional 10% of the value of the taxable tangible property for the purpose of acquiring a right-of-way, construction, extending and improving a sanitary or storm sewer system.

The City also is authorized to issue revenue bonds to finance capital improvements to its water system, sewer system and Airport facilities. These types of revenue bonds require a two-thirds vote of the qualified electorate voting on the specific proposition. All revenue bonds issued by the City are payable solely out of the revenue derived from the operation of the facility that is to be financed with the proceeds of such bonds. Revenue bonds do not constitute a pledge of the full faith and credit of the City and are not considered in determining the legal debt margins resulting from the limitations described herein.

The City is authorized by statute to issue TIF obligations for development projects. In July 1991, the City issued \$15,000,000 of Tax Increment Revenue Bonds (Scullin Redevelopment Area), Series 1991A, for the St. Louis Marketplace project. TIF obligations are secured by incremental tax revenues generated from the property and other taxes generated by improvements to the project area. TIF obligations also may be secured by annual appropriations from the City's General Revenue Fund. As part of the St. Louis Marketplace financing, the City covenanted to request annual appropriations from the General Revenue Fund beginning in Fiscal Year 1993 to cover any shortfalls in the payment of debt service on these bonds until such time as the incremental revenues equaled at least 150% of the annual debt service payments on the bonds for five consecutive years. The outstanding balance as of June 30, 2007 is \$5,890,000. During Fiscal Year 2007, the General Revenue covered a debt service shortfall of \$602,099.

Likewise, in January 2007, the City issued its Taxable Tax Increment Revenue Notes (600 Washington Redevelopment Project 1 – One City Centre Component) Series 2007. The City has agreed that the appropriate officer of the City shall include in each budget proposal submitted to the Board of Aldermen for each fiscal year that the TIF Notes are outstanding a request for an appropriation of a sum equal to (a) certain moneys on deposit in the Special Allocation Fund (Payments in Lieu of Taxes, Economic Activity Tax Revenues), (b) Municipal Revenues; and (c) City Revenues which constitute other legally available funds of the City in an amount equal to pay the principal of and interest on the TIF Notes. The obligation of the City of St. Louis to appropriate funds for deposit in the City Revenue Fund is not limited to incremental receipts generated by the Redevelopment Project and constitutes a moral obligation to appropriate from any other legally available funds of the City.

Tax Increment Financing Projects

The City has entered into several TIF projects. To the extent that the City has issued or will issue TIF revenue bonds to finance the projects, with the exceptions provided below and excepting the potential posed by the One City Centre Component discussed above, such bonds will be paid from taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund. Although numerous TIF areas have been approved by the City, to date, TIF revenue bonds or notes have been issued for only 40 projects. TIF revenues were pledged to supplement repayment in the event surplus operating revenues fall short for the Argyle TIF project, which was financed with parking revenue bonds and cost approximately \$3 million. Also, TIF will supplement the revenues available to pay the portion of the Series 2006 Bonds issued to fund the Euclid-Buckingham garage that cost approximately \$4.5 million.

Three projects were financed with Industrial Development Authority TIF Revenue Bonds, namely, Edison Brothers, for \$5.6 million and approved on January 29, 2000, MLK Development for \$2.3 million and approved on March 18, 2002, and Southtown for \$6.4 million and approved on September 14, 2006.

In addition, two TIF projects were financed "Pay as you go", namely, Lafayette Square, estimated at \$2.0 million and approved on December 26, 2001, and Post Office Square, estimated at \$6.7 million and approved on July 23, 2002.

In December of 2000, the City provided certain financial assistance in connection with the development and construction of a new 165-room all-suites hotel and a new 918-room convention headquarters hotel (collectively, the "Convention Hotel") located in downtown St. Louis. The Convention Hotel is located in two buildings, one adjacent to and the other across the street from the Convention Center. The total cost of developing and constructing the Convention Hotel was approximately \$266 million. The City contributed approximately \$50 million. The City's contribution was funded by a Section 108 loan from the Department of Housing and Urban Development, Community Development Block Grant Funds and certain moneys realized by the City from a refinancing of the Convention Center. The City is using contractual PILOTS payable by the owner of the Convention Hotel to repay the Section 108 loan. The 165-room all-suites hotel building opened in 2002 and the 918-room convention headquarters hotel building opened in 2003. The Convention Hotel was financed through the issuance of industrial development bonds issued by the City's Industrial Development Authority (the "IDA"). These bonds are special, limited obligations of the IDA and the City is not liable on the bonds. The Convention Hotel has experienced financial difficulties but has not defaulted on any payments of principal or interest on the bonds. The City's PILOT payments are secured by a series of mortgages on the Convention Hotel and the City expects such amounts to continue to be paid by the hotel owner.

The remaining TIF projects are financed with developer-held TIF revenue notes or third-party notes. All TIF revenue notes are special, limited obligations of the City payable solely from and secured

by available TIF revenues. The general revenues of the City are not pledged to the payment of the TIF revenue notes and the TIF revenue notes do not constitute a general obligation of the City.

<u>Project</u>	<u>Estimated TIF Costs</u>	<u>TIF Note</u>	<u>TIF Notes Outstanding as of June 30, 2008</u>	<u>Issuance Date</u>
Cupples	\$52,200,00	\$3,745,000	\$1,220,000	10/20/03
Chouteau/Compton	3,600,000	3,240,000	2,236,207	02/28/01
100 North Condominium LLC	400,000	400,000	207,450	07/01/01
Center for Emerging Technology	1,493,000	978,000	599,000	03/27/01
3800 Park	390,000	390,000	382,703	02/26/04
Gravois Plaza	4,049,000	4,049,000	4,049,000	04/01/02
Tech Electronics	900,000	900,000	900,000	01/31/03
1505 Missouri	621,100	659,540	654,540	03/21/06
Grand Center	80,000,000	4,710,000	4,361,000	11/30/06
Walter Knoll Florist	1,036,000	1,036,000	979,760	01/01/05
Louderman Building	2,440,400	2,444,400	2,263,103	07/18/06
920 Olive	2,667,732	2,667,732	2,667,732	09/13/04
Paul Brown	3,264,200	3,264,200	3,264,200	01/31/06
1141-1151 S. Seventh St.	1,136,800	1,131,600	1,075,600	12/16/05
Terra Cotta	3,520,000	3,520,000	3,505,000	12/09/05
Southtown	2,333,998	2,333,998	2,333,998	11/09/06
Soulard Market Apartments	4,800,000	2,760,533	2,760,533	10/07/04
Printer Lofts	3,880,000	4,410,000	4,410,000	05/23/06
City Hospital	5,000,000	2,535,000	2,535,000	03/21/07
1601 Washington	3,000,000	3,365,000	3,320,000	11/29/06
1619 Washington	1,583,379	1,930,000	1,896,000	01/05/06
Highlands	2,400,000	2,412,000	2,412,000	03/05/07
Maryland Plaza South	5,367,052	4,133,176	4,133,176	11/21/05
Gaslight Square East	1,500,000	1,770,000	1,691,000	11/01/06
2300 Locust	1,800,000	1,800,000	1,503,088	03/31/06
600 Washington	16,961,000	16,961,000	16,961,000	01/09/07
410 N. Jefferson	1,525,000	1,735,000	1,680,000	06/28/07
Washington East Condominiums	7,300,000	5,480,000	5,343,000	06/26/07
Moon Brothers Carriage Lofts	1,300,000	1,490,000	1,490,000	03/25/07
Grace Lofts	1,550,000	1,715,725	1,601,725	05/24/07
4200 Laclede	900,000	925,400	830,400	04/17/08
Fashion Square	3,700,000	4,105,000	4,105,000	02/07/08
Security Bldg	3,000,000	3,345,000	3,045,000	11/27/07
Marquette Bldg	3,600,000	4,500,000	4,500,000	06/11/08
1136 Washington	3,650,000	3,525,000	3,525,000	03/12/08
Pet Building	3,000,000	3,162,500	3,061,500	07/19/07

Source: City Comptroller's Office.

Short-Term Borrowing

The City first issued Tax and Revenue Anticipation Notes (“TRANs”) during Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 2004. TRANs have been issued annually since 1984 to bridge timing gaps in revenue collections.

<u>Fiscal Year</u>	<u>TRANs Issued During Fiscal Year</u>	<u>As a Percent of General Fund Revenues¹</u>
2005	\$47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35%
2009	50,000,000	10.85% ²

¹ The percentage is based on cash, rather than modified accrual revenues. Revenue also includes transfers from other funds.

² Based on estimated General Fund Revenues.

Source: City Comptroller’s Office.

Outstanding Debt

The following table sets forth the principal amount of all bonds, other than TIF obligations, issued by the City that are outstanding as of July 31, 2008:

<u>Bonds</u>	<u>Amount Outstanding</u>
General Obligation Bonds	\$ 49,790,000
Water Revenue Bonds	23,025,000
Parking Revenue Bonds	79,804,000
Airport Revenue Bonds	<u>797,105,000</u>
Total	<u>\$949,724,000</u>

Source: City Comptroller’s Office.

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Capital Leases

The City has outstanding a number of lease-purchase agreements which can be characterized as capital leases. The major agreements of this type are listed below.

<u>Description</u>	<u>Amount Outstanding July 31, 2008</u>	<u>Remaining Term in Years</u>	<u>Issue Date</u>
Convention Center Bonds, Series 1993A	\$2,567,205	6	June 1993
Justice Center Bonds, Series 1996B	13,365,000	6	Aug. 1996
Convention and Sports Facility Project and Refunding Bonds, Series 2007	61,028,864	13	May 2007
Kiel Site Rev Refunding Bonds, Series 1997A	5,810,000	13	Aug. 1997
Kiel Site Rev Refunding Bonds, Series 1997B	3,395,000	8	Aug. 1997
Justice Center Leasehold Improvement Bonds, Series 2000A	1,980,000	2	Feb. 2000
Convention Center Hotel Compound Leasehold Revenue Bonds, Series 2000	39,999,579	12	July 2000
Justice Center Leasehold Revenue Bonds, Series 2001	61,190,000	13	Sept. 2001
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	19	Oct. 2006
Convention Center Leasehold Refunding Bonds, Series 2003	68,045,000	7	Apr. 1998
Civil Courts Revenue Refunding Bonds, Series 2003A	14,500,000	5	May 2003
Forest Park Revenue Improvement Bonds, Series 2004	14,185,000	14	Dec. 2004
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	23	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	15,125,000	12	Aug. 2005
Rolling Stock	9,905,773	12	Sept. 2006
Abram Building Leasehold Revenue Bonds, Series 2007	3,659,446	10	June 2007
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007	50,300,000	29	July 2007
Taxable Leasehold Revenue Bonds, Series 2007 (Pension Funding Project)	140,030,000	29	Sept. 2007
Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007	23,880,000	29	Dec. 2007
Taxable Public Safety Sales Tax Leasehold Revenue Bonds (Pension Funding Project) Series, 2008A	19,445,000	1	June 2008
Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series, 2008B	<u>25,555,000</u>	29	June 2008
Total	\$642,688,758		

Source: City Comptroller's Office.

Other Long-Term Debt Obligations

The City also has Missouri Transportation Finance Corporation (MTFC) and Missouri Department of Natural Resources (MDNR) loans that are repaid from the City Capital Fund.

<u>Description</u>	<u>Amount Outstanding April 30, 2008</u>	<u>Remaining Term in Years</u>
MDNR Energy Efficiency Program	\$ 977,631	5
MTFC Multimodal Direct Loan	4,500,000	10
	<u>\$5,477,631</u>	

Source: City Comptroller's Office

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of April 30, 2008, is set forth below.

	<u>General Obligation Bonds Outstanding</u>	<u>Percent Applicable to St. Louis</u>	<u>City's Direct and Overlapping Debt</u>
The City of St. Louis	\$ 50,874,742	100.00%	\$ 50,874,742
Board of Education of the City of St. Louis	<u>210,755,724</u>	100.00%	<u>210,755,724</u>
Total	\$261,630,466		\$261,630,466

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of April 30, 2008. These figures do not include lease agreements.

	<u>Amount</u>	<u>Per Capita¹</u>	<u>Ratio to Assessed Value</u>
Total Direct Debt	\$ 50,874,742	\$146.11	1.52%
Total Direct and Overlapping Debt	\$261,630,466	\$751.49	6.12%

¹ Based on Population from U.S. Census, 2000 (348,189).
Source: City Comptroller's Office.

Legal Debt Margin

The following table sets forth the City's Legal Debt Margin as of April 30, 2008.

	<u>City Purposes</u> <u>Basic Limit</u>	<u>Streets and Sewers</u> <u>Additional Limit</u>
2007 Assessed Value	\$4,557,182,166	\$4,557,182,166
Debt limit - 10% of assessed value	455,718,217	455,718,217
Less: General Obligation Bonds	<u>50,874,742</u>	<u>0</u>
Legal Debt Margin	<u>\$ 404,843,475</u>	<u>\$ 455,718,217</u>

Source: City Comptroller's Office.

EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 5,300 persons who are paid from the City's General Revenue Fund, approximately 1,900 of whom are employees of the Police Department.

Under State law, employees of the City, including those of the Police Department, do not have the authority to bargain collectively. The salaries of employees of the Police Department are established by the Police Board; provided that they remain within the limit established by the Hancock Amendment. All public employees have "meet and confer" rights, which means that they have the right to meet and confer with their employers to discuss salaries, benefits and other similar issues. The City is obliged to discuss these issues in good faith with its employees, although the discussions are not binding. No City employee has the right to strike. The City considers its employee relations to be good.

RETIREMENT SYSTEMS

The City maintains three retirement plans covering substantially all full-time employees. The plans are The Employees' Retirement System, The Firemen's Retirement System and The Police Retirement System. For each of the plans, liabilities for benefits are not limited to pension fund assets and are a statutory obligation of the City.

Contributions from the City's General Revenue Fund to all plans for the Fiscal Year ended June 30, 2008, totaled \$17,674,022 pension fund assets and are a statutory obligation of the City.

	(In Thousands)			
<u>Benefits</u>	<u>Actuarial</u> <u>Valuation Date</u>	<u>Actuarial Value of</u> <u>System Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liability</u>
Employee's Retirement System	October 1, 2007	\$646,569	\$732,576	\$86,007
Police Retirement System	October 1, 2007	786,428	872,751	86,323
Firemen's Retirement System	October 1, 2007	495,116	533,236	38,120

Source: City Comptroller's Office.

The City has created a “Pension Task Force” to review issues, including future benefit levels and funding sources, including one or more possible bond issues, associated with the three retirement plans described above. A copy of the Pension Task Force’s preliminary report is available from the City for review.

OTHER POST EMPLOYMENT BENEFITS GASB

Statement No. 45

The Governmental Accounting Standards Board (“GASB”) in 2006 issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans Other than Pension Plans (“OPEB”). This statement establishes uniform financial reporting standards for OPEB expenses and related liabilities in the comprehensive annual financial reports of governmental entities. The value of the obligation to provide retiree benefits must be actuarially calculated and accrued, and reported as a financial obligation of the employer OPEB cost. The main thrust of GASB Statement No. 45 is to require that public sector employers recognize the cost of OPEB over the active service life of their employees rather than on a pay-as-you-go basis. As required by GASB Statement No. 45, this information will be reported for the City beginning in its Comprehensive Annual Financial Report (“CAFR”) for the Fiscal Year ending June 30, 2008.

The City currently believes that its only OPEB obligation is with respect to the Metropolitan Police Department of the City of St. Louis (“SLPD”). A review by an actuary will determine if there are any further OPEB obligations that must be calculated and reported under GASB Statement No. 45.

The Metropolitan Police Department of the City of St. Louis, Missouri

The SLPD is a discretely presented component unit of the City. Complete financial statements may be obtained directly from the SLPD

SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding. Accordingly, the City’s general fund budget includes appropriations for the police department.

Under Section 84.160 of the Revised Statutes of Missouri, the Police Board is required to provide post-retirement healthcare and life insurance benefits for former civilian and commissioned employees who retire subsequent to 1969.

Currently, the City, on behalf of the SLPD, provides healthcare insurance for approximately 1,309 retirees, while approximately 1,399 are provided life insurance benefits. These costs are accounted for on a pay-as-you-go basis. The annual cost to the City of providing these benefits to retirees averages \$4,272 per retiree for healthcare and \$10.00 per retiree for life insurance for the fiscal ending June 30, 2007.

The following is a five-year history of the City's annual costs as well as a budgeted cost estimate for the Fiscal Year ending June 30, 2009.

<u>Fiscal Year Ending</u>	<u>City Cost</u>
2009 (budget)	\$6,317,354
2008	6,025,308
2007	5,605,911
2006	5,514,778
2005	6,470,532
2004	5,545,794

Status of Compliance with GASB Statement No. 45

In order to meet GASB No. 45 requirements, the SLPD has hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability, if any, of the City as it relates to the SLPD for the Fiscal Year ending June 30, 2008. Although the City does not expect to have any such liability, the City also has hired an actuarial firm to review the City's possible liability. The information produced by the actuaries will be included in the City's CAFR for the Fiscal Year ending June 30, 2008. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues, and expects to continue to do so.

LITIGATION

“The City is involved in various claims and lawsuits arising in the ordinary course of business that are covered by insurance or that the City does not believe to be material. The following is a summary of lawsuits in which the City is a defendant that may be material, if the outcome of the lawsuit is adverse to the City.”

ZOOLOGICAL SUBDISTRICT, etc. v. EMPLOYEES RETIREMENT SYSTEM

Description: Suit filed by Zoo Subdistrict, originally only against Board of Trustees of City Employees Retirement System (ERS), for declaratory judgment and breach of fiduciary duty. The Zoo Subdistrict participates as an employer in ERS. Suit claims that when ERS sent its annual certifications to various employers who participate in ERS for the percentage of payroll to be contributed for the next fiscal year, for several years the City failed to make the full amount of contributions certified. As a result, the suit alleges, because of the shortfall in the City's payments, the actuarial certification for all participants in the ERS increased in each subsequent year. Essentially, the suit alleges that the burden of contribution has been disproportionately placed on the Zoo Subdistrict.

Recent Developments: ERS filed an Answer and Counterclaim. ERS, through its attorneys, advised the Zoo Subdistrict that other employers who participate in ERS should have been made additional parties to the suit because they will be affected by it. The Zoo Subdistrict has sent correspondence to those other employers inquiring whether they would object to being joined as parties to the litigation. The Zoo Subdistrict has added the City as a defendant as an affected party for purposes of declaratory judgment, but not alleged any theory of liability against it. The St. Louis Public Library recently joined as a plaintiff in the case.

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APPENDIX B

**INDEPENDENT AUDITOR'S REPORT AND BASIC FINANCIAL
STATEMENTS OF THE CITY OF
ST. LOUIS, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2007**

NOTE

KPMG LLP, THE CITY'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 THAT REPORT, KPMG LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

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KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
City of St. Louis, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2007, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds and the St. Louis Development Corporation. The assets and additions/revenue of the pension trust funds represent 91% and 54% of the assets and additions/revenue, respectively, of the aggregate remaining fund information. The assets and revenues of the St. Louis Development Corporation represent 51% and 12% of the assets and revenues, respectively, of the aggregate discretely presented component units. The financial statements of the pension trust funds and the St. Louis Development Corporation were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

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 of material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Louis, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 19, the Budgetary Comparison Information on pages 133 through 138, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 139 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – additional supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri
December 27, 2007

CITY OF ST. LOUIS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City of St. Louis for the fiscal year ended June 30, 2007. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS (excluding discretely presented component units)

- On a government-wide basis the City's total assets exceeded its liabilities for the current fiscal year by \$1.5 billion.
- Governmental activities and business-type activities had net assets of \$261.1 million and \$1,240.0 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were \$89.6 million more than the \$940.4 million revenue generated in charges for services, grants, taxes, and other revenues. This is mainly due to loss on sale of capital assets of \$78.4 million.
- The cost of services for the City's governmental activities was \$682.8 million in fiscal year 2007 (excluding interest and fiscal charges).
- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of \$220.3 million. Of this amount, \$122.8 million is unreserved fund balance.
- The unreserved fund balance for the general fund was \$53.6 million or 13.0% of total general fund expenditures.
- The general fund revenues were higher than original budget estimates mainly due to an increase in earnings tax.
- In fiscal year 2007, the City issued \$560.9 million in long-term debt to finance projects and refund debt. There was a net increase of \$19.9 million or 1.2% in bond debt during the current fiscal year.
- Total actual resources available in the General Fund were \$2.9 million more than originally estimated and appropriated.
- Net pension obligations increased by \$32.0 million due to the difference between the actuarial determined pension contributions to the three pension funds and the amounts actually contributed.
- Tax increment financing (TIF) debt increased liabilities in the amount of \$44.4 million. There is no related asset for TIF debt, so net increases in TIF debt reduce unrestricted net assets by an equal amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The first set of financial statements is the government-wide statements that report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets (excluding fiduciary activity) and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those normally associated with the operation of a government such as, public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows.

The statement of activities presents the various functions of the City and the degree to which they are supported by charges for services, federal and state grants and contributions, tax revenues, and investment income.

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking division.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, and St. Louis Parking Commission Finance Corporation.

Fund Financial Statements

The second set of statements is fund financial statements, which provide information about groupings of related accounts that are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. The funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

1. *Governmental Funds.* Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance City programs.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and grants fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
 - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport (Airport), Water Division, and the Parking Division.
 - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.
3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets that can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds. The Police Retirement System of St. Louis uses the aggregate actuarial cost method, and accordingly, no required supplementary information is presented as this method does not identify or separately amortize unfunded actuarially accrued liabilities.

Combining Statements

The combining statements provide fund level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets for fiscal years 2007 and 2006 were \$1.5 billion and \$1.6 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets
June 30, 2007 and 2006
(dollars in millions)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Assets:						
Current and other assets	\$ 372.2	336.0	369.7	362.8	741.9	698.8
Capital assets	774.9	768.7	1,906.0	1,972.6	2,680.9	2,741.3
Total assets	1,147.1	1,104.7	2,275.7	2,335.4	3,422.8	3,440.1
Liabilities:						
Long-term debt outstanding	801.3	735.8	984.9	993.8	1,786.2	1,729.6
Other liabilities	84.7	63.6	50.8	56.2	135.5	119.8
Total liabilities	886.0	799.4	1,035.7	1,050.0	1,921.7	1,849.4
Net assets:						
Invested in capital assets,						
Net of related debt	410.4	402.3	1,072.9	1,120.7	1,483.3	1,523.0
Restricted	103.9	108.9	136.1	145.3	240.0	254.2
Unrestricted	(253.2)	(205.9)	31.0	19.4	(222.2)	(186.5)
Total net assets	\$ 261.1	305.3	1,240.0	1,285.4	1,501.1	1,590.7

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.5 billion in the current year and \$1.6 billion in the previous year.

Of the largest portion of the City's net assets totalling 1.5 billion, 98.8% reflects its investments of capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal year 2007 and fiscal 2006, respectively, is \$240.0 million and \$254.2 million, which represent resources that are subject to external restrictions on how they may be used.

Total unrestricted net assets decreased by \$35.7 million for the year ended June 30, 2007. Consequently, unrestricted governmental activities net assets showed a \$253.2 million deficit at the end of this year as compared with a \$205.9 million deficit last fiscal year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, three particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$58.8 million
- Joint venture financing agreement for the expansion of the convention center, \$65.1 million
- Tax increment financing debt for economic development projects in the amount of \$114.3 million

Although the net assets of the business-type activities account for 82.6% of overall net assets, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the Airport, Water Division, and the Parking Division.

The City of St. Louis, Missouri
Changes in Net Assets
For the Fiscal Years ended June 30, 2007 and 2006
(dollars in millions)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 117.1	106.5	213.6	209.4	330.7	315.9
Operating Grants and Contributions	76.0	80.2	2.7	6.7	78.7	86.9
Capital Grants and Contributions	14.2	13.8	44.6	38.3	58.8	52.1
General revenues:						
Taxes	447.6	435.5			447.6	435.5
Investment Income	12.1	9.5	12.5	11.8	24.6	21.3
Total revenues	667.0	645.5	273.4	266.2	940.4	911.7
Expenses:						
General government	91.8	93.6			91.8	93.6
Convention and tourism	4.4	4.6			4.4	4.6
Parks and recreation	28.1	25.4			28.1	25.4
Judicial	47.0	46.6			47.0	46.6
Streets	58.6	59.1			58.6	59.1
Public Safety:						
Fire	56.5	54.6			56.5	54.6
Police	138.9	134.6			138.9	134.6
Other	60.0	55.7			60.0	55.7
Health and welfare	45.6	46.1			45.6	46.1
Public service	73.1	67.5			73.1	67.5
Community Development	78.8	66.3			78.8	66.3
Interest on long-term debt	36.0	33.7			36.0	33.7
Airport			178.1	156.8	178.1	156.8
Water Division			42.3	40.5	42.3	40.5
Parking Division			12.4	14.1	12.4	14.1
Total expenses	718.8	687.8	232.8	211.4	951.6	899.2
Increase (decrease) in net assets before gain and transfers	(51.8)	(42.3)	40.6	54.8	(11.2)	12.5
Gain/loss on sale of capital assets	(.3)		(78.1)		(78.4)	
Transfers	7.9	7.4	(7.9)	(7.4)	0.0	0.0
Increase (decrease) in net assets	(44.2)	(34.9)	(45.4)	47.4	(89.6)	12.5
Net assets-beginning	305.3	340.2	1,285.4	1,238.0	1,590.7	1,578.2
Net assets-ending	\$ 261.1	305.3	1,240.0	1,285.4	1,501.1	1,590.7

Changes in net assets. The City's total revenue on a government-wide basis was \$940.4 million, an increase of \$28.7 million over the previous year. Taxes represent 47.6% of the City's revenue as compared with 47.8% last year. Additionally, 35.2% comes from fees charged for services, as compared with 34.7% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

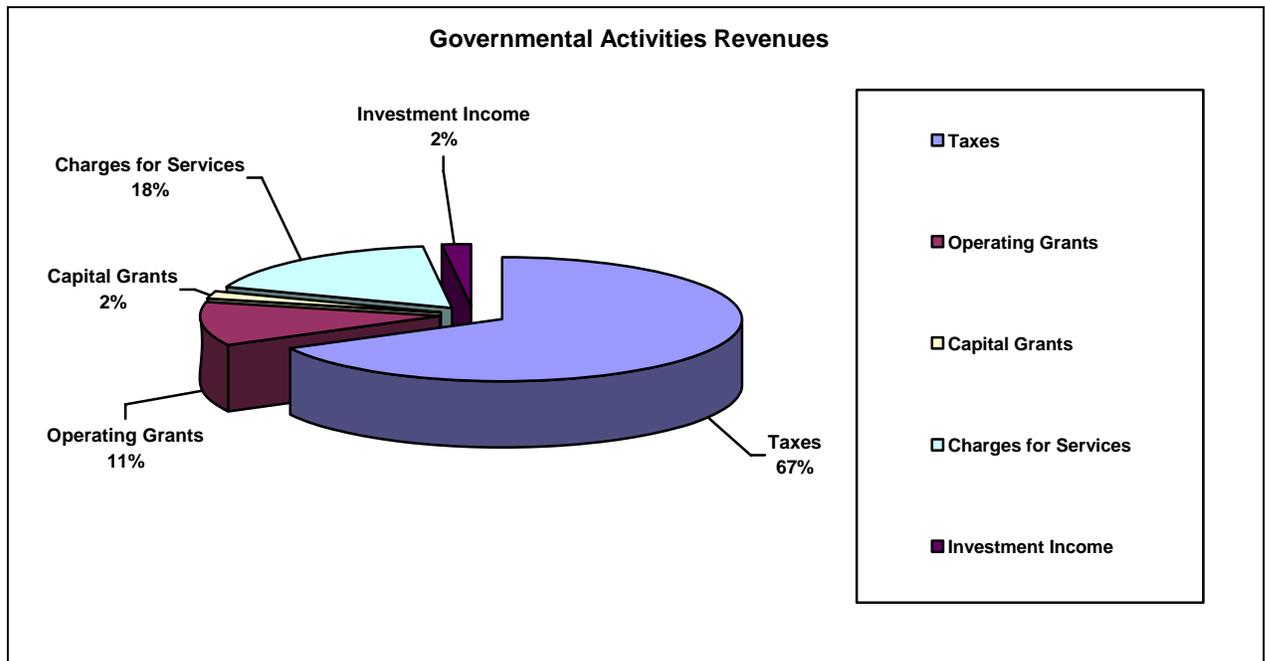
The total cost of all programs and services was \$951.6 million, an increase from \$899.2 million last year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by \$44.2 million or 14.4%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by \$21.5 million or 3.3%, while total expenses increased by \$31.0 million or 4.5%.

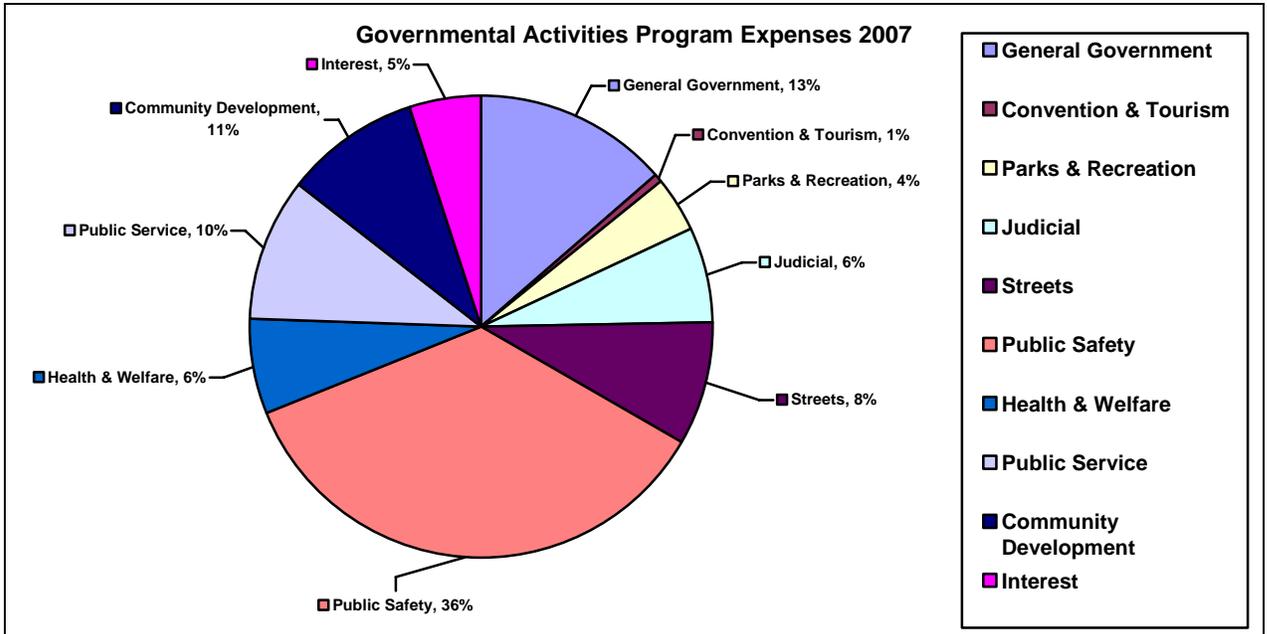
In the General Fund, several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of \$4.6 million or 1.4%. This can be attributed to the increase in earnings tax due to a healthy growth in the economy. License and permits had a negative variance of \$1.4 million or 7.3%; pending lawsuits with communication companies caused a decrease in licenses.

Although assessed values for real property have been increasing, the Missouri Constitution requires a rollback of tax rates to prevent a tax revenue windfall to municipal governments.

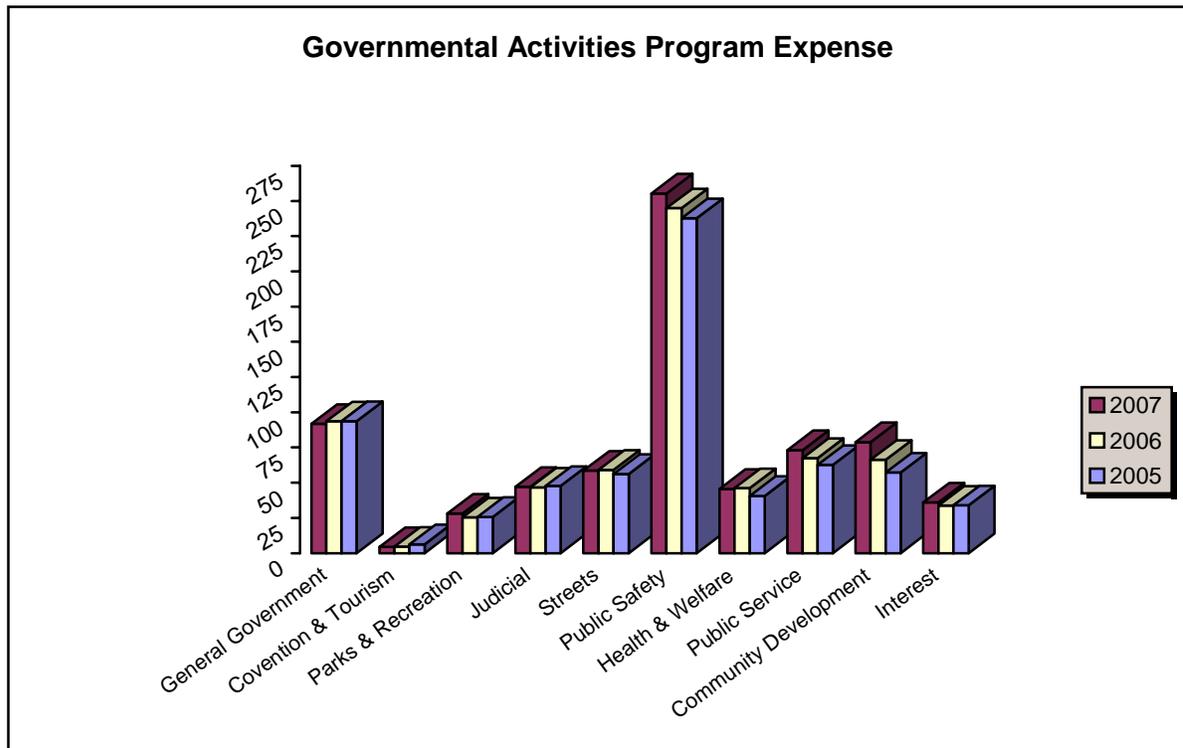
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2007.



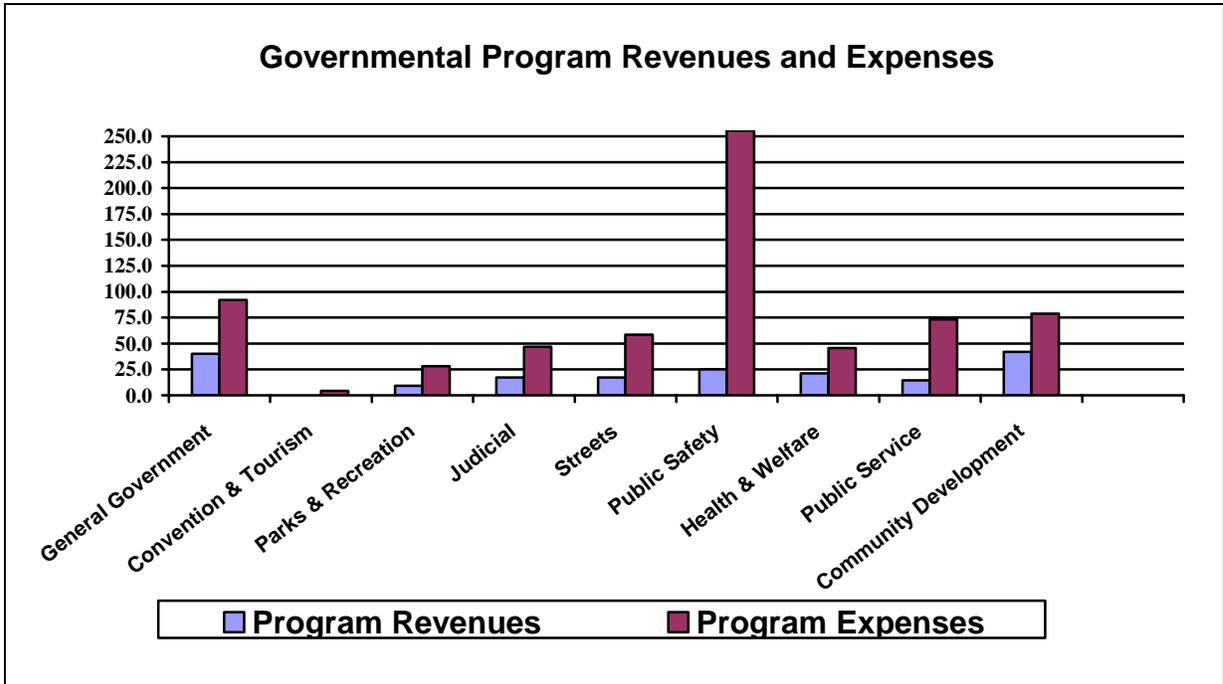
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was \$718.8 million, an increase of \$31.0 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (36%). The majority of the spending was the result of funding the Police Department \$138.9 million and the Fire Department \$56.5 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2007, 2006, and 2005.



The following chart depicts the total expenses and total program revenues of the City's governmental functions. This format identifies the extent to which each governmental function is self-financing through fees, intergovernmental revenue, or general revenues.



The City of St. Louis, Missouri
 Governmental Activities
 (dollars in millions)

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General government	\$ 91.8	93.6	51.7	55.3
Convention and tourism	4.4	4.6	4.3	4.6
Parks and recreation	28.1	25.4	18.9	23.0
Judicial	47.0	46.6	29.9	30.3
Streets	58.6	59.1	41.3	42.8
Public Safety:				
Fire	56.5	54.6	49.0	47.3
Police	138.9	134.6	138.9	134.6
Other	60.0	55.7	35.6	28.8
Health and welfare	45.6	46.1	24.5	23.3
Public service	73.1	67.5	44.5	39.6
Community Development	78.8	66.3	36.8	24.0
Totals	\$ 682.8	654.1	475.4	453.6

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was \$682.8 million compared with \$654.1 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$475.4 million. The difference of \$207.4 million comprises charges for services (\$117.1 million), operating grants and contributions (\$76.0 million), and capital grants and contributions (\$14.3 million).

Business-Type activities. Business-type activities reflect a decrease in net assets of \$45.4 million or 3.5%. The reduction in net assets is due primarily to the loss on sale of capital assets at the Airport.

Lambert – St. Louis International Airport. The net assets of the Airport decreased by \$49.9 million or 4.4%. The operating loss was \$9.5 million this year versus an operating income of \$7.9 million in 2006. Total operating revenues for 2007 was \$125.8 million. Of this amount, major sources of operating revenue included aviation revenue (68.4%), concession revenue (17.6%), and lease revenue (2.5%). A form of non-operating revenue is passenger facility charges which accounts for (13.8%) of total revenues.

At June 30, 2007, the capital assets balance was \$1,684.2 million. This amount includes buildings and structures with \$141.2 million, pavings with \$668.4 million, and equipment with \$19.8 million, all net of accumulated depreciation. Land is \$786.4 million and construction in progress is \$68.4 million. During fiscal year 2007, the Airport realized a loss on disposal of capital assets of \$76.2 million.

At June 30, 2007, the Airport had bonded debt of \$843.9 million.

Water Division. The net assets of the Water Division increased by \$1.3 million or 0.9%. Operating income was \$2.8 million this year versus an operating income of \$6.1 million in 2006. Total operating revenues for 2007 was \$44.1 million. Of this amount, major sources of operating revenue included metered revenue (42.7%) and flat rate revenue (39.6%).

At June 30, 2007, the capital assets balance was \$155.9 million. This amount includes buildings and structures (net of accumulated depreciation) with \$19.1 million, reservoirs and water mains with \$89.9 million, equipment with \$36.9 million, land with \$1.2 million, and construction-in-progress with \$8.8 million.

At June 30, 2007, the Water Division had bonded debt of \$29.2 million.

Parking Division. The net assets of the Parking Division increased by \$2.9 million or 13.9%. Operating income was \$4.2 million this year versus an operating income of \$4.3 million in 2006. Total operating revenues for 2007 was \$14.5 million. Of this amount, major sources of operating revenue included parking meter revenue (21.9%), parking violations notices revenue (26.7%), and parking facilities revenue (46.5%).

At June 30, 2007, the capital assets balance was \$65.9 million. This amount includes buildings and parking garages (net of accumulated depreciation) \$42.3 million, parking meters and lot equipment \$2.3 million, and land \$21.3 million.

At June 30, 2007, the Parking Division had bonded debt of \$70.1 million.

The City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2007
(dollars in millions)

	2007	2006	2007 vs. 2006 \$ Change	2007 vs. 2006 % Change
Total Assets	\$ 383.4	336.3	47.1	14.0
Total Liabilities	163.1	131.2	31.9	24.3
Fund Balances:				
Reserved:	97.5	106.1	(8.6)	(8.1)
Unreserved:				
General Fund	53.6	57.2	(3.6)	(6.2)
Special Revenue	56.5	49.0	7.5	15.3
Capital Projects	12.7	(7.2)	19.9	276.7
Total fund balances	220.3	205.1	15.2	7.4
Total liabilities and fund balance	\$ 383.4	336.3	47.1	14.0

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on inflows, outflows and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$53.6 million, while the total general fund balance was \$74.7 million. As of June 30, 2006, the balances were \$57.2 million and \$80.3 million respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of \$53.6 million represents 12.6% of total general fund expenditures and transfers out of \$426.8 million, while total general fund balance of \$74.7 million represents 17.5% of total general fund expenditures and transfers out. This compares with 13.7% and 19.2%, respectively, in fiscal year 2006.

The total fund balance in the City's general fund decreased by \$5.6 million or 7.0% in the current fiscal year. The City's general fund increased by \$7.5 million or 10.3% in the prior fiscal year. Key factors in the decrease of the general fund balance are primarily due to:

1. Licenses and permits generated \$1.5 million less than original estimates.
2. The funding of debt from the general fund versus being funded from other funds in the previous year.

The capital projects fund ended the fiscal year with a positive unreserved fund balance of \$12.7 million and a total positive fund balance of \$68.4 million, as compared with a negative unreserved fund balance of \$7.2 million and a total positive fund balance of \$60.3 million in fiscal year 2006. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received \$76.0 million in intergovernmental revenues that funded community development in the amount of \$35.5 million, or 46.7%, and health and welfare in the amount of \$21.7 million, or 28.5%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for the Airport was \$23.1 million, the Water Division \$2.5 million, and the Parking Division was \$6.6 million, as compared with \$16.8 million, \$2.4 million, and \$1.4 million, respectively in 2006. The internal service funds that are used to account for certain governmental activities, also had negative unrestricted net assets in the amount of \$1.0 million. Last year the unrestricted net assets were negative \$2.4 million. The total decrease in net assets for the enterprise funds was \$45.5 million in the current year and increase of \$47.2 million the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled \$1.7 billion an increase of \$73.8 million from the previous year. The net increase is primarily due to the increase in market value of the pension funds' investment.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$63.8 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

The final budget for the City's General Fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. The general fund budget includes appropriations for the police department that is a component unit of the city. This discussion presents the budget information on the budgetary basis as the Board of Alderman approves the budget.

In the fiscal year, \$5.7 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget total of \$425.3 million included estimated revenues of \$421.5 million plus an anticipated draw from the general fund balance of \$3.8 million. Actual results for the fiscal year had revenues exceeding original estimates by \$2.9 million, totalling \$424.4 million.

Actual expenditures totaled \$424.2 million. This includes expenditures of \$4.5 million from prior year encumbrances and commitments. The encumbrances and commitments carried over into the next fiscal year in regard to the fiscal year 2007 budget total \$4.9 million. A transfer out of \$4.8 million was made to the Capital Projects Fund per an ordinance mandating half of the prior year operating surplus must be used for capital projects. The General Fund ended the fiscal year with a budget basis surplus of \$3.0 million. As of June 30, 2007, the unreserved fund balance of the General Fund was \$21.5 million on a cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

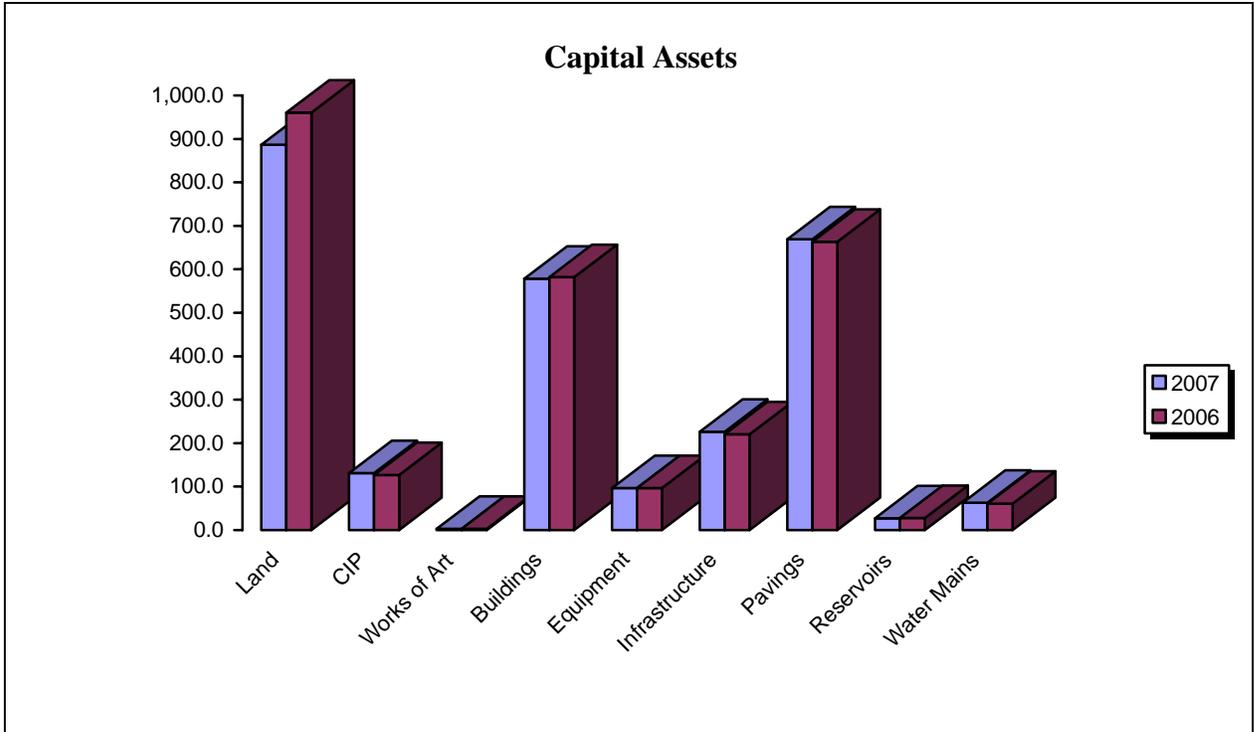
The City had invested \$2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$60.4 million, or 2.2%, over last year.

The City of St. Louis, Missouri
Schedule of Changes in Capital Assets
Net of Accumulated Depreciation
(dollars in millions)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 77.4	77.4	808.9	883.1	886.3	960.5
Construction-in-progress	54.1	58.6	77.2	68.2	131.3	126.8
Works of art	3.2	3.0			3.2	3.0
Buildings and improvements	366.4	363.2	202.6	209.4	569.0	572.6
Equipment	47.5	45.9	59.0	61.1	106.5	107.0
Infrastructure	226.4	220.6			226.4	220.6
Paving			668.4	662.2	668.4	662.2
Reservoirs			27.2	27.9	27.2	27.9
Water mains, line, accessories			62.7	60.8	62.7	60.8
Total	\$ 775.0	768.7	1,906.0	1,972.7	2,681.0	2,741.4

This year's major capital asset changes included:

- \$ 6.0 million additions in Infrastructure in governmental activities
- \$76.3 million decrease in land due to disposal of surplus property in business-type activities



For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

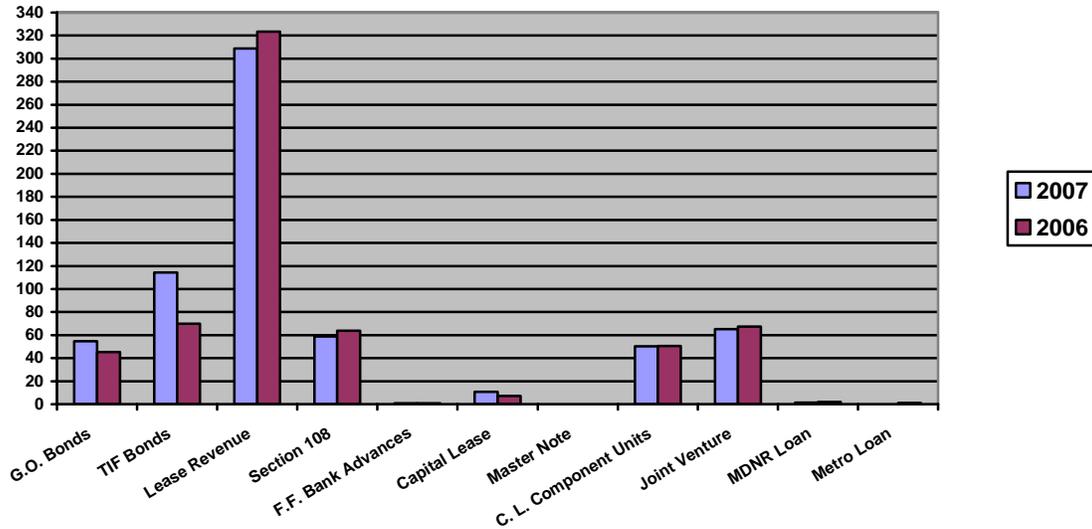
Long-Term Debt

At the end of fiscal year 2007, the City had outstanding long-term debt obligations for governmental activities in the amount of \$665.1 million compared with \$631.0 million in fiscal year 2006. Of this amount, \$54.8 million are general obligation bonds and \$114.2 million are tax increment financing bonds. Lease revenue obligations outstanding totaled \$308.8 million.

The City of St. Louis, Missouri
Outstanding Long-term Debt Obligations-Governmental Activities
(dollars in millions)

	Fiscal Year 2007	Fiscal Year 2006	% Change
General obligation bonds	\$ 54.8	45.2	21.2
Tax increment financing bonds and notes	114.2	69.8	63.6
Leasehold revenue obligations	308.8	323.5	(4.5)
Section 108 loan guarantee assistance programs	58.8	63.7	(7.7)
Federal financing bank advances	0.7	0.7	0.0
Capital lease-rolling stock	10.9	7.2	51.4
Master note purchase agreement	0.1	0.1	0.0
Obligations under capital leases with component units	50.2	50.6	(0.8)
Joint venture financing agreement	65.1	67.3	(3.3)
Missouri Department of Natural Resources (MDNR) direct loan agreement	1.5	1.9	(21.1)
Loan agreement with Metro		1.0	(100.0)
Total	\$ 665.1	631.0	5.4

Outstanding Long-Term Debt Obligations 2007 and 2006



State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2007 was \$389.3 million. The City's effective legal debt margin as of June 30, 2007 was \$334.5 million. For additional information on long-term debt, refer to the notes 13 to 16 to the basic financial statements.

The City's underlying general obligation credit ratings remained unchanged for fiscal year 2007. The City ratings on uninsured general obligation bonds as of June 30, 2007 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A-
Fitch IBCA, Inc. Ratings	A-

The City of St. Louis, Missouri Outstanding Long-Term Debt Obligations-Business Type Activities (dollars in millions)

	Fiscal Year 2007	Fiscal Year 2006	\$ Change	% Change
Airport	\$ 843.9	861.1	(17.2)	(2.0)
Water Division	29.2	31.8	(2.6)	(8.2)
Parking Division	70.1	64.5	5.6	8.7
Total	\$ 943.2	957.4	(14.2)	(1.5)

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2007 and June 30, 2006 were \$943.2 million and \$957.4 million. The amount reflects a decrease of \$14.2 million, or 1.5%. This amount includes Airport bonds of \$843.9 million, Water Division bonds of \$29.2 million, and Parking

Division bonds of \$70.1 million. For additional information on revenue bonds of the business-type activities, refer to note 17 of the basic financial statements.

Economic Factors and Next Year's Budget

- The fiscal year 2008 annual operating budget allocates \$867.7 million among all budgeted funds, an increase of 4.7% incorporating several special fund initiatives relating to:
 - Forest Park and other neighborhood park improvements.
 - Financing for two new recreation centers, improvements to existing centers and additional recreational programming.
 - Public Safety Initiatives related to problem and nuisance property prosecution, career criminal prosecution unit, and additional police officers.
- The fiscal year 2008 general fund budget is \$435.3 million compared with \$425.3 million in the prior year. This amount reflects an increase of \$10 million, or 2.4%. This relates to:
 - Funding most services at existing levels, except in areas with new funding sources.
 - Funds for modest pay increases for employees.
 - Financing of pension costs – effort ongoing to develop comprehensive plan to address future cost of all three pension systems.
- Total positions for 2008 is 7,238, an increase of 2%. The additional 131 positions relate to the Corrections Division and Police Dept. with remaining scattered among other city departments.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, 1200 Market Street, Room 311, Saint Louis, Missouri 63103.





City of St. Louis, Missouri
Statement of Net Assets
June 30, 2007
(dollars in thousands)

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	SWMDC
ASSETS						
Cash and cash equivalents	\$ 28,551	15,338	43,889	14,881	1,761	1,443
Investments	88,966	14,573	103,539	—	4,409	710
Receivables, net	151,208	57,965	209,173	8,290	2,796	—
Inventories	—	3,837	3,837	—	1,447	—
Restricted assets	83,806	260,990	344,796	2,146	704	—
Deferred charges	9,428	23,442	32,870	—	31	—
Internal balances	8,644	(8,644)	—	—	—	—
Other assets	57	2,186	2,243	653	1,054	—
Receivable from primary government	—	—	—	3,359	1,551	—
Receivable from component unit	1,512	—	1,512	—	—	—
Property held for development	—	—	—	11,066	—	—
Capital assets, net:						
Non-depreciable	134,652	886,111	1,020,763	4,914	1,646	—
Depreciable	640,294	1,019,868	1,660,162	10,892	30,471	5,137
Total assets	<u>1,147,118</u>	<u>2,275,666</u>	<u>3,422,784</u>	<u>56,201</u>	<u>45,870</u>	<u>7,290</u>
LIABILITIES						
Accounts payable and accrued liabilities	19,736	22,113	41,849	1,207	2,452	—
Accrued salaries and other benefits	4,277	1,691	5,968	—	2,536	—
Accrued interest payable	38,064	20,470	58,534	372	—	—
Unearned revenue	14,429	5,218	19,647	—	315	—
Other liabilities	3,610	—	3,610	—	—	—
Commercial paper payable	—	1,000	1,000	—	—	—
Payable to primary government	—	—	—	—	1,512	—
Payable to component units	4,510	400	4,910	—	—	—
Long-term liabilities:						
Due within one year	72,267	38,621	110,888	5,707	15,046	—
Due in more than one year	729,066	946,265	1,675,331	27,427	62,501	—
Total liabilities	<u>885,959</u>	<u>1,035,778</u>	<u>1,921,737</u>	<u>34,713</u>	<u>84,362</u>	<u>—</u>
NET ASSETS						
Invested in capital assets, net of related debt	410,429	1,072,894	1,483,323	3,341	30,208	5,137
Restricted:						
Debt service	41,246	95,751	136,997	2,146	704	—
Capital projects	29,641	16,244	45,885	—	—	—
Passenger facility charges	—	23,998	23,998	—	—	—
Statutory restrictions	33,011	—	33,011	—	—	—
Unrestricted (deficit)	(253,168)	31,001	(222,167)	16,001	(69,404)	2,153
Total net assets	<u>\$ 261,159</u>	<u>1,239,888</u>	<u>1,501,047</u>	<u>21,488</u>	<u>(38,492)</u>	<u>7,290</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
Year ended June 30, 2007
(dollars in thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component Units
	Expenses			Total	SLDC	SLPD
Primary Government:						
Governmental activities:						
General government	\$ 91,822	39,757	—	(51,689)	—	—
Convention and tourism	4,352	16	—	(4,336)	—	—
Parks and recreation	28,130	9,126	126	(18,878)	—	—
Judicial	46,990	14,855	2,203	(29,932)	—	—
Streets	58,606	17,184	154	(41,268)	—	—
Public safety:						
Fire	56,405	7,416	—	(48,989)	—	—
Police— Payment to SLPD	138,871	—	—	(138,871)	—	—
Other	59,984	22,797	1,570	(35,617)	—	—
Health and welfare	45,630	418	20,714	(24,498)	—	—
Public service	73,145	5,530	14,232	(44,486)	—	—
Community development	78,788	—	—	(36,834)	—	—
Interest and fiscal charges	36,024	—	—	(36,024)	—	—
Total governmental activities	718,747	117,099	14,232	(511,422)	—	—
Business-type activities:						
Airport	178,110	155,295	2,643	—	23,587	—
Water Division	42,395	44,130	874	—	2,609	—
Parking Division	12,423	14,155	—	—	1,732	—
Total business-type activities	232,928	213,580	2,643	—	27,928	—
Total primary government	951,675	330,679	58,865	(511,422)	(483,494)	—
Component Units:						
SLDC	\$ 19,744	9,561	—	—	643	—
SLPD	157,663	2,142	3,477	—	—	(144,369)
SWMDC	274	348	—	—	—	—
Total component units	\$ 19,745	12,051	3,477	—	643	(144,369)
General revenues:						
Taxes:						
Property taxes, levied for general purpose				\$ 62,333	—	—
Property taxes, levied for debt service				6,197	—	—
Sales taxes				127,664	—	—
Earnings/payroll taxes				169,822	—	—
Gross receipts taxes (includes franchise tax)				75,378	—	—
Miscellaneous taxes				6,237	—	—
Unrestricted investment earnings				12,094	603	301
Support provided by City of St. Louis, Missouri				—	—	138,871
On-behalf payment for pension contribution from the City of St. Louis, Missouri				—	—	8,093
Gain/loss on sale of capital assets				(7,885)	—	(59)
Transfers				467,286	603	147,206
Total general revenues and transfers				393,818	603	2,837
Change in net assets				(44,136)	1,246	129
Net assets—beginning of year				1,285,428	20,242	(41,329)
Net assets—end of year				\$ 1,301,047	21,488	(38,492)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2007
(dollars in thousands)

	<u>Major Funds</u>			<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Capital</u>	<u>Grants</u>	<u>Other</u>	
	<u>Fund</u>	<u>projects</u>	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Fund</u>		<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and cash equivalents:					
Restricted	\$ 6,541	10,632	—	6,361	23,534
Unrestricted	2,151	51	—	26,288	28,490
Investments:					
Restricted	14,701	43,422	—	2,149	60,272
Unrestricted	28,387	21,272	6,213	33,094	88,966
Receivables, net of allowances					
Taxes	90,073	2,950	—	28,690	121,713
Licenses and permits	2,629	—	—	240	2,869
Intergovernmental	3,972	2,180	15,525	1,650	23,327
Charges for services	252	—	—	2,181	2,433
Notes and loans	—	—	—	79	79
Other	187	—	6	594	787
Due from component units	1,512	—	—	—	1,512
Due from other funds	22,396	—	—	7,023	29,419
Total assets	<u>\$ 172,801</u>	<u>80,507</u>	<u>21,744</u>	<u>108,349</u>	<u>383,401</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 5,361	5,533	6,827	1,754	19,475
Accrued salaries and other benefits	3,343	280	261	393	4,277
Due to component units	1,551	—	—	2,959	4,510
Due to other funds	1,272	6,292	14,718	2,919	25,201
Advance from other funds	12,121	—	—	—	12,121
Deferred revenue	72,019	9	—	21,841	93,869
Other liabilities	2,406	—	—	1,204	3,610
Total liabilities	<u>98,073</u>	<u>12,114</u>	<u>21,806</u>	<u>31,070</u>	<u>163,063</u>
Fund balances:					
Reserved:					
Encumbrances	2,048	26,027	—	4,936	33,011
Debt service	19,031	1	—	15,773	34,805
Capital projects	—	29,641	—	—	29,641
Unreserved, reported in:					
General fund	53,649	—	—	—	53,649
Special revenue funds	—	—	(62)	56,570	56,508
Capital projects fund	—	12,724	—	—	12,724
Total fund balances	<u>74,728</u>	<u>68,393</u>	<u>(62)</u>	<u>77,279</u>	<u>220,338</u>
Total liabilities and fund balances	<u>\$ 172,801</u>	<u>80,507</u>	<u>21,744</u>	<u>108,349</u>	<u>383,401</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2007
(dollars in thousands)

Total fund balances—governmental funds—balance sheet \$ 220,338

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the fund financial statements. 774,901

Various taxes related to fiscal year 2007 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements. 12,772

Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2007 and payable on December 31, 2007 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements. 66,668

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets, net of amounts due from enterprise funds. 105

Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements. 9,428

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported on the government-wide statement of net assets. Also, during the year, the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.

Balances as of June 30, 2007 are:

Accrued compensated absences	(27,489)
Firemen's overtime related to Proposition B	(1,148)
Net pension obligation	(92,300)
Accrued interest payable on bonds	(38,064)
Landfill closure liability	(120)
Capital lease	(61,050)
Bonds and notes payable	(604,035)
Unamortized discounts	1,133
Unamortized premiums	(15,323)
Unamortized deferred amounts on refunding	15,343
	15,343

Total net assets—governmental activities—statement of net assets \$ 261,159

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2007
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
REVENUES					
Taxes	\$ 321,610	19,286	—	98,540	439,436
Licenses and permits	18,384	—	—	6,011	24,395
Intergovernmental	23,359	14,862	75,994	8,904	123,119
Charges for services, net	17,588	408	—	11,971	29,967
Court fines and forfeitures	8,273	—	—	161	8,434
Investment income	5,965	3,077	7	3,045	12,094
Interfund services provided	3,719	—	—	—	3,719
Miscellaneous	2,512	413	—	11,378	14,303
Total revenues	<u>401,410</u>	<u>38,046</u>	<u>76,001</u>	<u>140,010</u>	<u>655,467</u>
EXPENDITURES					
Current:					
General government	36,992	17	364	15,693	53,066
Convention and tourism	154	—	—	—	154
Parks and recreation	19,167	4,169	122	1,671	25,129
Judicial	41,806	—	2,134	2,693	46,633
Streets	27,070	6,578	149	1,523	35,320
Public Safety:					
Fire	53,506	—	4	37	53,547
Police	132,392	1,289	—	5,190	138,871
Other	48,452	—	1,517	9,284	59,253
Health and welfare	2,663	—	21,697	20,707	45,067
Public services	23,259	4,165	8,312	37,255	72,991
Community development	—	—	35,499	43,852	79,351
Capital outlay	—	34,590	2,101	6,900	43,591
Debt service:					
Principal	16,208	12,500	3,005	7,295	39,008
Interest and fiscal charges	10,396	8,940	1,097	9,432	29,865
Total expenditures	<u>412,065</u>	<u>72,248</u>	<u>76,001</u>	<u>161,532</u>	<u>721,846</u>
Deficiency of revenues over expenditures	<u>(10,655)</u>	<u>(34,202)</u>	<u>—</u>	<u>(21,522)</u>	<u>(66,379)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	—	175	—	—	175
Issuance of leasehold revenue bonds	23,165	560	—	—	23,725
Premium on debt issuances	—	4,178	—	—	4,178
Bond discount on debt issuances	(321)	(106)	—	(40)	(467)
Issuance of capital lease	—	6,014	—	4,000	10,014
Issuance of tax increment revenue notes	—	—	—	55,158	55,158
Issuance of general obligation bonds	—	13,000	—	—	13,000
Issuance of joint venture financing agreement	—	49,585	—	—	49,585
Payment to refunded escrow agent-joint venture	—	(51,316)	—	—	(51,316)
Payment to refunded escrow agent-leasehold revenue bonds	(22,830)	—	—	—	(22,830)
Advance refunding on TIF bonds and notes payable	—	—	—	(7,500)	(7,500)
Transfers in	19,768	20,295	—	1,550	41,613
Transfers out	(14,693)	(80)	—	(18,955)	(33,728)
Total other financing sources (uses), net	<u>5,089</u>	<u>42,305</u>	<u>—</u>	<u>34,213</u>	<u>81,607</u>
Net change in fund balances	<u>(5,566)</u>	<u>8,103</u>	<u>—</u>	<u>12,691</u>	<u>15,228</u>
Fund balances:					
Beginning of year	80,294	60,290	(62)	64,588	205,110
End of year	<u>\$ 74,728</u>	<u>68,393</u>	<u>(62)</u>	<u>77,279</u>	<u>220,338</u>

See accompanying notes to basic financial statements.

City of St Louis, Missouri
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2007
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances	\$	15,228
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. Additionally, contributions of capital assets to the City are recorded as capital contributions on the statement of activities. This is the amount by which capital outlays and capital contributions, meeting the capitalization threshold, exceeded depreciation expense in the current year.		
		6,317
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:		
Revenues received after the 60-day accrual period	735	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	7,743	
		8,478
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net income of internal service funds attributable to governmental activities is reported on the statement of activities.		
		1,204
The City reports a net pension obligation on the statement of net assets to the extent actual contributions to the City's retirement plans fall below the annual required contribution. This obligation is not reported in the fund financial statements. Fluctuations in net pension obligations are reported in the statement of activities.		
		(32,579)
Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayments of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets.		
Debt issued during the current year:		
Series 2006A Carnahan Leasehold Revenue Refunding Bonds	(23,725)	
Series 2006 General Obligation Bonds	(13,000)	
Series 2007C Convention & Sport Complex Bonds-Joint Venture financing agreement	(49,585)	
Series 2007 Abrahms Building Capital Lease	(4,000)	
Capital Lease-Rolling Stock	(6,014)	
Tax increment financing notes payable	(46,424)	
Tax increment financing bonds payable-Southtown	(8,734)	
Repayments during the current year:		
Advance refunding of Series 2002A Carnahan Leasehold Revenue Bonds	21,750	
Advance refunding of Series 1997 Convention & Sports Complex Bonds-Joint Venture	48,531	
Advance refunding of tax increment financing bonds and notes payable-Southtown	7,500	
Loan agreement with Metro	1,000	
Release of Robert E. Lee TIF note	600	
Annual principal payments on bonds and notes payable	35,243	
Annual principal payments on capital leases	2,765	
		(34,093)
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.		
This adjustment combines the net changes of the following:		
Accrued compensated absences	(1,646)	
Firemen's overtime related to Proposition B	(1,148)	
Accrued interest payable on bonds	(7,853)	
Landfill closure liability	108	
Discounts on debt issuances, net of amortization	394	
Premiums on debt issuances, net of amortization	(2,464)	
Deferred bond issuance costs, net of amortization	1,681	
Deferred advanced refunding differences on debt issuances, net of amortization	2,237	
		(8,691)
Change in net assets—governmental activities—statement of activities	\$	(44,136)
See accompanying notes to basic financial statements.		

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007
(dollars in thousands)

	<u>Major Funds—Enterprise Funds</u>			<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
	<u>Lambert— St. Louis International Airport</u>	<u>Water Division</u>	<u>Parking Division</u>		
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 70,731	3,626	10,252	84,609	—
Unrestricted cash and cash equivalents	7,762	1,699	5,877	15,338	61
Investments – unrestricted	—	8,538	6,035	14,573	—
Receivables, net of allowances:					
Intergovernmental	29,859	—	—	29,859	—
Charges for services	16,168	5,804	130	22,102	—
Passenger facility charges	5,365	—	—	5,365	—
Accrued interest	508	131	—	639	—
Prepaid assets	—	—	—	—	57
Due from other funds	—	—	—	—	3,933
Advance to other funds	—	—	—	—	12,121
Inventories	2,060	1,777	—	3,837	—
Other current assets	2,166	—	20	2,186	—
Total current assets	<u>134,619</u>	<u>21,575</u>	<u>22,314</u>	<u>178,508</u>	<u>16,172</u>
Noncurrent assets:					
Investments – restricted	161,934	10,503	3,944	176,381	—
Capital assets:					
Property, plant, and equipment	1,352,469	259,668	59,457	1,671,594	117
Less accumulated depreciation	(523,170)	(113,767)	(14,789)	(651,726)	(72)
	<u>829,299</u>	<u>145,901</u>	<u>44,668</u>	<u>1,019,868</u>	<u>45</u>
Land	786,414	1,238	21,260	808,912	—
Construction-in-progress	68,431	8,768	—	77,199	—
Capital assets, net	<u>1,684,144</u>	<u>155,907</u>	<u>65,928</u>	<u>1,905,979</u>	<u>45</u>
Deferred charges and other assets	21,693	376	1,373	23,442	—
Total noncurrent assets	<u>1,867,771</u>	<u>166,786</u>	<u>71,245</u>	<u>2,105,802</u>	<u>45</u>
Total assets	<u>2,002,390</u>	<u>188,361</u>	<u>93,559</u>	<u>2,284,310</u>	<u>16,217</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	5,741	2,415	99	8,255	261
Accrued salaries and other benefits	1,229	356	106	1,691	—
Accrued vacation, compensatory, and sick time benefits	5,661	3,374	171	9,206	—
Contracts and retainage payable	13,858	—	—	13,858	—
Accrued interest payable	19,694	646	130	20,470	—
Current portion of revenue bonds	25,090	2,850	1,475	29,415	—
Commercial paper payable	1,000	—	—	1,000	—
Due to other funds	3,770	2,332	1,422	7,524	627
Due to component unit	—	—	400	400	—
Claims payable	—	—	—	—	16,344
Deferred revenue	1,742	1,447	2,029	5,218	—
Total current liabilities	<u>77,785</u>	<u>13,420</u>	<u>5,832</u>	<u>97,037</u>	<u>17,232</u>
Noncurrent liabilities:					
Revenue bonds payable, net	840,656	25,441	62,419	928,516	—
Deposits held for others	—	2,388	—	2,388	—
Other liabilities	8,619	5,187	1,555	15,361	—
Total noncurrent liabilities	<u>849,275</u>	<u>33,016</u>	<u>63,974</u>	<u>946,265</u>	<u>—</u>
Total liabilities	<u>927,060</u>	<u>46,436</u>	<u>69,806</u>	<u>1,043,302</u>	<u>17,232</u>
NET ASSETS					
Invested in capital assets, net of related debt	937,613	127,788	7,493	1,072,894	45
Restricted:					
Debt service	81,689	4,366	9,696	95,751	—
Capital projects	8,943	7,301	—	16,244	—
Passenger facility charges	23,998	—	—	23,998	—
Unrestricted (deficit)	23,087	2,470	6,564	32,121	(1,060)
Total net assets	<u>\$ 1,075,330</u>	<u>141,925</u>	<u>23,753</u>	<u>1,241,008</u>	<u>(1,015)</u>
Amounts reported for business-type activities in the government-wide statement of net assets are different because:					
Certain internal service fund activities are included within business-type activities				(1,120)	
Net assets of business-type activities—government-wide statement of net assets				<u>\$ 1,239,888</u>	

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2007
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert— St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	
OPERATING REVENUES					
Aviation revenues	\$ 86,049	—	—	86,049	—
Concessions	22,194	—	—	22,194	—
Water sales	—	40,990	—	40,990	—
Lease revenue	3,141	—	—	3,141	—
Parking	14,381	—	14,515	28,896	—
Charges for services	—	—	—	—	18,027
Miscellaneous	—	3,140	—	3,140	—
Total operating revenues	<u>125,765</u>	<u>44,130</u>	<u>14,515</u>	<u>184,410</u>	<u>18,027</u>
OPERATING EXPENSES					
Claims incurred	—	—	—	—	13,245
Premiums	—	—	—	—	2,957
Personal services	41,105	15,529	5,820	62,454	233
Material and supplies	6,246	9,320	230	15,796	218
Purchased power	—	2,499	—	2,499	—
Contractual services	40,038	5,108	1,139	46,285	—
Miscellaneous	—	2,343	773	3,116	—
Depreciation and amortization	46,276	4,561	2,253	53,090	13
Interfund services used	1,634	2,017	68	3,719	—
Total operating expenses	<u>135,299</u>	<u>41,377</u>	<u>10,283</u>	<u>186,959</u>	<u>16,666</u>
Operating income (loss)	<u>(9,534)</u>	<u>2,753</u>	<u>4,232</u>	<u>(2,549)</u>	<u>1,361</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	2,643	—	—	2,643	—
Investment income	10,168	1,126	1,228	12,522	—
Interest expense	(41,023)	(1,469)	(2,147)	(44,639)	—
Passenger facility charges	29,175	—	—	29,175	—
Amortization of bond issue costs	(1,865)	(45)	—	(1,910)	—
Loss on disposal of capital assets	(76,209)	(13)	(108)	(76,330)	(18)
Impairment of capital assets	(1,775)	—	—	(1,775)	—
Miscellaneous, net	355	441	(360)	436	—
Total nonoperating revenues (expenses), net	<u>(78,531)</u>	<u>40</u>	<u>(1,387)</u>	<u>(79,878)</u>	<u>(18)</u>
Income (loss) before transfers and capital contributions	<u>(88,065)</u>	<u>2,793</u>	<u>2,845</u>	<u>(82,427)</u>	<u>1,343</u>
Transfers in	—	235	1,058	1,293	—
Transfers out	(5,553)	(2,625)	(1,000)	(9,178)	—
Capital contributions	43,759	874	—	44,633	—
Change in net assets	<u>(49,859)</u>	<u>1,277</u>	<u>2,903</u>	<u>(45,679)</u>	<u>1,343</u>
Total net assets—beginning of year	<u>1,125,189</u>	<u>140,648</u>	<u>20,850</u>	<u>(2,358)</u>	<u>(2,358)</u>
Total net assets—end of year	<u>\$ 1,075,330</u>	<u>141,925</u>	<u>23,753</u>	<u>(1,015)</u>	<u>(1,015)</u>

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund activities are included within business-type activities	<u>139</u>
Change in net assets of business-type activities—government-wide statement of activities	<u>\$ (45,540)</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2007
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert— St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 117,577	44,238	14,223	176,038	18,611
Other operating cash receipts	—	—	290	290	—
Payments to suppliers of goods and services	(43,919)	(17,127)	(2,818)	(63,864)	(18,957)
Payments to employees	(37,803)	(14,535)	(5,576)	(57,914)	(236)
Payments for interfund services used	(2,373)	(3,090)	—	(5,463)	—
Net cash provided by (used in) operating activities	<u>33,482</u>	<u>9,486</u>	<u>6,119</u>	<u>49,087</u>	<u>(582)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	—	235	1,058	1,293	—
Transfers to other funds	(5,553)	(2,638)	(575)	(8,766)	—
Net cash provided by (used in) noncapital financing activities	<u>(5,553)</u>	<u>(2,403)</u>	<u>483</u>	<u>(7,473)</u>	<u>—</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	28,057	—	—	28,057	—
Receipts from federal financing assistance	31,433	—	—	31,433	—
Acquisition and construction of capital assets	(73,907)	(5,981)	(1,842)	(81,730)	—
Insurance recoveries	3,626	—	—	3,626	—
Proceeds from sale of surplus property	10,725	—	—	10,725	(7)
Proceeds from issuance of revenue bonds	—	—	58,581	58,581	—
Proceeds from issuance of refunding bonds	358,132	—	—	358,132	—
Proceeds from issuance of commercial paper	7,000	—	—	7,000	—
Principal paid on commercial paper	(7,000)	—	—	(7,000)	—
Cash paid for bond issuance costs	(5,123)	—	(376)	(5,499)	—
Principal paid on revenue bond maturities	(13,960)	(2,645)	(257)	(16,862)	—
Cash paid for bond refunding	(353,042)	—	(55,197)	(408,239)	—
Cash paid for interest	(44,667)	(1,309)	(2,308)	(48,284)	—
Other capital and financing activities	—	480	(360)	120	—
Net cash used in capital and related financing activities	<u>(58,726)</u>	<u>(9,455)</u>	<u>(1,759)</u>	<u>(69,940)</u>	<u>(7)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,371,658)	(121,949)	(41,110)	(1,534,717)	—
Proceeds from sales and maturities of investments	1,402,826	122,958	40,770	1,566,554	—
Investment income	10,629	1,058	1,093	12,780	—
Net cash provided by investing activities	<u>41,797</u>	<u>2,067</u>	<u>753</u>	<u>44,617</u>	<u>—</u>
Net increase (decrease) in cash and cash equivalents	<u>11,000</u>	<u>(305)</u>	<u>5,596</u>	<u>16,291</u>	<u>(589)</u>
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	5,945	2,085	3,343	11,373	650
Restricted	61,548	3,545	7,190	72,283	—
	<u>67,493</u>	<u>5,630</u>	<u>10,533</u>	<u>83,656</u>	<u>650</u>
End of year:					
Unrestricted	7,762	1,699	5,877	15,338	61
Restricted	70,731	3,626	10,252	84,609	—
	<u>\$ 78,493</u>	<u>5,325</u>	<u>16,129</u>	<u>99,947</u>	<u>61</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income	\$ (9,534)	2,753	4,232	(2,549)	1,361
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	46,276	4,561	2,253	53,090	13
Changes in assets and liabilities:					
Receivables, net	(6,727)	230	41	(6,456)	—
Inventories	(247)	330	—	83	—
Other assets, net	(70)	—	20	(50)	(27)
Accounts payable and accrued liabilities	2,367	482	(89)	2,760	(166)
Accrued salaries and other benefits	690	166	(22)	834	—
Claims payable	—	—	—	—	228
Deferred revenue	(532)	33	(42)	(541)	—
Due to/from other funds	534	(380)	(539)	(385)	(1,667)
Advance to other funds	—	—	—	—	579
Deposits held for others	—	484	—	484	—
Other long term liabilities	725	827	265	1,817	(903)
Total adjustments	<u>43,016</u>	<u>6,733</u>	<u>1,887</u>	<u>51,636</u>	<u>(1,943)</u>
Net cash provided by (used in) operating activities	<u>\$ 33,482</u>	<u>9,486</u>	<u>6,119</u>	<u>49,087</u>	<u>(582)</u>
Supplemental disclosure for noncash activities for Lambert – St. Louis International Airport:					
Impairment of capital assets	\$ (1,775)				
Loss on disposal of surplus property	(76,209)				

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007
(dollars in thousands)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents—unrestricted	\$ 9,466	25,800
Investments—unrestricted	—	10,929
Pension trust investments—unrestricted:		
U. S. government securities	134,970	—
Corporate bonds	85,299	—
Domestic bond funds	45,060	—
Stocks	699,906	—
Foreign government obligations	17,556	—
Mortgage-backed securities	109,310	—
Collective investment funds	332,136	—
Real estate group annuity and equities	103,112	—
Investment property	1,893	—
Money market mutual funds and other short-term investments	28,691	—
Managed international equity funds	139,835	—
Total investments	1,697,768	—
Securities lending collateral	85,849	—
Receivables, net of allowances:		
Taxes	—	26,254
Contributions	4,447	—
Accrued interest	3,911	—
Other	33,765	861
Capital assets	435	—
Total assets	1,835,641	63,844
LIABILITIES		
Accounts payable and accrued liabilities	1,930	891
Deposits held for others	1,130	29,977
Due to other governmental agencies	—	32,976
Securities lending collateral liability	85,849	—
Other liabilities	39,506	—
Total liabilities	128,415	63,844
NET ASSETS		
Net assets held in trust for pension benefits	\$ 1,707,226	—

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2007
(dollars in thousands)

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Members	\$ 7,194
Employers	27,959
Investment income:	
Interest and dividends	30,896
Net appreciation in fair value of investments	128,222
	<u>159,118</u>
Less investment expense	<u>(7,280)</u>
Net investment income	<u>151,838</u>
Total additions	<u>186,991</u>
DEDUCTIONS	
Benefits	103,587
Refunds of contributions	7,104
Administrative expense	2,454
Total deductions	<u>113,145</u>
Net increase	73,846
Net assets held in trust for pension benefits:	
Beginning of year	1,633,380
End of year	\$ <u><u>1,707,226</u></u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
(dollars in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to U.S. generally accepted accounting principles applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

St. Louis Parking Commission Finance Corporation (SLPCFC)

The SLPCFC, established in 2003, is governed by a five-member board as appointed by the Parking Commission. The SLPCFC finances the purchase of and owns, leases and sells certain real property on behalf of the Parking Commission. SLPCFC is considered to be a component unit of the City because the Parking Division of the City of St. Louis (the Parking Division) is financially accountable for SLPCFC, as it appoints all of SLPCFC's directors and is able to

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impose its will on SLPCFC. The SLPCFC provides services entirely to the Parking Division and is reported as if it were part of the Parking Division because its sole purpose is to lessen the burden on the Parking Division by coordinating real property transactions.

2) Discretely Presented Component Units

The component unit columns in the statement of net assets and statement of activities include the financial data of the City's three discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City because the City is financially accountable for SLDC, as SLDC is fiscally dependent upon the City. SLDC is considered to be fiscally dependent on the City because SLDC may not legally issue bonded debt or implement a budget for its redevelopment activities until the City's Board of Alderman has approved the redevelopment project and declared the redevelopment area blighted.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five-member board of commissioners, the mayor, and four members appointed by the governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name, and therefore, is fiscally dependent on the City for substantially all of its funding.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the "steam loop." The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC's board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City, and therefore, the City is able to impose its will on SWMDC.

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Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City
of St. Louis, Missouri
1200 Clark Avenue
St. Louis, Missouri 63103

3) Related Organizations

The City's officials are also responsible for appointing the voting majority of board members for other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City's basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, the County, and the State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, the County, and the State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

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function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (the Airport), the Water Division of the City of St. Louis (the Water Division), and the Parking Division. Each of these enterprise funds is a major fund within the fund financial statements. Additionally, the City has three internal service funds (governmental activities): PFPC, mailroom services, and health. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

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Grants Fund—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City’s federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

The following are the City’s proprietary fund types:

Enterprise—Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

Internal Service—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers’ compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting

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Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

3) Fiduciary Fund Types

Trust and Agency—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen’s Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees’ Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and discretely presented component unit financial statements. Agency funds adhere to the accrual basis of accounting, and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental fund types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

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GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and the Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital-, financing-, or investing-related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2006 was \$1.459 per \$100 (in dollars) of assessed valuation of which \$1.3262 (in dollars) is for the general fund and \$0.1328 (in dollars) is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

The City Treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

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Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection, and accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education
- Protected, cared for, and preserved
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition, construction documents, or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible, and therefore, are not subject to depreciation.

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, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40 to 99
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City 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.

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2) Business-type Activities Capital Assets

Capital assets for the Airport, the Water Division, the Parking Division, and the mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

3) Airport

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. The estimated useful lives of depreciable capital assets are as follows:

	Years
Pavings	18 to 30
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958 and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	Years
Buildings and structures	44 to 55
Pumping equipment	28 to 44
Hydrants, transmission mains, and lines	50 to 100
Meters	33
Other equipment	5 to 25

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.

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5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and parking garages	10 to 40
Buildings and land improvements	5 to 10
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair market value on the date donated. SLDC generally capitalizes assets with costs of \$2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	3 to 10

8) Component Unit—SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is \$5.

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Depreciation is computed using the straight-line method (with the 1/2-year convention election applied in the first and last year) over the following estimated useful lives:

	Years
Buildings	50 to 100
Building improvements	10 – 15 years
Furniture and fixtures and other Equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

9) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$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.

j. Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments by the proprietary fund type, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

k. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental activities or governmental fund types.

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l. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation, bond premiums are recorded as an addition to the debt obligation, and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2007.

Non-uniformed employees retiring after June 30, 2001 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 government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Vacation is granted to all full-time employees based on years of continuous service.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned

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employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, \$32,080 will remain in force and will be liquidated under the current year's budget and \$931 will automatically be re-appropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, interfund services provided and used are not eliminated from the various functional categories. Transfers are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2007 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Kiel Site Project, the Seventh and Pine, Argyle and Kiel parking garages, Civil Courts, Justice Center, Carnahan Courthouse, and Firemen's System Revenue Bonds.

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2) Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center Construction, and Carnahan Courthouse construction. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.

3) Other Governmental Funds

Cash and investments with a trustee to be used for debt service of tax increment financing bonds and notes payables and other bond principal payments, use tax funding for affordable housing, health and building demolition, transportation sales tax, sewer lateral repair program funds, and gaming revenue.

q. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

1) Invested in Capital Assets, Net of Related Debt

This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition and construction of those assets.

2) Restricted

This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. Net assets restricted by statutory restrictions represent tax and other revenue sources that are required by statute to be expended only for a specific purpose or purposes.

3) Unrestricted

This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

r. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

s. Use of Estimates

The preparation of the basic 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 basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

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Notes to Basic Financial Statements, Continued
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t. Individual Fund Deficit

At June 30, 2007, the grants fund has a deficit fund balance of \$(62). This amount will be offset by future commissions. The special revenue fund-extraordinary expenses has a deficit fund balance of \$(2,194). This amount will be offset by future state reimbursements. The mail room services internal service fund and the health internal service fund have deficit net assets of \$(36) and \$(979), respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2007:

As the investment strategies and associated risks for the Firemen's Retirement System of St. Louis (Firemen's System), Police Retirement System of St. Louis (Police System), and Employees' Retirement System of the City of St. Louis (Employees' System) are substantially different than those of the remainder of the primary government, the deposit and investment disclosures for the Firemen's System, Police System, and Employees' System are presented separately from those of the remainder of the primary government.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Assets</u>	<u>Total</u>
Government-wide statement of net assets	\$ 43,889	103,539	344,796	492,224
Fiduciary statement of fiduciary net assets—agency funds	<u>25,800</u>	<u>10,929</u>	<u>—</u>	<u>36,729</u>
Total primary government excluding pension trust funds	<u>69,689</u>	<u>114,468</u>	<u>344,796</u>	<u>528,953</u>
Fiduciary statement of fiduciary net assets—pension trust funds:				
Firemen's System	3,352	407,141	—	410,493
Police System	5,971	723,484	—	729,455
Employees' System	<u>143</u>	<u>567,143</u>	<u>—</u>	<u>567,286</u>
Total pension trust funds	<u>9,466</u>	<u>1,697,768</u>	<u>—</u>	<u>1,707,234</u>
Total primary government	<u>\$ 79,155</u>	<u>1,812,236</u>	<u>344,796</u>	<u>2,236,187</u>

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Notes to Basic Financial Statements, Continued
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1) Primary Government Excluding Pension Trust Funds

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.

Certificates of deposit are defined as investments for statement of net assets/balance sheet/statement of fund net assets 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 on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

As of June 30, 2007, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	\$	112,043
Federal Home Loan Mortgage Corp.		91,617
Federal Home Loan Bank		63,562
United States Treasuries		23,803
Government Backed Trusts		698
State and local fixed income securities		2,980
Guaranteed Investment Contract		10,986
Commercial Paper		7,480
Money Market Mutual Funds		66,571
Certificates of Deposit		38,464
Other Cash Deposits		110,749
	\$	<u>528,953</u>

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 U.S. Government or any agency or instrumentality thereof; bonds of the State, the City, or any city within the state with a population of 400,000 inhabitants or more; or time certificates of deposit; provided, however, that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of the U.S. Government agencies or instrumentalities of any maturity as provided by law. City funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name.

Additionally, the City's indentures with its bond trustees also permit City bond proceeds to be invested in commercial paper having an original maturity of 270 days or less and rated "A-1" or better by Standard & Poor's Corporation and "P-1" by Moody's Investors Service, money market funds rated "AAAM" or "AAAM-G" by Standard & Poor's Corporation, and other obligations fully and unconditionally guaranteed by the U.S. Government. These investments, while permitted by the indentures with the bond

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trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

Interest Rate Risk

The City 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 (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 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 of the primary government (excluding the pension trust funds) had the following maturities on June 30, 2007:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Federal National					
Mortgage Association	\$ 112,043	109,711	—	2,332	—
Federal Home Loan					
Mortgage Corp.	91,617	91,617	—	—	—
Federal Home Loan Bank	63,562	63,562	—	—	—
United States Treasuries	23,803	22,560	1,243	—	—
State and Local Fixed					
Income Securities	2,980	2,980	—	—	—
Government Backed					
Trusts	698	—	—	698	—
Guaranteed Investment					
Contract	10,986	—	—	—	10,986
Commercial Paper	7,480	7,480	—	—	—
	<u>\$ 313,169</u>	<u>297,910</u>	<u>1,243</u>	<u>3,030</u>	<u>10,986</u>

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.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The investments of the primary government (excluding the pension trust funds) were rated as follows by Standard & Poor's Corporation as of June 30, 2007:

	Fair Value	AAA	AA-	A-1+	A-1	Not Rated
Federal National						
Mortgage Association	\$ 112,043	107,589	—	4,454	—	—
Federal Home Loan						
Mortgage Corp.	91,617	83,467	—	8,150	—	—
Federal Home Loan Bank	63,562	49,185	—	14,377	—	—
United States Treasuries	23,803	—	—	—	—	23,803
State and Local Fixed						
Income Securities	2,980					2,980
Government Backed						
Trusts	698	698	—	—	—	—
Guaranteed Investment						
Contract	10,986	—	—	—	—	10,986
Commercial Paper	7,480	—	—	—	7,480	—
	\$ 313,169	240,939	—	26,981	7,480	37,769

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City 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 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, 2007, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: \$2,225 of Federal National Mortgage Association securities, \$6,011 of Federal Home Loan Mortgage Corporation securities, \$20,842 of U.S. Treasury securities, \$1,490 of State and Local Fixed Income securities, and the \$10,986 guaranteed investment contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Concentration of Credit Risk

The Investment Policy provides that, with the exception of U.S. Treasury Securities, no more than 35% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

At June 30, 2007, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	21.18 %
Federal Home Loan Mortgage Corp.	17.32
Federal Home Loan Bank	12.02
United States Treasuries	4.50
Government Backed Trusts	0.13
State and local fixed income securities	0.56
Guaranteed Investment Contract	2.08
Commercial Paper	1.41
Money Market Mutual Funds	12.59
Certificates of Deposit	7.27
Other Cash Deposits	20.94
	<u>100.00</u>

2) Primary Government—Pension Trust Fund—Firemen's System

As of September 30, 2006, the Firemen's System had the following cash deposits and investments:

Common Stock	\$ 210,835
Collective Investment—Equity	79,300
Corporate Obligations	17,570
Collective Investment—Bonds	91,745
U.S. Government Securities	5,099
Money Market Funds	2,592
Other Cash Deposits	3,352
	<u>\$ 410,493</u>

The Firemen's System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Firemen's System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented to provide an illustration of the Firemen's System's current level of exposure to various risks.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Firemen's System as of September 30, 2006:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1-5	6-10	More than 10
Common Stock	\$ 210,835	210,835	—	—	—	—
Collective Investment—Equity	79,300	79,300	—	—	—	—
Corporate Obligations	17,570	—	—	6,918	6,984	3,668
Collective Investment—Bonds	91,745	—	9,752	32,258	35,065	14,670
U.S. Government Securities	5,099	—	—	2,314	1,605	1,180
Money Market Funds	2,592	2,592	—	—	—	—
	<u>\$ 407,141</u>	<u>292,727</u>	<u>9,752</u>	<u>41,490</u>	<u>43,654</u>	<u>19,518</u>

The Firemen's System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2006:

Credit Rating Level	Common Stock	Collective Investment	Corporate Obligations	Government Securities	Money Market
AAA	\$ —	—	998	3,943	—
AA	—	91,745	2,217	—	—
A	—	—	7,855	1,156	—
BBB	—	—	6,500	—	—
BB	—	—	—	—	—
Not Rated	210,835	79,300	—	—	2,592
	<u>\$ 210,835</u>	<u>171,045</u>	<u>17,570</u>	<u>5,099</u>	<u>2,592</u>

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Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Firemen’s System’s policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio’s foreign currency exposure. The following table demonstrates the Firemen’s System’s current level of foreign currency exposure as of September 30, 2006:

	Money Market	Equities	Fixed Income	Total
Australian Dollar	\$ —	3,490	—	3,490
British Pound Sterling	—	6,282	—	6,282
Canadian Dollar	—	1,660	—	1,660
Danish Krone	—	727	—	727
Euro	—	12,948	—	12,948
Hong Kong Dollar	—	1,130	—	1,130
Japanese Yen	—	18,542	—	18,542
Mexican Peso	—	445	—	445
Norwegian Krone	—	2,109	—	2,109
South African Zar	—	165	—	165
Swedish Krona	—	1,781	—	1,781
Swiss Franc	—	2,852	—	2,852
Total Foreign Currency	—	52,131	—	52,131
U.S. Dollar	2,592	238,004	114,414	355,010
Total	\$ 2,592	290,135	114,414	407,141

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Firemen’s System’s minimum credit quality rating for each issue shall be “BBB” (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. The fixed income portfolio should have an average quality rating of at least “A” (or its equivalent). Commercial paper issues must be rated at least “A1” (or its equivalent) at the time of purchase. In the event of a split-rating, the higher rating shall apply. In the event of a downgrade below investment grade by any rating agency, the Investment Manager is required to notify the Board and Investment Consultant as soon as possible and to refrain from any further investment in the downgraded issue.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The effective duration of any fixed income portfolio shall not exceed 120% of the effective duration of the Investment Manager’s broad market benchmark.

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Notes to Basic Financial Statements, Continued
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Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Firemen's System's investment in a single issuer. The Firemen's System's policy does not allow the concentration per issuer to exceed 5% at purchase or 10% with capital appreciation of the market value of the investment manager's portfolio, with the exception of cash, cash equivalents, U. S. Treasury, or Agency securities. Furthermore, the Investment Manager may not hold more than 5% of the outstanding shares of any single issuer with exception of U. S. Treasuries or Agencies. It is the Firemen's System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets			
Asset Class	Minimum	Target Mix	Maximum
Domestic Equity:			
Large Cap	24%	29	34
Small Cap	10	15	20
Domestic Fixed Income	30	35	40
International Equities	16	21	26

Investments that exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System are as follows:

Aberdeen Core Plus Fixed Income Portfolio	\$91,745
PanAgora Equity Index Fund	41,059
Artisan International Stock Fund	38,241

The Firemen's System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 102% of loan value for domestic securities and 105% of loan value for international securities of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. The financial institution indemnifies operation risk and counter party risk. The Firemen's System authorizes the lending and loans of the following: domestic securities, U.S. Treasuries, corporate bonds, and equities. The Firemen's System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2006, \$49,537 in loans was outstanding to borrowers. The Firemen's System earned income of \$136 for its participation in the securities lending program for the year ended September 30, 2006.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2006, the Police System had the following cash deposits and investments:

Equities:		
Common Stock	\$	251,883
Collective Investment Funds		161,091
Real Estate Equities		38,110
Mortgaged-Backed Securities—Government		68,854
Mortgaged-Backed Securities—Nongovernment		40,456
Corporate Bonds		48,594
Government Securities		88,709
Short-Term Notes and Commercial Paper		4,861
Money Market Funds		19,033
Investment Property		1,893
Other Cash Deposits		5,971
	\$	<u>729,455</u>

The Police System's investments are continuously exposed to various types of inherent risks. These risks are mitigated by the Police System's development and continual monitoring of sound investment policies. The Investment Maturities, Credit Rating by Investment, and Foreign Currency Exposures by Asset Class schedules are presented below to provide an illustration of the Police System's current level of exposure to various risks.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2006:

	Fair Value	No Maturity	Investment maturities (in years)			
			Less than 1	1 – 5	6 – 10	More than 10
Equities:						
Common Stock	\$ 251,883	251,883	—	—	—	—
Collective Investment Funds	161,091	161,091	—	—	—	—
Real Estate Equities	38,110	38,110	—	—	—	—
Mortgaged-Backed Securities—						
Government	68,854	—	6,682	—	1,145	61,027
Mortgaged-Backed Securities—						
Nongovernment	40,456	—	3,366	2,946	905	33,239
Corporate Bonds	48,594	—	2,016	10,891	17,906	17,781
Government Securities	88,709	—	—	49,145	16,549	23,015
Short-Term Notes and Commercial Paper	4,861	4,861	—	—	—	—
Money Market Funds	19,033	19,033	—	—	—	—
Investment Property	1,893	1,893	—	—	—	—
	<u>\$ 723,484</u>	<u>476,871</u>	<u>12,064</u>	<u>62,982</u>	<u>36,505</u>	<u>135,062</u>

The Police System's current level of exposure to credit risk, or the risk that an issuer or other counterparty to an investment will not fulfill its obligations, is demonstrated by the following table as of September 30, 2006:

Credit Rating Level	Equities	Government	Nongovernment	Corporate Bonds	Government Securities	Short-term	Money Market Fund	Investment Property
		Mortgage-Backed Securities	Mortgage-Backed Securities			Notes and Commercial Paper		
Agency	\$ —	—	—	—	—	—	—	—
AAA	—	68,854	35,220	3,004	87,108	—	—	—
AA	—	—	844	4,337	861	—	—	—
A	—	—	—	18,049	376	—	—	—
BBB	—	—	106	13,630	364	—	—	—
BB	—	—	—	1,340	—	—	—	—
B	—	—	—	256	—	—	—	—
Not Rated	451,084	—	4,286	7,978	—	4,861	19,033	1,893
	<u>\$ 451,084</u>	<u>68,854</u>	<u>40,456</u>	<u>48,594</u>	<u>88,709</u>	<u>4,861</u>	<u>19,033</u>	<u>1,893</u>

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Notes to Basic Financial Statements, Continued
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Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Police System's policy is to allow the individual investment managers to decide what action to take regarding their respective portfolio's foreign currency exposure. The following table demonstrates the Police System's current level of foreign currency exposure as of September 30, 2006:

	Money Money Market/ Commercial Paper	Investment Property	Equities	Fixed Income	Total
Australian Dollar	\$ —	—	—	440	440
British Pound Sterling	—	—	3,559	435	3,994
Canadian Dollar	—	—	2,428	963	3,391
Cayman Islands Dollar	—	—	254	—	254
Chilean Peso	—	—	—	580	580
Chinese Yuan	—	—	—	183	183
Euro	—	—	3,492	1,654	5,146
Iceland Krona	—	—	—	131	131
Indian Rupee	—	—	800	—	800
Israeli Shekel	—	—	260	—	260
Mexican Peso	—	—	1,097	376	1,473
Panama Dollar	—	—	—	178	178
Swiss Franc	—	—	2,328	—	2,328
Total Foreign Currency	—	—	14,218	4,940	19,158
U.S. Dollar	23,894	1,893	436,866	241,673	704,326
Total	\$ 23,894	1,893	451,084	246,613	723,484

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fixed Income Portfolio must have an average rating of "A" or better in the aggregate as measured by at least one credit rating service. In cases where the yield spread adequately compensates for additional risk, securities rated lower than "A" may be purchased, provided overall fixed income quality is maintained. All issues will be of investment grade quality (BBB or Baa rated) or higher at the time of purchase. Up to 15% of the total market value of fixed income securities may be invested in BBB or Baa rated securities. In cases where credit rating agencies assign different quality ratings to a security, the lower rating will be used. Should the rating of a fixed income security fall below minimum investment grade, the Investment Manager may continue to hold the security if they believe the security will be upgraded in the future, there is low risk of default, and buyers will continue to be available throughout the anticipated holding period. The Investment Manager has the responsibility of notifying the Board of Trustees through their designee whenever an issue falls below investment grade.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The average effective duration of the aggregate portfolio, reflecting all instruments including Collateralized Mortgage Obligations and Asset-Backed Securities, must be maintained at plus or minus one year of the duration of the Salomon Brothers Broad Investment Grade Bond Index.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. It is the Police System's policy to invest in each asset class ranging between a minimum and maximum as shown below:

Asset Class as a Percent of Total Assets			
Asset Class	Minimum	Target Mix	Maximum
Fixed Income	33%	35	37
Real Estate Equity	3	5	7
Large Cap U.S. Stocks	38	40	42
Small Cap U.S. Stocks	8	10	12
Non-U.S. Foreign Stocks	8	10	12

Investments which exceed 5% or more of net assets held in trust for pension benefits for the Police System are as follows:

MFB Daily S&P 500 Equity Index	\$93,001
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The Police System participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest, and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 60% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 40% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counterparty risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2006, outstanding loans to borrowers were \$135,538. The Police System earned income of \$158 for its participation in the securities lending program for the year ended September 30, 2006.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
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4) Primary Government—Pension Trust Fund—Employees’ System

As of September 30, 2006, the Employees’ System had the following cash deposits and investments:

Stocks	\$	237,188
Managed International Equity Funds		139,835
Corporate Bonds and Debentures		19,135
Foreign Governmental and Corporate Obligations		17,556
Domestic Bond Funds		45,060
Real Estate Fund		65,002
U.S. Government and Agency Securities		41,162
Temporary Cash Investments		2,205
Other Cash Deposits		143
	\$	<u>567,286</u>

Foreign Currency Risk

The Employees’ System does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Employees’ System’s exposure to foreign currency risk is presented on the following table:

	Short- Term	Debt	Equity	Total
British Pound	\$	2,282		2,282
Canadian Dollar	—	3,852	—	3,852
Euros	—	7,417	—	7,417
Japanese Yen	—	1,468	—	1,468
Total	\$	<u>15,019</u>	<u>—</u>	<u>15,019</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Credit Risk of Debt Securities

The Employees' System's rated debt investments as of September 30, 2006 were rated by Standard & Poor's, and the ratings are presented using the Standard & Poor's rating scale. The Employees' System's policy to limit credit risk is that fixed income securities shall be limited to those with a Standard & Poor's rating of investment grade (BBB/Baa) or better.

	<u>AAA</u>	<u>AA-</u>	<u>A+</u>
Corporate Bonds and Debentures	\$ 5,996	2,046	3,265
Foreign Government and Corporate Obligations	10,880	1,712	624
U.S. Government Securities	25,890	—	—
U.S. Government Agency Securities	11,839	—	—
Total	<u>\$ 54,605</u>	<u>3,758</u>	<u>3,889</u>

	<u>A</u>	<u>A-</u>	<u>B</u>	<u>BBB+</u>
Corporate Bonds and Debentures	\$ 3,306	1,215	81	—
Foreign Government and Corporate Obligations	—	146	—	131
U.S. Government Securities	—	—	—	—
U.S. Government Agency Securities	—	—	—	—
Total	<u>\$ 3,306</u>	<u>1,361</u>	<u>81</u>	<u>131</u>

	<u>BBB</u>	<u>BB-</u>	<u>BB</u>	<u>Unrated</u>
Corporate Bonds and Debentures	\$ 1,251	498	647	830
Foreign Government and Corporate Obligations	117	—	—	3,946
U.S. Government Securities	—	—	—	464
U.S. Government Agency Securities	—	—	—	2,969
Total	<u>\$ 1,368</u>	<u>498</u>	<u>647</u>	<u>8,209</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
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Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Risk of loss arises from changes in interest rates which have significant effects on fair values of investments.

	Fair Value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. Government Securities	\$ 26,354	—	8,209	5,644	12,501
Agency Securities	14,808	—	4,372	2,229	8,207
Corporate Bonds and Debentures	19,135	4,045	9,714	1,327	4,049
Foreign Government and Corporate Obligations	17,556	2,272	3,874	5,437	5,973
	<u>\$ 77,853</u>	<u>6,317</u>	<u>26,169</u>	<u>14,637</u>	<u>30,730</u>

The Employees' System permits its investment manager to utilize financial derivative instruments such as forwards, futures, and options. The use of these financial derivatives is defensive in nature, that is, used only to manage duration and foreign currency exposure and bond exposure. Open currency exposure shall not exceed 10% of the global fixed income portfolio. As of September 30, 2006, the Employees' System had a net receivable of \$10 (cost \$0) based on current market values.

The Employees' System participates in a securities lending program administered by a financial institution. Brokers who borrow the securities provide collateral, usually in the form of cash valued at 102% for domestic securities. There are no restrictions on the amount of securities that can be lent at one time. At September 30, 2006, the term to maturity of the securities lent is matched with the term to maturity of the investment of the cash collateral. These loans can be terminated on demand by either the lender or borrower. The Employees' System cannot pledge or sell non-cash collateral unless the borrower defaults. As of September 30, 2006, the Employees' System has lending arrangements outstanding with a market value for securities lent of \$83,521 and a total market value for securities received as collateral of \$85,849 resulting in no credit risk for the Employees' System.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
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Concentration of Credit Risk

At September 30, 2006, the Employees' System has the following concentrations, defined as investments (other than those issued or guaranteed by the U.S. Government) in any one organization, that represent five percent or more of total investments:

State Street Global Advisors Passive Bond Market Index Fund	<u>\$45,060</u>
Silchester International Investors International Value Equity Group Trust	<u>\$77,010</u>
Walter Scott & Partners Limited Group Trust International	<u>\$62,825</u>
Principal Global Investors Real Estate Group Annuity Contract	<u>\$65,003</u>

b. Component Unit—SLDC

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name. At June 30, 2007, all of SLDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in SLDC's name. At June 30, 2007, the market value of investments approximates the carrying value of \$137.

c. Component Unit—SLPD

Investments are recorded at fair value, which is determined by closing market prices at year-end as reported by the investment custodian. Investments with an original maturity date of less than one year are carried at cost plus earned interest, which approximates fair value.

As of June 30, 2007, the SLPD had the following cash deposits and investments:

Federal Home Loan Bank	\$ 3,934
Federal Farm Credit Bank	475
Money Market Mutual Funds	704
Other cash deposits	<u>1,761</u>
Total	<u><u>\$ 6,874</u></u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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State statutes and SLPD investment policies are the same as for the primary government SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in the SLPD's name. Actual investment decisions are made by the director of budget and finance, the Board of Police Commissioners, and the SLPD's fiscal agents.

Interest Rate Risk

The SLPD seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Board of Police Commissioner's (Investment Policy). The Investment Policy provides that, to the extent possible, the SLPD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the SLPD 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 SLPD for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the 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 SLPD had investments in Federal Home Loan bank and Federal Farm Credit Bank securities had maturities of one year or less as of June 30, 2007.

Credit Risk

The Investment Policy provides that investments of the SLPD be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

The SLPD's investments in U.S. Government agencies as of June 30, 2007 were rated AAA by Moody's Investor Service and Standard & Poor's.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the SLPD 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, 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 SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve in such capacity.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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At June 30, 2007, all SLPD investments and all collateral securities pledged against SLPD deposits are held by the counterparty's trust department or agent in the SLPD's name.

Concentration of Credit Risk

The SLPD has no investment policy related to the concentration of credit risk. At June 30, 2007, the concentration of the SLPD's investments (excluding cash deposits) was as follows:

	Concentration
Federal Home Loan Bank	77%
Federal Farm Credit Bank	9%
Money Market Mutual Funds	14%
	100%

d. Component Unit—SWMDC

At June 30, 2007, all of SWMDC's cash deposits were covered by federal depository insurance or collateral held by the pledging institution's trust department or agent in the City's name. SWMDC's investments of \$710 at year-end consisted entirely of Federal Home Loan Mortgage Corporation and Federal National Mortgage Securities with less than one year to maturity and rated AAA by Standard & Poor's Corporation.

3. RECEIVABLES, NET

	Taxes	Intergovern- mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:						
General fund	\$ 90,073	3,972	252	—	2,816	97,113
Capital projects fund	2,950	2,180	—	—	—	5,130
Grants fund	—	15,525	—	—	6	15,531
Other governmental funds	28,690	1,650	2,181	79	834	33,434
Internal service funds	—	—	—	—	—	—
Total governmental activities	\$ 121,713	23,327	2,433	79	3,656	151,208
Business-type activities:						
Airport	\$ —	29,859	16,168	—	5,873	51,900
Water Division	—	—	5,804	—	131	5,935
Parking Division	—	—	130	—	—	130
Total business-type activities	\$ —	29,859	22,102	—	6,004	57,965

All amounts are scheduled for collection during the subsequent fiscal year.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:

Taxes receivable—general fund	\$	826
Taxes receivable—other governmental funds		118
License and permits receivable—general fund		46
Charges for services receivable—other governmental funds		128

Business-type activities:

Charges for services receivable—Airport		1,192
Charges for services receivable—Water Division		3,917
		6,227
	\$	6,227

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State. The proceeds from any repayment of these loans are payable back to the funding source or re-loaned in accordance with the lending program. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2007:

Airport bond fund:		
Debt service account	\$	45,183
Debt service reserve account		35,998
Airport renewal and replacement fund		3,500
Passenger facility charge fund		18,633
Airport development fund		49,433
Airport construction fund		77,877
Drug enforcement agency funds		2,041
		232,665
	\$	232,665

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport Revenue Fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues, but no later than five business days before the end of each month) in the following order of priority:

- 1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) *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.
- 3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) *Arbitrage Rebate Fund*: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.
- 5) *Subordinated Indebtedness*: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.
- 6) *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.
- 7) *A sub-account 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 sub-account 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 sub-account 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.
- 8) *Airport Debt Service Stabilization Fund and the Airport Development Fund*: various amounts for Airport Fiscal Years 2006 through 2011, achieving a balance of Thirty Eight Million Two Hundred Eleven Thousand Dollars (\$38,211) at the end of Fiscal Year 2011. Beginning in Airport Fiscal Year 2012, the Airport will allocate an amount sufficient to bring the amount on

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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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).

- 9) The remaining balance in the Revenue Fund shall be deposited into the Airport Development Fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport Bond Fund—Debt Service and Debt Service Reserve Accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport Contingency Fund, Airport Development Fund, and Airport Renewal and Replacement Fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport Construction Fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2007 are as follows:

Bond funds:	
Waterworks bond fund	\$ 3,581
Water replacement and improvement account	784
Total bond funds	4,365
Construction funds	7,376
Customer deposits	2,388
	\$ 14,129

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the Waterworks Revenue Account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

- 1) 1998 Water Revenue Bond Funds
- 1) To the unrestricted Waterworks Operations and Maintenance Fund, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
 - 2) To the Waterworks Bond Fund, an amount at least equal to 1/6 of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to 1/12 of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payment of bonds principal and interest, as the same shall become due.

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Notes to Basic Financial Statements, Continued
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- 3) To the Water Revenue Debt Service Reserve Account, a sum equal to the Debt Service Reserve Fund Requirement or a debt service reserve fund policy or a surety bond shall be provided by a Bond Issuer in such amount or a letter of credit shall be provided by a bank acceptable to the City in such amount. All amounts paid and credited to this account shall be used solely to prevent any default in the payment of the principal of and interest on the Bonds.
- 4) To the Water Replacement and Improvement Fund, an amount equal to \$25 per month until the account balance aggregates \$750. This account shall be used for making replacements, extensions, and improvements to the Waterworks System, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the Waterworks System of the City.
- 5) The remaining balance in the Waterworks Revenue Fund is to be deposited into the unrestricted Water Contingent Fund. This account shall be used for paying the cost of the operation, maintenance, and repair of the Waterworks System; paying the cost of extending, improving, or making replacements to the Waterworks System; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the Waterworks System.

2) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1998 Revenue Bonds and amounts appropriated from the Water Contingent Account shall be held in the Construction Fund, from which they shall be disbursed for the purposes contemplated in these ordinances.

3) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction, and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

4) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a \$3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2007 are as follows:

Series 2006, 2002, 1999, and 1996 bonds:	
Debt service reserve	\$ 3,975
Debt Service	914
Construction Funds	4,599
Cost of issuance	27
Repair and replacement	2,663
Net project revenues	176
Parking trust—Parking Division accounts	1,490
Total series 2002, 1999, and 1996 bonds	13,844
Series 2003A and 2003B bonds:	
Gross revenues	124
Bond	40
Repair and replacement	29
Operating reserve	100
Redemption	59
Total series 2003A and 2003B bonds	352
	\$ 14,196

The June 30, 2007 restricted assets are required by the Series 2006, 2003A, 2003B, 2002, 1999, and 1996 bond indentures. Descriptions of the above funds required by the Series 2006, 2002, 1999, and 1996 Bond indentures are as follows:

- 1) *Debt service reserve*—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) *Construction*—Provides for the payment of construction costs to complete the respective projects.
- 3) *Debt Service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.
- 4) *Cost of issuance*—Provides for the payment of costs of issuance incurred in conjunction with the issuance of the bonds.
- 5) *Net project revenues*—Maintains funds used to fund the debt service account.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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- 6) *Parking Trust*—Parking Division Accounts—Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.
- 7) *Repair and Replacement*—Provides for the repair and upkeep of parking garages.

Descriptions of the funds required by the Series 2003A and 2003B bond indenture are as follows:

- 1) *Gross Revenues*—Maintains revenues resulting from the operations of the Cupples Garage and uses these to pay the operating and debt service costs associated with the Cupples Garage.
- 2) *Bonds*—Moneys deposited into this account pay principal and accrued and unpaid interest on the Series 2003A and 2003B Bonds.
- 3) *Repair and Replacement*—Provides for the repair and upkeep of the Cupples Garage.
- 4) *Operating Reserve*—Maintains operating reserve as required by the Bond indenture.
- 5) *Redemption*—Maintains funds set aside for the future redemption of the Series 2003A and 2003 Bonds.

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2007 are as follows:

Bond funds	\$ <u>2,146</u>
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Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a Bond Reserve Account in the amount of \$2,146.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

e. Component Unit—SLPD

SLPD restricted assets of \$704 at June 30, 2007 represent mutual funds restricted in accordance with debt covenants.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2007</u>
Governmental activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,352	—	—	—	77,352
Construction in progress	58,603	15,560	—	(20,071)	54,092
Works of art	3,054	—	—	154	3,208
Total capital assets not being depreciated	<u>139,009</u>	<u>15,560</u>	<u>—</u>	<u>(19,917)</u>	<u>134,652</u>
<i>Capital assets being depreciated:</i>					
Buildings	416,059	7,898	(31)	1,978	425,904
Improvements other than buildings	75,380	2,774	—	2,231	80,385
Equipment	98,706	8,872	(2,955)	—	104,623
Infrastructure	435,222	11,648	—	15,708	462,578
Total capital assets being depreciated	<u>1,025,367</u>	<u>31,192</u>	<u>(2,986)</u>	<u>19,917</u>	<u>1,073,490</u>
<i>Less accumulated depreciation for:</i>					
Buildings	110,721	9,567	(31)	—	120,257
Improvements other than buildings	17,552	2,063	—	—	19,615
Equipment	52,822	6,706	(2,432)	—	57,096
Infrastructure	214,628	21,600	—	—	236,228
Total accumulated depreciation	<u>395,723</u>	<u>39,936</u>	<u>(2,463)</u>	<u>—</u>	<u>433,196</u>
Total capital assets being depreciated, net	<u>629,644</u>	<u>(8,744)</u>	<u>(523)</u>	<u>19,917</u>	<u>640,294</u>
Governmental activities capital assets, net	<u>\$ 768,653</u>	<u>6,816</u>	<u>(523)</u>	<u>—</u>	<u>774,946</u>

Construction in progress consists primarily of firehouse renovations, the transportation center, and street and bridge projects.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired. This capital asset's carrying value is \$4,902 at June 30, 2007. No impairment loss was recognized for the year ended June 30, 2007 as the asset was already carried at the lower of cost or fair market value.

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Notes to Basic Financial Statements, Continued
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The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2007. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Business-type activities:					
Combined:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 883,086	12,327	(86,587)	86	808,912
Construction-in-progress	68,195	52,780	—	(43,776)	77,199
Total capital assets not being depreciated	<u>951,281</u>	<u>65,107</u>	<u>(86,587)</u>	<u>(43,690)</u>	<u>886,111</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	481,851	1,626	(1,356)	7,171	489,292
Equipment	76,502	2,106	(2,241)	561	76,928
Pavings	859,533	125	(1,364)	35,767	894,061
Parking meters and lot equipment	5,797	675	—	—	6,472
Reservoirs	34,513	12	—	—	34,525
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,868	6	—	6	8,880
Purification basins and equipment	39,932	—	—	185	40,117
Water mains, lines, and accessories	108,932	3,224	(42)	—	112,114
Motor vehicle equipment	8,550	98	(104)	—	8,544
Total capital assets being depreciated	<u>1,625,139</u>	<u>7,872</u>	<u>(5,107)</u>	<u>43,690</u>	<u>1,671,594</u>
<i>Less accumulated depreciation for:</i>					
Buildings and structures	272,492	15,453	(1,213)	—	286,732
Equipment	51,135	3,872	(2,229)	—	52,778
Pavings	197,333	29,668	(1,365)	—	225,636
Parking meters and lot equipment	3,958	463	—	—	4,421
Reservoirs	6,644	665	—	—	7,309
Boiler plant equipment	619	3	—	—	622
Pumping equipment	7,625	161	—	—	7,786
Purification basins and equipment	10,793	775	—	—	11,568
Water mains, lines, and accessories	48,092	1,358	(38)	—	49,412
Motor vehicle equipment	5,065	501	(104)	—	5,462
Total accumulated depreciation	<u>603,756</u>	<u>52,919</u>	<u>(4,949)</u>	<u>—</u>	<u>651,726</u>
Total capital assets being depreciated, net	<u>1,021,383</u>	<u>(45,047)</u>	<u>(158)</u>	<u>43,690</u>	<u>1,019,868</u>
Business-type activities capital assets, net	<u>\$ 1,972,664</u>	<u>20,060</u>	<u>(86,745)</u>	<u>—</u>	<u>1,905,979</u>

Construction-in-progress consists primarily of various improvements at the Airport to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Additionally, construction-in-progress consists of various improvements to the waterworks system.

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Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 5,341
Convention and tourism	4,273
Parks and recreation	3,179
Judicial	341
Streets	23,493
Public safety:	
Fire	1,892
Other	765
Health and welfare	427
Public service	<u>225</u>
Total depreciation expense, governmental activities	<u>\$ 39,936</u>

Business-type activities:

Airport	\$ 46,180
Water Division	4,561
Parking Division	<u>2,178</u>
Total depreciation expense, business-type activities	<u>\$ 52,919</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Total capital assets not being depreciated	<u>4,914</u>	<u>—</u>	<u>—</u>	<u>4,914</u>
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	658	6	—	664
Parking facilities	18,897	93	—	18,990
Total capital assets being depreciated	<u>22,555</u>	<u>99</u>	<u>—</u>	<u>22,654</u>
Less accumulated depreciation for:				
Leasehold improvements	1,100	200	—	1,300
Equipment	643	8	—	651
Parking facilities	9,201	610	—	9,811
Total accumulated depreciation	<u>10,944</u>	<u>818</u>	<u>—</u>	<u>11,762</u>
Total capital assets being depreciated, net	<u>11,611</u>	<u>(719)</u>	<u>—</u>	<u>10,892</u>
SLDC capital assets, net	<u>\$ 16,525</u>	<u>(719)</u>	<u>—</u>	<u>15,806</u>

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Notes to Basic Financial Statements, Continued
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c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,646	—	—	1,646
Total capital assets not being depreciated	<u>1,646</u>	<u>—</u>	<u>—</u>	<u>1,646</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	39,702	298	—	40,000
Furniture, fixtures, and other equipment	3,035	1,535	436	4,134
Automotive equipment	9,839	2,085	1,263	10,661
Communications equipment	4,495	1,918	15	6,398
Computers and software	3,177	282	293	3,166
Aircraft	258	—	258	—
Total capital assets being depreciated	<u>60,506</u>	<u>6,118</u>	<u>2,265</u>	<u>64,359</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	16,670	731		17,401
Furniture, fixtures, and other equipment	2,137	575	424	2,288
Automotive equipment	7,192	1,692	1,216	7,668
Communications equipment	4,044	199	14	4,229
Computers and software	2,097	499	294	2,302
Aircraft	254	4	258	—
Total accumulated depreciation	<u>32,394</u>	<u>3,700</u>	<u>2,206</u>	<u>33,888</u>
Total capital assets being depreciated, net	<u>28,112</u>	<u>2,418</u>	<u>59</u>	<u>30,471</u>
SLPD capital assets, net	<u>\$ 29,758</u>	<u>2,418</u>	<u>59</u>	<u>32,117</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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d. Component Unit—SWMDC

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 8,056	—	—	8,056
Total capital assets being depreciated	8,056	—	—	8,056
<i>Less accumulated depreciation for:</i>				
Infrastructure	2,665	254	—	2,919
Total accumulated depreciation	2,665	254	—	2,919
SWMDC capital assets, net	\$ 5,391	(254)	—	5,137

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2007, SLDC has established a reserve for impairment of \$5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Vendors	Contracts and retainage payable	Total
Governmental activities:			
General fund	\$ 5,344	17	5,361
Capital projects fund	3,297	2,236	5,533
Grants fund	6,827	—	6,827
Other governmental funds	1,703	51	1,754
Internal service	261	—	261
Total governmental activities	\$ 17,432	2,304	19,736
Business-type activities:			
Airport	\$ 5,741	13,858	19,599
Water Division	2,415	—	2,415
Parking Division	99	—	99
Total business-type activities	\$ 8,255	13,858	22,113

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single – employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is a cost-sharing multiple-employer plan. However, due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers, the disclosures provided for the Employees' System are those for a single-employer plan. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System Fiscal Year-end</u>
Firemen's	September 30, 2006
Police	September 30, 2006
Employees'	September 30, 2006

a. Firemen's Retirement System of St. Louis

1) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis, 1601 South Broadway, St. Louis, Missouri, 63104.

The Firemen's System provided retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year 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 over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation. Such benefits are authorized by State statues and adopted by City ordinance.

The Firemen's System, 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 option is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have achieved 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, the member will not receive credit for City contributions or credit for service. A member may

City of St. Louis, Missouri
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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, is available to the member in a lump sum or in installments.

2) Funding Policy

Covered members contribute 8% of their salary to the Firemen's System, as mandated per the State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Annual Pension Cost and Net Pension Asset (Obligation)

The City's annual pension cost and net pension obligation to the Firemen's System for the year ended June 30, 2007 are as follows:

Annual required contribution	\$	(17,871)
Interest on net pension asset		228
Adjustment to annual required contribution		(256)
Annual pension cost		(17,899)
Contributions made		4,110
Decrease in net pension asset		(13,789)
Net pension asset, beginning of year		2,990
Net pension obligation, end of year	\$	(10,799)

The net pension obligation of \$(10,799) as of June 30, 2007 is reflected as a long-term liability within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Obligation)
2007	\$ 17,899	23 %	\$ (10,799)
2006	14,896	28	2,990
2005	9,926	21	13,776

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Notes to Basic Financial Statements, Continued
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Significant actuarial assumptions used in the valuation of the Firemen’s System are as follows:

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 year closed period from establishment
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.000%, per year to retirement age
Projected postretirement benefit increases:	
Under age 60:	
20-24 service years	1.5%, per year
25-29 service years	2.25%, per year
30 or more service years	3.0%, per year
Over age 60	3.000% with a maximum of 25% in increases after age 60

4) Lawsuit

The Firemen’s System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Firemen’s System for the City’s 2004, 2005, 2006, and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court’s decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Firemen’s System.

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; 2020 Market Street, St. Louis, Missouri 63103.

The Police System provides retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service or attaining age 55. The monthly allowance consists of 40% of the two-year average final compensation for the first 20

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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years of services, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have in excess of 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. Such benefits are established by the State statute.

The Police System implemented a DROP feature during the Police System's fiscal year ended September 30, 1996. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years, at which point the member may reenter the Police System. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty, the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Police System for the year ended June 30, 2007 are as follows:

Annual required contribution	\$	(17,281)
Interest on net pension obligation		(1,490)
Adjustment to annual required contribution		2,267
Annual pension cost		(16,504)
Contributions made		8,093
Increase in net pension obligation		(8,411)
Net pension obligation beginning of year		(19,223)
Net pension obligation end of year	\$	(27,634)

The net pension obligation of \$(27,634) is reflected as a long-term liability within governmental activities in the government-wide financial statements.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
2007	\$	16,504	49 %	\$	(27,634)
2006		14,418	56		(19,223)
2005		11,485	35		(12,898)

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Aggregate cost method (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

4) Lawsuit

The Police System filed lawsuits against the City and the Board of Estimate and Apportionment to require the City to contribute the actuarially determined annual contribution for the Police System for the City's 2004, 2005, 2006 and 2007 fiscal years. The City received an unfavorable ruling in the initial court proceedings relative to the fiscal year 2004 suit, and appealed the decision. In August 2006, the Missouri Court of Appeals affirmed the lower court's decision but transferred the case to the Missouri Supreme Court (Supreme Court). On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

In response to the judgments, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Police System.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
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c. Employees Retirement System of the City of St. Louis

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement 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 with 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 of 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 at least 20 years of creditable service; or at any age with 30 years of creditable service.

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.

2) Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 13.17% effective July 1, 2006 and 13.19% of active member payroll effective July 1, 2005. The City contributed 6% of active member payroll beginning July 2003 through the present.

Employees who became members of the Employees System prior to October 14, 1977, and continued 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

City of St. Louis, Missouri
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annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees System for the year ended June 30, 2007 are as follows:

Annual required contribution	\$	(29,478)
Interest on net pension obligation		(4,883)
Adjustment to annual required contribution		5,422
Annual pension cost		(28,939)
Contributions made		14,953
Increase in net pension obligation		(13,986)
Net pension obligation, beginning of year		(61,034)
Net pension obligation, end of year	\$	(75,020)

The net pension obligation of \$(75,020) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$	(53,867)
Business-type activities		(14,036)
Component unit—SLPD		(7,117)
	\$	(75,020)

Historical trend information about the City's participation in the Employees System is presented below.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 28,939	52 %	\$ (75,020)
2006	28,824	53	(61,034)
2005	30,665	42	(47,358)

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Notes to Basic Financial Statements, Continued
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Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2006
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial asset value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	varies by age, ranging from 3.825% to 7.226%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

4) Lawsuit

Due to the Supreme Court's ruling in the lawsuits filed by the Firemen's and Police Retirement System, the Employees' System declared notice of its intent to seek similar court judgments for alleged shortfalls in the City's funding of the Employees System for fiscal years 2004 through 2007.

In response, the Board of Aldermen had authorized and approved the issuance and sale of bonds for the purpose of paying certain judgments and other amounts in connection with the Employees' System.

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2007 contributions of \$274, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2007, SLDC's current covered payroll was \$3,046 and total payroll amounted to \$3,255. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

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Notes to Basic Financial Statements, Continued
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11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,309 retirees, while 1,399 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every \$1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was \$4,272 (in dollars) per retiree for healthcare and \$10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2007.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2007:

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	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 45,220	13,000	(3,400)	54,820	3,945
Section 108 Loan Guarantee					
Assistance Programs	63,670	—	(4,850)	58,820	2,740
Federal Financing Bank advances	725	—	(45)	680	50
Tax increment financing bonds and notes payable	69,786	55,158	(10,693)	114,251	4,079
Master note purchase agreement	81	—	(15)	66	—
Loan agreement with Missouri					
Department of Natural Resources	1,917	—	(459)	1,458	481
Loan agreement with Metro	1,000	—	(1,000)	—	—
Capital lease—rolling stock	7,206	6,014	(2,325)	10,895	2,046
Capital leases—obligations with component units	50,595	—	(440)	50,155	465
Leasehold revenue improvement and refunding bonds	323,469	27,725	(42,370)	308,824	25,381
Joint venture financing agreement	67,323	65,116	(67,323)	65,116	4,088
Unamortized discounts, premiums, and deferred amounts on refunding	(986)	(15)	(152)	(1,153)	—
Net pension obligation	62,711	29,589	—	92,300	—
Accrued vacation, compensatory, and sick time benefits	25,843	18,719	(17,073)	27,489	18,142
Landfill closure	228	7	(115)	120	120
Firemen's overtime payable	—	1,148	—	1,148	—
Claims and judgments payable	17,019	12,942	(13,617)	16,344	10,730
Governmental activities long-term liabilities	<u>\$ 735,807</u>	<u>229,403</u>	<u>(163,877)</u>	<u>801,333</u>	<u>72,267</u>

Effective January 1, 2007, Missouri State Statutes, Section 290 revised the method in which overtime compensation is paid. Currently there is question as to how overtime earned by personnel of the fire department are effected by the change. Until the issue is solved by the court system, a long-term liability has been established.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	\$ 861,085	336,010	(353,175)	843,920	25,090
Net pension obligation	6,244	1,340	—	7,584	—
Other	1,650	—	(615)	1,035	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,813	(3,325)	5,661	5,661
Unamortized discounts, premiums, and deferred amounts on refunding	15,769	6,365	(308)	21,826	—
Total Airport	<u>889,921</u>	<u>347,528</u>	<u>(357,423)</u>	<u>880,026</u>	<u>30,751</u>
Water Division:					
Revenue bonds payable	31,820	—	(2,645)	29,175	2,850
Customer deposits	1,904	484	—	2,388	—
Net pension obligation	4,070	827	—	4,897	—
Other	343	—	(53)	290	—
Accrued vacation, compensatory, and sick time benefits	3,195	1,740	(1,561)	3,374	3,374
Unamortized discounts, premiums, and deferred amounts on refunding	(1,117)	—	233	(884)	—
Total Water Division	<u>40,215</u>	<u>3,051</u>	<u>(4,026)</u>	<u>39,240</u>	<u>6,224</u>
Parking Division:					
Revenue bonds payable	64,537	57,900	(52,317)	70,120	1,475
Net pension obligation	1,290	265	—	1,555	—
Accrued vacation, compensatory, and sick time benefits	195	275	(299)	171	171
Unamortized discounts, premiums, and deferred amounts on refunding	(2,376)	(6,348)	2,498	(6,226)	—
Total Parking Division	<u>63,646</u>	<u>52,092</u>	<u>(50,118)</u>	<u>65,620</u>	<u>1,646</u>
Business-type activities long-term liabilities	<u>\$ 993,782</u>	<u>402,671</u>	<u>(411,567)</u>	<u>984,886</u>	<u>38,621</u>

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds were to be used as follows: (i) \$44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or

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amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued \$37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund \$37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of \$39,621 (after the addition of a \$2,645 premium and less a payment of \$550 in issuance costs and a \$29 discount), along with \$642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, \$10,215 in current interest Series 1999 bonds and \$695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

In November 2006, the City issued \$13,000 General Obligation Bonds, Series 2006. The series consists of current interest serial bonds due 2008 through 2026 with rates ranging from 3.75% to 4.2%. The Series 2006 bonds were issued for the purpose of providing funds to (i) replace, improve, and maintain the City's radio system used by the Police Department, Fire Department, Emergency Medical Services, and other City departments; (ii) reconstruct, repair, and improve major streets, bridges, and the City's flood wall where federal funding is available and local funding is required. The City shall levy an ad valorem tax on all taxable, tangible property in the City, without limit as to rate or amount, for the payment of the principal of and interest on the Series 2006 bonds. The principal and interest on the Series 2006 bonds is guaranteed under a municipal bond new issue insurance policy issued by MBIA Insurance Corporation. Principal payments are made from other governmental funds.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 3,945	2,376	6,321
2009	1,085	5,146	6,231
2010	3,490	2,171	5,661
2011	3,615	2,056	5,671
2012	3,730	1,940	5,670
2013 – 2017	21,475	6,985	28,460
2018 – 2022	13,050	2,098	15,148
2023 – 2026	4,430	475	4,905
	<u>\$ 54,820</u>	<u>23,247</u>	<u>78,067</u>

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c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project
- \$10,000 for neighborhood projects

During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the \$10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, \$10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment was made during fiscal 2007.

Principal and interest requirements for the combined Section 108 program notes are as follows:

	Principal	Interest	Total
Year ending June 30:			
2008	\$ 2,740	3,557	6,297
2009	2,920	3,402	6,322
2010	3,110	3,234	6,344
2011	3,300	3,051	6,351
2012	3,500	2,855	6,355
2013 – 2017	21,090	10,701	31,791
2018 – 2021	22,160	3,023	25,183
	\$ 58,820	29,823	88,643

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway

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transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 50	45	95
2009	50	42	92
2010	55	38	93
2011	60	35	95
2012	65	30	95
2013 – 2017	400	74	474
	<u>\$ 680</u>	<u>264</u>	<u>944</u>

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2006, \$620 of payments in lieu of taxes and \$679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 2007, the City issued \$16,961 Taxable Tax Increment Financing Revenue Notes (600 Washington Redevelopment Project 1 One City Centre Component) Series 2007 (Series 2007 TIF Notes). The Series 2007 TIF Notes constitute special obligations of the City, and are payable from (a) certain moneys on deposit in the Special Allocation Fund (payments in lieu of taxes, economic activity tax revenue), (b) Municipal Revenues and (c) City Revenues, which constitute other legally available funds of the City's general fund in the amount equal to pay the principal and interest on the TIF note. Payments commence on March 1, 2008. The Series 2007 TIF Notes bear interest at the rate of 6.75% per year, mature on September 1, 2029, and are subject to mandatory redemption prior to maturity.

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Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2007, the City had \$114,251 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.5% to 10.0%, payable in various installments through 2029. The City issued \$55,158 in TIF bonds and notes payable during fiscal year 2007.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	General Fund Backed TIF Bonds and Notes		Additional TIF Bonds and Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2008	\$ 1,275	1,835	2,804	6,288
2009	1,405	1,536	2,995	6,097
2010	1,545	1,389	3,200	5,893
2011	1,665	1,228	3,419	5,674
2012	—	1,145	3,653	5,440
2013 – 2017	—	5,724	20,236	23,286
2018 – 2022	221	5,724	26,772	15,558
2023 – 2027	1,893	5,439	26,561	5,936
2028 – 2029	14,847	2,420	1,760	133
	<u>\$ 22,851</u>	<u>26,440</u>	<u>91,400</u>	<u>74,305</u>

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve

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account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2007, the balance of the note outstanding is \$66.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of \$1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of \$782 of which \$9 was loan origination fee and the remaining \$773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

Principal and interest requirements under the loan agreement with the DNR are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 481	47	528
2009	499	28	527
2010	158	13	171
2011	125	8	133
2012	127	5	132
2013	68	1	69
	<u>\$ 1,458</u>	<u>102</u>	<u>1,560</u>

h. Loan Agreement With Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City \$1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City repaid Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

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i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Due to other governmental agencies	\$ 8,785	3,991	2,363	10,413	3,785
Notes payable	2,073	2,364	—	4,437	—
Other liabilities	3,743	4,182	2,106	5,819	1,587
Revenue bonds	12,775	—	310	12,465	335
	<u>\$ 27,376</u>	<u>10,537</u>	<u>4,779</u>	<u>33,134</u>	<u>5,707</u>

Maturities on notes payable are as follows:

	Principal	Interest	Total
Year ending June 30:			
2008	\$ —	138	138
2009	2,736	127	2,863
2010	960	82	1,042
2011	741	31	772
	<u>\$ 4,437</u>	<u>378</u>	<u>4,815</u>

Revenue bonds outstanding at June 30, 2007 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%.

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on property in the St. Louis Centre Development Area. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a

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determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending						
June 30:						
2008	\$ 335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012	—	—	455	512	—	215
2013 – 2017	—	—	2,745	2,050	—	1,072
2018 – 2022	—	—	4,450	635	615	1,050
2023 – 2025	—	—	—	—	2,425	285
	<u>\$ 1,125</u>	<u>160</u>	<u>8,300</u>	<u>5,438</u>	<u>3,040</u>	<u>3,478</u>

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due within One Year</u>
Accrued banked overtime, vacation, and sick time leave	\$ 28,037	10,457	10,361	28,133	8,003
Capital lease obligation	3,189	—	1,249	1,940	1,940
Workers' compensation	40,786	3,918	4,347	40,357	5,103
Net pension obligation	5,942	1,175	—	7,117	—
	<u>\$ 77,954</u>	<u>15,550</u>	<u>15,957</u>	<u>77,547</u>	<u>15,046</u>

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Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued \$6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

	Principal	Interest	Total
Year ending June 30:			
2008	\$ 1,945	21	1,966
	1,945	21	1,966
Unamortized premium	8		
Unamortized deferred amount on refunding	(39)		
	\$ 1,914		

Automotive Equipment

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

	Principal	Interest	Total
Year ending June 30:			
2008	\$ 26	1	27
	\$ 26	1	27

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14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of \$942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

In September 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$6,014. The proceeds of the lease are to be used to purchase additional rolling stock. This portion of the capital lease is due in semi annual installments from 2007 through 2012 with an annual interest rate of 4.0534%.

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Principal payments of \$2,325 were made on these lease agreements in fiscal year 2007. The following is a schedule of future minimum lease payments as of June 30, 2007.

Year ending June 30:		
2008	\$	2,499
2009		2,181
2010		1,889
2011		1,766
2012		1,527
2013 – 2017		2,508
2018		388
Total future minimum lease payments		12,758
Amount representing interest		(1,863)
Present value of net minimum lease payments	\$	10,895

Capital assets (equipment) of \$16,763 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

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The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2007.

Year ending June 30:		
2008	\$	973
2009		970
2010		944
2011		996
2012		966
2013 – 2017		4,834
2018 – 2022		<u>4,896</u>
Total future minimum lease payments		14,579
Amount representing interest		<u>(4,424)</u>
Present value of net minimum lease payments	\$	<u><u>10,155</u></u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC, and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

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The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2007.

Year ending June 30:		
2008	\$	—
2009		—
2010		—
2011		—
2012		3,525
2013 – 2017		50,870
2018 – 2020		<u>45,885</u>
Total future minimum lease payments		100,280
Amount representing interest		<u>(60,280)</u>
Present value of net minimum lease payments	\$	<u><u>40,000</u></u>

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS

a. Civil Courts

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued \$144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

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On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the \$119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2007, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of \$44,997 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are \$54,050 and \$62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment

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prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued \$15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund \$14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued \$16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund \$16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

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f. Carnahan Courthouse

On October 1, 2006, the SLMFC issued \$23,725 Leasehold Revenue Refunding Bonds, Series 2006A (Series 2006A) with an average interest rate of 4.23% to refund the \$21,750 Carnahan Courthouse Leasehold Revenue Bonds Series 2002A (series 2002A) with an average interest rate of 5.37%. The net proceeds of \$22,830 (after deduction of \$321 discount and less payment of \$560 in issuance costs) were used to purchase investments that mature at the same times and in such amounts as will be sufficient to pay the principal of the redemption premium, if any and the accrued interest on all of the Series 2002A Bonds being redeemed.

The City's payments are secured by a pledge agreement between the City and the Series 2006A Bonds trustee. The City's payments are further insured by the AMBAC Assurance Corporation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,080. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2027 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2002A bonds to reduce its total debt service payments over the next 10 years by approximately \$742 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$687.

g. Abram Building

In June 2007, the SLMFC issued \$4,000 in Abram Building Leasehold Revenue Bonds Series 2007 with an interest rate of 4.15%. The proceeds of the bonds are being used to fund the cash portion needed to purchase the Abram Federal Building.

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Notes to Basic Financial Statements, Continued
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h. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	<u>Civil Courts</u>		<u>Firemen's System</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2008	\$ 2,075	677	\$ 2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011	2,360	381	2,990	98
2012	2,465	270	—	—
2013 – 2015	5,265	196	—	—
	<u>\$ 16,575</u>	<u>2,606</u>	<u>\$ 10,905</u>	<u>1,480</u>
	<u>Justice Center</u>		<u>Forest Park</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2008	\$ 6,285	4,836	\$ 760	610
2009	6,620	4,507	785	587
2010	6,925	4,202	805	563
2011	7,250	3,875	835	533
2012	11,025	3,528	865	508
2013 – 2017	34,285	10,420	4,850	2,001
2018 – 2022	25,555	1,027	6,045	803
	<u>\$ 97,945</u>	<u>32,395</u>	<u>\$ 14,945</u>	<u>5,605</u>

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	Carnahan Courthouse		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2008	\$ —	974	\$ 13,445	4,277
2009	—	974	11,675	3,688
2010	15	974	12,915	3,094
2011	160	974	14,035	2,428
2012	170	968	9,940	1,818
2013 – 2017	5,405	4,471	33,722	9,194
2018 – 2022	7,790	3,124	8,967	10,437
2023 – 2027	10,185	1,386	24,047	36,627
2028 – 2030	—	—	11,983	24,418
	<u>\$ 23,725</u>	<u>13,845</u>	<u>\$ 140,729</u>	<u>95,981</u>

	Abram Building	
	Principal	Interest
Year ending June 30:		
2008	\$ 341	151
2009	343	148
2010	358	134
2011	372	119
2012	388	103
2013 – 2017	2,198	259
	<u>\$ 4,000</u>	<u>914</u>

16. JOINT VENTURE FINANCING AGREEMENT

a. St. Louis Regional Convention and Sports Complex Authority (Authority)

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase, or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 2007 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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\$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds.

In May 2007, the Authority issued Convention and Sports Facility Project Refunding Bonds Series C 2007 (Series C 2007 Bonds) in the amount of \$49,585. The proceeds were issued for the purpose of (i) providing funds to refund all of the Authority's \$61,285 original principal amount of Series C 1997 Bonds, and (ii) for the City to make various project improvements to the Cervantes Convention Center in the amount of \$2,421.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,054. This difference, reported in the accompanying financial statements as an increase of bonds payable, is being charged to operations through 2022 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series C 1997 bonds to reduce its total debt service payments over the next 10 years by approximately \$2,084 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$906.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2007, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2008	\$ 970	1,912	3,118	6,000
2009	2,440	2,488	1,072	6,000
2010	2,565	2,357	1,078	6,000
2011	2,700	2,219	1,081	6,000
2012	2,840	2,073	1,087	6,000
2013 – 2017	16,610	7,903	5,487	30,000
2018 – 2022	21,460	2,932	2,608	27,000
	<u>\$ 49,585</u>	<u>21,884</u>	<u>15,531</u>	<u>87,000</u>

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

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Notes to Basic Financial Statements, Continued
June 30, 2007
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17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2007 are summarized as follows:

Bond Series 1996, interest rate of 5.35%, payable in varying amounts through 2008	\$ 4,275
Bond Series 1997, interest rates ranging from 5.25% to 6.00%, payable in varying amounts through 2015	39,575
Bond Series 1998, interest rates ranging from 4.00% to 5.13%, payable in varying amounts through 2016	54,330
Bond Series 2001A, interest rates ranging from 4.13% to 5.50%, payable in varying amounts through 2012	30,810
Bond Series 2002, Series A, B, and C, interest rates ranging from 3.00% to 5.50%, payable in varying amounts through 2033	44,885
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032	263,695
Bond Series 2007A, interest rate ranging from 4.00% to 5.25%, payable in varying amounts through 2033	231,275
Bond Series 2007B, interest rate ranging of 5.00%, payable in varying amounts through 2028	104,735
	843,920
Less:	
Current maturities	(25,090)
Unamortized discounts and premiums	60,906
Deferred amounts on refunding	(39,080)
	\$ 840,656

Interest payments on the above issues are due semiannually on January 1 and July 1.

On January 23, 2007, the Airport issued \$231,275 in Series 2007A Revenue Refunding Bonds with an average interest rate of 4.88 percent to advance refund \$178,395 of outstanding 2001A Series Revenue Refunding bonds, and \$54,670 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.07 percent. The net proceeds of \$241,933 (after the addition of a net issue premium of \$15,798 and payment of \$5,140 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$178,395 of 2001A Series Revenue Refunding bonds, and \$54,670 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007A Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,455. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
(dollars in thousands)

being charged to operations through the year 2032 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by \$8,641 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,238.

On April 3, 2007, the Airport issued \$104,735 in Series 2007B Revenue Refunding Bonds with an average interest rate of 4.93 percent to advance refund \$106,150 of outstanding 1997B Series Revenue Refunding bonds with an average interest rate of 5.25 percent. The net proceeds of \$108,766 (after the addition of a net issue premium of \$6,324 and payment of \$2,294 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$106,150 of 1997B Series Revenue Refunding bonds is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007B Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,399. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 20 years by \$8,018 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,754.

On July 7, 2005, the Airport issued \$263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund \$37,575 of outstanding 1997A Series Revenue Refunding bonds, \$225,980 of outstanding 2001A Series Revenue Refunding bonds, and \$10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of \$293,331 (after the addition of a net issue premium of \$39,522 and payment of \$9,886 in underwriting fees, insurance, and other issuance costs) plus an additional \$6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by \$16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,432.

The deferred amounts on refunding of \$39,080 at June 30, 2007, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 1997B, Bond Series 2000, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
(dollars in thousands)

Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2007.

As of June 30, 2007, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 25,090	40,841	65,931
2009	21,725	41,731	63,456
2010	21,670	40,594	62,264
2011	24,015	39,380	63,395
2012	25,965	38,061	64,026
2013 – 2017	178,150	165,378	343,528
2018 – 2022	182,485	116,889	299,374
2023 – 2027	180,710	71,700	252,410
2028 – 2032	177,510	24,919	202,429
2033	6,600	148	6,748
	<u>\$ 843,920</u>	<u>579,641</u>	<u>1,423,561</u>

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, \$664,875 of outstanding revenue bonds are considered defeased.

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Notes to Basic Financial Statements, Continued
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b. Water Division

Water revenue bonds outstanding at June 30, 2007 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1998 Water Revenue Bonds, 4.10% to 4.75%		
Payable in varying amounts through July 1, 2014	\$	29,175
Less:		
Current maturities		(2,850)
Deferred amount on refunding		(828)
Unamortized discounts		(56)
	\$	<u>25,441</u>

Debt service requirements to maturity of the 1998 Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 2,850	1,169	4,019
2009	3,300	1,032	4,332
2010	3,440	887	4,327
2011	3,585	732	4,317
2012	3,740	567	4,307
2013 – 2015	12,260	595	12,855
	<u>\$ 29,175</u>	<u>4,982</u>	<u>34,157</u>

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Notes to Basic Financial Statements, Continued
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(dollars in thousands)

c. Parking Division

Revenue bonds outstanding at June 30, 2007 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028	\$ 5,560
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038	6,660
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2031	57,900
	70,120
Less:	
Current maturities	(1,475)
Unamortized discount and deferred loss on refunding	(6,226)
	\$ 62,419

Debt service requirements for the Parking Division revenue bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2008	\$ 1,475	3,209	4,684
2009	1,546	3,136	4,682
2010	1,624	3,060	4,684
2011	1,708	2,981	4,689
2012	1,794	2,897	4,691
2013 – 2017	10,476	13,100	23,576
2018 – 2022	13,183	10,582	23,765
2023 – 2027	16,388	7,274	23,662
2028 – 2032	19,389	3,137	22,526
2033 – 2037	2,129	423	2,552
2028	408	20	428
	\$ 70,120	49,819	119,939

On December 14, 2006, the Parking Division issued \$46,250 in Series 2006A Parking Revenue Tax-Exempt Bonds and \$11,650 in Series 2006B Parking Revenue Taxable Bonds. The bonds

City of St. Louis, Missouri
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were issued for the purpose of current refunding the outstanding Series 1996 and Series 1999 parking revenue bonds, and advance refunding the outstanding Series 2002 parking revenue bonds to achieve present value savings, provide debt service relief, modernize and streamline the issuance of future revenue bonds, fund the construction of the Euclid/Buckingham Garage, fund the Series 2006A and Series 2006B debt service reserves, and to fund the bond insurance premium and other costs of issuance of the Series 2006A and 2006B bonds. The bond series refunded and the amount outstanding were:

- 1) Parking Revenue Refunding Bonds, Series 1996 – \$22,085
- 2) Parking Revenue Bonds (Argyle Project), Series 1999 – \$9,805
- 3) Subordinated Parking Revenue Bonds (Downtown Parking Facilities), Series 2002 – \$20,170

A portion of the net proceeds from the Series 2006A and Series 2006B issuance in the amount of \$53,685, plus an additional \$924 from the Series 2002 Revenue Bonds debt service reserve monies, \$312 from the Series 2002 Revenue Bonds debt service reserve fund, and \$275 from the Series 1999 Revenue Bonds debt service reserve funds were deposited into an irrevocable trust with an escrow agent to current refund the Series 1996 and Series 1999 Bond issuances on December 15, 2006, and to advance refund the Series 2002 Bond issuance on February 1, 2012. Therefore, as of June 30, 2007, the Series 1996, Series 1999, and Series 2002 bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of June 30, 2007, \$19,270 and \$0, respectively, of defeased Series 2002 Bonds remain outstanding.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,029. This difference is reported as a deduction from bonds payable and is being charged to operations over the life of the new bond issue using the straight-line method, which approximates the effective interest method.

The current and advance refunding increases total debt service payments over the life of the Series 2006A and Series 2006B bond issuances by \$5,745, and results in an economic gain (difference between the present values of the old and new debt service payments) of \$2,102.

On November 20, 2003, the SLPCFC issued \$6,730 in Series 2003A Tax-Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and \$6,882 in Series B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were \$13,127, after the deduction of \$485 in underwriting fees and issuance costs. The Series 2003 A and Series 2002B bonds are secured solely by the net revenues of the Cupples Garage and do not constitute a general obligation of the Parking Division or the City.

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Notes to Basic Financial Statements, Continued
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(dollars in thousands)

18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2007 was as follows:

	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
Tax revenue anticipation notes	\$ —	36,000	(36,000)	—
	—	36,000	(36,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. As of June 30, 2007, commercial paper of \$1,000 was outstanding. This commercial paper bore interest at rate of 3.85% and was due on September 5, 2007.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2007:

	Balance June 30, 2006	Issued	Redeemed	Balance June 30, 2007
Commerical paper payable	\$ 1,000	7,000	(7,000)	1,000
	1,000	7,000	(7,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport and Water Division have entered into 10 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport and Water Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates. During the year ended June 30, 2007, the Parking Division terminated the forward purchase agreement it had entered into in association with the Series 1996 bonds due to the bond's defeasance.

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b. Terms

The terms of Airport forward purchase agreements I – VI are as follows:

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003, as amended January 2007	December 2003, as amended July 2005 and January 2007
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B, Series 2007B, debt service	Series 2001A, Series 2005, Series 2007A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	Series 2001: 5.432% Series 2005: 5.432% Series 2007A: 5.440%
Lump-sum payment received at beginning of agreement	\$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2007	2008	2027	2014	2031
Notional amount (representing balance in applicable accounts)	\$5,514	N/A	\$7,034	\$1,015	\$2,284	\$13,751
Obligation (representing the unamortized portion of lump-sum payment) recorded on the statement of fund net assets at June 30, 2007	\$840	N/A	N/A	N/A	N/A	N/A

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The terms of Airport forward purchase agreements VII – IX and the Water Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division
Date of origin	December 2003, as amended July 2005 and January 2007	December 2003	December 2003	February 1996
Underlying bond account(s)	Series 2002A, Series 2005 debt services	Series 2002B debt service	Series 2003A debt service	Series 1994 and Series 1998 debt service
Guaranteed interest rate	5.473%	5.332%	5.579%	6.200%
Lump-sum payment received at beginning of agreement	N/A	N/A	N/A	\$941
Date of termination (upon maturity of bond series)	2020	2032	2018	2014
Notional amount (representing balance in applicable accounts)	\$706	\$1,393	\$6,165	\$3,559
Obligation (representing the unamortized portion of the initial lump-sum payment) recorded on the statement of fund net assets at June 30, 2007	N/A	N/A	N/A	\$290

In January 2007, the Airport's forward purchase agreement VI and VII were amended to replace the defeased portions of Bond Series 2001A and Bond Series 2002B with Bond Series 2007A. No payments were made in consideration of this amendment.

In April 2007, the Airport's forward purchase agreement V was amended to replace Bond Series 1997B with Bond Series 2007B. No payments were made in consideration of this amendment.

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In April 2007, forward purchase agreement II was terminated with the issuance of the Series 2007B Bonds. No payments were made in consideration of this amendment.

In July 2005, the Airport's forward purchase agreements IV, VI, and VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds. No payments were made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For the Airport forward purchase agreements III through IX, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2007, these fair values are as follows:

Agreement	Fair Value
Airport III	\$ 186
Airport IV	85
Airport V	78
Airport VI	1,548
Airport VII	34
Airport VIII	68
Airport IX	254

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities

City of St. Louis, Missouri
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required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport and the Water Division to the financial institutions as of June 30, 2007. Should the financial institutions fail to perform according to the terms of the agreement, the Airport and the Water face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport and the Water Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division would realize this increase in investment earnings.

f. Termination Risk

Should the Airport or the Water Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination. During the fiscal year 2007, the Parking Division terminated a forward purchase agreement when the 1996 bonds were refunded. When the termination took place, the fair value of the forward purchase agreement was negative. The Parking Division was required to pay a termination payment in the amount of \$360 to the financial institution, which is recorded as part of nonoperating expenses.

20. OPERATING LEASES

- a. At June 30, 2007, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2008	\$ 1,342
2009	923
2010	486
2011	440
2012	441
2013 – 2017	2,274
2018 – 2022	250
2023 – 2027	250
2028 – 2032	38
	<u>\$ 6,444</u>

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b. Airport – Use Agreements and Leases with Signatory Air Carriers

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2007, revenues from signatory air carriers accounted for 59% 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, 2007:

	<u>Signatory</u>	<u>Non-signatory</u>	<u>Total</u>
Airfield	\$ 52,721	9,857	62,578
Terminal and concourses	19,491	2,446	21,937
Hangars and other buildings	764	29	793
Cargo buildings	673	68	741
	<u>\$ 73,649</u>	<u>12,400</u>	<u>86,049</u>

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The Airport also 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 noncancellable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:	
2008	\$ 19,770
2009	14,473
2010	8,966
2011	7,484
2012	7,000
2013 – 2017	12,900
2018 – 2022	7,859
2023 – 2027	3,562
2028 – 2032	3,562
2033 – 2037	<u>1,781</u>
Total minimum future rentals	<u>\$ 87,357</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$5,895 for the year ended June 30, 2007.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were \$3,592 for the year ended June 30, 2007. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2008	\$ 126
2009	71
2010	42
2011	<u>7</u>
Total minimum future rentals	<u>\$ 246</u>

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c. Component Unit—SLDC

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2008	\$ 255
2009	255
2010	255
2011	255
2012	270
2013 – 2017	<u>1,405</u>
	<u>\$ 2,695</u>

Rent expenditures, net rents received of \$443, were \$306 during the year ended June 30, 2007.

Additionally, at June 30, 2007, SLDC was committed through February 2012 under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

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21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue—grants fund	\$ 9,667
	Capital projects fund	6,067
	Other governmental nonmajor funds	2,362
	Enterprise:	
	Airport	1,648
	Water Division	793
	Parking Division	1,232
	Internal service funds	627
		<u>22,396</u>
	Other governmental nonmajor funds	General fund
Special revenue—grants fund		5,051
Capital projects fund		225
Other governmental nonmajor funds		557
		<u>7,023</u>
Internal service funds	General fund	82
	Enterprise:	
	Airport	2,122
	Water Division	1,539
	Parking Division	190
	<u>3,933</u>	
	<u>\$ 33,352</u>	

All of these interfund balances are due to either timing differences or due to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2008.

Advances to/from other funds as of June 30, 2007 are as follows:

General fund (Advance to internal service fund)	<u>\$12,121</u>
Internal Service fund (Advance from General fund)	<u>\$12,121</u>

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22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

		Transfer To					
		General Fund	Capital Projects Fund	Other Govern- mental Funds	Water Division	Parking Division	Total
	General fund	\$ —	13,143	1,550	—	—	14,693
	Capital Projects fund	80	—	—	—	—	80
	Other Governmental Funds	10,510	7,152	—	235	1,058	18,955
Transfer							
From	Airport	5,553	—	—	—	—	5,553
	Water Division	2,625	—	—	—	—	2,625
	Parking Division	1,000	—	—	—	—	1,000
		<u>\$ 19,768</u>	<u>20,295</u>	<u>1,550</u>	<u>235</u>	<u>1,058</u>	<u>42,906</u>

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and 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 City to refund program moneys. Through June 30, 2007, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

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b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2007, no amounts had been drawn against the letter of credit by DNR. At June 30, 2007, \$120 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. In April 2007, the City notified DNR of completion of the project and is awaiting final acceptance by the state.

c. Commitments

At June 30, 2007, the City had outstanding commitments amounting to approximately \$60,072, resulting primarily from service agreements.

Additionally, at June 30, 2007, the Airport had outstanding commitments amounting to approximately \$49,528 resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines and Southwest Airlines

American Airlines (American) and Southwest Airlines (Southwest) represent the major air carriers providing air passenger service at the Airport.

American provided 22% of the Airport's total operating revenues and 36% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of \$2,859 relating to amounts owed to the Airport by American. These amounts include \$1,525 of unbilled aviation revenues at June 30, 2007.

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. In addition, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

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Lease revenue under the agreement was \$0 for the years ended June 30, 2007. The agreement expired on December 31, 2005.

Southwest provided 20% of the Airport's total operating revenues and 30% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of \$2,937 relating to amounts owed to the Airport by Southwest. These amounts include \$1,564 of unbilled aviation revenues at June 30, 2007.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction of this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport. As of June 30, 2007, land acquisition activities relative to the W-1W expansion project are complete.

f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

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SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support \$52,000 in private investments in low-income areas. The entire \$52,000 of tax credits had been allocated to seven entities of which six of the transactions has closed as of June 30, 2007. SLDC has received administrative and sponsor fees totaling \$2,325 as of June 30, 2007. SLDC has incurred \$786 of related legal, accounting, and financial start-up expenses and recorded \$786 of revenue as of June 30, 2007. SLDC is holding the remaining amount of \$1,538 in cash and investments with a corresponding liability recorded to be recognized as revenue when expenses or program initiatives to the NMTC are incurred.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2007.

24. RISK MANAGEMENT

a. Primary Government

The City 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 City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$15,765 at June 30, 2007, relating to these matters is recorded in the self-insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

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The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of Harry S. Truman Restorative Center (HSTRC) and Tower Grove Park through June 30, 2004. Effective June 13, 2004, for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$579 at June 30, 2007 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2007 and, for the years ended June 30, 2007, 2006, and 2005 settlements did not exceed coverage.

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Changes in the self-insurance claims liability for the years ended June 30, 2007 and 2006 are as follows:

		<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2007	\$	17,019	12,942	(13,617)	16,344
2006		17,404	14,161	(14,546)	17,019

Additionally, there is an estimate of general liability claims outstanding of \$6,657 to \$6,682, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD 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. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of \$1,000. The SLPD is covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City. As of June 30, 2007, \$200 of claims with a reasonable possibility of adverse outcome were not covered by the City. No amounts have been accrued within the accompanying financial statements for these claims.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2007, these liabilities amounted to \$40,357 for workers' compensation. Of SLPD's total worker's compensation liability, \$32,985 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately \$1,202 for the year ended June 30, 2007.

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Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2007 and 2006 are as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2007	\$ 40,786	3,918	(4,347)	40,357
2006	45,968	(388)	(4,794)	40,786

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2007 could not be determined; however, the original issue amounts totaled approximately \$2 billion (in dollars).

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(dollars in thousands)

27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued \$6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax that will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements. Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

On April 5, 2007, the City and the Highlands TDD entered into an Intergovernmental Cooperation Access and Parking Agreement in which the district has pledged an annual appropriation of the TDD Revenues to pay TDD notes. A TDD Revenue Note Series 2007B was issued in the amount of \$605 at an interest rate of 6%. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2007, the City issued \$32,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2008 and bear interest at a rate of 4.50% per year.

b. Issuance of the Recreation Sales Tax Leasehold Revenue Bonds Series 2007

On July 12, 2007, the SLMFC issued the Recreation Sales Tax Leasehold Revenue Bonds Series 2007 in the amount of \$51,965. The Series 2007 Bonds will be used to pay the costs of designing and constructing two new recreational center facilities. The Series 2007 Bonds are due in installments through February 2024 and bear an interest rate ranging from 4.0% to 5.0%.

c. Airport Commercial Paper

On September 5, 2007, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due November 13, 2007, at an annual interest rate of 3.85% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

On November 13, 2007, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due March 10, 2008, at an annual interest rate of 3.40% for the purpose of financing the cost of extension,

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
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(dollars in thousands)

improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

d. Issuance of the Taxable Leasehold Revenue and Refunding Bonds (Pension Funding Project)

On September 27, 2007, the SLMFC issued the Taxable Leasehold Revenue and Refunding Bonds Series (Pension Funding Project) in the amount of \$140,030. The proceeds of the Series 2007 Bonds were issued for the purpose of paying certain judgments and other amounts in connection with the City's three defined retirement plans. The Series 2007 Bonds are 6.5% term bonds due June 1, 2037 at 95.891% to yield 6.663%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2007, the City issued tax increment revenue notes totaling \$6,508 with interest rates ranging from 5.50% to 7.0%.

f. Tax Increment and Community Improvement District Refunding Revenue Bonds

On November 27, 2007, the City issued tax increment refunding revenue bonds for the Loughborough Commons Redevelopment Project totaling \$18,430. The bonds will be used to refund Tax Increment Financing Notes and the Community Improvement District Notes issued for the Loughborough Redevelopment Projects. The bonds mature on November 1, 2027 and bear interest ranging from 5.05% to 5.75%.

g. Parking Revenue Bonds Series 2007

On December 13, 2007, the Parking Division issued \$12,705 Parking Revenue Bonds Series 2007 to fund the construction of the Downtown Justice Center Garage, a 538-car parking garage. The garage will be immediately adjacent to the City's new Justice Center and the Parking Division's Chouteau Building. The Series 2007 Bonds are due in installments through June 2034 and bear an interest rate ranging from 4.125% to 6.0%.

h. Police Capital Improvements Sales Tax Leasehold Revenue Bonds

On December 13, 2007, the SLMFC issued \$25,000 in Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007. The bonds will be used for capital improvements to three area command stations and other buildings owned by the Police Board, including the headquarters for the Police Department and the Police Academy. Certain interoperable communications equipment will be purchased to be used by the City police, fire, and EMS personnel. A portion of the Series 2007 Bonds are due in installments through February 2021 and bear an interest rate ranging from 3.625% to 4.1%. The remainder are term Bonds due between 2023 and 2037 and bear an interest rate ranging from 4.25% to 5.0%.

i. Rolling Stock

On November 29, 2007, the City amended its capital lease agreement to increase the capital lease by \$825 in order to finance the acquisition computer hardware and software. This portion of the capital

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2007
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lease is due in semi-annual installments from 2008 through 2010 with an annual interest rate of 4.0238%.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement will be effective for the City for the fiscal year ending June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets. GASB Statement No. 51 also requires that an intangible asset be recognized only if it is considered identifiable. GASB Statement No. 51 will be effective for the City for the fiscal year ending June 30, 2010, if applicable. Management of the City has not yet completed its assessment of the statement.

APPENDIX C

SUMMARIES OF LEGAL DOCUMENTS

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APPENDIX C

SUMMARIES OF LEGAL DOCUMENTS

DEFINITIONS OF WORDS AND TERMS

In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Trust Indenture and the Lease Agreement and this Official Statement, unless the context clearly otherwise requires. Reference is hereby made to the Trust Indenture and the Lease Agreement for the complete definitions of all terms.

“Additional Certificates” means any additional Certificates, including refunding Certificates, issued by the Corporation pursuant to the Indenture.

“Additional Payments” means the payments payable by the City pursuant to the Lease Agreement.

“Assignment and Assumption of Master Lease” means the Assignment and Assumption of Master Lease dated September 18, 2008 between the LCRA and the Corporation.

“Assignment and Assumption of Lease and Development Agreement” means the Assignment and Assumption of Lease and Development Agreement dated September 18, 2008 between the LCRA and the Corporation.

“Authorized Denominations” means Five Thousand Dollars (\$5,000) or any integral multiple thereof.

“Board of Aldermen” means the Board of Aldermen of the City.

“Certificate”, “Certificates” or “Series of Certificates” means any Certificate or Certificates, including Additional Certificates, authenticated and delivered under and pursuant to the Indenture.

“Certificate Register” means the register and all accompanying records kept by the Certificate Registrar evidencing the registration, transfer and exchange of Certificates.

“Certificate Registrar” means the Trustee when acting in such capacity under the Indenture.

“Certificate Holder”, “Holder” or “Registered Owner” means the registered owner of any Certificate as recorded on the Certificate Register.

“Business Day” means any day except Saturday, Sunday, a legal holiday, or a day on which banking institutions located in the States of Missouri and New York are authorized by law to close.

“City” means the City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

“City Representative” means the person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Master Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the Corporation and the Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. For the purpose of investing the Certificate proceeds the authorized City Representative shall be the Treasurer or his designee. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative.

“Closing Date” means the date of delivery of and payment for any Series of Certificates.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

“Corporation” means the St. Louis Municipal Finance Corporation, a corporation organized under the Missouri Nonprofit Corporation Act, and its successors and assigns and any surviving, resulting or transferee corporation as provided in the Lease Agreement.

“Corporation Representative” means the President or any Vice President of the Corporation or any other person or persons at the time designated to act on behalf of the Corporation in matters relating to the Master Lease, the Lease Agreement and the Indenture as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

“Cost” or “Costs” means costs reasonable and necessary and related to the authorization, sale and issuance of Certificates, including but not limited to, legal, organizational, marketing or other special services; capitalized interest, financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of the Credit Facility, if any; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies and all other reasonable, necessary and incidental expenses, provided, that, any legal fees of the Corporation with respect to the Certificates shall be as pre-approved by the Comptroller prior to issuance of any Series of Certificates.

“Costs of Issuance” means all costs incurred in connection with the issuance of the Certificates, including without limitation (i) fees of the Trustee and the Corporation (ii) financial advisor, placement agent, or other consultant fees and expenses, (iii) fees and expenses of Special Counsel and of counsel to the Corporation, the LCRA, the City, the Trustee, and the original purchaser of the Certificates, (iv) fees and expenses of special counsel to the Corporation, the LCRA and the City, (v) accounting expenses incurred in connection with determining that the Certificates are not arbitrage bonds, (vi) fees of independent certified public accountants or consultants for verification services, and (vii) initial fees for the Credit Facilities, (viii) all printing expenses in connection with the Indenture, the Lease Agreement and the Certificates.

“Costs of Issuance Fund” means the Lease Certificates of Participation Costs of Issuance Fund created by the Indenture.

“Counsel” means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

“Dated Date” means the Dated Date on any series of Certificates as set forth in any supplemental indenture related to such series of Certificates. The Dated Date with respect to the Series 2008 Certificates is September 18, 2008 (date of delivery).

“Debt Service Fund” means the Lease Certificates of Participation Debt Service Fund created in the Indenture.

“Debt Service Reserve Fund” means the Lease Certificates of Participation Debt Service Reserve Fund created in the Indenture.

“Debt Service Reserve Fund Deposits” means the deposits into the Debt Service Reserve Fund required by the Indenture with respect to the Series 2008 Certificates or by any Supplemental Indenture with respect to any Additional Certificates.

“Debt Service Reserve Fund Requirement” means with respect to the Series 2008 Certificates the sum of \$910,000 and at the time of issuance of Additional Certificates means the additional amount, if any, which, when added to the amount then on deposit in the Debt Service Reserve Fund, will cause the Debt Service Reserve Fund to hold the least of (i) the maximum annual debt service on the Certificates, (ii) 10% of the original stated amount of the Certificates, or (iii) 125% of the average annual debt service requirements on the Certificates. The Debt Service Reserve Fund Requirement may be satisfied at any time by Debt Service Reserve Fund Deposits in cash or in partial substitution or in lieu of cash by an insurance policy, letter of credit, line of credit or surety bond or similar liquidity or credit facility guaranteeing payments into the Debt Service Reserve Fund in the amount of the Debt Service Reserve Fund Requirement which facility shall be issued by an entity that is rated in one of the two highest rating categories by any rating agency which rates such facility at the time of issuance of such Surety Bond.

“Defeasance Obligations” means

- 1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- 2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:
 - U.S. treasury obligations
 - All direct or fully guaranteed obligations
 - Farmers Home Administration
 - General Services Administration
 - Guaranteed Title XI financing
 - Government National Mortgage Association (GNMA)
 - State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

“Escrowed Securities” means the direct noncallable obligations of the United States of America, Ref corp interest strips or securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America has been pledged to any such direct obligation or guarantee, and any Substitute Escrowed Securities.

“Event of Default” means (i) with respect to the Lease Agreement any Event of Default as defined in the Lease Agreement, and (ii) with respect to the Indenture any Event of Default as defined in the Indenture.

“Event of Non-Appropriation” means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Payments for the succeeding Fiscal Year.

“Fiscal Year” means the fiscal year now or hereafter adopted by the Corporation and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year.

“Fitch” shall mean Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Fitch shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Full Replacement Value” means the actual replacement cost of any component of the Facilities, exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal amount of the Certificates at the time Outstanding.

“Global Bond Certificates” means one or more bond certificates of the Corporation, each certificate representing the entire principal amount of the Certificates due on a particular Stated Maturity, immobilized from general circulation by the Depository.

“Impositions” means those taxes, assessments and other impositions defined in Article VI of the Lease Agreement.

“Indenture” means the Indenture of Trust dated as of September 1, 2008, between the Corporation and the Trustee, as from time to time amended and supplemented in accordance with the provisions of Article XI of the Indenture.

“Interest Payment Date” means January 1 and July 1 of each year.

“LCRA” means the Land Clearance for Redevelopment Authority of the City of St. Louis, Missouri, a body corporate and politic organized pursuant to Sections 99.300 *et seq.* of the Revised Statutes of Missouri.

“Lease Agreement” means the Lease Financing Agreement dated as of September 1, 2008 between the Corporation and the City, as from time to time supplemented or amended in accordance with the Lease Agreement and the Indenture.

“Lease and Development Agreement” means the Amended and Restated Lease and Development Agreement dated as of November 24, 1992 between the LCRA and KCRC.

“Lease Term” means any renewal term of the Lease as provided in the Lease, except that the final Term shall terminate not later than June 30, 2022.

“Master Lease” means the Amended and Restated Master Lease dated as of November 2, 1992 between the City and the LCRA, assigned to the Corporation pursuant to the Assignment and Assumption of Master Lease between the LCRA and the Corporation, as from time to time amended.

“Master Lease Premises” means the site consisting of the real estate and improvements described in the Master Lease and leased by the City thereunder, and further leased back to the City by the Corporation pursuant to the Lease Agreement.

“Master Lease Term” means the term of the Master Lease commencing as of the date of the delivery of such Master Lease and ending on the date fifty years thereafter, as such term may be extended.

“Maturity” means, with respect to any Certificate, the date on which the principal of such Certificate becomes due and payable as therein or in the Indenture provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Moody’s shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Ordinance” means Ordinance No. 68056 of the City enacted on July 22, 2008, which authorized, among other things, the delivery of the Lease Certificates of Participation (City of St. Louis, Missouri, Lessee), Series 2008, in accordance with the Indenture, and any amendments or supplements thereto and any other ordinance providing for the issuance of a Series of Certificates hereunder.

“Outstanding” means, when used with reference to Certificates, as of a particular date, all Certificates theretofore authenticated and delivered, except:

- (a) Certificates theretofore canceled by the Trustee or delivered to the Trustee for canceling;
- (b) Certificates which are deemed paid under the Indenture;
- (c) Certificates in exchange for or in lieu of which other Certificates have been authenticated and delivered pursuant to the Indenture; and
- (d) Certificates held by or for the account of the Corporation, the City or any person controlling, controlled by or under common control with either of them for purposes of any consent or other action to be taken by the holders of a specified percentage of Certificates outstanding under the Indenture, the Master Lease or the Lease Agreement.

“Paying Agent” means the Trustee and any other bank or trust institution organized under the laws of any state of the United States or any national banking association designated by the Indenture or any Supplemental Indenture as paying agent for any series of Certificates at which the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates shall be payable.

“Permitted Encumbrances” means:

- (a) such easements, encumbrances and restrictions as are identified in Schedule B of the Title Commitment dated August 12, 2008 and issued by Land America Commonwealth with respect to the Master Lease Premises;
- (b) any financing statements relating to the Indenture, the Master Lease or the Lease Agreement;
- (c) impositions which are not then delinquent, or if then delinquent, are being contested in accordance with the Lease Agreement;
- (d) utility, access and other easements and rights-of-way, restrictions and exceptions, including operating agreements or leases;
- (e) any mechanic’s, laborer’s, materialman’s, supplier’s or vendor’s lien or rights in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the Lease Agreement;
- (f) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Master Lease Premises and which the Corporation certifies do not materially adversely affect the value of the Master Lease Premises or impair the Master Lease Premises;
- (g) zoning laws and similar restrictions;
- (h) the Master Lease;
- (i) the Lease and Development Agreement;
- (j) the Lease Agreement;
- (k) Assignment and Assumption of Master Lease; and
- (l) Assignment and Assumption of Lease and Development Agreement.

“Permitted Investments” is defined to mean those obligations described in the Indenture. The value of Permitted Investments shall be determined as provided in the definition of “Value” in the Indenture.

“Rebate Fund” means the Lease Certificates of Participation Rebate Fund established in the Indenture.

“Record Date” with respect to the Series 2008 Certificates means 15 days prior to each January 1 and July 1, whether or not a Business Day, and for any other Series of Certificates, have the meaning specified in the Supplemental Indenture authorizing such Series of Certificates but in no event shall be less than ten (10) days prior to the following Interest Payment Date or Maturity.

“Redemption Date”, when used with respect to any Certificate to be redeemed, means the date fixed for redemption pursuant to the Indenture or any Supplemental Indenture applicable thereto.

“Redemption Notice Information” means information in a written and dated notice from the Trustee which (i) identifies the Certificates to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, Dated Date, interest rate, Stated Maturities and any other descriptive information the Trustee deems desirable to accurately identify the Certificates to be redeemed and, if only a portion of the Certificates will be redeemed, the certificate numbers and the principal amount of the Certificates to be redeemed, (ii) identifies the Redemption Date, (iii) states the price at which the Certificates will be redeemed, (iv) states that interest on the Certificates or the portions of Certificates called for redemption will stop accruing from the Redemption Date if funds sufficient for their redemption and available for that purpose are on deposit with the Trustee on the Redemption Date, (v) states that payment for the Certificates will be made on the Redemption Date at the principal corporate trust office of the Trustee during normal business hours upon the surrender of the Certificates to be redeemed in whole or in part and (vi) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information. Notice of redemption shall be revocable by the City at any time prior to the time at which the Certificates are to be redeemed.

“Rentals” or “Rent” means those payments required to be made by the City pursuant to the Lease Agreement.

“Refunded Bonds” means the Outstanding Series 1997A Bonds and the Outstanding Series 1997B Bonds.

“Resolution” means the Resolution adopted by the Board of Directors of the Corporation acknowledging the delivery by the City of its Lease Certificates of Participation (City of St. Louis, Missouri, Lessee), Series 2008, and the authorizing the execution of certain documents related thereto in accordance with the Indenture and any amendments or supplements thereto and any other resolution providing for the issuance of a Series of Certificates hereunder.

“Series 1997A Bonds” means the Kiel Site Lease Revenue Refunding Bonds, Series 1997A .

“Series 1997B Bonds” means the Kiel Site Lease Revenue Refunding Bonds, Series 1997B .

“Series 2008 Tax Compliance Agreement” means the Tax Compliance Agreement entered into by the City and the Trustee with respect to the Series 2008 Certificates.

“Special Counsel” means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

“S&P” means Standard & Poor’s, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall mean any other nationally recognized securities rating agency designated by the Corporation, with the approval of the City, by notice to the Trustee and the City.

“Series 2008 Certificates” means the Lease Certificates of Participation (City of St. Louis, Missouri, Lessee), Series 2008, authorized by Article II of the Indenture.

“State” means the State of Missouri.

“Stated Maturity” means, when used with respect to any Certificate, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Certificates as the fixed date on which the principal of such Certificate is due and payable.

“Supplemental Master Lease” means any lease supplemental or amendatory to the Master Lease entered into by the City and the Corporation.

“Supplemental Indenture” means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to Article XI of the Indenture.

“Supplemental Lease Agreement” means any lease financing agreement supplemental or amendatory to the Lease Agreement entered into by the Corporation and the City pursuant to Article XII of the Lease Agreement and Article XII of the Indenture.

“Term” or “Lease Term” means the term of the Lease Agreement beginning as stated in the Indenture and ending (i) the last day of the then current Fiscal Year of the City during which there occurs an Event of Non-Appropriation with respect to the City; (ii) the date on which there occurs an Event of Default with respect to the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to the Lease Agreement (iii) the date upon which all Rentals and Additional Payments, as the case may be, required under the Lease Agreement shall be paid by the City or (iv) upon the discharge of the indenture as provided in the Indenture.

“Treasurer” means the Treasurer of the City.

“Trust Estate” means the Trust Estate described in the Granting Clauses of the Indenture.

“Trustee” means UMB Bank, N.A., St. Louis, Missouri, as trustee under the Indenture and any successors or assigns.

“United States Government Obligations means bonds, notes, certificates of indebtedness, treasury bills, or other securities constituting direct obligations of the United States of America or obligations the payment of the principal of and interest of which are fully and unconditionally guaranteed by the United States of America.

“Value” means the value, determined as of the end of each month, of Permitted Investments and/or Defeasance Obligations (together, “investments”) which shall be calculated as follows:

- (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times or other national publication acceptable to the Trustee): the average of the bid and asked prices for such investments so published at or most recently prior to such time of determination;

- (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal (if not there, then in the alternative, The New York Times or other national publication acceptable to the Trustee): the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; or
- (d) as to any investment: the value thereof established by any nationally recognized pricing service utilized by the Trustee in the ordinary course of business.

“Written Request” with reference to the Corporation means a request in writing signed by the Corporation Representative and with reference to the City means a request in writing signed by the City Representative, or any other officers designated by the Corporation or the City, as the case may be, to sign such Written Requests.

* * * * *

SUMMARY OF THE TRUST INDENTURE

The following is a summary of certain provisions of the Trust Indenture (the "Indenture"). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

The Corporation and the Trustee have entered into the Trust Indenture in order to secure the payment of the principal component and interest component of the Rentals represented by the Certificates according to their tenor and effect and redemption premium, if any, and the Corporation grants, bargains and sells, mortgages, warrants, conveys and confirms and pledge, assign and grant a security interest in all and singularly the following property (said property being in the Indenture referred to as the "Trust Estate") unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Certificate Holders:

1. All right, title and interest of the Corporation (including the right to enforce any of the terms thereof) in, to and under the Lease Agreement and all Rentals and Additional Payments and certain other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement or otherwise available to secure the Certificates, except rights to certain payments as described in the Lease Agreement and the Corporation's rights to indemnification under the Lease Agreement.
2. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund, and any and all other real or personal property of every kind and nature from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred as and for additional security hereunder by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.
3. Proceeds of the foregoing.

Creation of Funds.

Under the Indenture, there are hereby created and ordered to be established in the custody of the Trustee the following special trust funds:

- (a) Costs of Issuance Fund
- (b) Debt Service Fund.
- (c) Debt Service Reserve Fund.
- (d) Redemption Fund.
- (e) Rebate Fund.

Except with respect to the Debt Service Reserve Fund, the Trustee shall maintain separate accounts for funds and securities attributable to each series of Certificates in the Funds established with the Trustee for any series of Certificates so that the calculations required by the Series 2008 Tax Compliance Agreement for each series of Certificates can be made separately for such series. Any transfer of funds or securities or earnings thereon from one fund or account to another shall be made to the appropriate account or

subaccount for the same series of Certificates to which such funds or securities are attributed. If, at any time, a payment is made to any such fund that is less than the amount due and payable to such fund, the amount paid shall be credited pro-rata to each separate account within such fund, based on the amount owed to each such account.

The Debt Service Reserve Fund shall secure the Series 2008 Certificates and any Additional Certificates. Any supplemental indenture authorizing Additional Certificates shall provide that the amount to be deposited into the Debt Service Reserve Fund will be an additional amount which, when added to the amount then on deposit in the Debt Service Reserve Fund shall equal the Debt Service Reserve Fund Requirement.

In addition, on the date of the delivery of the Series 2008 Certificates, the Trustee is directed to transfer the following amounts held pursuant to the Refunded Bonds for application as follows:

- (a) a stated amount shall be transferred from the Debt Service Reserve Fund for the Series 1997A Bonds and the Series 1997B Bonds to the Redemption Fund for application as provided in the Indenture.
- (b) a stated amount shall be transferred from the Principal Account and the Interest Account established for the Series 1997A Bonds and the Series 1997B Bonds to the Redemption Fund for application as provided in the Indenture.

Application of Proceeds of Series 2008 Certificates and Other Funds.

The net proceeds of the sale of the Series 2008 Certificates and other available funds described above shall be deposited into the funds as provided in the Indenture.

Deposits and Application of Revenues in the Debt Service Fund.

In addition to the initial deposits pursuant to the Indenture, the Trustee shall deposit into the Debt Service Fund (a) all amounts received as Rentals to be deposited in the Debt Service Fund pursuant to the Lease Agreement corresponding to the payments of principal component, and redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates; (b) all interest and other income derived from the investments of funds on deposit in the Debt Service Fund; (c) the pro-rata share allocable to the Series 2008 Certificates of any amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirements pursuant to the Indenture; and (d) all other moneys received by the Trustee which the Trustee is directed to deposit in the Debt Service Fund.

The Trustee shall notify the Corporation and the City in writing fifteen (15) days prior to each Interest Payment Date of (a) the moneys then available in the Debt Service Fund to pay any principal component, and redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates becoming due on such upcoming Interest Payment Date, and (b) to the extent such moneys are insufficient to make such payment, the amount of such deficiency, which amount shall be required to be paid as Rentals pursuant to the Lease Agreement. The Trustee shall make such payment of any principal component, and redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates becoming due on such upcoming Interest Payment Date as follows:

FIRST, from the moneys available in the Series 2008 Debt Service Fund as of the date of the notice required above;

SECOND, from Rentals required pursuant to the Lease Agreement.

Except as otherwise provided in the Indenture, funds on deposit in the Debt Service Fund shall be used and applied solely to pay the principal component, and redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates.

Application of Money in the Redemption Fund.

The Trustee will apply moneys in the Redemption Fund to purchase the Escrowed Securities and to establish an initial cash balance. The cash and Escrowed Securities held in the Redemption Fund will be transferred without further authorization by the Trustee on the Closing Date for the Series 2008 Certificates to the trustee for the Refunded Bonds to be applied to the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds as provided in the Indenture. The Redemption Fund will be closed by the Trustee following the transfer of the initial cash balance and Escrowed Securities to the Refunded Bonds trustee.

Redemption of Refunded Bonds.

The LCRA has provided for the redemption and payment of the Refunded Bonds on September 19, 2008 and directed such actions as necessary to effect the redemption and payment, including delivery of notice of redemption. The Refunded Bonds shall be redeemed at the office of the trustee for such Refunded Bonds, the paying agent for said bonds, on the redemption date by the payments of the principal thereof, together with the redemption premium and accrued interest thereon to the redemption date.

Disbursements from Costs of Issuance Fund.

Moneys on deposit in the Costs of Issuance Fund shall be paid out from time to time by the Trustee upon Written Requests of the Corporation Representative, in substantially the form of Exhibit A attached hereto, in an amount equal to the amount of costs and expenses of issuing and securing the Certificates certified in such Written Requests, including, without limitation, printing expenses, rating agency fees, recording and filing fees, trustee's and depository's fees and expenses, fees and expenses of the Corporation, legal fees, and other fees and expenses incurred or to be incurred by or on behalf of the Corporation or the City in connection with or incident to the issuance, sale and delivery of the Certificates. At such time as the Trustee is advised in writing by the Corporation Representative that such costs and expenses have been paid, and in any case not later than six months from the Closing Date, the Trustee shall transfer any moneys remaining in the Costs of Issuance Fund to the Debt Service Fund.

Application of Revenues in the Debt Service Reserve Fund.

In addition to the deposit pursuant to the Indenture, except as in the Indenture otherwise provided, funds on deposit in the Debt Service Reserve Fund shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the Debt Service Fund shall be insufficient to pay the principal component and interest component of the Rentals represented by the Certificates as the same become due. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement. Moneys on deposit in the Debt Service Reserve Fund may be used to pay Certificates called for redemption or to purchase Certificates in the open market, prior to their Stated Maturity, provided all Certificates at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Debt Service Reserve Fund shall be used to pay and retire the Certificates last becoming due, unless such Certificates and all interest thereon are otherwise paid.

So long as the sum on deposit in the Debt Service Reserve Fund on any valuation dated as provided for in the Indenture shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, no further deposits to said Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to

withdraw funds from the Debt Service Reserve Fund to prevent a default as in the Indenture provided and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement, the Lease Agreement provides that the City shall make up such deficiency by making monthly payments of Additional Payments, commencing on the first day of the calendar month following the date of such withdrawal and continuing on the first day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency, until the amount on deposit in the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement.

In the event that the sum on deposit in the Debt Service Reserve Fund exceeds the Debt Service Reserve Fund Requirement by reason of the issuance of Additional Certificates refunding a portion or all of one or more Series of Certificates hereunder, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Debt Service Fund associated with the Series of Certificates being refunded.

Notwithstanding the foregoing, any of the following (“Surety Bond”) may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund at any time: an insurance policy, letter of credit, line of credit, guaranty or surety bond or any similar credit or liquidity facility, or any combination thereof which facility shall be obtained from an entity that is rated in one of the two highest rating categories by either Moody’s, Fitch or S&P at the time of issuance of such Surety Bond. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement shall be transferred to the account and subaccounts in the Debt Service Fund attributable to each Outstanding Series of Certificates pursuant to the Indenture, or if such cash substitute is attributable to a particular Series of Certificates, the Corporation may direct the Trustee to transfer such funds in excess of the Debt Service Reserve Fund Requirement to the accounts or subaccounts of the Debt Service Fund associated with such Series of Certificates.

Valuation of Debt Service Reserve Fund.

Permitted Investments in the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on March 15, June 15, September 15 and December 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount less than the Debt Service Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal), the Lease Agreement provides that the City shall make up such deficiency as Additional Payments equal to such deficiency no later than the next evaluation date. In the event that on any such date of evaluation the amount on deposit in the Debt Service Reserve Fund shall aggregate an amount which is equal to or exceeds the Debt Service Reserve Fund Requirement, such amount in excess of the Debt Service Reserve Fund Requirement shall be transferred to the account and subaccounts in the Debt Service Fund attributable to each Outstanding Series of Certificates.

After payment in full of the principal component, and redemption premium, if any, and interest component of the Rentals represented by all Outstanding Certificates (or provision has been made for the payment thereof as specified in the Indenture), and the fees, charges and expenses of the Trustee and any Paying Agent and any other amounts required to be paid under the Indenture, the Lease Agreement, the Series 2008 Tax Compliance Agreement, any agreements related to Additional Certificates and any agreement with respect to Credit Facility, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City, free and clear of the lien of the Indenture.

Application of Moneys in the Rebate Fund.

There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Series 2008 Tax Compliance Agreement. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Series 2008 Tax Compliance Agreement) for payment to the United States of America, and neither the Corporation, the City nor the Owner of any Certificate shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Series 2008 Tax Compliance Agreement (which is incorporated in the Indenture by reference).

The Trustee shall periodically retain at the expense of the City, a rebate analyst to determine the amounts subject to rebate under Section 148(f) of the Code in accordance with the Series 2008 Tax Compliance Agreement, and the Issuer shall make or cause to be made payments to the United States Government at the times and in the amounts determined under the Series 2008 Tax Compliance Agreement. Any funds remaining in the Rebate Fund after redemption and payment of all of the Certificates and payment and satisfaction of any Rebate Amount (as defined in the Series 2008 Tax Compliance Agreement), or provision made therefor, shall be withdrawn and released to the City.

Notwithstanding any other provision of the Indenture, the obligation to pay Rebate Amounts to the United States and to comply with all other requirements of the Indenture and the Series 2008 Tax Compliance Agreement shall survive the defeasance or payment in full of the Certificates.

Payments Due on Saturdays, Sundays and Holidays.

In any case where the Maturity of principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates or the days fixed for redemption of any Certificates shall be a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the city of payment are authorized by law to close, then payment of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates need not be made on such date but may be made on the next succeeding day not a Saturday, a Sunday or a legal holiday or a day upon which such banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

Nonpresentment of Certificates.

In the event any Certificate shall not be presented for payment when the principal therein becomes due, either at its Maturity or otherwise, or at the Redemption Date thereof, if funds sufficient to pay such Certificate shall have been made available to the Trustee, all liability of the Corporation to the Certificate Holder thereof for the payment of such Certificate shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such fund or funds, without liability for interest thereon, for the benefit of the Holder of such Certificate who shall thereafter be restricted exclusively to such fund or funds for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Certificate. If any Certificate shall not be presented for payment within five years following the date when such Certificate becomes due, whether by maturity or otherwise, the Trustee shall repay to the City without liability for interest thereon the funds theretofore held by it for payment of such Certificate, and such Certificate shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Certificate Holder thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Repayment to the City from the Debt Service Fund.

After payment in full of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates (or after provision has been made for the payment thereof as provided in the Indenture), and the fees, charges and expenses of the Trustee and Paying Agents and any other amounts required to be paid under the Indenture, and Lease Agreement, all amounts remaining in the Debt Service Fund shall be paid to the City upon the expiration or sooner termination of the Lease Agreement.

Moneys to be Held in Trust.

Except as otherwise specifically provided in the Indenture, all moneys deposited with or paid to the Trustee pursuant to the provisions of the Indenture, and all moneys deposited with or paid to any Paying Agent under the Indenture, shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the Indenture and the Lease Agreement, and, until used or applied as in the Indenture provided, shall constitute part of the Trust Estate and be subject to the lien of the Indenture. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

Investment of Moneys in the Costs of Issuance Fund, the Debt Service Fund and the Debt Service Reserve Fund, if any.

Moneys held in the Costs of Issuance Fund, the Debt Service Fund, the Arbitrage Fund and the Debt Service Reserve Fund created hereby shall, pursuant to written direction of the City, signed by the Treasurer or his designee and in accordance with the Series 2008 Tax Compliance Agreement be invested and reinvested by the Trustee in Permitted Investments which mature or are subject to redemption by the holder prior to the date such funds will be needed. In the absence of such instructions, the Trustee is authorized to invest moneys in Permitted Investment Securities described in subparagraph (5) of the definition of Permitted Investments in the Indenture. The Trustee is specifically authorized to implement its automated cash investment system to assure that cash on hand is invested and to charge its normal cash management fees and cash sweep account fees, which may be deducted from income earned on investments, provided that any such fees will not exceed the interest income on the investment. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account. The Trustee shall transfer excess monies in the Debt Service Reserve Fund to the Debt Service Fund after any quarterly valuation required by a Supplemental Indenture. The Trustee may make any and all investments permitted by the Indenture through its own bond department or short-term investment department.

Payment of Principal, Redemption Premium, if any, and Interest.

The Corporation will, but solely from the Rentals and other revenues derived under the Lease Agreement, deposit or cause to be deposited in the Debt Service Fund sufficient sums from Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement or other tenancies promptly to meet and pay the principal component, redemption premium, if any, and interest

component of the Rentals represented by the Certificates as the same become due and payable at the place, on the dates and in the manner provided in the Indenture and in the Certificates according to the true intent and meaning thereof.

Filing of Security Instruments.

This instrument is intended to be a security agreement pursuant to the Uniform Commercial Code for any of the items specified as part of the interest of the Trustee on behalf of the Certificate Holders in the Trust Estate which, under applicable law, may be subject to a security interest pursuant to the Uniform Commercial Code, and the Corporation hereunder grants the Trustee on behalf of the Certificate Holders, a security interest in said items, whether now or hereafter acquired, and including all products and proceeds of said items. The Corporation will cause all appropriate financing and continuation statements and other security instruments to be filed or recorded, as applicable, in such manner, at such times and in such places as may be required by law to fully preserve and protect the security of the Certificate Holders and the rights of the Trustee hereunder. The Corporation shall, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee under the Indenture in the pledged property to the extent possible under applicable law. Not earlier than 180 days nor later than 30 days prior to each fifth anniversary of the Closing Date of a Series of Certificates hereunder, the Corporation shall deliver a written opinion of Counsel licensed in the State of Missouri to the Trustee stating that all filings and recordings have been made and all other actions have been taken so as to perfect, preserve and protect such interest under applicable law.

Inspection of Books.

All books and documents in the Corporation's possession relating to the Rentals and other revenues, moneys and receipts derived by the Corporation pursuant to the Lease Agreement shall at all times be open to inspection by such accountants or other agencies as the Trustee may from time to time designate.

Enforcement of Rights Under the Lease Agreement.

The Corporation will enforce all of the rights and all of the obligations of the City under the Lease Agreement to the extent necessary to preserve the property leased thereunder in good order and repair, and to protect the rights of the Trustee and the Certificate Holders hereunder with respect to the pledge and assignment of the Trust Estate upon the direction of the Trustee. The Trustee as assignee of the Lease Agreement and the holder of the Indenture in its name or in the name of the Corporation may enforce all rights of the Corporation and all obligations of the City under and pursuant to the Lease Agreement for and on behalf of the Certificate Holders, whether or not the Corporation is in default hereunder.

Damage, Destruction and Condemnation.

If the Master Lease Premises or any portion thereof is destroyed or damaged by fire or other casualty, or if title to or temporary use of the Master Lease Premises or the interest of the City or of the Corporation therein shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the City shall cause the net proceeds of any insurance (including proceeds from the City's self insurance program) or condemnation award to be applied as provided in the Lease Agreement.

Rebate.

The Trustee shall at the times specified in the Series 2008 Tax Compliance Agreement at the expense of the City, employ an individual or firm having the requisite expertise to make, the calculation(s) required by the Series 2008 Tax Compliance Agreement and the Corporation shall (i) pay to the United States the amount, if any, required to be rebated by the Series 2008 Tax Compliance Agreement and (ii) invest proceeds of the Certificates only as provided in the Series 2008 Tax Compliance Agreement. Anything in this section to the contrary notwithstanding, the Series 2008 Tax Compliance Agreement may be amended or superseded by a new Series 2008 Tax Compliance Agreement accompanied by an opinion of Special Counsel addressed to the Corporation to the effect that the use of said new Series 2008 Tax Compliance Agreement will not cause the interest on the Certificates to become includable in gross income for Federal income tax purposes of the recipient thereof.

Events of Default.

If any one or more of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

- (a) Default by the Corporation in the due and punctual payment of any interest on any Certificate;
- (b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Certificate, whether at the Stated Maturity or other Maturity thereof, or upon proceedings for redemption thereof;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Corporation contained in the Indenture or in the Certificates or in any other document or instrument that secures or otherwise relates to the debt and obligations hereby secured, and the continuance thereof for a period of 60 days after written notice given to the Corporation, and the City by the Trustee or to the Trustee, the City, and the Corporation by the Holders of not less than 25% in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within said 60-day period, the Trustee may consent in writing to an extension of such time prior to its expiration and the Trustee will not unreasonably withhold its consent to such an extension if corrective action is instituted by the Corporation or the City within the 60-day period and diligently pursued to completion and if such consent, in its judgment, does not materially adversely affect the interests of the Certificate Holders. Upon receipt of notice of any Event of Default under this subparagraph (c) the City shall have the rights specified in the Indenture; or
- (d) An Event of Default under the Lease Agreement.

Notice of any Event of Default shall be given to the Corporation, and the City by the Trustee within thirty (30) days of the Trustee's knowledge thereof and the City, upon receipt of such notice, shall have the rights specified in the Indenture.

Acceleration of Maturity in Event of Default.

If an Event of Default shall have occurred and be continuing, the Trustee may, and upon the written request of the Holders of not less than 51% in aggregate principal amount of Certificates then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Certificates then Outstanding and the interest accrued thereof immediately due and payable, and such principal component and interest component of the Rentals represented by the Certificates shall thereupon become and be immediately due and payable. If the payment of the Certificates is accelerated under the Indenture, each Certificate shall be payable in the principal amount thereof and accrued interest thereon.

Surrender of Possession of Trust Estate Rights and Duties of Trustee in Possession.

If an Event of Default shall have occurred and be continuing, the Corporation, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers and accounts of the Corporation pertaining thereto, and including the rights and the position of the Corporation under the Lease Agreement and to collect, receive and sequester the Rentals and other revenues, moneys and receipts derived under the Lease Agreement, and out of the same and any moneys received from any receiver of any part thereof pay, and set up proper reserves for the payment of all proper costs and expenses of so taking, holding and managing the same, including (i) reasonable compensation to the Trustee, its agents and counsel and (ii) any expenses and charges of the Trustee hereunder, and the Trustee shall apply the remainder of the moneys so received in accordance with the Indenture. The collection of such Rentals, revenues and other receipts, or the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Certificates shall have been paid and all defaults cured, the Trustee shall surrender possession of the Trust Estate to the Corporation, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

The City shall give notice to the Corporation with a copy to the Trustee as early as practicable in each Fiscal Year and in any case no later than three (3) Business Days following the date on which the budget for the next succeeding Fiscal Year is finally approved by the Board of Alderman of the City of either (i) the termination of the Lease Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals during the next succeeding Fiscal Year. Notice that sufficient funds have been appropriated for the next succeeding Fiscal Year shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Payments as shall be required during such Fiscal Year by the terms of the Lease Agreement. If the Trustee does not receive such notice the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest and obligations under the Lease Agreement shall terminate without penalty on the last day of the then current Fiscal Year. Failure of the City to budget and appropriate prior to July 1 of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Payments during such Fiscal Year, shall constitute termination of the Lease Agreement at the end of the Fiscal Year then in effect, and failure to give notice to the Corporation of such termination as heretofore provided shall not affect such automatic termination.

Appointment of Receivers in Event of Default.

If an Event of Default shall have occurred and be continuing, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee or of the Certificate Holders under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Exercise of Remedies by the Trustee.

Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal and interest components of the Rentals represented by the Certificates then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as in the Indenture set forth or to enforce or realize upon any of the rights, powers, liens or interests granted hereby to the Trustee. Upon the occurrence of an Event of Default, the Trustee may exercise any of the rights and remedies of a secured party under the Missouri Uniform Commercial Code or other applicable laws and require the Corporation to assemble any collateral covered hereby and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties.

Exercise of Rights and Powers.

If an Event of Default shall have occurred and be continuing, and if requested so to do by the Holders of 25% in aggregate principal amount of Certificates then Outstanding and indemnified as provided in the Indenture the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Certificate Holders.

All rights of action under the Indenture or under any of the Certificates may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Certificate Holder, and any recovery or judgment shall, subject to the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Certificates.

Limitation on Exercise of Remedies by Certificate Holders.

No Certificate Holder shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust hereunder or for the appointment of a receiver or any other remedy hereunder unless:

- (i) a default has occurred of which the Trustee has been notified as provided in the Indenture or of which the Trustee is deemed to have notice;
- (ii) such default shall have become an Event of Default;
- (iii) the Holders of 25% in aggregate principal amount of Certificates then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers granted in the Indenture or to institute such action, suit or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in the Indenture; and

- (iv) the Trustee shall thereafter fail or refuse to exercise the powers in the Indenture granted or to institute such action, suit or proceeding in its own name; and such notification, request and provision of indemnity are hereby declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy hereunder, it being understood and intended that no one or more Certificate Holders shall have any right in any manner whatsoever to affect, disturb or prejudice the Indenture by its, his or their action or to enforce any right hereunder except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Certificates then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Certificate Holder to payment of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates at and after its Maturity or the obligation of the Corporation to pay the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates to the respective Registered Owners thereof at the time, place, from the source and in the manner in the Indenture and in such Certificate expressed.

Right of Certificate Holders to Direct Proceedings.

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of Certificates then Outstanding, shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceedings directed would involve it in personal liability.

Application of Moneys in Event of Default.

Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease Agreement or pursuant to any right given or action taken under this Article or any other provisions of the Indenture, shall, after payment of the (1) cost and expenses of the proceedings resulting in the collection of such moneys and (ii) of the fees, charges, expenses, liabilities, advances and dues incurred or made by the Trustee, be deposited in the Debt Service Fund and any other Debt Service Fund created for the payment of Certificates and all moneys so deposited in the Debt Service Fund or such other Debt Service Fund shall be applied as follows:

- (a) If the principal of all the Certificates shall not have become due or shall not have been declared due and payable, all such moneys shall be applied:

First To the payment to the persons entitled thereto of all installments of interest then due and payable on the Certificates, in the order in which such installments of interest became due and payable, and, if the amount available shall not be sufficient to pay in full any particular

installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

Second To the payment to the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Certificates which shall have become due and payable (other than Certificates called for redemption for the payment of which moneys are held pursuant to the Indenture), in the order of their due dates, with interest on such Certificates from the respective dates upon which they became due and payable, and, if the amount available shall not be sufficient to pay in full all Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and redemption premium, if any, due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied:

First To the payment to the persons entitled thereto of all installments of interest then due and payable on the Certificates, in the order in which such installments of interest became due and payable and, if the amount available shall not be sufficient to pay such amounts in full, then to the payment ratably, according to the amounts due, to the persons entitled thereto, without any discrimination or privilege; and

Second To the payment to the persons entitled thereto of unpaid principal of and redemption premium, if any, then due and unpaid on all of the Certificates, without preference or priority of principal or premium of any Certificate over principal or premium of any other Certificate, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Certificates shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under this Article then, subject to the Indenture, in the event that the principal of all the Certificates shall later become due or be declared due and payable, the moneys shall be applied in accordance with subparagraph (a) of this Section.

Whenever moneys are to be applied pursuant to the Indenture, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give

such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Holder of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Certificates and interest thereon have been paid under the Indenture, and all fees, expenses and charges of the Trustee have been paid, and all amounts owing the United States Government under Section 148 of the Code have been paid, any balance remaining in the Debt Service Fund shall be paid to the City as provided in the Indenture.

Remedies Cumulative.

No remedy conferred by the Indenture upon or reserved to the Trustee or to the Certificate Holders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Certificate Holders hereunder or now or hereafter existing at law or in equity or by statute.

Delay or Omission Not Waiver.

No delay or omission to exercise any right, power or remedy accruing upon any Event of Default shall impair any such right, power or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power or remedy may be exercised from time to time and as often as may be deemed expedient.

Effect of Discontinuance of Proceedings.

In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver, by entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Corporation, the City, the Trustee and the Certificate Holders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default.

The Trustee shall waive any Event of Default and its consequences and rescind any declaration of maturity of principal upon the written request of the Registered Owners of at least a majority in aggregate principal amount of all Certificates then Outstanding; provided, however, that there shall not be waived without the consent of the Registered Owners of all the Certificates Outstanding (a) any Event of Default in the payment of the principal of any Outstanding Certificates at their Stated Maturity, or (b) any Event of Default in the payment when due of the interest on any such Certificates unless, prior to such waiver or rescission, all arrearages of interest, with interest (to the extent permitted by law) at the rate borne by the Certificates or overdue installments of interest in respect of which such default shall have occurred, or all arrearages of payments of principal when due, as the case may be, and all fees, charges and expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Corporation, the City, the Trustee and the Certificate Holders shall be restored to their former positions, rights and obligations hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Opportunity of City to Purchase Corporation's Interest in Event of Default and to Cure Defaults.

Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (a) or (b) of Section 901 of the Indenture, the Corporation has, by the Lease Agreement, granted the City an option to purchase the Corporation's interest in the Master Lease Premises under the Lease Agreement.

Upon receipt of notice by the City of an Event of Default pursuant to subparagraph (c) of Section 901 of the Indenture, the Corporation hereby grants the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

Acceptance of the Trusts.

The Trustee hereby accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts exercising the same degree of care and skill as a prudent person ordinarily would exercise under the circumstances, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Indenture against the Trustee:

- (a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. If any Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his affairs.
- (b) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents, attorneys or receivers and shall not be responsible for any misconduct or negligence on the part of any attorney or receiver appointed or chosen by it with due care, and the Trustee shall be entitled to act upon the opinion or advice of Counsel, who may be Counsel to the Corporation or to the City, concerning all matters of trust of the Indenture and the duties hereunder, and may in all cases pay such reasonable compensation to all such agents, attorneys and receivers as may reasonably be employed in connection with the trusts hereof. The Trustee shall not be responsible for any loss or damage resulting from an action or non-action by it taken or omitted to be taken in good faith in reliance upon such opinion or advice of Counsel.
- (c) The Trustee shall not be responsible for any recital in the Indenture or in the Certificates, or for the filing or refiling of the Indenture or any security agreements in connection therewith, or for the validity of the execution by the Corporation of the Indenture or any Supplemental Indentures or instruments of further assurance, or for the sufficiency of the security for the Certificates.
- (d) The Trustee shall not be accountable for the use of any Certificates authenticated and delivered hereunder. The Trustee, in its individual or any other capacity, may become the owner or pledgee of Certificates with the same rights which it would have if it were not Trustee.

- (e) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, affidavit, letter, telegram or other paper or document provided for under the Indenture believed by it to be genuine and correct and to have been signed, presented or sent by the proper person or persons.
- (f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, or whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting *any* action hereunder, the Trustee shall be entitled to rely upon a certificate signed by a Corporation Representative and a City Representative, as the case may be, as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in subparagraph (ii) of this Section or of which by said subparagraph it is deemed to have notice, the Trustee shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.
- (g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty, and the Trustee shall not be answerable for other than its negligence or willful misconduct.
- (h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the Corporation to cause to be made any of the payments to the Trustee required to be made under Article V, unless the Trustee shall be specifically notified in writing of such default by the Corporation or by the Registered Owners of at least twenty-five percent (25%) in aggregate principal amount of all Certificates then Outstanding.
- (i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right, but shall not be required, to inspect all books, papers and records of the Corporation pertaining to the Master Lease Premises, and the Certificates, and to make copies of such memoranda as may be reasonably desired.
- (j) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises.
- (k) The Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms of the Indenture required, as a condition of such action by the Trustee deemed necessary for the purpose of establishing the right of the Corporation to the authentication of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

- (l) Before taking any action under the Indenture, the Trustee may require that satisfactory and reasonable indemnity be furnished to it for the reimbursement of all fees, costs and expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.
- (m) The Trustee shall invest funds held by it in accordance with Article VII and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Indenture.
- (n) The Trustee may elect not to proceed in accordance with the directions of the Certificate Holders without incurring any liability to the Certificate Holders if in the opinion of the Trustee such direction may result in environmental or other liability to the Trustee, in its capacity as trustee or in an individual capacity, for which the Trustee has not received indemnity pursuant to the Indenture from the Certificate Holders, and the Trustee may rely upon an opinion of Counsel addressed to the Corporation and the Trustee in determining whether any action directed by Certificate Holders or the Corporation may result in such liability.
- (o) The Trustee may inform the Certificate Holders of environmental hazards that the Trustee has reason to believe exist, and the Trustee shall have the right to take such action as it shall determine or to take no further action if the Trustee determines that any such action or inaction would materially and adversely subject the Trustee to environmental or other liability for which the Trustee has not received indemnity pursuant to the Indenture.
- (p) Notwithstanding any other provision of the Indenture to the contrary, any provision intended to provide authority to act, right to payment of fees and expenses, protection, immunity and indemnification to the Trustee shall be interpreted to include any action of the Trustee whether it is deemed to be in its capacity as Trustee, Certificate Registrar and Paying Agent.

Fees, Charges and Expenses of the Trustee.

The Trustee shall be entitled to payment of and/or reimbursement for reasonable fees for its ordinary services rendered hereunder and all advances, agent and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services and, in the event that it should become necessary that the Trustee perform extraordinary services, it shall be entitled to reasonable extra compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided, that, if such extraordinary services or extraordinary expenses are occasioned by the neglect or misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefor. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as Paying Agent for the Certificates and as Certificate Registrar. Pursuant to the Lease Agreement, the City has agreed to pay to the Trustee all such fees, charges and expenses of the Trustee under the Indenture. The Trustee agrees that the Corporation shall have no liability for any fees, charges and expenses of the Trustee, and the Trustee agrees to look only to the City for the payment of all fees, charges and expenses of the Trustee and any Paying Agents as provided in the Lease Agreement. Upon the occurrence of an Event of Default and during its continuance,

the Trustee shall have a lien with right of payment prior to payment on account of principal, or redemption premium, if any, or interest on, any Certificate, upon all moneys in its possession under any provision of the Indenture for the foregoing advances, fees, costs and expenses incurred.

Notice to Certificate Holders if Default Occurs.

If an Event of Default occurs of which the Trustee is by the Indenture required to take notice or if notice of default be given as in said subparagraph (h) provided, then the Trustee shall give written notice thereof by first class mail, postage prepaid, to the Holders of all Certificates then Outstanding at their respective addresses appearing on the Certificate Register.

Intervention by the Trustee.

In any judicial proceeding to which the Corporation is a party and which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interests of the Certificate Holders, the Trustee may intervene on behalf of Certificate Holders and shall do so if requested in writing by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding, provided that the Trustee shall first have been provided such reasonable indemnity as it may require against the fees costs, expenses and liabilities which it may incur in or by reason of such proceeding.

Successor Trustee Upon Merger, Consolidation or Sale.

Any corporation or association into which the Trustee may be merged or converted or with or into which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder and shall be vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereunder as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto provided such successor Trustee is qualified to act as such under State law.

Resignation of Trustee.

The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving at least 30 days written notice to the Corporation, the City and the Certificate Holders, but such resignation shall not take effect until the appointment of a successor Trustee by the Certificate Holders or by the Corporation and approved by the City of each successor pursuant to the Indenture.

Removal of Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, the Corporation, and the City not less than ten (10) days prior to such removal and signed by the Holders of a majority in aggregate principal amount of Certificates then Outstanding, but such removal shall not take effect until the appointment of a successor Trustee by the Certificate Holders or by the Corporation and approval by the City of such successor pursuant to the Indenture, and compliance by such successor with the Indenture. The Trustee may be removed at any time for any breach of the trust set forth in the Indenture.

Appointment of Successor Trustee.

In case the Trustee shall resign or be removed, or shall otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor Trustee may be appointed by the Holders of a majority in aggregate principal amount of Certificates then Outstanding, by an instrument or concurrent instruments in writing; provided that notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, approved by the City and the Corporation, shall be appointed and provided further that, in case of such vacancy, the Corporation, by an instrument executed and signed by its President or any Vice President and attested by its Secretary or any Assistant Secretary under its seal, may appoint a temporary Trustee to fill such vacancy until a successor Trustee shall be appointed by the Certificate Holders in the manner above provided. Any such temporary Trustee so appointed by the Corporation shall immediately and without further acts be superseded by the successor Trustee so appointed by such Certificate Holders. Every such Trustee appointed pursuant to the Indenture shall be a trust company or bank in good standing and qualified to accept such trusts, subject to examination by a Federal or state regulatory authority and having a reported capital and surplus and undivided profits of not less than \$75,000,000 and acceptable to any corporation or association resulting from any merger, conversion, sale, consolidation or transfer to which it is a party, shall be and become successor Trustee hereunder. If a successor Trustee or temporary trustee has not been appointed within 30 days after the notice required by the Indenture is given the Trustee, the City or the Corporation may petition a court of competent jurisdiction for the appointment of a successor trustee.

Vesting of Trusts in Successor Trustee.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Corporation and the City an instrument in writing accepting such appointment hereunder, and thereupon such successor shall become fully vested with all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of its predecessor; but such predecessor nevertheless, on the written request of the Corporation, shall execute and deliver an instrument transferring to such successor Trustee all the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of such predecessor hereunder. Every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor or predecessor Trustee for more fully and certainly vesting in such successor the trusts, powers, rights, obligations, duties, remedies, immunities and privileges hereby vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation. Written notice of the appointment of any successor trustee, stating its name and address shall be given by such successor trustee to the Certificate Holders.

Right of Trustee to Pay Taxes and Other Charges.

In case any tax, assessment or governmental or other charge upon, or insurance premium with respect to, any part of the Master Lease Premises is not paid as required in the Indenture or in the Lease Agreement, the Trustee may pay such tax, assessment or governmental or other charge or insurance premium without prejudice to any rights of the Trustee or the Certificate Holders hereunder arising in consequence of such failure; but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding and shall have been provided adequate funds for the purpose of such payment. Any amount at any time so paid under the Indenture, with interest thereon from the date of payment at the prime rate of the Trustee plus two percent (2%), shall become an additional obligation secured by the Indenture, and the same shall be given a preference in payment over any

payment of principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates, and shall be paid out of the Rentals and any other revenues and receipts derived by the Corporation pursuant to the Lease Agreement, if not otherwise caused to be paid.

Trust Estate May Be Vested in Co-Trustee.

It is a purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the State) denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture or the Lease Agreement, and in particular in case of the enforcement of the Indenture or thereof on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies in the Indenture granted to the Trustee, or take any other action which may be desirable or necessary in connection therewith, it may be necessary or desirable that the Trustee appoint an additional individual or institution as a co-trustee or separate trustee, and the Trustee is hereby authorized to appoint such co-trustee or separate trustee with the consent of the Corporation and the City.

In the event that the Trustee appoints an additional individual or institution as a co-trustee or separate trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, title, interest and lien expressed or intended by the Indenture to be exercised by the Trustee with respect thereto shall be exercisable by such co-trustee or separate trustee but only to the extent necessary to enable such co-trustee or separate trustee to exercise such powers, rights and remedies, and every covenant, agreement and obligation necessary to the exercise thereof by such co-trustee or separate trustee shall run to and be enforceable by either of them.

Should any deed, conveyance or instrument in writing from the Corporation be required by the co-trustee or separate trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such deeds, conveyances and instruments in writing shall, on request, be executed, acknowledged and delivered by the Corporation. In case the co-trustee or separate trustee shall die, become incapable of acting, resign or be removed, all the properties, rights, powers, trusts, duties and obligations of the co-trustee or separate trustee, so far as permitted by law, shall vest in a new co-trustee or separate trustee who shall be appointed by the Trustee.

Accounting.

The Trustee shall provide at least annually an accounting for each calendar year to the Corporation, and at such Certificate Holder's expense to any Certificate Holder requesting the same, which records shall show in reasonable detail all financial transactions relating to the Trust Estate and the balance in any funds created by the Indenture as of the beginning and close of each accounting period.

Paying Agents.

(a) The Corporation may appoint a Paying Agent other than the Trustee for any Series of Certificates and covenants and agrees that upon such appointment it will cause such Paying Agent to execute and deliver to the Trustee an instrument in which it shall agree with the Trustee, subject to the provisions of the Indenture:

- (1) that such Paying Agent shall hold in trust for the benefit of the Certificate Holders of such series or of the Trustee all sums held by such Paying Agent for the payment of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates of such series;
- (2) that such Paying Agent will give the Trustee notice of any payment by the Corporation of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates of such Series, specifying the amount paid and, to the extent known to it, identifying each Certificate on which any payment was made by number, Series and the name of the Certificate Holder, if any; and
- (3) that at any time during the continuance of any default, upon the written request of the trustee, such Paying Agent will forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

(b) Anything in subsection (a) of this Section to the contrary notwithstanding, the Corporation may at anytime, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other purpose, cause to be paid to the Trustee all sums held in trust by any Paying Agent as required by subsection (a), such sums to be held by the Trustee upon the trusts in the Indenture contained.

Supplemental Indentures Not Requiring Consent of Certificate Holders.

Subject to the Indenture, the Corporation with the approval of the Board of Aldermen and the Trustee may from time to time, without the consent of or notice to any of the Certificate Holders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Certificate Holders, for any one or more of the following

- (a) To cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Certificate Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Certificate Holders or the Trustee or either of them;
- (c) To subject to the Indenture additional revenues, properties or collateral;
- (d) To issue the initial Series of Certificates as provided in the Indenture;
- (e) To issue Additional Certificates provided in the Indenture;
- (f) To make any other change which in the sole determination of the Trustee does not materially adversely affect the Certificate Holders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and
- (g) To evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee.

Supplemental Indentures Requiring Consent of Certificate Holders.

Exclusive of Supplemental Indentures covered by the Indenture and subject to the Indenture, the Holders of not less than a majority in aggregate principal amount of Certificates at the time Outstanding shall have the right, from time to time, to consent to and approve the execution by the Corporation and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation and the City for the purpose of modifying, amending, adding to or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that the consent of all the Holders of Certificates then Outstanding shall be required for (i) an extension of the maturity of the principal component or the interest component of the Rentals represented by any Certificate, or (ii) a reduction in the principal amount of any Certificate or the rate of interest thereon, or (iii) a privilege or priority of any Certificate or Certificates over any other Certificate or Certificates, or (iv) a reduction in the aggregate principal amount of Certificates, the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Corporation shall request, with the consent of the City, the Trustee to enter into any such Supplemental Indenture for any of the purposes of the Indenture, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Certificate Holder at his address as shown by the Certificate Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Holders. If within 60 days or such longer period as shall be prescribed by the Corporation following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Certificates and Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and in the Indenture provided, no Holder of any Certificate shall have any right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee of the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

City's Consent to Supplemental Indentures.

Any Supplemental Indenture that affects any rights or obligations of the City shall not become effective unless and until the City shall have consented in writing to the execution and delivery of such Supplemental Indenture, provided, that receipt by the Trustee of a Supplemental Lease Agreement executed by the City in connection with the issuance of Additional Certificates under the Indenture shall be deemed to be the consent of the City to the execution of a Supplemental Indenture pursuant to the Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any Supplemental Indenture (other than a Supplemental Indenture proposed to be executed and delivered pursuant to the Indenture) together with a copy of the proposed Supplemental Indenture to be mailed to the City at least 90 days prior to the proposed date of execution and delivery of any such Supplemental Indenture. Notwithstanding the provisions of the immediately preceding sentence, the City's right to consent to a Supplemental Indenture shall terminate for so long as an Event of Default has occurred and is continuing under the Lease Agreement.

Opinion of Counsel.

Before the Corporation and the Trustee enter into any Supplemental Indenture pursuant to this Article, there shall have been delivered to the City, the Corporation and the Trustee an opinion of Special Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture, will upon the execution and delivery thereof be valid and binding upon the Corporation in accordance with its terms, and will not adversely affect the exemption from federal income taxation of the interest component of

Rentals represented by the Certificates. In any instance in which the Trustee may be required to determine that a modification or amendment will not materially adversely affect the interest of the Holders of the Certificates, prior to consenting to such modification or amendment, the Trustee shall be entitled to require that there be delivered to it an opinion of Counsel to the effect that no such materially adverse affect would result from such modification or amendment. The Trustee shall be fully protected and shall incur no liability in relying upon such opinion of Counsel in making such determination.

Supplemental Lease Agreements and Supplemental Master Leases Not Requiring Consent of Certificate Holders.

The Corporation and the Trustee shall, without the consent of or notice to the Certificate Holders consent to the execution of any Supplemental Lease Agreement and any Supplemental Master Lease, as may be required (a) by the Lease Agreement, the Master Lease or the Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) in connection with the issuance of Additional Certificates, or (d) in connection with any other change therein which, in the sole determination of the Trustee, does not materially adversely affect the interests of the Trustee or the Certificate Holders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select. Any Supplemental Master Lease shall comply with the conditions set forth in the Master Lease.

Supplemental Lease Agreements and Supplemental Master Leases Requiring Consent of Certificate Holders.

Except for Supplemental Lease Agreements and Supplemental Master Leases as provided for in the Indenture, neither the Corporation nor the Trustee shall consent to the execution of any Supplemental Lease Agreement or any Supplemental Master Lease without the mailing of notice and the obtaining of the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding given and obtained as provided in the Indenture; provided, that, the consent of all the Holders of Certificates shall be required for (i) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted, or (ii) a reduction in the aggregate principal amount of Certificates, the Holders of which are required to consent to any Supplemental Lease Agreement or any Supplemental Master Lease. If at any time the Corporation and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Agreement or any Supplemental Master Lease, the Trustee shall cause notice of such proposed Supplemental Lease Agreement or Supplemental Master Lease to be mailed in the same manner as provided by the Indenture with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Master Lease or Supplemental Lease Agreement and shall state that copies of the same are on file at the principal corporate trust office of the Trustee or such other office as the Trustee shall designate for inspection by all Certificate Holders.

Opinion of Counsel.

Before the Corporation and the Trustee consent to any amendment, change or modification of the Lease, Agreement there shall have been delivered to the City, the Corporation and the Trustee an opinion of Special Counsel stating that the amendment, change or modification of the Lease Agreement is authorized or permitted by the Indenture and the Lease Agreement, will upon the execution and delivery thereof be valid and binding upon the Corporation and the City in accordance with its terms, and will not adversely affect the exemption from federal income taxation of the interest component of Rentals represented by the Certificates.

Satisfaction and Discharge of the Indenture.

When all Certificates are deemed to be paid as provided in the Indenture, and provision shall also be made for paying all other sums payable hereunder, including the fees and expenses of the Trustee and the Paying Agent to the date of retirement of the Certificates, then the right, title and interest of the Trustee in respect of the Indenture shall thereupon cease, terminate and be void, and thereupon the Trustee shall cancel, discharge and release the lien of the Indenture and shall execute, acknowledge and deliver to the Corporation such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Debt Service Fund required to be paid to the City under the Indenture and except funds or securities in which such funds are invested by the Trustee for the payment of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates.

The Corporation is hereby authorized to accept a certificate by the Trustee that the whole amount of the principal component, redemption premium, if any, and interest component of the Rentals presented by all of the Certificates then Outstanding has been paid or such payment provided for in accordance with the Indenture as evidence of satisfaction of the Indenture, and upon receipt thereto shall cancel and erase the inscription of the Indenture from its records.

Certificates Deemed to be Paid.

Certificates shall be deemed to be paid within the meaning of this Article XIII when payment of the principal component, redemption premium, if any, and interest component of the Rentals represented by the Certificates, to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment or (b) Defeasance Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, provided, however, with respect to any deposit referred to in this clause (ii), the Trustee shall have received a verification report of a nationally recognized independent certified public accounting firm as to the adequacy of the escrow to fully pay the Certificates deemed to be paid. At such time as a Certificate shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

Notwithstanding the foregoing, in the case of Certificates which by their terms may be redeemed prior to the Stated Maturities thereof, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Certificates as aforesaid until, as to all such Certificates which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with Article III or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any other provision of the Indenture, all moneys or Defeasance Obligations set aside and held in trust pursuant to v for the payment of Certificates (including redemption premium thereon, if any) shall be applied to and used solely for the payment of the particular Certificates (including redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust.

Consents and Other Instruments by Certificate Holders.

Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Certificate Holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Certificate Holders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Certificates (other than the assignment of ownership of a Certificate as set forth in the form of Certificate), if made in the following manner, shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered or omitted under any such instrument, namely:

- (a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of an officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution.
- (b) The fact of ownership of Certificates and the amount or amounts, numbers and other identification of such Certificates, and the date of holding the same shall be proved by the Certificate Register. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Holder of any Certificate, shall be conclusive and binding upon all future Holders of the same Certificate and upon Certificates issued in exchange therefor or upon transfer or in place thereof.
- (c) Notwithstanding any, other provisions of the Indenture, in determining whether the rights of the Certificate Holders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee (or Paying Agent) shall consider the effect on the Certificate Holders as if there were no Municipal Bond Insurance Policy.

Limitation of Rights Under the Indenture.

With the exception of rights in the Indenture expressly conferred, nothing expressed or mentioned in or to be implied from the Indenture or the Certificates is intended or shall be construed to give any person, other than the parties hereto and the Certificate Holders, any right, remedy or claim under or in respect to the Indenture, the Indenture being intended to be and being for the sole and exclusive benefit of the parties hereto and the Certificate Holders as in the Indenture provided.

Waiver of Personal Liability: Limit on Corporation's Liability.

All liabilities under the Indenture on the part of the Corporation are solely corporate liabilities of the Corporation, and, to the extent permitted by law, the Trustee hereby releases each and every incorporator, member, agent, employee and the city director and officer of the Corporation and the City of and from any personal or individual liability under the Indenture. No incorporator, member, agent, employee, director or officer of the Corporation and the City shall at any time or under any circumstances be individually or personally liable under the Indenture for anything done or omitted to be done by the Corporation hereunder. The Corporation's monetary liability under the terms of the Indenture shall be limited to amounts available to it under the Lease Agreement.

* * * * *

SUMMARY OF THE LEASE

The following is a summary of certain provisions of the Lease Financing Agreement (the "Lease") between the City and the Corporation. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Lease for a complete recital of the terms thereof.

Representations by the Corporation.

Under the Lease, the Corporation represents, warrants and covenants as follows:

- (i) The Corporation is a nonprofit corporation duly incorporated under the Missouri Nonprofit Corporation Act and has corporate power to enter into the Lease Financing Agreement, the Indenture, the Series 2008 Tax Compliance Agreement, the Purchase Agreement and other documents related to this transaction (the "*Corporation Documents*"), and to carry out its obligations hereunder and thereunder. By proper corporate action its officers have been duly authorized to execute and deliver the Corporation Documents.
- (ii) The execution and delivery of the Corporation Documents, and the consummation of the transactions contemplated therein will not conflict with or constitute a breach of or default under the Corporation's articles of incorporation or bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement, lease or sublease to which the Corporation is a party or by which it is bound or materially affecting its property or assets.
- (iii) The Corporation has received a leasehold interest in the Master Lease Premises from the City and such property is free and clear of any liens and encumbrances except the Permitted Encumbrances. The Corporation will use reasonable efforts to obtain and maintain for the Master Lease Premises exemptions from property and other taxes levied by the State, any political subdivision thereof and the City.
- (iv) The refinancing and refunding of the Series 1997A Bonds and Series 1997B Bonds and the providing of funds to the City to accomplish such refunding will further the public purpose of the Corporation.
- (v) The Corporation will do all things necessary and within its control to assure the continuation of the tax-exempt status of the Certificates.
- (vi) The Corporation is exempt from federal taxation on its income pursuant to Section 501(c)(3) of the Code.

Representations by the City.

Under the Lease, the City represents, warrants and covenants as follows:

- (i) The City is a city and political subdivision duly organized and existing under the Constitution and laws of the State. The City pursuant to the Constitution and laws of the State and its charter, including, but not limited to Article I, Section 1, subsections (4), (7), (8), (15), (32), (33) and (35) and Section 2 thereof, and by Ordinance No. 68056 adopted by the Board of Aldermen of the City on July 11,

2008, and approved by the Mayor of the City on July 11, 2008 (the “*Ordinance*”), has full power and authority to execute, deliver and perform the Lease Financing Agreement, the Series 2008 Tax Compliance Agreement, the Purchase Agreement, the Continuing Disclosure Agreement and other documents related to this transaction (the “*City Documents*”), and to enter into the transactions contemplated hereby and thereby and to carry out its obligations hereunder and thereunder.

- (ii) The lease of the Master Lease Premises by the Corporation to the City, as provided in the Lease Financing Agreement, will promote the economic, social, industrial, cultural and commercial growth of the City and will contribute to the general welfare and benefit of the City and its residents and is therefore necessary, desirable and in the public interest.
- (iii) The issuance of the Series 2008 Certificates and the lease of the Master Lease Premises by the Corporation to the City hereunder is in the best interests of the City and its inhabitants.
- (iv) Neither the execution and delivery of the City Documents, or the fulfillment of or compliance with the terms and conditions thereof, or the consummation of the transactions contemplated thereby conflicts with or results in a breach of the terms, conditions or provisions of or constitutes a default under any mortgage, deed of trust, lease or any other corporate restriction or any agreement or any statute, order, rule or regulation applicable to the City or any of its property of any court or governmental body, or results in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City under the terms of any instrument or agreement to which the City is a party.
- (v) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City’s interests in any property now or hereafter included in the Master Lease Premises shall be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by the Master Lease, the Lease and Development Agreement, the Indenture, or the Lease Financing Agreement.
- (vi) The City represents and warrants that the City is a governmental unit duly organized and existing under the laws of the State of Missouri with general taxing powers.
- (vii) The City Documents executed with respect to the Series 2008 Certificates constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to the enforcement of creditors’ rights generally.
- (viii) Pursuant to the Lease Financing Agreement the City has leased the Master Lease Premises from the Corporation and may purchase the interest granted under the Lease Financing Agreement from the Corporation if the City exercises the option granted in the Lease Financing Agreement.

- (ix) Nothing in the Lease Financing Agreement shall be construed to require the City to operate the Master Lease Premises other than as lessee, or to require the City to exercise its right to purchase the interest of the Corporation Master Lease Premises as provided in the Lease Financing Agreement.
- (x) To the knowledge of the City, no member of the Board of Aldermen of the City or any other officer of the City has any significant or conflicting interest, financial, employment or otherwise, in the Master Lease Premises or in the transactions contemplated hereby.
- (xi) There is no action or proceeding pending or to the knowledge of the City threatened by or against the City by or before any court or administrative body that would materially adversely affect the ability of the City to perform its obligations under the City Documents and all authorizations, consents and approvals of governmental bodies or agencies required to be obtained by the City as of the date of the Lease Financing Agreement in connection with the execution and delivery of the City Documents, or in connection with the performance of the obligations of the City thereunder have been obtained.

Transfer of Interest under Master Lease; Granting of Leasehold.

The Lease Financing Agreement shall be subject to the Master Lease in all respects. Pursuant to the Master Lease and the Assignment and Assumption of Master Lease, the City has leased to the Corporation the Master Lease Premises for the remainder of a term of 50 years with four successive options to renew and extend the term of the Master Lease for five years each, on the same terms and conditions, with the first renewal term to commence immediately upon the expiration of the initial term of the Master Lease.

The Refunded Bonds were used to refinance obligations issued for application to the Master Lease Premises owned by the City, including removal of asbestos from an opera house and auditorium and demolition and clearance of the auditorium and parking garage portions of the building, excavation and preparation of foundations for construction of certain facilities, patching, costs related to the vacation of 15th Street and other site work on the Master Lease Premises.

Pursuant to the Lease and Development Agreement, assigned to the Corporation under the Assignment and Assumption of Lease and Development Agreement, the Corporation subleased an opera house and assembly facility located on the Master Lease Premises (the "Project") to KCRC, for use as a special purpose civic building for assembly, display, and entertainment. No proceeds of the Refunded Bonds were applied to the Project and the Project does not provide security for the Refunded Bonds or the Certificates.

The Corporation, by these presents, hereby rents and leases the Master Lease Premises described on Exhibit A hereto, subject to Permitted Encumbrances, unto the City and the City hereby rents and leases the Master Lease Premises from the Corporation, subject to Permitted Encumbrances, for the Rentals and Additional Payments and subject to the terms and conditions in the Lease Financing Agreement after set forth.

Term of Lease Financing Agreement; Termination; Annual Appropriation Required.

The Term of the Lease Financing Agreement shall commence as of the date of the Closing Date of the Series 2008 Certificates, and shall terminate on the earliest of the occurrence of any of the following events: (i) an Event of Nonappropriation with respect to the City; (ii) an Event of Default with respect to the City under the Lease Financing Agreement if the Corporation or the Trustee has elected such remedies as are provided in the Lease Financing Agreement or (iii) discharge of the Indenture as provided in the Indenture and provision by the City for the payment of Additional Payments, if any. Notwithstanding the expiration or termination of the term of the Lease Financing Agreement and the exercise by the Trustee of its remedies under the Lease Financing Agreement, all other terms of the Lease Financing Agreement and the Indenture, including the continuation of City's purchase right under the Lease Financing Agreement and all obligations of the Trustee with respect to the Certificate Holders and the receipt and disbursement of funds shall continue until the lien of the Indenture is discharged, as provided therein, except that all obligations of the City to pay any amounts to the Certificate Holders and the Trustee hereunder shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of the Lease Financing Agreement, of itself, shall not discharge the lien of the Indenture.

Subject to the following two paragraphs, the payment obligations of the City under the Lease Financing Agreement shall be absolute and unconditional, free of deductions and without any abatement, offset, recoupment, diminution or set-off whatsoever and shall be sufficient to provide all funds required for debt service on the Certificates, and for all other amounts required under the Indenture.

Nothing in the Lease Financing Agreement shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Payments (except as heretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Payments which are due hereunder, the Rentals and Additional Payments (except for payments which have been theretofore appropriated and then available for such purpose) shall thereupon cease, it being understood among the parties that the City shall not be obligated to pay any Rentals or Additional Payments to the Corporation hereunder except for the current Lease Term for which appropriation has been made. Should the City fail to pay any portion of the required Rentals and Additional Payments, the Trustee may exercise the remedies provided in the Lease Financing Agreement and in the Indenture. No judgment may be entered against the City for failure to pay any Rentals or Additional Payments, except to the extent that the City has theretofore appropriated Rentals or Additional Payments as provided in the Lease Financing Agreement.

The Rentals and Additional Payments constitute current expenses of the City and the City's obligations hereunder are from year to year only and do not constitute a mandatory payment obligation of the City in any ensuing Lease Term beyond the current Lease Term. No provision of the Lease Financing Agreement shall be construed or interpreted as creating a general obligation or other indebtedness of the City or any agency or instrumentality of the City within the meaning of any constitutional or statutory debt limitation. Neither the execution, delivery and performance of the Lease Financing Agreement nor the issuance of the Series 2008 Certificates directly or indirectly or contingently obligates the City to make any payments hereunder beyond those appropriated for the City's then current Fiscal Year; provided, however, that nothing in the Lease Financing Agreement shall be construed to limit the rights of the Certificate Holders or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

The City covenants and agrees that the City's Budget Director, or any other officer at any time charged with responsibility of formulating budget proposals, is directed to include in the budget proposals submitted to the Board of Estimate and Apportionment, and to the extent permitted by law, to the Board of Aldermen of the City, in any year during the Lease Term, a request or requests for the Rentals and a

reasonable estimate of Additional Payments. Requests for appropriations shall be made in each Lease Term so that the Rentals and a reasonable estimate of Additional Payments to be paid during the succeeding Fiscal Year will be available for such purposes. It is the intention of the City that the decision to appropriate the Rentals and Additional Payments pursuant to the Lease Financing Agreement shall be made solely by the Board of Aldermen and not by any other official of the City except subject to the power of the Mayor of the City to approve or disapprove ordinances. The City presently expects to, in each Fiscal Year of the City during this Lease Term, appropriate funds for the City to provide funds in an amount sufficient to pay the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates. The Rentals and reasonably estimated Additional Payments will be available for such Lease Term to be drawn upon to make payments pursuant to the terms of the Lease Financing Agreement (i) upon such appropriation or (ii) upon failure to appropriate by June 30 (or such future date as the City shall adopt as at the end of its Fiscal Year) pursuant to the Lease Financing Agreement.

As early as practicable, and in any case no later than three (3) Business Days following the date on which the budget for any Fiscal Year is finally approved by the Board of Aldermen of the City, the City shall forward to the Corporation, with a copy to the Trustee, either (i) notice of the termination of the Lease Financing Agreement or (ii) confirmation that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Payments for such Fiscal Year. Notice that sufficient funds have been appropriated for such Lease Term shall be accompanied by evidence satisfactory to the Corporation that sufficient funds have been budgeted and appropriated to make all payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Payments as shall be required for such Fiscal Year by the terms of the Lease Financing Agreement. If the Trustee does not receive such notice prior to June 30 (or such future date the City shall adopt as the end of its Fiscal Year) of such Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest and obligations under the Lease Financing Agreement shall terminate without penalty on the day of receipt by the Trustee of such notice. Subject to the Lease Financing Agreement, failure of the City to budget and appropriate prior to June 30 (or such future date as the City shall adopt as the end of its Fiscal Year) of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Payments during such Fiscal Year, shall constitute an Event of Nonappropriation.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Payments, to continue the Lease Term and to pay the Rentals and Additional Payments hereunder. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Payments during the Lease Term can be obtained. Notwithstanding the foregoing, the decision to budget and appropriate funds or to continue the Lease Term is to be made in accordance with the City's normal procedures for such decisions.

Use of Premises.

The City shall have the right to use, occupy or operate the Master Lease Premises for any lawful public purpose subject to Permitted Encumbrances, including the Master Lease.

Quiet Enjoyment and Possession.

During the Lease Term the Corporation shall provide the City with quiet use and enjoyment of the Master Lease Premises subject to Permitted Encumbrances, and the City shall during such Lease Term peaceably and quietly have and hold and enjoy the Master Lease Premises without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Lease Financing Agreement.

Rentals.

The City, subject to the provisions of the Lease Financing Agreement, agrees to pay or cause to be paid the amounts required by the Lease Financing Agreement as follows:

Until the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Series 2008 Certificates shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, the City shall pay to the Trustee as assignee of the Corporation as to the Certificates, in funds which will be immediately available to the Trustee not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Master Lease Premises, amounts which shall correspond to the payments in respect of the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates whenever and in whatever manner the same shall become due, whether at Stated Maturity, upon redemption or acceleration or otherwise as provided in the Indenture (said amounts being in the Lease Financing Agreement defined as “*Rentals*”).

The City covenants and agrees that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates shall at any time occur. If the balance in the Debt Service Fund (not subject to the lien of the Trustee under the Indenture) is less than the sum then required to be on deposit therein in order to pay the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates in accordance with the provisions of this Section, the City will forthwith pay as Rentals any such deficiency to the Trustee for deposit in the Debt Service Fund in immediately available funds and the Trustee shall deposit such sum accordingly; provided that any amount at any time held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under the Indenture) for the payment of the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates shall, at the election of the City, be credited against the Rentals next required to be paid by the City, to the extent such amount is in excess of the amount required for payment of (i) any Certificates theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Certificates or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee under the Indenture) shall be sufficient to pay at the times required the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates then remaining unpaid, the City shall not be obligated to pay Rentals.

The City covenants and agrees to pay or cause to be paid the Rentals to the Trustee at its principal corporate trust office or such other office as the Trustee shall designate for the account of the Corporation during the Lease Term. All Rentals shall be deposited by the Trustee in accordance with the provisions of the Lease Financing Agreement and of the Indenture and shall be used and applied by the Trustee in the manner and for the purpose set forth in the Indenture.

Additional Payments.

The City shall pay or cause to be paid, subject to the provisions of the Lease Financing Agreement, as Additional Payments:

- (a) To the Trustee amounts equal to the amounts to be paid to the Trustee pursuant to the Indenture;
- (b) all Impositions (as defined in the Lease Financing Agreement);

- (c) all amounts required under the Lease Financing Agreement which amounts shall be deposited by the Trustee in the Debt Service Fund pursuant to the Indenture;
- (d) all costs incident to the payment of the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates as the same become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Certificates;
- (e) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Financing Agreement or the Indenture by the Corporation or the Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Master Lease, the Indenture, or the Lease Financing Agreement;
- (f) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Certificates, or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation or a qualified 501(c)(3) corporation;
- (g) all amounts required to be rebated to the United States as provided in the Indenture;
- (h) any reasonable amount due and owing by the Corporation as a consequence of complying with the Master Lease, the Indenture, the 2008 Tax Compliance Agreement and the Lease Financing Agreement or any other documents delivered in connection with the Certificates;
- (i) all amounts required under the Lease Financing Agreement upon the sale or disposition of a portion of the Master Lease Premises;
- (j) all amounts to be paid into the Debt Service Reserve Fund under the Indenture; and
- (k) any and all additional amounts owed by the City in connection herewith.

Rentals and Additional Payments Payable without Abatement or Set-Off; City Obligations, Assignments of Rentals and Certain Additional Payments.

Subject to the provisions of the Lease Financing Agreement, the City covenants and agrees with and for the express benefit of the Corporation that all payments of Rentals and Additional Payments shall be made by the City on or before the date the same become due, and the City shall perform all of its other obligations, covenants and agreements hereunder (including the obligation to pay Rentals and Additional Payments) without notice or demand, and without abatement, offset, deduction, set-off, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and irrespective of whether any funds are generated from the Master Lease Premises, for funding of the Debt Service Reserve Fund, and for all other amounts required under the Indenture.

Nothing in the Lease Financing Agreement shall be construed as a waiver by the City of any rights or claims the City may have against the Corporation under the Lease Financing Agreement or otherwise, but any recovery upon such rights and claims shall be had from the Corporation separately, it being the intent of the Lease Financing Agreement that the City shall be unconditionally and absolutely obligated to perform fully all of its obligations, agreements and covenants under the Lease Financing Agreement (including the obligation to pay Rentals and Additional Payments), subject to the provisions of the Lease Financing Agreement. The City may, however, at its own cost and expense and in its own name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Corporation in any such action or proceeding if the City shall so request.

The obligation of the City to pay Rentals and Additional Payments is subject to the provisions of the Lease Financing Agreement and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year plus any unencumbered balances from previous years.

Prepayment of Rentals.

The City may at any time prepay all or any part of the Rentals provided for hereunder to the extent provided in the Indenture for redemption of the Certificates.

Redemption of Certificates; Purchase of Certificates.

With respect to the Certificates, the Corporation shall cause the Trustee, on behalf of the Corporation, to take all steps necessary and permitted under the applicable provisions of the Indenture for the redemption of the Certificates upon receipt by the Corporation and the Trustee of a written notice from the City, if notice of redemption is required by the Indenture:

- (i) specifying the principal component of the Rentals represented by the Certificates to be redeemed;
- (ii) fixing the date of such redemption; and
- (iii) giving directions to provide notice of redemption as may be required by the Indenture.

Unless otherwise stated therein, such notice by the City shall be revocable by the City at any time prior to the time at which the Certificates are to be redeemed or are deemed to be paid in accordance with the Indenture. All costs incurred in such a revoked redemption shall be paid by the City as Additional Payments pursuant to the Lease Financing Agreement.

Disposition of Series 2008 Certificate Proceeds.

The proceeds of the sale of Series 2008 Certificates paid over to the Trustee for the account of the Corporation shall be deposited and applied as provided in the Indenture and shall be used to (i) refund the Series 1997A Bonds and Series 1997B Bonds, (ii) pay the Costs of Issuance in connection with the Series 2008 Certificates, (iii) provide a debt service reserve fund for the Series 2008 Certificates.

The Refunding.

With a portion of the proceeds of the Series 2008 Certificates, the City shall cause the refinancing and refunding of the Series 1997A Bonds and Series 1997B Bonds. The cash and securities held in the Redemption Fund established under the Indenture will be applied by the Trustee as provided in the Indenture.

Obligations for Use of Master Lease Premises.

The Master Lease provides that it is a net lease. Pursuant to the Master Lease, the Corporation has agreed to perform all obligations arising out of owning, occupying, managing or using the Master Lease Premises, including taxes, assessments or payments in lieu thereof, property management fees and expenses, maintenance, repair and replacement of improvements, insurance premiums, utility charges and expenses and the like.

Casualty or Accident on the Master Lease Premises.

The Master Lease shall not terminate by reason of the destruction by casualty or accident of the Master Lease Premises. Pursuant the Master Lease, the Corporation will indemnify the City against liabilities, obligations, claims, damages, penalties imposed or relating to actions on the Master Lease Premises or relating to the use, operation, maintenance, management, leasing or licensing of the Master Lease Premises.

Hazardous Substances on the Master Lease Premises.

Pursuant to the Master Lease, the Corporation agrees that it will not place or dispose of any toxic or hazardous substances as defined in applicable state and federal laws and regulations on the Master Lease Premises in violation of said laws and regulations and the Master Lessee will not manufacture, store, use, treat or dispose of such substances or permit any manufacturing, storage, use, treatment or disposal of such substances on the Master Lease Premises.

Pass Through of Obligations.

Pursuant to the Master Lease, and the Lease and Development Agreement, the Corporation has provided in the Lease and Development Agreement for the pass through to KCRC of the obligations of the Corporation with regard to the Master Lease Premises under the Master Lease.

Impositions.

Due to the forgoing provisions of the Master Lease and Lease and Development Agreement, the parties do not contemplate the City or Corporation shall have any liability to pay and discharge any taxes or assessments which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Master Lease Premises or the Corporation's or the City's interest in the Master Lease Premises. To the extent that such impositions are assessed, the City shall be responsible to

pay, as Additional Payments, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed or imposed upon or against or be payable for or in respect of the Master Lease Premises or the Corporation's or the City's interest in the Master Lease Premises, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Certificates or encumber the Corporation's title to the Master Lease Premises (all of the foregoing being in the Lease Financing Agreement referred to as "*Impositions*").

Contest of Impositions.

The City and the Trustee shall have the right, in the City's name or in the Corporation's name, to contest the validity or amount of any Imposition which the City is required to bear, pay and discharge pursuant to the terms of this Article by appropriate legal proceedings instituted at least 10 days before the Imposition which is being contested becomes delinquent and may permit the Imposition so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation or the Trustee shall notify the City that, in the opinion of Counsel, by nonpayment of any such items the interest of the Corporation or the Trustee in the Master Lease Premises will be materially endangered or the Master Lease Premises or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Corporation and the Trustee with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee. The Corporation agrees to cooperate with the City in connection with any and all administrative or judicial proceedings related to Impositions. The City shall hold the Corporation harmless from any costs and expenses the Corporation may incur related to any of the above.

Title Insurance.

The City shall obtain and deliver to the Trustee a title insurance policy with respect to the real property included in the Master Lease Premises, in an aggregate principal amount not less than the principal amount of the Series 2008 Certificates.

Limits on Modification of the Master Lease.

The City and the Corporation agree that they will not modify the Master Lease in any manner inconsistent with the terms of the Lease Financing Agreement, including in particular (i) modification of the remaining term of the Master Lease which shortens the term to less than the maturity of the Certificates, or (ii) modification of the responsibilities of the Corporation and the City with respect to use of the Master Lease Premises as provided in the Lease Financing Agreement.

Assignment, Etc., by the Corporation.

Pursuant to the Granting Clauses of the Indenture, the Corporation is concurrently assigning the Lease Financing Agreement and all the rights and interests of the Corporation hereunder, including pledging and granting a security interest in all moneys receivable hereunder (except for its rights to receive payments under the Lease Financing Agreement and its rights to indemnification hereunder) and in the Master Lease Premises in connection with the Certificates to the Trustee as security for payment of the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates and any Additional Certificates. The City consents to such assignments of the Lease Financing Agreement and the Rentals and such Additional Payments receivable hereunder and hereby

agrees that, subject to the Lease Financing Agreement, as to the Trustee, its obligation to make such payments shall be absolute and unconditional and without any defense or right of abatement, diminution, counterclaim or set-off arising out of any breach by the Corporation or the Trustee of any obligation to the City.

No Assignment or Sublease by the City.

The Lease Financing Agreement may not be further assigned or subleased by the City without the prior written consent of the Corporation and compliance with the Master Lease. The City may assign or sublease the Master Lease Premises or any portion thereof only (i) if the City obtains and delivers to the Trustee a written opinion of Special Counsel addressed to the City and the Trustee stating that such assignment or sublease will not adversely affect the exclusion of the Interest Portion of the Rentals from gross income for purposes of federal income taxation, or (ii) if the City delivers to the Trustee the written certificate of an Authorized Representative stating that pursuant to such assignment or sublease the Master Lease Premises or such portion thereof is to be used exclusively for governmental purposes by an agency or political subdivision of the State or an agency of the United States of America. Any such assignment or sublease shall be subject to the Master Lease, this Lease, and the rights of the Trustee in, to, and under the Master Lease, this Lease, and the Master Lease Premises, and shall not diminish or relieve the City of any of its duties, obligations, covenants, and warranties hereunder. No such assignment or sublease shall be effective until (i) the City provides the Trustee with written notice thereof, and (ii) the City and the assignee or sublessee under such assignment or sublease execute and deliver to the Trustee a subordination, non-disturbance and attornment agreement.

Purchase or Sale of Certain Portions of the Master Lease Premises other than Pursuant to the Lease Financing Agreement.

To the extent permitted by the Master Lease, so long as the City is not in Default hereunder, the City reserves the right at any time to either (i) purchase from the Corporation title to any portion of the Master Lease Premises or (ii) surrender possession of any portion of such portion of the Master Lease Premises and direct the Corporation to sell or dispose of any portion of such portion of the Master Lease Premises, either by negotiated sale or by public sale, as the City shall direct. The proceeds of sale shall be deposited by the Corporation with the Trustee at the option of the City for credit to the Debt Service Fund and used to redeem such Certificates at the earliest opportunity pursuant to **Article III** of the Indenture.

If the City elects to purchase or dispose of any portion of the Master Lease Premises upon the conditions set forth in the preceding paragraph, the following procedures shall be followed:

1. The Board of Aldermen of the City shall adopt a resolution or ordinance which shall contain the following provisions:
 - (a) an adequate legal description of the real estate portion of the Master Lease Premises to be purchased or sold;
 - (b) if said portion of the Master Lease Premises is to be sold to a third-party, a declaration that such portion is no longer needed for the use of the City, and an order directing the Corporation to sell a portion of the Master Lease Premises and specifying the method of sale (either by private or public sale) and specifying the purchase price;

- (c) if the City intends to purchase said portion of the Master Lease Premises, a declaration of such intent and an appropriation of City funds sufficient to pay the price of said portion and incidental cost; and
 - (d) authorization for the appropriate officers of the City to execute, deliver and record such instruments and documents as are necessary to effect the transaction.
- 2. The Board of Directors of the Corporation shall take action in accordance with the direction of the City to sell said portion of the Master Lease Premises and shall deposit the proceeds of such sale with the Trustee pursuant to the first paragraph of this Section.
- 3. An opinion of Special Counsel or counsel to the City shall be delivered to the Trustee stating that all requirements of the Master Lease for such disposition of the Master Lease Premises have been complied with and such disposition will not affect the exemption of the interest on the Certificates from federal and State income taxation.

No sale or disposition of a portion of the Master Lease Premises pursuant to this Section shall entitle the City to any reimbursement of any Rentals or Additional Payments from the Corporation, the Trustee, or the Certificate Holders, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Payments under the Lease Financing Agreement, except such diminution as results from redemption of Certificates, as the case may be, from the proceeds of such disposition pursuant to the first paragraph of this Section and the Indenture.

The option granted to the City under this Section shall remain prior and superior to the Indenture provided that all options in the Lease Financing Agreement granted shall terminate 90 days following the termination of the Lease Financing Agreement.

Release of Certain Land from and Addition of Certain Land to the Lease Financing Agreement.

To the extent permitted by the Master Lease, notwithstanding any other provisions of the Lease Financing Agreement, the parties hereto reserve the right at any time and from time to time upon mutual consent to amend the Lease Financing Agreement, without the consent of Certificate Holders, for the purpose of effecting the release of and removal from the Lease Financing Agreement and the leasehold estate created hereby of any part or parts of the real estate which has not been improved pursuant to the provisions of the Lease Financing Agreement or for the purpose of effecting the addition to the Lease Financing Agreement and the leasehold estate created hereby of any additional real estate; provided, that if at the time any such amendment is made any of the Certificates are Outstanding and unpaid, there shall be deposited with the Trustee the following:

- (a) A copy of said amendment to the Lease Financing Agreement as executed;
- (b) An ordinance of the Board of Aldermen of the City (i) authorizing the City Representative to execute a certificate stating that the City is not in Default under any of the provisions of the Lease Financing Agreement, (ii) giving an adequate legal description of that portion (together with the interest in such portion) of the

real estate to be released and/or added, (iii) stating the purpose for which the parties hereto desire the release or addition, and (iv) requesting such release or addition;

- (c) A resolution of the Board of Directors of the Corporation approving said amendment to the Lease Financing Agreement and authorizing the President of the Corporation to execute a certificate stating that the Corporation is not in Default under any of the provisions of the Lease Financing Agreement or the Indenture;
- (d) In the case of the release of real estate, an amount equal to the portion of the appraised value of the real estate to be released shall be deposited by the Corporation with the Trustee at the option of the City for credit to the Debt Service Fund and used to redeem Certificates, at the earliest opportunity pursuant to Article III of the Indenture; and
- (e) An opinion of Special Counsel to the effect that all requirements of the Master Lease for such disposition of property have been complied with and such release or addition of property will not affect the exemption of the interest on any tax-exempt Certificates from federal and State income taxation.

If all of the conditions of this Section are met, the Trustee shall be authorized to release any such property from or add any such property to the Indenture, as the case may be. No release or addition effected under the provisions of this Section shall entitle the City to any abatement or diminution of the Rentals payable under the Lease Financing Agreement or the Additional Payments payable under the Lease Financing Agreement, nor shall any such release in any other way whatsoever affect the Lease Financing Agreement or the Indenture with respect to the remaining parts of the Master Lease Premises, and all the terms and provisions of the Lease Financing Agreement and the Indenture shall remain in full force and effect with respect to the remaining part of the Master Lease Premises as though no such release had been effected.

Granting of Easements.

If no Event of Default under the Lease Financing Agreement shall have happened and be continuing, the City may at any time or times cause the Corporation to (a) grant or cause to be granted easements, licenses, rights-of-way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Master Lease Premises, or (b) release existing easements, licenses, rights-of-way and other rights or privileges, all with or without consideration and upon such terms and conditions as the City shall determine. The Corporation agrees that it will execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other right or privilege or any such agreement or other arrangement, upon receipt by the Corporation and the Trustee of: (i) a copy of the instrument of grant or release or of the agreement or other arrangements, (ii) a written application signed by a City Representative requesting such instrument; and (iii) a certificate executed by a City Representative stating that such grant or release is not detrimental to the proper conduct of the business of the City, will not impair the effective use or interfere with the efficient and economical operation of the Master Lease Premises, and will not materially adversely affect the security intended to be given by or under the Indenture. If the instrument of grant shall so provide, any such easement or right and the rights of such other parties thereunder shall be superior to the rights of the Corporation and the Trustee under the Lease Financing Agreement and the Indenture and shall not be affected by any termination of the Lease Financing Agreement or by Default on the part of the City hereunder. If no Event of Default shall have happened and be continuing, any payments or other consideration received by

the City for any such grant or with respect to or under any such agreement or other arrangement shall be and remain the property of the City, but in the event of the termination of the Lease Financing Agreement on Default of the City, all rights of the City then existing with respect to or under such grant shall inure to the benefit of and be exercisable by the Corporation and the Trustee.

City's Option to Purchase Corporation's Interest.

The City shall have the option to purchase the Corporation's leasehold interest in the Master Lease Premises and to demand that the Corporation convey to the City title to all of its interest in the Master Lease Premises, subject to Permitted Encumbrances and to terminate the Lease Financing Agreement at any time during the Lease Term (subject to the requirements of the following provisions of the Lease Financing Agreement upon payment of the purchase price pursuant to the Lease Financing Agreement. Except as otherwise provided in this Section, the City shall give at least sixty (60) days written notice to the Corporation and to the Trustee of its intent to exercise the option and so terminate the Lease Financing Agreement. Payment of the final Rentals and Additional Payments shall constitute exercise of the option granted hereunder without further action by the City.

If the City receives notice of an Event of Default pursuant to subsection (a) or (b) of the Indenture or if an Event of Nonappropriation under the Lease Financing Agreement has occurred, the City shall also have the option to purchase the Corporation's interest in the Master Lease Premises and to terminate the Lease Financing Agreement upon payment of the purchase price pursuant to the Lease Financing Agreement. The City shall give notice of its intent to exercise the option provided for by giving notice thereof to the Corporation and the Trustee not later than 90 days after receipt of notice of any such Event of Default or Event of Nonappropriation. The City shall make the payment provided for as described in this paragraph not later than 90 days after it has given notice of its intent to exercise this option to the Corporation and the Trustee.

Purchase Price.

The purchase price payable by the City in the event of its exercise of either of the options granted in the Lease Financing Agreement shall be the sum of the following:

- (a) an amount of money which, when added to the amounts on deposit in the Debt Service Fund and the Debt Service Reserve Fund will be sufficient to pay in full the Certificates then Outstanding or provide for their payment as provided in Article XIII of the Indenture; plus
- (b) an amount of money equal to the Trustee's and Paying Agents' fees and expenses under the Indenture, if any, accrued and to accrue until such redemption of the Certificates; plus
- (c) an amount equal to all of the obligations of the City or the Corporation, as applicable, under the Tax Compliance Agreement; plus
- (d) reasonable costs incident to the redemption of the Certificates; plus
- (e) the sum of \$10.00.

It is agreed that the purchase option is granted to the City in the Lease Financing Agreement in consideration of the conveyance of the Master Lease Premises by the City to the Corporation and the purchase price of the Master Lease Premises includes the Rentals during the Lease Term pursuant to the

Lease Financing Agreement, the Additional Payments pursuant to the Lease Financing Agreement, in addition to the foregoing amounts set forth in this the Lease Financing Agreement, which purchase price constitutes the fair value of the Master Lease Premises in the judgment of the Corporation after giving consideration to all relevant factors.

Conveyance of the Corporation's Interest in the Master Lease Premises to the City.

The Corporation shall transfer and convey to the City its interest in the Master Lease Premises, in the manner provided for in the Lease Financing Agreement; provided, however, that prior to such transfer and conveyance the City shall have paid in full the purchase price as provided for in the Lease Financing Agreement.

Manner of Conveyance.

At the closing of the purchase or any other conveyance of the Master Lease Premises pursuant to this Article, the Corporation will, upon receipt of the purchase price, if any, deliver to the City the following:

- (a) A release of the Master Lease Premises from the Indenture, delivered by the Trustee.
- (b) A release of the Master Lease Premises from the Lease Financing Agreement. The Corporation's interest in the Master Lease Premises shall be deemed conveyed to the City by the termination of the Lease Financing Agreement with no further action required of any party, other than the recording of such termination or other documents necessary to remove from real property records the lien of the Lease Financing Agreement from the Master Lease Premises.

Relative Position of Option and Indenture.

The option granted to the City in this Article shall remain prior and superior to the Indenture and may be exercised whether or not the City is in Default under the Lease Financing Agreement, provided that such Default will not result in non-fulfillment of any condition to the exercise of any such option and further provided that all options in the Lease Financing Agreement granted shall terminate 90 days following the termination of the Lease Financing Agreement.

No Obligation to Purchase the Master Lease Premises.

The City shall be under no obligation whatsoever to exercise its option to purchase the Master Lease Premises.

Event of Nonappropriation.

(a) In the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease Financing Agreement, on or before June 30 (or any other date later adopted by the City as the end of its Fiscal Year) of each year, moneys sufficient to pay all Rentals and the reasonably estimated Additional Payments coming due for the next succeeding Fiscal Year, an Event of Nonappropriation shall be deemed to have occurred.

(b) Notwithstanding subsection (a) above, no Event of Nonappropriation shall be deemed to have occurred hereunder if, during the Fiscal Year subsequent to that in which an event described in subsection (a) above occurs, Rentals and Additional Payments are timely paid hereunder, and further provided that on or before the last day of such Fiscal Year the Board of Aldermen shall budget and appropriate, specifically with respect to the Lease Financing Agreement moneys sufficient to pay all Rentals and Additional Payments (or reasonable estimates thereof as to those Additional Payments which have not been paid) coming due for such Fiscal Year. If an Event of Nonappropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Nonappropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

(c) If an Event of Nonappropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Payments or any other payment provided for in the Lease Financing Agreement which accrue beyond the last day of the Fiscal Year for which Rentals or Additional Payments were appropriated, except for the City's obligation to make payments which are payable prior to the termination of the Lease Financing Agreement; provided, however, that the City shall continue to be liable for the amounts payable accrued during the then current Lease Term for which appropriation has been made. The Trustee shall, upon the occurrence of an Event of Nonappropriation, have all rights and remedies granted to it under the Indenture and as a secured creditor under Missouri law, as Trustee for the benefit of Certificate Holders, and shall be further entitled to all monies then on hand in all funds and accounts created under the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Lease Financing Agreement as to the City's possessory interest hereunder by reason of an Event of Nonappropriation as provided in the Lease Financing Agreement shall be held by the Trustee under the Indenture for the benefit of the Certificate Holders as set forth in the Indenture until the Certificates are paid in full.

(d) Upon the occurrence and continuance of any Event of Nonappropriation, the Trustee may, (i) terminate the Lease Financing Agreement, or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Master Lease Premises.

Notwithstanding any provision to the contrary in the Lease Financing Agreement or the Indenture contained, the definition of the Event of Nonappropriation described in the Lease Financing Agreement shall be final and controlling in the event of any other contrary provision in this or such other documents.

Remedies Regarding City Defaults.

Upon an Event of Nonappropriation, notwithstanding anything in the Lease Financing Agreement to the contrary, the Trustee shall be entitled to exercise the remedies under the Lease Financing Agreement, subject to Permitted Encumbrances, and the obligations of the Trustee with respect to the Certificate Holders and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is

discharged as provided in the Indenture. The Trustee shall have no right to sublease the Master Lease Premises unless (i) permitted under the Lease and Development Agreement or (ii) the Lease and Development Agreement shall have terminated.

The Corporation may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Financing Agreement, or any right of the Corporation pursuant to this subsection.

Events of Default Defined.

The following shall be “Events of Default” under the Lease Financing Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Lease Financing Agreement, any one or more of the following events:

- (a) failure by the City to pay any Rentals or Additional Payments in the amounts and at the times specified in the Lease Financing Agreement.
- (b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Trustee, unless the Trustee, shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the Default is corrected.
- (c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.
- (d) The City shall vacate or abandon the Master Lease Premises, and the same shall remain uncared for and unoccupied for a period of 60 consecutive days.

Remedies on Default.

Whenever any Event of Default referred to in the Lease Financing Agreement shall have happened and be continuing, the Corporation or the Trustee shall have the right, at its option and without any further demand or notice, to take any one or more of the following remedial steps:

- (a) By written notice to the City declare all Rentals and Additional Payments for the Lease Term in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Payments shall thereupon become immediately due and payable; or
- (b) Give the City written notice of intention to terminate its interest under the Lease Financing Agreement on a date specified in such notice, which date shall not be earlier than 30 days after such notice is given, and if all Defaults have not then been cured, on the date so specified, the Lease Financing Agreement shall thereupon be terminated; or
- (c) Without terminating the Lease Financing Agreement, assume the interest of the City under the Lease Financing Agreement, provided that the Corporation or the Trustee shall not have the right to relet the Master Lease Premises unless (i) permitted under the Lease and Development Agreement or (ii) the Lease and Development Agreement shall have terminated. No such actions shall relieve the City of its obligation to pay Rentals or Additional Payments (at the time or times provided in the Lease Financing Agreement), or of any of its other obligations under the Lease Financing Agreement, and the City shall continue to pay the Rentals and Additional Payments specified in the Lease Financing Agreement until the end of the then current Lease Term for which appropriation has been made.

The Corporation may take whatever action at law or in equity which may appear necessary or desirable to collect rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Financing Agreement, or any right of the Corporation pursuant to this subsection.

Indemnification of Corporation Officers.

To the fullest extent permitted by law, the City hereby agrees to indemnify and hold harmless the officers, directors, employees, and agents of the Corporation and the Trustee with respect to all claims, liabilities, losses, costs and expenses arising from or relating to (i) the Lease Financing Agreement, the Indenture, and any documents or instruments relating thereto, (ii) the ownership by the Corporation of its interest in the Master Lease Premises, or (iii) any transactions contemplated by any of the foregoing. The agreement of the City in the Lease Financing Agreement shall be an independent covenant of the City, shall not be deemed to be Additional Payments or otherwise subject to the Lease Financing Agreement, and shall survive the termination of the Lease Financing Agreement for any reason.

Survival of Obligations.

Other than termination for Nonappropriation and subject to the provisions of the Lease Financing Agreement, the City covenants and agrees with the Corporation and the Certificate Holders that the City's obligations under the Lease Financing Agreement shall survive the cancellation and termination of the Lease Financing Agreement, for any cause, and that the City shall continue to pay the Rentals and Additional Payments and perform all other obligations specified in the Lease Financing Agreement, all at the time or times provided in the Lease Financing Agreement; provided, however, that upon the payment of the Rentals and Additional Payments as required under the Lease Financing Agreement, and upon the satisfaction and discharge of the Indenture, the City's obligations under the Lease Financing Agreement shall thereupon cease and terminate in full except for its obligations under the Tax Compliance Agreements.

Limitations on Remedies.

Notwithstanding any provision of the Lease Financing Agreement to the contrary, a judgment requiring a payment of money may be entered against the City by reason of an Event of Default hereunder only as to the following liabilities:

- (a) the portion of Rentals and Additional Payments which would otherwise have been payable hereunder, allocable to any period in which the City has made an annual appropriation as provided in the Lease Financing Agreement; and
- (b) Rentals, Additional Payments or other obligations hereunder which would otherwise have been payable by the City hereunder subsequent to termination of the Lease Financing Agreement.

A judgment requiring a payment of money may be entered against the City only as to the liabilities described in this Section of the Lease Financing Agreement.

Performance of the City's Obligations.

If the City shall fail to make any payment or to keep or perform any of its obligations as provided in the Lease Financing Agreement, then the Corporation, or the Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the City's part for 60 days after notice of such failure is given the City by the Corporation, or the Trustee, and without waiving or releasing the City from any obligation hereunder, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Corporation or the Trustee, and all necessary incidental costs and expenses incurred by the Corporation or the Trustee in performing such obligations shall be deemed Additional Payments and shall be paid by the City to the Corporation or the Trustee, as applicable, on demand, and if not so paid by the City, the Corporation or the Trustee shall have the same rights and remedies provided for in the Lease Financing Agreement in the case of Default by the City in the payment of Rentals.

Rights and Remedies Cumulative.

The rights and remedies reserved by the Corporation and the City hereunder and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. The Corporation and the City shall each be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions of the Lease Financing Agreement, notwithstanding availability of an adequate remedy at law, and each party hereby waives the right to raise such defense in any proceeding in equity.

No Remedy Exclusive.

No remedy in the Lease Financing Agreement conferred upon or reserved to the Corporation or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Financing Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation or the Trustee to exercise any remedy reserved to it in the Lease Financing Agreement it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

No Additional Waiver Implied by One Waiver.

In the event any agreement contained in the Lease Financing Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Amendments.

Except as otherwise provided in the Lease Financing Agreement or the Indenture, subsequent to the issuance of Certificates and prior to all of the Certificates being paid in accordance with the Indenture and provision being made for the payment of all sums payable under the Indenture in accordance with Article XIII thereof, the Lease Financing Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee and the Credit Facility Provider, given in accordance with the provisions of the Indenture except as provided in Article XII of the Indenture. Any rating agency rating the Certificates must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption.

Amendment of Master Lease.

The City and the Corporation agree that they will not amend the Master Lease while the Certificates are outstanding, except in accordance with its terms and no amendment of the Master Lease will shorten the term to less than the maturity of the Outstanding Certificates or modify the responsibilities of the City and the Corporation with respect to the Master Lease Premises as provided in Article VI.

In the event that the Master Lease shall terminate prior to the termination of the Lease Financing Agreement, the Lease Financing Agreement shall operate as a base lease of the Master Lease Premises to the Corporation in addition to a lease of the Master Lease Premises back to the City, and shall not be terminated.

Net Lease.

The parties hereto agree (a) that the Lease Financing Agreement is intended to be a net lease, (b) that the payments of Rentals and Additional Payments are designed to provide the Corporation and the Trustee funds adequate in amount to pay all principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates as the same become due and payable, (c) that to the extent that the payments of Rentals and Additional Payments are not sufficient to provide the Corporation and the Trustee with funds sufficient for the purposes aforesaid, the City, subject to the provisions of the Lease Financing Agreement, shall be obligated to pay, and it does hereby covenant and agree to pay, upon demand therefor, as Additional Payments, such further sums of money, in cash, as may from time to time be required for such purposes, and (d) that if, after all of the Certificates are deemed to be paid in accordance with Article XIII of the Indenture and provision has been made for payment of all other sums payable under the Indenture in accordance with Article XIII thereof, the Trustee or the Corporation holds unexpended funds received in accordance with the terms of the Lease Financing Agreement, such unexpended funds shall, after payment therefrom of all sums then due and owing by the City under the terms of the Lease Financing Agreement, and except as otherwise provided in the Lease Financing Agreement and the Indenture, become the absolute property of and be paid over forthwith to the City.

No General Liability.

No provision, covenant or agreement contained in the Lease Financing Agreement or in the Indenture, the Certificates, or any obligation in the Lease Financing Agreement or in the Lease Financing Agreement imposed upon the Corporation or the City, or the breach thereof, shall constitute or give rise to or impose upon the Corporation or the City a general liability or a charge upon the general credit or taxing powers of the City.

Merger, Consolidation, Transfer of Assets, etc.

(a) As long as any of the Certificates remain Outstanding and unpaid, or until provision for the payment thereof has been made as provided in **Article XIII** of the Indenture, the Corporation will maintain its corporate existences and will not dissolve or otherwise dispose of all or a major portion of their assets without the approval of the City and the Trustee. The Corporation will not consolidate with or merge into any another corporation or permit one or more other corporations to consolidate with or merge into it except that the Corporation may, without violating the foregoing, consolidate with or merge into another nonprofit corporation organized under the laws of the State or permit one or more other such corporations to consolidate with or merge into it, if the following requirements are complied with and there has been delivered to the City and to the Trustee sufficient evidence showing that there has been such compliance:

(b) The surviving or resulting corporation, as the case may be, has expressly assumed in writing all of the obligations, covenants and agreements of the Corporation contained in the Certificates, the Master Lease, the Lease Financing Agreement, the Indenture, and any other instruments of security given by the Corporation to secure any of its obligations;

(c) The lien created by the Indenture will not be adversely affected thereby;

(d) The Corporation has obtained an opinion of Special Counsel that the corporate action referred to does not cause the interest on the Certificates then Outstanding to become includable in gross income for purposes of federal or Missouri income tax purposes; and

(e) As a result of the transaction, the surviving or resulting corporation is not in Default under the Lease Financing Agreement, the Master Lease, the Indenture, the Certificates or any other instrument of security securing the obligations of the Corporation.

Maintenance of Tax Exemption.

The City and the Corporation shall not take any action or fail to take any action which action or failure would cause the interest on the Certificates to be includable in gross income for federal or State income tax purposes. The City and the Corporation further covenant that, so long as the Certificates remain Outstanding, they will, to the best of their ability, maintain their status as organizations exempt from taxation.

The City and the Corporation will comply with all applicable provisions of the Code, including Section 103 thereof and the regulations of the Treasury Department thereunder, from time to time proposed or in effect, in order to maintain the exclusion of interest on the Certificates from gross income for purposes of federal and Missouri income taxation.

The City and the Corporation covenant and agree that they will use or cause to be used the proceeds of the Certificates as soon as practicable and with all reasonable dispatch for the purpose for which the Certificates are issued as in the Indenture set forth, and that no part of the proceeds of the Certificates shall be invested in any securities, obligations or other investments except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of the Certificates, would have caused any of the Certificates to be or become “arbitrage bonds” within the meaning of Section 103(b)(2) or Section 148 of the Code and the regulations of the Treasury Department thereunder proposed or in effect at the time of such use and applicable to obligations issued on the date of issuance of the Certificates.

The representations, warranties, covenants and statements of expectation of the City, the Corporation and the Trustee as set forth in the Series 2008 Tax Compliance Agreement are by this reference incorporated in the Lease Financing Agreement as though fully set forth in the Lease Financing Agreement.

City’s Financial Reports; City to Take Further Action, Etc.; Additional Covenants of the City.

So long as any of the Certificates are Outstanding, the City shall deliver to the Trustee, as soon as available, a copy of the City’s annual audited financial statements.

Covenants of the City with Respect to Transfers.

Except as provided in the Lease Financing Agreement and for Permitted Encumbrances, as long as any of the Certificates remain Outstanding and unpaid or provision for the payment of the same has not been made in accordance with the provisions of Article XIII of the Indenture in both cases, the City will not convey or transfer any interest in the Master Lease Premises or any part thereof other than to the Corporation, except as Permitted Encumbrances under the Master Lease.

Amounts Remaining in the Debt Service Fund.

It is agreed by the parties hereto that any amounts remaining in the Debt Service Fund upon the expiration or sooner termination of the Lease Term, as provided in the Lease Financing Agreement, after payment in full of the Certificates (or provision for payment thereof having been made in accordance with the provisions of Article XIII of the Indenture), the reasonable fees, charges and expenses of Trustee and the Corporation in accordance with the Indenture, and all other amounts required to be paid under the Master Lease, the Lease Financing Agreement and the Indenture, shall belong to and shall be paid to the City by the Trustee as overpayment of Rentals and Additional Payments.

Waiver of Sovereign Immunity.

For purposes of the Indenture, to the extent permitted by law, the City hereby waives the right to sovereign immunity or any other similar defense with respect to the enforcement of remedies pursuant to the Lease Financing Agreement.

Construction and Enforcement.

The Lease Financing Agreement shall be construed and enforced in accordance with the laws of the State of Missouri. Wherever in the Lease Financing Agreement it is provided that either party shall or will make any payment or perform or refrain from performing any act or obligation, each such provision shall, even though not so expressed, be construed as an express covenant to make such payment or to perform, or not to perform, as the case may be, such act or obligation.

Continuing Disclosure.

The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. The City acknowledges that the City is the only “obligated person” with responsibility for continuing disclosure, and the Corporation has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Section, and has no liability to any person, including any Beneficial Owner of the Bonds, with respect to SEC Rule 15c2-12. Notwithstanding any other provision of this Lease, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an event of default under the Lease Financing Agreement; however, any bondowner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Assignment of Revenues.

Pursuant to the Indenture, the Corporation shall assign and pledge any rents, revenues and receipts receivable by it under the Lease Financing Agreement, to the Trustee as security for payment of the principal component of, redemption premium, if any, and interest component of the Rentals represented by the Certificates and the City hereby consents to such pledge and assignment.

* * * * *

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

September 18, 2008

St. Louis Municipal Finance Corporation
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

Land Clearance for Redevelopment
Authority of the City of St. Louis
St. Louis, Missouri

Edward D. Jones & Co., L.P.,
as Representative of the Underwriters
named in the Purchase Agreement dated
September 9, 2008
St. Louis, Missouri

UMB Bank, N.A.
St. Louis, Missouri

Re: \$9,100,000 City of St. Louis, Missouri Lease Certificates of Participation (City of St. Louis, Missouri, Lessee) Series 2008, Evidencing Proportionate, Undivided Interests of the Owners Thereof In Rentals Payable, Subject to Annual Appropriation, by the City of St. Louis, Missouri

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the delivery of the above-referenced Lease Certificates of Participation (the "Certificates"), evidencing the proportionate, undivided interests of the owners thereof (the "Owners") in the right to receive certain payments (the "Rental Payments") from the City of St. Louis, Missouri (the "City"), under the terms of a Lease Financing Agreement dated as of September 1, 2008 (the "Lease Agreement") between the City and St. Louis Municipal Finance Corporation (the "Corporation"). All of the Corporation's right, title and interest in and to the Lease Agreement (with certain exceptions) has been assigned to UMB Bank, N.A., as trustee (the "Trustee") under a Indenture of Trust dated as of September 1, 2008 (the "Indenture") between the Corporation and the Trustee. All capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Indenture.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. In our examination of such proceedings and documents as Special Counsel, we have assumed the genuineness of all signatures and the authority of the parties executing such documents, the authenticity of such documents submitted to us as originals, and the conformity to originals of all documents submitted to us as copies. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

In rendering the opinions set forth herein, we have assumed without undertaking to verify the same by independent investigation: (a) as to questions of fact, the accuracy of all representations of the City and the Corporation set forth in the Indenture, the Master Lease, the Lease Agreement, the Arbitrage Certificate and all certificates of and officials of the City, the Corporation and others examined by us (including certifications as to the use of proceeds of the Certificates), (b) the conformity to original documents of all documents submitted to us as copies and the authenticity of such original documents and all documents submitted to us as originals, and (c) that the proceeds of the Certificates will be used in accordance with the Indenture, the Master Lease and the Lease Agreement.

As a basis for the opinions set forth herein we have reviewed such documents and have made such investigations of law as we have deemed relevant and necessary, including, among other documents and proceedings, the following:

- (a) Ordinance No. 68056, approved by the Board of Alderman and approved by the Mayor of the City on July 11, 2008 (the “Ordinance”);
- (b) Resolution 08-LCRA-8742 adopted by the Land Clearance for Redevelopment Authority of St. Louis, Missouri (the “Authority”) on July 22, 2008 (the “*LCRA Resolution*”);
- (c) Resolution adopted by the Board of Directors of the Corporation on September 9, 2008;
- (d) the Indenture;
- (e) the Lease Agreement;
- (f) the Amended and Restated Master Lease dated as of November 2, 1992, by and between the City and the LCRA (the “Master Lease”);
- (g) the Assignment and Assumption of Master Lease Agreement, dated as of September 18, 2008, by and between the Authority and the Corporation;
- (h) Purchase Agreement dated September 9, 2008, by and between the Corporation, the City and Edward D. Jones & Co., L.P. as Representative of the Underwriters, as defined therein;
- (i) Tax Compliance Agreement dated as of September 1, 2008, by and among the Corporation, the City and the Trustee;
- (j) Continuing Disclosure Agreement dated as of September 1, 2008, by and between the City and the Trustee;
- (k) Proceedings of the Corporation authorizing the execution and delivery by the Corporation of the Indenture, the Master Lease and the Lease Agreement;
- (l) Proceedings of the City approving the delivery of the Certificates and the execution and delivery by the City of the Master Lease and the Lease Agreement; and
- (m) Proceedings of the Authority authorizing the execution and delivery by the Authority of the Assignment and Assumption of Master Lease, Assignment and Assumption of Lease and Development Agreement and the refunding of its Kiel Site Lease Revenue Refunding Bonds Series 1997A and Kiel Site Lease Revenue Refunding Bonds Series 1997B.

We note that (i) various issues with respect to the City in connection with the Certificates are addressed in the opinion of the City Counselor, (ii) various issues with respect to the Corporation in connection with the Series 2008 Certificates are addressed in the opinion of the Corporation’s Counsel, and (iii) various issues with respect to the Authority in connection with the Series 2008 Certificates are addressed in the opinion of the Authority’s Counsel. Except as otherwise stated herein, we express no opinion with respect to those issues.

Based upon the foregoing, we are of the opinion, as of the date hereof, as follows:

1. The Lease Agreement has been duly authorized, executed and delivered by the City and the Corporation, and constitutes a legal, valid and binding agreement of the City and the Corporation, enforceable in accordance with its terms, except that the Lease Agreement is enforceable only during each fiscal year for which sufficient funds have been appropriated.

2. The Certificates were authorized by the City and as Certificates executed by the Trustee in accordance with the Indenture, will be payable solely from the Trust Estate and evidence proportionate interests in Rentals to be made by the City under the Lease Agreement during each fiscal year for which sufficient funds have been appropriated.

3. Under existing law, the interest component of the Rentals to be received by the Owners of the Certificates (the "Interest Component") is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. It should be noted however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied prior and subsequent to the sale and delivery of the Certificates in order that the Interest Component be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of the Interest Component in gross income for federal and Missouri income tax purposes retroactive to the date of sale and delivery of the Certificates.

We express no opinion as to whether the interest on the Certificates is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended.

We express no opinion regarding (a) other federal or Missouri tax consequences arising with respect to the Certificates, (b) the treatment for Missouri or federal income tax purposes of any money received by Owners other than payments made by the City under the Lease Agreement, or (c) the title to or the description of the property subject to the Master Lease and the Lease Agreement.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or offering material relating to the Certificates (except to the extent stated in the official statement), and we express no opinion relating thereto (except only the matters set forth as our opinion in the official statement). We do not pass upon any matters relating to the business, property, affairs or condition (financial or otherwise) of the City and no inference should be drawn that we have expressed any opinion on matters relating to the ability of the City to perform its obligations under the Master Lease or the Lease Agreement.

The rights of the Certificate owners and the enforceability of the Certificates, the Indenture, the Master Lease and the Lease Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

September 18, 2008

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This letter and the legal opinions in this letter are intended to be relied upon by you and the Owners only, solely for the purposes of the transaction described in this letter and are not to be relied upon by any other person or entity, or for any other purpose or quoted as a whole or in part, or otherwise referred to, in any other document other than the Certificates, or to be filed with any governmental or other administrative agency or other person or entity without our prior written consent. We do not undertake to advise you of any changes in the laws or facts that may occur or come to our attention after the date of this Opinion.

We bring to your attention the fact that our conclusions are an expression of professional judgment and are not a guarantee of result.

Very truly yours,

APPENDIX E
BOOK-ENTRY, CLEARANCE AND SETTLEMENT
PROCEDURES

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APPENDIX E

BOOK-ENTRY, CLEARANCE AND SETTLEMENT PROCEDURES

The description that follows of the procedures for record keeping about beneficial ownership of the Series 2008 Certificates, payment of principal of and interest on the Series 2008 Certificates, confirmation and transfer of beneficial ownership interests in the Series 2008 Certificates, and other securities-related transactions is based solely on information furnished by The Depository Trust Company, New York, New York (“**DTC**”) and has not been independently verified by the City, the Corporation, the Trustee or the Underwriters.

DTC will act as securities depository for the Series 2008 Certificates (for purposes of this Appendix E, the “**Securities**” or “**Series 2008 Certificates**”). The Securities 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 or more fully-registered Security Certificates will be issued for each maturity of the Securities, in the aggregate principal amount or maturity amount of such issue, 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 issues, 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 clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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**”). DTC has Standard & Poor’s highest rating: AAA. 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 and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“**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 Securities 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 Series 2008 Certificates

representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities 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 Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be 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 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 Securities 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal component of, redemption premium, if any, and interest component distributable with respect to the Series 2008 Certificates 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 detail information from the Corporation or Agent, 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, nor its nominee, Agent, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the Corporation or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2008 Certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2008 Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation, the City, the Trustee or the Underwriters take no responsibility for the accuracy thereof.

No one can give any assurance that DTC or any of its Direct or Indirect Participants, will promptly transfer payments or notices received with respect to the Series 2008 Certificates. The Trustee, the Corporation, the City and the Underwriters are not responsible for the failure of any of those parties to transfer the Beneficial Owner payments or notices received with respect to Series 2008 Certificates.

Similarly, no one can give any assurance that any depository will abide by its procedures or that its procedures will not be changed. In the event the Corporation designates a successor securities depository for the Series 2008 Certificates, the successor may establish different procedures.

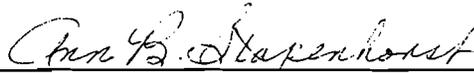
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APPENDIX F
THE AMENDED AND RESTATED
MASTER LEASE

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CERTIFICATE OF ASSISTANT SECRETARY
OF THE LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY
OF THE CITY OF ST. LOUIS

I hereby certify that the attached copy of the Amended and Restated Master Lease by and between the City of St. Louis and the Land Clearance for Redevelopment Authority of the City of St. Louis, dated as of the 2nd day of November, 1992, is a true, correct and complete copy of said lease.



Ann B. Stapenhorst
Assistant Secretary

(Seal)

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RECYCLED PAPER MADE FROM 20% POST CONSUMER CONTENT

AMENDED AND RESTATED
MASTER LEASE

THIS Amended and Restated Master Lease (the "Amended and Restated Master Lease") is entered into as of this 2nd day of November, 1992, by and between THE CITY OF ST. LOUIS, MISSOURI, a city organized under its charter and the constitution and laws of the state of Missouri (the "City" or "Master Lessor") and the LAND CLEARANCE FOR REDEVELOPMENT AUTHORITY OF THE CITY OF ST. LOUIS, a public body corporate and politic of the State of Missouri (the "LCRA" or "Master Lessee"); it amends and restates that certain Master Lease entered into between the parties as of December 17, 1990 as amended by that certain First Amendment to Master Lease dated May 29, 1992, pertaining to certain real estate and improvements, consisting generally of real estate at 1400 Market Street, an existing improvement thereon known as the Henry W. Kiel Memorial Auditorium, an existing adjacent parking garage, related improvements and fixtures, and portions of City Block 209 and 210 South owned by the City on or after December 17, 1990 (the "Original Master Lease");

WITNESSETH:

WHEREAS, the Master Lessor is or may hereafter be the owner of the real estate located at 1400 Market Street in the City of St. Louis, more particularly described in Exhibit A attached hereto and by reference made a part hereof (the "Original Site"), together with improvements thereon comprising an opera house-auditorium building currently known as the Henry W. Kiel Memorial Auditorium ("Kiel Auditorium") , and the adjacent existing parking garage, as shown generally on the diagram attached as Exhibit B hereto and by reference made a part hereof (together, the "Building") and the related improvements and fixtures located thereon, (the Original Site and the Building are collectively, referred as the "Original Kiel Premises") ; and

WHEREAS, at the time of the execution of the Original Master Lease, the Master Lessor presently maintained and operated Kiel Auditorium, utilizing City of St. Louis general revenue funds, at a current deficit of expenditures over revenues in excess of \$800,000 per annum; and

WHEREAS, a number of the Kiel Auditorium systems, such as heating, plumbing and air conditioning, are over 60 years old, and the Board of Public Service of the City has determined that Kiel Auditorium is in need of major rehabilitation and has estimated the minimum cost thereof to substantially exceed \$10,000,000; and

WHEREAS, the financial condition of the City, coupled with the aforementioned operating deficits, prevents the City from undertaking such rehabilitation or from otherwise renovating Kiel Auditorium; and

WHEREAS, the interests of the region and the citizens of the city would be served by replacement or major renovation of the Original Kiel Premises and operation thereof by a private redeveloper; and

WHEREAS, at the time of the execution of the Original Master Lease, the Master Lessor desired to cease municipal operation of the Original Kiel Premises and permit Master Lessee to cause the Original Site together with a portion of City Block 210 South to be redeveloped; and

WHEREAS, the Original Kiel Premises and City Block 210 South are within the Station East Redevelopment Area, designated a blighted area under Chapter 99.300 et seq. of the Revised Statutes of Missouri, as amended, and City Ordinance 60364 and City Ordinance 62121; and

WHEREAS, pursuant to Chapter 99 of the Revised Statutes of Missouri, as amended, LCRA advertised for and selected Kiel Center Redevelopment Corporation and its approved successors and assigns (the "Developer") as the developer for the Site located within the Station East Redevelopment Area; and

* WHEREAS, the Developer has proposed the renovation of the opera house portion of the Building and the construction on the Original Site and a portion of City Block 210 South and portions of vacated 15th Street of a new building containing an approximately 18,000 seat assembly facility (collectively the "Project") , which renovated opera house and assembly facility will be privately operated as a special purpose civic building for assembly, display and entertainment (the "Facilities"); and

WHEREAS, LCRA has determined that certain improvements in the Station East Redevelopment Area, including without limitation removal of asbestos from the opera house and auditorium and demolition and clearance of the auditorium and parking garage portions of the Building, excavation and preparation of foundations for construction of the Facilities, patching, costs related to the vacation of 15th Street and street and other improvements (the "Site Work") are necessary and required as a precondition to the Project; and

WHEREAS, LCRA has agreed to perform the Site Work, or cause the Site Work to be performed, provided that the Developer has agreed that the full extent of the financial obligation of LCRA for performance of the Site Work from the proceeds of the Site Bonds (as hereinafter defined) shall be for the expenditure of a net aggregate principal sum of \$10,000,000 for the Site Work (the "Master Lessee Site Work Commitment") and that any of the Site Work which may not be completed upon satisfaction of the Master Lessee Site Work Commitment from the proceeds of the Site Bonds (as hereinafter defined) shall be assumed and performed by the Developer as a part

of the Project, except that \$5,500,000 of the proceeds of the parking Revenue Bonds (as hereinafter defined) shall be utilized for Site Work related to the Parking Facilities (as hereinafter defined) (the "Parking Site Work"); and

WHEREAS, funds will be available to the City, from bonds to be issued by St. Louis Municipal Finance Corporation, which the City intends to use to construct at a new City Jail and, thereafter, to demolish the existing City Jail; and

WHEREAS, the City acting by and through its Treasurer in his capacity as Supervisor of Parking Meters intends to issue up to \$24,000,000 aggregate principal amount of Parking Revenue Bonds Series 1992, (the "Parking Revenue Bonds") portions of the proceeds of which will be used, subject to and as provided in the Indenture for the Parking Revenue Bonds, (the "Indenture") to (i) purchase certain real estate (the "Lenette Parcel") in City Block 210 South and described in Exhibit C attached hereto and by this reference made a part hereof, (ii) construct an approximately 1250 space public parking garage (the "New Garage") on portions of City Block 210 South, more particularly described in Exhibit D attached hereto and by reference made a part hereof, (the "New Garage Site"), (iii) pay approximately \$5,500,000 to LCRA for the Parking Site Work, (iv) construct an approximately 160 space public surface parking lot on the site of the present City Jail (the "Jail Site Lot", and, collectively with the New Garage, the "Parking Facilities") and to the extent there are funds available therefor from the proceeds of the Parking Revenue Bonds after the uses described in (i) to (iv), above, inclusive, (v) repair, equip, modify the existing City Hall Parking Lot, and (vi) take certain actions with respect to the Childrens' Building (the "Childrens' Building Actions" as defined in the Indenture); and

WHEREAS, LCRA and the Developer propose (i) that the City lease the Original Kiel Premises and City Block 210 South and appurtenances thereto, as collectively described on Exhibit E attached hereto and by this reference made a part hereof (hereinafter referred to collectively as the "New Kiel Premises"), to Master Lessee for a term of fifty years, with four successive renewal options of five years each, (ii) that Master Lessee sublease the New Garage Site to the City for the construction and operation of the New Garage for a like term and (iii) that Master Lessee sublease the New Kiel Premises to the Developer for a like term and that the Developer complete the Project and operate the Facilities as herein provided; and

WHEREAS, the City acting by and through its Treasurer and the Developer contemplate executing an agreement (the "Parking Agreement") concerning use by the Developer on a reserved basis of certain parking spaces in the Parking Facilities and on the existing City Hall parking lot; and

WHEREAS, to facilitate satisfaction of the Master Lessee Site Work Commitment under the Original Master Lease, LCRA issued prior

to December 31, 1990, tax exempt revenue bonds (together with additional bonds to be issued by LCRA, the "Site Bonds") in an amount not to exceed the aggregate principal sum of \$12,500,000, \$10,000,000 of net proceeds of which LCRA proposes to be utilized to perform the Site Work and the balance of the proceeds of which LCRA proposes to be utilized for (i) costs of issuance and subsequent remarketing (not to exceed in any instance 3% of the principal sum of the Site Bonds upon original issuance or subsequent remarketing), credit enhancement fees and a debt service reserve fund and (ii) other costs incurred by or on behalf of the Master Lessor related to the Project, including, without limitation, costs of terminating existing contracts relating to the Original Kiel Premises, costs of relocating City courts from the Original Kiel Premises and costs of traffic improvements, and costs incurred by or on behalf of the Master Lessee or Master Lessor for acquisition of vacated 15th Street from third parties (the "City Costs"); and

WHEREAS, in consideration of the substantial cost savings to the City in connection with the completion of the Project by the Developer and the lease of the Facilities as provided for herein and the public benefits accruing to the City from same and in order to assist the redevelopment of the Station East Redevelopment Area, the City proposes to agree, on an annually renewable basis as hereinafter provided, to pay the principal of, interest on, premium, if any, and credit enhancement fees, if any, for the Site Bonds in an amount not to exceed \$1,100,000 per annum for a period not to exceed thirty (30) years; and

WHEREAS, the Developer proposes to assume responsibility for the completion of the Project through the issuance of in excess of \$75,000,000 of private bonds (the "Developer Bonds") and the operation of the Facilities throughout the term of this Master Lease; and

WHEREAS, Master Lessor and Master Lessee wish to amend and restate the Master Lease, as hereinafter provided;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Master Lessor and Master Lessee hereby covenant and agree as follows:

1. Demise of Original Kiel Premises and City Block 210 South. Subject to the terms and conditions contained herein, and in consideration of the alleviation of substantial costs and accrual of other benefits to Master Lessor as aforesaid, Master Lessor hereby leases unto Master Lessee the New Kiel Premises and the New Garage Site (collectively the "Master Lease Premises"), and Master Lessee, in consideration of the additional conditions, covenants and assurances of Master Lessor set forth in Section 3.1 hereof, hereby

leases, takes and hires the Master Lease Premises from the Master Lessor for the term and the uses established herein.

2. Term of Master Lease. Subject only to the timely satisfaction of each of the conditions to the obligations of the Master Lessee contained in Section 3.1 hereof, the term of this Amended and Restated Master Lease shall commence (the "Commencement Date") on the date Master Lessee notifies Master Lessor in writing that it has received the Developer Readiness Notice (as described in Section 7(a) hereof) , and shall end at midnight on the day prior to the fiftieth (50th) anniversary of the Commencement Date. Master Lessee shall have four (4) successive options to renew and extend the term of this Amended and Restated Master Lease for a period of five (5) years each on the same terms and conditions as are contained herein, the first such renewal term to commence immediately upon the expiration of the initial term of this Amended and Restated Master Lease. In order to exercise each of said renewal options, Master Lessee shall deliver written notice of such election to Master Lessor within six (6) months prior to the expiration of the initial or renewal term of this Amended and Restated Master Lease, as the case may be; provided, however, that Master Lessor agrees to renew and extend the term of this Amended and Restated Master Lease, as aforesaid, if said renewal notices are delivered to Master Lessor by the Developer in accordance with the provisions of Section (7) (b) (iv) hereof.

3. Conditions to Obligations of Master Lessee.

1. Notwithstanding anything to the contrary contained herein, all obligations of the Master Lessee contained herein shall be contingent upon the satisfaction of each of the following conditions on or before November 30, 1992:

(a) LCRA shall have designated and entered into a binding redevelopment agreement with the Developer approving and providing, among other things, for (i) the execution and delivery of the Amended and Restated Lease and Development Agreement described in Section 7(a) hereof, and (ii) the completion and delivery of the Project on or before December 31, 1994, which date shall be subject to extension on account of Unavoidable Delays, as defined in Section 21 hereof (the "Facilities Delivery Date");

(b) Unless LCRA and the Developer shall agree to a later date for satisfaction of this condition, LCRA (or IDA on behalf of LCRA) shall have issued the Site Bonds as defined in the Master Lease in an amount sufficient to yield a sum, net of costs of issuance, credit enhancement fees, a debt service reserve fund and the City Costs, of \$10,000,000 provided that the principal amount of the Site Bonds shall not exceed an aggregate amount of \$12,500,000 and provided further that the term of the Site Bonds as herein defined shall not exceed thirty (30) years, and that the principal of, interest on, premium, if any, and credit enhancement fees, if any,

payable by the City for Site Bonds as herein defined shall not exceed \$1,100,000 per annum) for the performance of the Master Lessee Site Work Commitment; and

(c) The IDA shall have caused the issuance of the Developer Bonds on behalf of the Developer for the completion of the Project as contemplated herein; and

d) Master Lessor and Master Lessee shall have entered into a sublease of the New Garage Site from Master Lessee to Master Lessor, for the term of the Amended and Restated Master Lease and any extensions thereof; and

e) by July 1, 1992, Prudential - Bache Capital Funding shall have extended in form satisfactory to Master Lessee until December 31, 1992, its commitment to purchase the Site Bonds.

In the event one or more of the foregoing conditions shall not have been timely satisfied, this Amended and Restated Master Lease shall be void and of no further force or effect whatsoever, and neither party shall have any further liability to the other hereunder.

2. Notwithstanding anything to the contrary contained herein, all obligations of the Master Lessee herein after the Commencement Date shall be contingent upon the satisfaction of each of the following conditions:

(a) Master Lessor shall cause the issuance of the Parking Revenue Bonds;

(b) Master Lessor shall arrange for \$5,500,000 of the proceeds of the Parking Revenue Bonds to be advanced to LCRA and LCRA will expend, or cause to be expended, those funds for Parking Site Work;

(c) Master Lessor will acquire the Lenette Parcel with proceeds of the Parking Revenue Bonds;

(d) Master Lessor will demolish the existing City Jail with proceeds of Bonds to be issued by St. Louis Municipal Finance Corporation;

(e) Master Lessor will construct the New Garage on the New Garage Site on or before the Facilities Delivery Date, subject to Unavoidable Delays, and will construct the Jail Lot on the Jail Lot Site as soon as is feasible following the construction of a new City Jail, each with proceeds of the Parking Revenue Bonds;

(f) Master Lessor will take the Children's Building Actions and renovate the City Hall Lot, subject to the availability of funds pursuant to the Indenture.

4. Rent, Net Lease. The Master Lessee shall pay, upon demand, as rent for the use of the Master Lease Premises, the sum of \$1.00 per annum throughout the term and any renewals of this Amended and Restated Master Lease, said amount to be due and payable on the Commencement Date and on each anniversary thereof during the remainder of the term and any renewals of this Amended and Restated Master Lease. Insofar as the performance by the Master Lessee of its covenants and obligations pursuant to this Amended and Restated Master Lease shall impose any financial obligation or liability on the Master Lessor, said amounts, if not otherwise paid, discharged or satisfied by the Master Lessee, shall constitute additional rent hereunder. If and to the extent that the existing parking garage on the Site or the present City owned surface parking lot in City Block 210 South, or both, shall be operated during any period after the Commencement Date and until completion of the construction of the Parking Facilities, the revenue from the operation thereof, net of (i) operating and maintenance expenses for such garage, parking lot, or both; and (ii) maintenance expenses of Kiel Auditorium not otherwise paid or reimbursed by Master Lessor, shall be paid to Master Lessor as additional rent hereunder, which additional rent shall be payable on the fifteenth day of each calendar quarter for the preceding calendar quarter unless otherwise agreed between Master Lessee and Master Lessor. From and after the Commencement Date, this Amended and Restated Master Lease shall be a net lease in all respects and during the term hereof, the Master Lessee shall perform, or cause to be performed, all obligations connected with or arising out of owning, occupying, managing or using the Master Lease Premises or any part thereof, including, without limitation, the payment of all debt service and principal indebtedness incurred in connection with the redevelopment and operation of the Master Lease Premises, property taxes and assessments, if any, or payments in lieu thereof, property management fees and expenses, all sums for maintenance, repair and replacement of improvements, insurance premiums, utility charges and expenses, and the like, all as and when the same shall become due and payable except as provided in Section 3.2 and except in connection with the Parking Facilities. Any present or future law to the contrary notwithstanding, this Amended and Restated Master Lease shall not terminate by reason of the destruction by casualty or accident of the Master Lease Premises or any improvements thereon or any portion thereof.

5. Use of Master Lease Premises. The Master Lessee shall cause the Project to be completed and shall thereafter use and operate the Facilities, or cause the Facilities to be used and operated, as a special purpose civic building for assembly, display and entertainment. The Master Lease Premises shall be used and operated in a first class manner and in accordance with all applicable laws, ordinances and regulations, and all covenants and restrictions imposed upon the Master Lease Premises pursuant to any indenture encumbering the Master Lease Premises. Upon the expiration of the term and any renewals of this Amended and Restated Master Lease, Master Lessee shall vacate and surrender the Master

Lease Premises to Master Lessor, ordinary wear and tear, subsequent alteration and casualty loss excepted.

6. Cooperation of Master Lessor. Notwithstanding anything contained herein to the contrary, as additional consideration to induce Master Lessee to agree to perform the obligations assumed by it herein and in order to assist the redevelopment of the Station East Redevelopment Area, Master Lessor agrees, pursuant to its Charter, the Act and other applicable Law, subject to annual appropriations, to make payment of the principal of, interest on, premium, if any, and credit enhancement fees, if any, for the Site Bonds in an amount not to exceed \$1,100,000 per annum for a period not to exceed thirty (30) years, commencing on and payable after the Commencement Date; provided, that prior to December 31, 1992, Master Lessor's sole undertaking under this Section 6 is, to make payment of a sum not to exceed \$550,000 for any such debt service payable between July 1, 1992, and December 31, 1992, but only if the Commencement Date is prior to such payment. This Section 6 shall terminate on the last day of the Master Lessor's fiscal year (the "initial term") within which the Commencement Date occurs unless renewed by Master Lessor as hereinafter provided. Master Lessor shall have an option to renew this Section 6 for twenty-nine successive one year terms, the first of which shall begin on July 1 next following the initial term. Master Lessor's exercise of its option to renew this Section 6 shall be conclusively determined, as follows: this Section 6 shall be renewed for the next consecutive renewal term if the Board of Aldermen of the City has, on or before the last day of the initial term or any renewal term, budgeted and appropriated, specifically with respect to this Section 6, moneys sufficient to pay all the payments for the ensuing renewal term, or moneys sufficient to pay all payments coming due for such renewal term, provided on the occurrence of such budgeting and appropriation this Section 6 shall be renewed for such renewal term. The Board of Estimate and Apportionment or any other officer at any time charged with the responsibility of formulating budget proposals to the Board of Aldermen, in any year in which this Section 6 shall be in effect, shall include in such budget proposal items for all payments required for the ensuing renewal term under this Section 6 and will use all reasonable and lawful means at their disposal to secure the appropriation of money for such renewal term sufficient to pay the payments coming due therein; it being the intention of the Master Lessor that the decision to renew this Section 6 shall be made solely by the Board of Aldermen and not by any other official of the City. The Site Bonds shall be limited obligations of the issuer thereof and not a debt, liability or indebtedness of the Master Lessor. Notwithstanding anything herein to the contrary, Master Lessor's undertaking under this Section 6 shall be deemed satisfied by (i) the payment of the sum of \$550,000 appropriated by the City for fiscal year 1992 and (ii) the appropriation and payment by the City for fiscal year 1993 of \$550,000, such payment for the payment of principal and interest on the Site Bonds in connection with the remarketing thereof on July 1, 1992, and, thereafter, the subsequent

appropriation of up to \$1,100,000 for 29 successive City fiscal years commencing with City fiscal year 1994 as required to pay principal and interest on the Site Bonds. In the event that the Commencement Date shall not occur by November 30, 1992, and this Master Lease shall have become void as a result pursuant to Section 7, LCRA shall reimburse the City for any appropriated amount paid by the City in excess of \$550,000. In the event that the Commencement Date shall occur on or before November 30, 1992, the City shall be reimbursed for any amount paid by the City pursuant to its 1993 fiscal year appropriation which is in excess of the principal and interest on the Site Bonds due and payable during the period July 1, 1992 through June 30, 1993.

7. Subletting, Assignment and Mortgaging.

(a) The Master Lessee shall be permitted to enter into an "Amended Lease and Development Agreement" (the "Sublease") with the Developer of the Project pursuant to which the Master Lessee shall covenant and agree (i) to perform the Master Lessee Site Work Commitment, and to use \$5.5 Million of the proceeds of the Parking Revenue Bonds for the Parking Site Work on or before the Facilities Delivery Date, which date shall be subject to extension on account of Unavoidable Delays, and (ii) to deliver and sublease the New Kiel Premises to the Developer on the Sublease Commencement Date as hereinafter defined, free and clear of all indentures, deeds of trust, security interests and other liens securing the payment of any indebtedness other than the Developer Bonds, and subject to no leases, contracts or other agreements except as expressly provided for herein. The Sublease Commencement Date shall be the date, following the delivery of the Developer's written notice to Master Lessee (the "Developer Readiness Notice") advising Master Lessee that it is prepared to accept the New Kiel Premises and to commence to perform its obligations under the Sublease to complete the Project conditioned only upon the performance of the Master Lessee Site Work Commitment, by the Facilities Delivery Date as described in items (i) and (ii) of this subsection (a) and the satisfaction by Master Lessor of the conditions set forth in Section 3.2 hereof, and the receipt of the non-disturbance and recognition agreement described in Section 8 hereof, when Master Lessee shall have performed the Site Work Commitment, and Master Lessor shall have acquired the Lenette Parcel and shall have advanced \$5,500,000 of the Parking Revenue Bonds to LCRA for the Parking Site Work. The Developer Readiness Notice shall be delivered to Master Lessee so as to provide a sufficient period for the performance of the Master Lessee Site Work Commitment, use of Parking Revenue Bond proceeds for the Parking Site Work and construction of the Parking Facilities by the Facilities Delivery Date. The Sublease shall provide that, in the event the Developer Readiness Notice is not delivered to the Master Lessee by November 30, 1992 (the "Developer Readiness Notice Deadline") then the Sublease shall be void and of no further force or effect whatsoever. Further, in the event described in the immediately preceding sentence, this Amended and Restated Master

Lease shall be void and of no further force or effect whatsoever, and neither party hereto shall have any further liability to the other hereunder. Master Lessee covenants and agrees to deliver a copy of the Developer Readiness Notice to Master Lessor, thereby commencing the term of this Amended and Restated Master Lease as provided in Section 1 hereof, and to promptly commence and diligently pursue to completion the Site Work and use of Parking Revenue Bond proceeds for Parking Site Work by the Facilities Delivery Date.

(b) The Sublease shall provide, among other things, for (i) acceptance of the New Kiel Premises on the Sublease Commencement Date by the Developer, subject to the requirement of completion, by the Master Lessor on or before the Facilities Delivery Date of the Parking Facilities, subject to extension for Unavoidable Delays, (ii) the completion of the Project by the Developer on or before the Facilities Delivery Date, which date shall be subject to extension on account of Unavoidable Delays, in accordance with the approved redevelopment agreement, (iii) the subletting of the New Kiel Premises for the full term and any renewals of this Amended and Restated Master Lease, (iv) the right of the Developer at its option to exercise on behalf of Master Lessee, or to direct Master Lessee to exercise, each of the renewal options provided for in Section 1 hereof, (v) full abatement of all real property taxes, including any taxes on the leasehold interest of the Developer, to the extent permitted by law and as provided in the redevelopment agreement, (vi) the timely issuance of and use of the proceeds of the Developer Bonds to complete the Project as contemplated in Section 3 (c) hereof, (vii) sublease rent payable to the Master Lessee by the Developer in an amount equal to \$1.00 per annum, (viii) pass-through to the Developer, after the Sublease Commencement Date, of the obligations of the Master Lessee under Sections 4, 11 and 12, hereof with regard to the Facilities (without releasing the Master Lessee from any of its obligations hereunder), (ix) the right of the Developer to name and re-name the proposed new building on the site containing an approximately 18,000 seat assembly facility, or portions thereof, (x) further subletting of the New Kiel Premises for the full term of this Amended and Restated Master Lease, with the right of said designated sublessee to further sublet and license the use of the New Kiel Premises for purposes consistent with the requirements of this Amended and Restated Master Lease, including, without limitation, the provisions of Sections 5 and 12 hereof, (xi) defining "Site Work" as certain improvements in the Station East Redevelopment Area, including without limitation removal of asbestos from the opera house and auditorium and demolition and clearance of the auditorium portion of the Building and the parking garage adjacent to the Building, excavation and preparation of foundations for construction of the Facilities, patching, costs related to the vacation of 15th Street and street and other improvements which are necessary and required as a precondition to the Project; (xii) for performance by or on behalf of the Master Lessee of the Master Lessee Site Work Commitment, (xiii) providing that the Developer has

agreed that the full extent of the financial obligation of LCRA to the Site Work shall be the performance of the Master Lessee Site Work Commitment and that the full extent of the obligation of LCRA with respect to Parking Site Work shall be the expenditure of \$5.5 Million of proceeds of the Parking Revenue Bonds for the Parking Site Work and that any of the Site Work which may not be completed upon satisfaction of the Master Lessee Site Work Commitment shall be assumed and performed by the Developer as a part of the Project; (xiv) providing that in the New Garage Site sublease LCRA will cause the Issuer to agree to (i) construct and equip an approximately 1250 space, multi-level, parking garage located on the New Garage Site, (ii) acquire the Lenette Parcel, (iii) construct and equip the City Jail Lot; (iv) make available to LCRA \$5.5 Million from the proceeds of the Parking Revenue Bonds for the completion of the Parking Site Work; and, to the extent there are available funds therefor from the proceeds of the Parking Revenue Bonds: First, the repairing, equipping, modifying and improving of the City Hall Lot and secondly, the carrying out of the Children's Building Actions and, agree upon terms and conditions of an easement agreement pertaining to ingress and egress of persons and vehicles between the Facilities and the New Garage to the extent necessary and appropriate to facilitate the construction of the New Garage and Facilities and, agree to allow LCRA subject to the approval of the Issuer, to make minor adjustments of the boundaries of the New Garage Site so as to facilitate construction of the New Garage and/or Facilities; and (xv) for appropriate cooperation and reporting between the Master Lessee and the Developer between the date of execution of the Sublease and Sublease Commencement Date to insure that the Developer Readiness Notice Deadline and the Master Lessee Site Work Commitment Deadline are met, which provision shall be effective and binding on the parties immediately upon execution of the Sublease.

(c) In addition to the foregoing, the Developer and any sublessee of the Developer shall be entitled from time to time to incur indebtedness for or in connection with the construction, maintenance or operation of the New Kiel Premises and, to assign their respective interests in this Amended and Restated Master Lease, the Sublease or any additional sublease, as the case may be, as collateral security for said indebtedness. In such event, the Master Lessor hereby agrees for the benefit of such mortgagees or holders of indebtedness from time to time that (i) the Master Lessor will give to any such mortgagee or holder of indebtedness simultaneously with service to Master Lessee a duplicate of any and all notices or demands given by it to Master Lessee, (ii) such mortgagee or holder of indebtedness shall have the privilege of performing any of the Master Lessee's covenants hereunder, or of curing any default by Master Lessee hereunder, or of exercising any election, option or privilege conferred upon the Master Lessee by the terms of the Amended and Restated Master Lease, (iii) Master Lessor shall not terminate this Amended and Restated Master Lease or Master Lessee's right of possession for a period of sixty (60) days after the expiration of the period of time within which Master

Lessee might cure said default, (iv) that, except for the right to terminate contained in this Amended and Restated Master Lease, no right, privilege or option to cancel or terminate this Amended and Restated Master Lease available to Master Lessee shall be deemed to have been exercised effectively unless joined in by any such mortgagee or holder of indebtedness, and (v) no personal liability for the payment of rental or the performance of any of Master Lessee's covenants and agreements hereunder shall attach or be imposed upon any mortgagee, trustee under any deed of trust or holder of any indebtedness incurred by any mortgage or trust deed upon the leasehold estate, all such personal liability being hereby expressly waived by the Master Lessor. Master Lessor agrees to cooperate with Master Lessee in executing and delivering to lending institutions as may be required any amendment to this Amended and Restated Master Lease incorporating such modifications of the terms and provisions of this Amended and Restated Master Lease as such lender shall reasonably require as a condition precedent to their granting of a loan or a commitment secured by this Amended and Restated Master Lease, except that no such amendment shall modify the provisions of this Amended and Restated Master Lease relating to the amount of rent, the duration of the term of any renewals or any obligation, agreement or undertaking of the part of Master Lessee or Master Lessor hereunder, including, without limitation, the agreement of the Master Lessor under Section 7 hereof. Master Lessee may assign its interest hereunder as collateral for the Site Bonds.

(d) The Sublease shall provide that from and after the date the Developer shall deliver and the Master Lessee shall accept the Developer Readiness Notice, the Master Lessor shall be a third party beneficiary with respect to all obligations of the Developer to the Master Lessee under the Sublease (and any other agreement executed between the Master Lessee and the Developer in connection therewith) and the Developer shall be a third party beneficiary with respect to all obligations of the Master Lessor to Master Lessee under this Master Lease or the New Garage Sublease (and any other agreement executed between the Master Lessee and the master Lessor). Nothing in this paragraph shall relieve the Master Lessee from any obligation it may have to the Developer or the Master Lessor and nothing in this paragraph shall create any obligations of the Master Lessee, the Master Lessor or the Developer which are not expressly provided in this Master Lease, the Sublease and the New Garage Sublease (and the other documents executed by the respective parties in connection therewith).

8. Sublease Subject to Master Lease; Tax Covenant. The Master Lease Sublease shall be subject in all respects to the Amended and Restated Master Lease. Master Lessee shall not knowingly take or permit to be taken, or knowingly omit or cause to be omitted, any action which would cause the payments of interest on the Site Bonds or the Parking Revenue Bonds to become subject to Federal income taxation.

9. Warranties and Covenants of Master Lessor.

(a) Master Lessor hereby covenants and warrants as follows:

(i) Master Lessor is the fee simple owner of the Master Lease premises except the Lenette Parcel which it intends to acquire as herein provided; (ii) Master Lessor has the power and authority to execute and to deliver this Amended and Restated Master Lease and to carry out and perform all covenants to be performed by the Master Lessor hereunder; (iii) the Master Lease Premises are zoned for the uses and the operation contemplated by Master Lessee as a permitted and authorized use under the zoning classification and local laws and ordinances applicable to the Master Lease Premises; (iv) except for temporary periods attributable to Unavoidable Delay, Master Lessee shall have at all times unobstructed and adequate means of ingress and egress to the Master Lease Premises from all abutting streets and roads; and (v) the Master Lease Premises presently owned by Master Lessor are free from any and all encumbrances, security interests, liens, mortgages, defects in title, violation of law, leases, tenancies, restrictions, agreements or easements except those which will be removed, satisfied, discharged or otherwise released on or before the Commencement Date of this Amended and Restated Master Lease.

(b) For so long as the Master Lessee shall not be in default hereunder, the Master Lessee shall peacefully and quietly have, hold and enjoy the Master Lease Premises throughout the term of this Amended and Restated Master Lease, free from any hindrance or molestation by the Master Lessor or anyone claiming by, through or under the Master Lessor.

(c) Master Lessor agrees that upon the Commencement Date and the Sublease Commencement Date, it shall execute and deliver to the Developer a non-disturbance and recognition agreement providing that in the event Master Lessor shall terminate the Amended and Restated Master Lease or re-enter and repossess the New Kiel Premises by reason of the default of Master Lessee hereunder, or otherwise, or in the alternative event that Master Lessor shall consent or agree to any termination of the Amended and Restated Master Lease prior to the expiration of the term hereof, Master Lessor agrees to recognize the Sublease as a direct lease of the New Kiel Premises between Master Lessor and the Developer and to assume and perform the obligations of the Master Lessee under the Sublease all without imposing any charge on the Developer for rent, additional rent or other costs beyond those due and payable under the Sublease from and after the date Master Lessor (i) has notified the Developer in writing that it has terminated the Amended and Restated Master Lease or re-entered the New Kiel Premises and (ii) has directed the Developer to commence payment to Master Lessor of all rent, additional rent and other charges due under the Sublease. In consideration of the foregoing, the Developer agrees to recognize and attorn to the Master Lessor as its landlord. Master Lessor further covenants and agrees to give to the Developer a copy of each

notice delivered to Master Lessee under the Amended and Restated Master Lease and not to amend or modify the Amended and Restated Master Lease without the prior written consent of the Developer, which consent shall not be unreasonably withheld.

10. Title; Ownership. The Master Lessor holds and shall continue to hold, during the term hereof, bare legal title to the Master Lease Premises. All benefits and incidents and obligations of ownership of the Master Lease Premises shall, for the term hereof, inure to the benefit of Master Lessee, including, without limitation, all rights to enter into and to collect all proceeds of leases of and licenses authorizing the use of the Master Lease Premises and other uses of the Master Lease Premises permitted hereunder.

11. Indemnification; Insurance. The Master Lessee shall, at all times during the term of this Amended and Restated Master Lease, protect, indemnify and save harmless the Master Lessor from and against all liabilities, obligations, claims, damages, penalties, causes of action, contests and expenses (including, without limitation, all attorneys' fees and expenses) imposed upon or incurred by or asserted against the Master Lessor in any manner relating to (a) actions or occurrences on the Master Lease Premises after the Commencement Date, (b) the use, operation, maintenance, management, leasing or licensing, of the Master Lease Premises by the Master Lessee, or (c) this Amended and Restated Master Lease. The Master Lessor shall be named as an additional co-insured on any policies maintained by the Master Lessee and the Developer. Master Lessee acknowledges that it is leasing the Master Lease Premises "AS IS" and without any representation or warranty by Master Lessor as to the condition of the Master Lease Premises.

12. Hazardous Substances. Neither the Master Lessee nor any party acting on behalf of the Master Lessee, shall place or dispose of any toxic or hazardous substances (as defined in applicable state and federal laws and regulations) on the Master Lease Premises in violation of said laws and regulations, and the Master Lessee will not manufacture, store, use, treat or dispose of such substances, or permit any manufacturing, storage, use, treatment or disposal of such substances, on the Master Lease Premises.

13. Successors in Interest. Subject to the provisions hereof relating to restrictions on assignment, this Amended and Restated Master Lease shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

14. Governing Law. This Amended and Restated Master Lease shall be governed by and construed in accordance with the laws of the State of Missouri.

15. Exculpation. No director, commissioner, official, officer, employee, or agent of the Master Lessor or of the Mast

Lessee shall have any personal liability for payment of any claim or the performance of any obligation arising from the obligations set forth in this Amended and Restated Master Lease.

16. Reporting and Accounting. The Master Lessee shall deliver, or cause to be delivered to the Master Lessor, annual reports and accountings in respect of the operation of the Kiel Premises.

17. Right of Access. At all reasonable times during the term of this Amended and Restated Master Lease, the Master Lessor shall have a right of access to the Master Lease Premises and to the records of the Master Lessee relating to the Master Lease Premises in order to assure the Master Lessor regarding the Master Lessee's compliance with the terms of this Amended and Restated Master Lease.

18. Non-Discrimination. In performance of its operation of the Master Lease Premises, Master Lessee agrees that in the use of the Master Lease Premises or in the use of any property used in connection with the Master Lease Premises, it will not exclude or discriminate against any person solely because of race, color or creed, or for any reason not sanctioned by law and not applicable alike to persons generally in the use of the Master Lease Premises or said property. The parties shall abide by all applicable laws and judicial decisions relating to the subject matter of this Section 17.

19. Security. The Master Lessee shall use its best efforts to provide adequate security in connection with its operation of the Master Lease Premises in carrying out its duties pursuant to this Section 18. The Master Lessee shall require any manager hired to operate the Master Lease Premises to adopt operating policies providing for such adequate security.

20. Amendments. This Amended and Restated Master Lease may not be amended except by agreement by the parties hereto in writing.

21. Unavoidable Delay. As used in this Amended and Restated Master Lease, the term "Unavoidable Delay" shall mean a delay due to strike, lockout, or other labor or industrial disturbance (whether or not on the part of employees of either party hereto), civil disturbance, lightning, earthquake, fire, storm, tornado, hurricane, flood, washout, explosion, act of God or any cause whatsoever beyond the reasonable control of Master Lessor or Master Lessee or Developer; provided, however, that, for purposes of this definition, lack of funds or inability to obtain financing shall not be deemed to be a cause beyond the control of either party.

22. Notices. Any notice or consent required or permitted by this Amended and Restated Master Lease shall be deemed given on the date of receipt if mailed by United States registered or certified

mail (return receipt requested) addressed to the proper party at its address set forth below, or to such other address as last designated by such party in a notice given in accordance with the provisions of this Section 23:

MASTER LESSOR:

The City of St. Louis, Missouri
1200 Market Street
St. Louis, Missouri 63103
Attention: Mayor, Room 200 and
Register, Room 118

MASTER LESSEE:

Land Clearance for Redevelopment Authority
of the City of St. Louis
330 North 15th Street
St. Louis, Missouri 63103
Attention: Executive Director

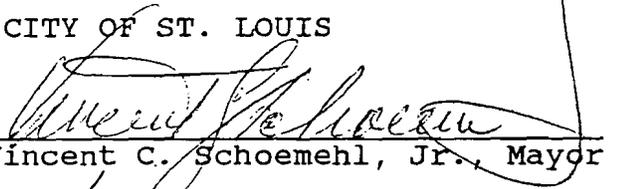
24. No Merger. There shall be no merger of this Lease or of the leasehold estate created hereby with the fee estate in the Station East Redevelopment Area by reason of the fact that the same person or other entity may acquire, own or hold, directly or indirectly, (a) this Lease or such leasehold estate and (b) fee estate in the Master Lease Premises or any interest therein.

25. Incorporation by Reference. The provisions of the Redevelopment Agreement by and between Kiel Center Redevelopment Corporation and LCRA, covering a portion of the Station East Redevelopment Area are incorporated herein by this reference and such Redevelopment Agreement shall not be amended in any material respect without approval by resolution of the Board of Aldermen.

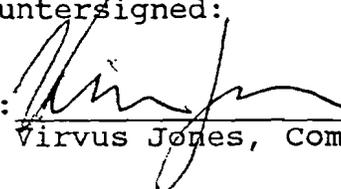
IN WITNESS WHEREOF, the parties hereto have duly executed the foregoing and delivered to one another counterpart originals thereof as of the day and year first above written.

MASTER LESSOR:

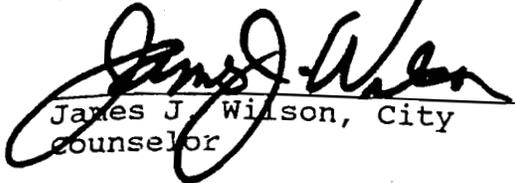
THE CITY OF ST. LOUIS

By: 
Vincent C. Schoemehl, Jr., Mayor

Countersigned:

By: 
Virvus Jones, Comptroller

APPROVED AS TO FORM:


James J. Wilson, City
counselor

(SEAL)

ATTEST:

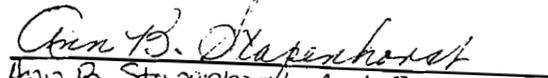

Register

MASTER LESSEE:

LAND CLEARANCE FOR REDEVELOPMENT
AUTHORITY OF THE CITY OF ST. LOUIS

(SEAL)

ATTEST:


Ann B. Stupenhorst, Asst. Secretary
APPROVED AS TO LEGAL FORM
AND ADEQUACY:

By: 
Name: Larry T. Bushong
Title: Executive Director


Deputy General Counsel

EXHIBIT A

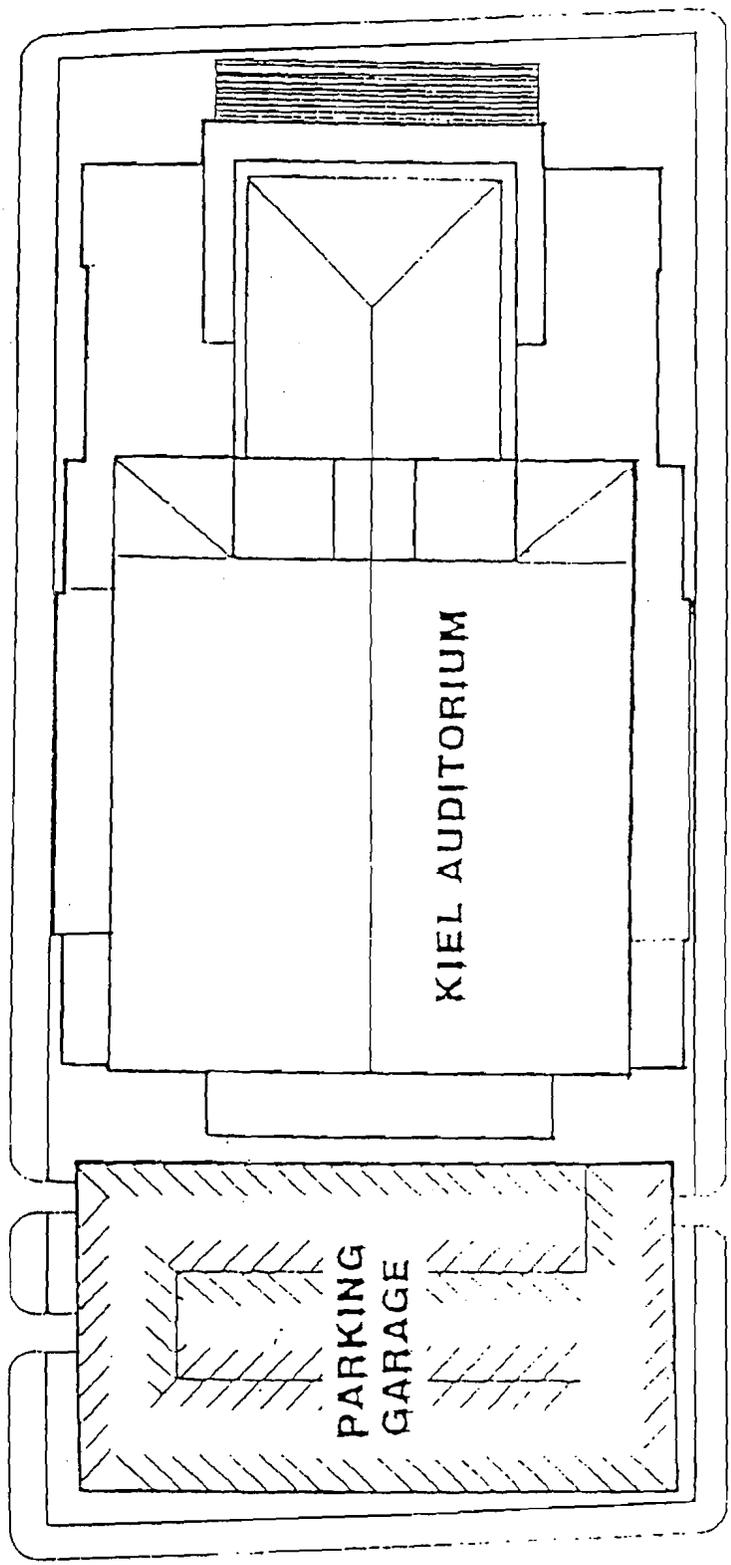
Kiel Premises:

All of Block 209 of the City of St. Louis, Missouri being bounded by Market Street on the North, Clark Avenue on the South, Fourteenth Street on the East, and Fifteenth Street on the West, said Block including former Targee Street vacated by Ordinance Number 39058, and Johnson Street as vacated by ordinance Number 33252 and including any additional real property now or hereafter owned in 15th Street by the City of St. Louis, Missouri deriving from its ownership of Block 209 and 210 South.

(AMENDED & RESTATED
MASTER LEASE)

MARKET STREET

15TH STREET



NORTH

14TH STREET

CLARK STREET

EXHIBIT B

(AMENDED & RESTATED
MASTER LEASE)

EXHIBIT C

LENETTE PARCEL

LEGAL DESCRIPTION

A lot in Block 210-S of the City of St. Louis and being more particularly described as follows: Beginning at a point of intersection of the West line of Fifteenth Street and the South line of Walnut Street; thence West along the South line of Walnut Street a distance of 331.41 feet to a point in the East line of Sixteenth Street; thence Southwardly along the East line of Sixteenth Street a distance of 199.11 feet to a point in the North line of property owned by the City of St. Louis having acquired said property under Condemnation Suite No. 37734-E, styled City of St. Louis versus Mike Maine; thence Eastwardly along the North line of said property owned by the City of St. Louis and running parallel with the South line of Walnut Street a distance of 100.42 feet to the West line of a 15.00 feet North-South alley; thence Northwardly 26.00 feet where the North line of a 20.00 feet East-West alley, projected Westwardly intersects the West line of said 15.00 foot alley; thence Eastwardly along the North line of said 20.00 foot alley a distance of 130.55 feet to a point in the East line of a 15.00 foot North-South alley; thence Southwardly along the East line of said North-South 15.00 foot alley, 9.00 feet to a point, being the Southwest corner of Lot 8 of R.W. Ulrici's Addition; thence Eastwardly along the South line of said Lot 8 a distance of 100.42 feet to a point in the West line of Fifteenth Street, a distance of 182.11 feet to the point of beginning, according to survey executed by Sterling Engineering and Surveying Company, Inc., dated July 27, 1982.

EXHIBIT D

ALL OF ST. LOUIS, MISSOURI, CITY BLOCK 209 AND PART OF CITY BLOCK 210 SOUTH, MORE PARTICULARLY DESCRIBED AS FOLLOWS: STARTING AT THE CHISELED "+" IN THE SOUTHEAST CORNER OF THE INTERSECTION OF MARKET STREET (100 FEET WIDE) AND 15TH STREET (80 FEET WIDE) IN ST. LOUIS, MISSOURI, SAID POINT BEING THE POINT OF BEGINNING, FOLLOWING THE NORTH LINE OF CITY BLOCK 209, SOUTH 75 DEGREES 26 MINUTES 04 SECONDS EAST, 331.12 FEET TO A POINT; THENCE, ALONG THE EAST LINE OF CITY BLOCK 209, SOUTH 17 DEGREES 15 MINUTES 25 SECONDS WEST, 758.68 FEET TO A CHISELED "+"; THENCE, NORTH 74 DEGREES 57 MINUTES 03 SECONDS WEST, 330.52 FEET TO A 3/8-INCH REBAR SET IN THE NORTHEAST CORNER OF CLARK AVENUE (80 FEET WIDE) AND 15TH STREET (80 FEET WIDE); 15TH STREET IS VACATED BY ST. LOUIS CITY ORDINANCE 62123; THENCE, NORTH 74 DEGREES 57 MINUTES 03 SECONDS WEST, 80.03 FEET TO A P-K NAIL ON THE NORTHWEST CORNER OF SAID CLARK AND 15TH STREETS; THENCE, NORTH 74 DEGREES 57 MINUTES 03 SECONDS WEST, 94.04 FEET TO A POINT; THENCE, NORTH 17 DEGREES 15 MINUTES 24 SECONDS EAST, 94.26 FEET TO A POINT; THENCE, NORTH 77 DEGREES 15 MINUTES 25 SECONDS EAST, 36.69 FEET TO A POINT; THENCE, NORTH 12 DEGREES 44 MINUTES 35 SECONDS WEST, 14.50 FEET TO A POINT OF CURVATURE; THENCE, ALONG A CURVE TO THE RIGHT AN ARC DISTANCE OF 95.84 FEET, SAID CURVE HAVING A RADIUS OF 183.04 FEET AND A DELTA OF 29 DEGREES 59 MINUTES 57 SECONDS; THENCE, NORTH 17 DEGREES 15 MINUTES 24 SECONDS EAST, 150.43 FEET TO A POINT; THENCE, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 93.79 FEET TO A RAILROAD SPIKE WITH PUNCH MARK; THENCE, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 30.03 FEET TO A POINT IN THE CENTERLINE OF WALNUT STREET (60 FEET WIDE); THENCE, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 40.04 FEET TO A POINT IN THE CENTERLINE OF SAID 15TH STREET; THENCE, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 30.00 FEET TO A POINT IN THE CENTERLINE OF 15TH STREET; THENCE, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 40.04 FEET TO A POINT IN THE WEST LINE OF ST. LOUIS CITY BLOCK NUMBER 209; THENCE, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 328.01 FEET TO A CHISELED "+" ON THE SOUTHEAST CORNER OF MARKET STREET (100 FEET WIDE) AND 15TH STREET (80 FEET WIDE) TO THE POINT OF BEGINNING.

-AND-

SUBTERRANEAN SPACE AND SUBSURFACE RIGHTS BELOW THE FOLLOWING DESCRIBED PROPERTY:

PART OF THE INTERSECTION OF WALNUT STREET (60 FEET WIDE) AND 15TH STREET (80 FEET WIDE) IN ST. LOUIS, MISSOURI, MORE PARTICULARLY DESCRIBED AS FOLLOWS: STARTING AT A RAILROAD SPIKE WITH PUNCH MARK IN THE NORTHEAST CORNER OF CITY BLOCK 210 SOUTH,

SAID POINT BEING IN THE SOUTHWEST CORNER OF THE INTERSECTION OF WALNUT AND 15TH STREETS, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 30.03 FEET ALONG THE WEST LINE OF 15TH STREET VACATED BY ORDINANCE 62123 TO A POINT; THENCE, ALONG THE CENTERLINE OF WALNUT STREET, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 40.04 FEET TO A POINT; THENCE, ALONG THE CENTERLINE OF 15TH STREET, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 30.00 FEET TO A POINT; THENCE, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 40.04 FEET TO A POINT ON THE WEST LINE OF CITY BLOCK 209; THENCE, ALONG THE WEST LINE OF CITY BLOCK 209, NORTH 17 DEGREES 13 MINUTES 14 SECONDS EAST, 47.56 FEET TO A POINT; THENCE, NORTH 72 DEGREES 46 MINUTES 46 SECONDS WEST, 15.00 FEET TO A POINT IN 15TH STREET; THENCE, SOUTH 17 DEGREES 13 MINUTES 14 SECONDS WEST, 33.65 FEET TO A POINT IN 15TH STREET; THENCE, SOUTH 76 DEGREES 59 MINUTES 25 SECONDS WEST, 110.78 FEET TO A POINT IN WALNUT STREET; THENCE, NORTH 75 DEGREES 11 MINUTES 27 SECONDS WEST, 79.01 FEET TO A POINT IN WALNUT STREET; THENCE, SOUTH 14 DEGREES 48 MINUTES 33 SECONDS WEST, 22.80 FEET TO A POINT ON THE NORTH LINE OF CITY BLOCK 210 SOUTH; THENCE, ALONG THE NORTH LINE OF CITY BLOCK 210 SOUTH, SOUTH 75 DEGREES 11 MINUTES 27 SECONDS EAST, 108.79 FEET TO THE POINT OF BEGINNING.

FOR SUBTERRANEAN BASEMENTS, VAULTS, FOOTINGS, FOUNDATIONS AND OTHER IMPROVEMENTS BELOW THE GRADE OF IMMEDIATELY ADJACENT PORTIONS OF WALNUT STREET AND 15TH STREET.

-AND-

SUBTERRANEAN SPACE AND SUBSURFACE RIGHTS BELOW THE FOLLOWING DESCRIBED PROPERTY:

PART OF 14TH STREET (80 FEET WIDE) IN ST. LOUIS, MISSOURI MORE PARTICULARLY DESCRIBED AS FOLLOWS: STARTING AT A CHISELED "+" IN THE SOUTHEAST CORNER OF CITY BLOCK 209, SAID POINT BEING IN THE NORTHWEST CORNER OF THE INTERSECTION OF CLARK AVENUE (80 FEET WIDE) AND 14TH STREET, FOLLOWING THE EAST LINE OF CITY BLOCK 209, NORTH 17 DEGREES 15 MINUTES 25 SECONDS EAST, 435 FEET MORE OR LESS TO THE BEGINNING OF A 8.17 FEET WIDE 14.67 FEET LONG UNDERGROUND VAULT.

FOR SUBTERRANEAN BASEMENTS, VAULTS, FOOTINGS, FOUNDATIONS AND OTHER IMPROVEMENTS BELOW THE GRADE OF IMMEDIATELY ADJACENT PORTIONS OF 14TH STREET.

-AND-

RIGHTS FOR AERIAL ENCROACHMENTS EXTENDING NOT MORE THAN 10 FEET BEYOND THE BOUNDARIES OF THE ABOVE-DESCRIBED PROPERTIES, FOR CANOPIES AND OTHER BUILDING FIXTURES, THE LOWEST ELEVATIONS OF WHICH SHALL BE NO LESS THAN 15 FEET ABOVE THE GRADE OF THE IMMEDIATELY ADJACENT PORTIONS OF THE CITY STREETS.

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APPENDIX G
FORM OF CONTINUING DISCLOSURE
AGREEMENT

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “*Disclosure Agreement*”), dated as of September 1, 2008, is executed and delivered by THE CITY OF ST. LOUIS, MISSOURI, a charter city organized under the laws of the State of Missouri (the “*City*”), and UMB BANK, N.A., a national banking association, as Trustee (the “*Trustee*”) in connection with the issuance of \$9,100,000 aggregate principal amount of Lease Certificates of Participation, Series 2008 (City of St. Louis, Missouri, Lessee) (the “*Series 2008 Certificates*”), delivered under a Trust Indenture dated as of September 1, 2008 between the St. Louis Municipal Finance Corporation (the “*Corporation*”), a nonprofit corporation organized and existing under the laws of the State of Missouri and UMB Bank, NA as trustee. The proceeds of the Series 2008 Certificates will be used to i) refund the Kiel Site Lease Revenue Refunding Bonds, Series 1997A and Kiel Site Lease Revenue Refunding Bonds, Series 1997B issued by the Land Clearance for Redevelopment Authority of the City of St. Louis, (ii) pay costs of issuance in connection with the Series 2008 Certificates, and (iii) provide a debt service reserve fund for the Series 2008 Certificates. The City and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee as Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Series 2008 Certificates and in order to assist the Participating Underwriter in complying with the requirements of the Rule. The City has determined that the City is the only “obligated person” with responsibility for continuing disclosure within the meaning of the Rule.

Section 2. Definitions. In addition to the definitions set forth in **Article I** of the Indenture which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Report*” shall mean any Annual Report provided by the City pursuant to, and as described in, Section 3 and Section 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2008 Certificates (including persons holding Series 2008 Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2008 Certificates for federal income tax purposes.

“*Central Post Office*” means DisclosureUSA, any successor thereto, or any other conduit entity recognized, authorized, or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Event notices to the Repositories. The Central Post Office currently approved by the Securities and Exchange Commission is set forth on **Exhibit A**.

“*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 Trustee from time to time.

“*Dissemination Agent*” shall mean UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation if the Trustee is not the Dissemination Agent.

“*Lease Agreement*” means the Lease Financing Agreement between the Corporation and the City, dated as of September 1, 2008, as as may be amended from time to time.

“*Material Event*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“*National Repository*” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in **Exhibit A**.

“*Participating Underwriter*” shall mean the original underwriters of the Series 2008 Certificates required to comply with the Rule in connection with offering of the Series 2008 Certificates.

“*Repository*” shall mean each National Repository and each State Repository.

“*Rule*” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“*State*” shall mean the State of Missouri.

“*State Repository*” shall mean 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 Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 210 days after the end of the City’s fiscal year (which currently ends June 30th of each year), commencing with the report for the fiscal year ending June 30, 2008, provide to any person who requests it and to each National Repository and the State Repository, if any, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement.

The Annual Report may be made available or submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the City may be made available or 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 Material Event under Section 5(a).

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) of this Section for providing the Annual Report to each National Repository and the State Repository, if any, the City shall provide its audited financial statements (if then available) and the remainder of the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) with instructions to file the Annual Report as specified in subsection (a) or shall certify to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent) in writing that the City has provided the Annual Report to each Repository (or to the Central Post Office as provided in Section 6). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City and request that the City comply with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date in subsection (b) of this Section, the Dissemination Agent shall send a notice to each Repository (the Municipal Securities Rulemaking Board and the State Repository, if any) in substantially the form as Exhibit B hereto.

- (d) The Dissemination Agent shall:
1. if there is no Central Post Office authorized or approved by the Securities and Exchange Commission for the submission of Annual Reports and Material Events to the Repositories, determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
 2. promptly following receipt of the Annual Report and the instructions required by subsection (b) of this Section, provide the Annual Report to the Repositories and file a report with the City (unless the City has certified in writing that the City has provided the Annual Report to the Repositories), the Corporation and the Trustee (if the Dissemination Agent is not the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided (or to the Central Post Office as provided in Section 6) or that the City has certified that it filed the Annual Report.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(b) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in **Appendix A** to the final Official Statement in tables under the sections captioned:

- (i) "ECONOMIC AND DEMOGRAPHIC DATA:" "Population and Other Statistics," "Employment," "Major Employers," "Economic Development," "Major Taxpayers," "Budget and Construction Data;"
- (ii) "FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS:" "General Revenue Funds;" "General Revenue Fund Receipts by Category," "Earnings Tax," "Franchise Tax," "Sales Tax," "Gross Receipts Tax," "Motor Vehicle Sales Tax," "Motor Fuel Tax," "Real and Personal Property Taxes," "Payroll Tax," "Other Taxes," "License Fees," "Departmental Receipts," and "Operating Transfers;"
- (iii) "RETIREMENT SYSTEMS;"
- (iv) "INSURANCE;" and
- (v) "LITIGATION."

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2008 Certificates, if material (each a “Material Event”):

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to the rights of holders of the Series 2008 Certificates;
4. optional, contingent, or unscheduled bond calls;
5. defeasances;
6. ratings changes;
7. adverse tax opinions or events affecting the tax-exempt status of the Series 2008 Certificates;
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; or
11. release, substitution, or sale of property securing repayment of the Series 2008 Certificates.

Any or all of the items listed in Sections 3, 4 and 5 may include by specific reference other documents including Official Statements of issues with respect to which the City is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the Securities and Exchange Commission. If the document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(b) The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Material Event contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f) of this Section. For the purpose of this Disclosure Agreement, “actual knowledge” of any Material Event shall mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to this Disclosure Agreement.

(c) Whenever the City obtains knowledge of the occurrence of a Material Event because of a notice from the Dissemination Agent pursuant to subsection (b) of this Section or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If knowledge of the occurrence of a Material Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f) of this Section.

(e) If in response to a request under subsection (b) of this Section, the City determines that the Material Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f) of this Section.

(f) If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board and the State Repository, if

any, with a copy to the City, the Trustee, and the Participating Underwriter. Notwithstanding the foregoing, Notice of Material Event described in subsections (a)8 and (a)9 of this Section need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Series 2008 Certificates pursuant to the Indenture.

Section 6. Central Post Office. The City authorizes and directs the Dissemination Agent to use the Central Post Office for the submission of Annual Reports and Material Event notices for so long as there is any Central Post Office recognized, authorized, or approved by the Securities and Exchange Commission. Submission of an Annual Report or a Material Event notice by the City or the Dissemination Agent to the Central Post Office shall be deemed to satisfy the Dissemination Agent's obligations under this Continuing Disclosure Agreement with respect to that Annual Report or Material Event Notice unless the City has actual notice that the Central Post Office has failed to deliver the Annual Report or Material Event notice to the Repositories.

Section 7. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption, or payment in full of all of the Series 2008 Certificates. This 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, the Trustee (if the Dissemination Agent is not the Trustee), 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 2008 Certificates. If the City's obligations under the Lease Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this 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 2008 Certificates, the City shall give notice of such termination or substitution in the same manner as for a Material Event under Section 5(a). Notwithstanding the foregoing, the obligations of the City contained in Section 12 hereof shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008 Certificates.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days' written notice to the City. The Dissemination Agent also shall have no duty or obligation to determine the materiality of a Material Event and shall not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be UMB Bank, N.A.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent may amend this Disclosure Agreement (and the approval of an amendment by the Dissemination Agent so requested by the City shall not be unreasonably withheld) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4, or Section 5(a) of this Disclosure Agreement, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Series 2008 Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, shall, in the opinion of Special Counsel or other counsel of nationally recognized expertise in matters relating to securities law affecting municipal securities, have complied with the requirements of the Rule at the time of the original issuance of the Series 2008 Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Bondholders of the Series 2008 Certificates in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders, or (ii) in the opinion of Special Counsel or other counsel of nationally recognized expertise in matters relating to securities law affecting municipal securities, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2008 Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement (other than an amendment relating to accounting principles), the City shall describe such amendment in the next notice of occurrence of a Material Event, 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 Material Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made shall 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 11. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of Outstanding Series 2008 Certificates, shall), or any Bondholder or Beneficial Owner of the Series 2008 Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Lease Agreement or Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 12. Duties, Immunities, and Liabilities of Trustee and Dissemination Agent. Section 7.1 of the Lease Agreement is hereby made applicable to this Disclosure Agreement and the Dissemination Agent as if such article were (solely for this purpose) contained in this Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees, to the extent permitted under applicable law, to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents, harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no responsibility for the City's failure to report a Material Event to the Dissemination Agent. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2008 Certificates. No provision of this Disclosure Agreement shall be interpreted to limit, prohibit, or affect any right of the City or the Trustee to provide notice to the Beneficial Owners of the Series 2008 Certificates or any other person pursuant to the terms of the Indenture.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement shall be given in the manner and to the addresses set forth for the City and the Trustee, and to the Dissemination Agent at the address set forth for the Trustee, in the Lease Agreement or Indenture. Any person may, by written notice to the other persons, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter, the Bondholders, and Beneficial Owners from time to time of the Series 2008 Certificates, and shall create no rights in any other person or entity.

Section 15. Counterparts. This 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 16. Governing Law. This Disclosure Agreement shall be governed by the laws of the State applicable to contracts performed wholly therein and without reference to its choice of laws principles.

Section 17. Severability. If any provision in this 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 18. Captions. The captions or headings in this 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 Disclosure Agreement.

Section 19. 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 reproduction 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, UMB Bank, N.A., has caused this Continuing Disclosure Agreement to be signed in its name and on its behalf by one of its duly authorized officers and its corporate seal to be hereunto affixed and attested by one of its duly authorized officers, all as of the day first above written.

UMB BANK N.A., as Dissemination Agent

By: _____

Its: _____

(SEAL)

ATTEST:

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Agreement to be signed in its name and behalf by its elected officials and its corporate seal to be hereunto affixed and attested by the City Register, all as of the day first above written.

APPROVED AS TO FORM

THE CITY OF ST. LOUIS, MISSOURI

By: _____
Stephen J. Kovac
Deputy City Counselor

By: _____
Francis G. Slay
Mayor

ATTEST:

By: _____
Darlene Green
Comptroller

Parrie L. May
Register

(SEAL)

EXHIBIT A

This is a list of Nationally Recognized Municipal Securities Information Repositories (the “National Repositories”) as of September 1, 2008, the most recent modification of the Securities and Exchange Commission (“SEC”) website described below. This list may change from time to time. The Disclosure Agreement requires that information and notices be provided to each of the National Repositories. This list should be checked for changes each time information or notice is to be provided. A current list of the National Repositories may be obtained from the SEC at its website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
<http://www.interactivedata-prd.com>
Email: NRMSIR@interactivedata.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
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Standard & Poor's Securities Evaluations, Inc.
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45th Floor
New York, NY 10041
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Fax: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com>
Email: nrmsir_repository@sandp.com

Any notices to or filings with the National Repositories and the State Repository, if any, may be effected by sending the notice or filing to Disclosure USA, in accordance with its published procedures, for further submission by Disclosure USA to the Repositories, as follows:

For electronic submissions:

www.DisclosureUSA.org

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: The City of St. Louis, Missouri
Name of Obligated Person: The City of St. Louis, Missouri (the “City”)
Name of Bond Issue: The St. Louis Municipal Finance Corporation Lease Certificates of Participation (City of St. Louis, Missouri, Lessee), Series 2008
Date of Issuance: September 18, 2008

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by **Section 3** of the Continuing Disclosure Agreement dated as of September 1, 2008, between the City and UMB Bank, N.A., as Dissemination Agent. The City has notified the Dissemination Agent that it 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: Comptroller, The City of St. Louis, Missouri
City Counselor, The City of St. Louis, Missouri

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