NEW ISSUE | **Ratings: S&P: A**
Book-Entry Only | **(See "RATINGS" herein)**

*In the opinion of Bond Counsel, under existing law and assuming continuing compliance with certain covenants described under the caption "Tax Exemption" herein, interest on the Series 2010 Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2010 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations and the federal environmental tax on corporations. However, interest on the Series 2010 Bonds may be included in adjusted current earnings related to the federal corporate alternative minimum tax and environmental tax. Interest on the Series 2010 Bonds is exempt from taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri; provided, however, that no opinion is expressed as to the applicability of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri. See "**TAX EXEMPTION**" herein.*

$2,690,000
St. Louis Municipal Finance Corporation
Leasehold Revenue Refunding Bonds
Series 2010 (Civil Courts Building Project)

Dated: Date of Delivery | **Due: August 1, 2014**

The Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project) (the "**Series 2010 Bonds**"), are being issued by the St. Louis Municipal Finance Corporation (the "**Corporation**"), under the Indenture of Trust dated as of June 1, 2003, as amended and supplemented by a First Amended and Supplemental Indenture of Trust, dated as of July 1, 2010 (collectively, the "Indenture") by and between the Corporation and UMB Bank, N.A., St. Louis, Missouri, as trustee (the "**Trustee**"). The Series 2010 Bonds are special obligations of the Corporation payable solely from rental payments (the "**Rentals**") to be made by The City of St. Louis, Missouri (the "**City**") with respect to the Series 2010 Bonds and other moneys derived by the Corporation pursuant to the Lease Purchase Agreement (as hereinafter defined). The Series 2010 Bonds are being issued for the purpose of (i) financing the refunding of the Corporation's outstanding Leasehold Revenue Refunding Bonds, Series 2003A (Civil Courts Building Project) maturing on August 1, 2010 (the "**Refunded Bonds**"); (ii) funding a debt service reserve fund for the Series 2010 Bonds, and (iii) paying the costs of issuance of the Series 2010 Bonds. The Series 2010 Bonds are secured by a leasehold deed of trust and security interest in the Civil Courts Building (as defined in the Indenture).

The Series 2010 Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), an automated depository for securities and a clearing house for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2010 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2010 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Series 2010 Bonds. The Series 2010 Bonds are issuable in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2010 Bonds is payable on each February 1 and August 1, beginning on February 1, 2011.

MATURITY SCHEDULE

Maturity August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP
2014	$1,345,000	3.00%	2.10%	103.455	79165T PR6
2014	1,345,000	4.00%	2.10%	107.296	79165T PS4

THE SERIES 2010 BONDS ARE ISSUED BY AND REPRESENT SPECIAL OBLIGATIONS OF THE CORPORATION. THE PRINCIPAL OF THE SERIES 2010 BONDS, AND REDEMPTION PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE CORPORATION, THE CITY, THE STATE OF MISSOURI (THE "**STATE**") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NONE OF THE CORPORATION, THE CITY OR THE STATE SHALL BE LIABLE THEREON, EXCEPT FROM THE PAYMENTS, REVENUES AND RECEIPTS DERIVED FROM THE LEASE PURCHASE AGREEMENT DATED AS OF JUNE 1, 2003, AS AMENDED AND SUPPLEMENTED BY A FIRST AMENDED AND SUPPLEMENTAL LEASE PURCHASE AGREEMENT DATED AS OF JULY 1, 2010, BY AND BETWEEN THE CORPORATION AND THE CITY (COLLECTIVELY, THE "**LEASE PURCHASE AGREEMENT**").

THE ISSUANCE OF THE SERIES 2010 BONDS SHALL NOT OBLIGATE THE CITY TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR IN WHICH THE LEASE PURCHASE AGREEMENT IS IN EFFECT. THE CORPORATION HAS NO TAXING POWER. NEITHER THE CORPORATION OR THE CITY, NOR THEIR OFFICERS, DIRECTORS OR EMPLOYEES SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2010 BONDS, EXCEPT AS PROVIDED IN THE INDENTURE AND LEASE PURCHASE AGREEMENT.

The Series 2010 Bonds are not subject to optional or mandatory sinking fund redemption prior to maturity. The Series 2010 Bonds are subject to extraordinary redemption prior to maturity as described herein.

This cover page contains information for reference only. It is not a complete summary of the Series 2010 Bonds. Investors must read the entire Official Statement, including the cover page and Appendices hereto, to obtain information essential to making an informed investment decision. Capitalized terms used but not defined on this cover page have the meanings provided herein.

The Series 2010 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to the approval of legality of the Series 2010 Bonds by Armstrong Teasdale LLP, St. Louis, Missouri, Bond Counsel. Certain legal matters will be passed upon by the Office of the City Counselor of The City of St. Louis, Missouri, Counsel to the City and the Corporation, and by the Hardwick Law Firm, LLC, Kansas City, Missouri, Counsel to the Underwriters. It is expected that the Series 2010 Bonds in definitive form will be available for delivery on or about July 22, 2010, against payment therefor.

Wells Fargo Securities

Loop Capital Markets, LLC

The date of this Official Statement is July 15, 2010

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION, THE CITY, OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS WITH RESPECT TO THE SERIES 2010 BONDS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2010 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. WHILE THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE CORPORATION, THE CITY, AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, THE INFORMATION CONTAINED HEREIN IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED TO BE A REPRESENTATION OF THE UNDERWRITERS. 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2010 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE SERIES 2010 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER VARIOUS STATE SECURITIES ACTS, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2010 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2010 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2010 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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 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.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

Candice T. Gordon, President
Barbara Geisman, Vice President
Tom Shepard, Vice President
Stephen J. Kovac, Secretary
Paul Payne, Treasurer

THE CITY OF ST. LOUIS, MISSOURI

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

BOARD OF ALDERMEN

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

OTHER CITY OFFICIALS

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

FINANCIAL ADVISOR

Public Financial Management Inc.
Philadelphia, Pennsylvania

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OFFICIAL STATEMENT
Relating To
$2,690,000
ST. LOUIS MUNICIPAL FINANCE CORPORATION
LEASEHOLD REVENUE REFUNDING BONDS
SERIES 2010 (CIVIL COURTS BUILDING PROJECT)

INTRODUCTION

This Official Statement, including the cover page, the inside cover page, and the Appendices hereto, is furnished in connection with the offer and sale of $2,690,000 aggregate principal amount of Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project) (the "**Series 2010 Bonds**") of the St. Louis Municipal Finance Corporation (the "**Corporation**").

The information in this section 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 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 **"SUMMARIES OF LEGAL DOCUMENTS"** set forth in **APPENDIX C** to this Official Statement.

Purpose of the Bonds

The Series 2010 Bonds are being issued pursuant to the Indenture of Trust dated as of June 1, 2003, as amended and supplemented by a First Amended and Supplemental Indenture of Trust, dated as of July 1, 2010 (collectively, the "Indenture") by and between the Corporation and UMB Bank, N.A. as trustee (the "**Trustee**"). The Series 2010 Bonds are being issued for the purpose of (i) financing the refunding of the Corporation's outstanding Leasehold Revenue Refunding Bonds, Series 2003A (Civil Courts Building Project) maturing on August 1, 2010 (the "**Refunded Bonds**"); (ii) funding a debt service reserve fund for the Series 2010 Bonds, and (iii) paying the costs of issuance of the Series 2010 Bonds. See "**THE REFUNDING PLAN**" and "**ESTIMATED SOURCES AND USES OF FUNDS**" herein. The Refunded Bonds were issued to refund a prior series of bonds issued in 1994 by the St. Louis Municipal Finance Corporation II (the "**Corporation II**"), the proceeds of which were used (i) to pay the cost of financing certain improvements, renovations, rehabilitation, remodeling and equipping of the St. Louis Civil Courts Building (the "**Civil Courts Building**"); (ii) to fund a debt service reserve fund; and (iii) to pay all costs of issuance related to such bonds.

The Issuer

The issuer of the Series 2010 Bonds is the Corporation, a nonprofit corporation duly organized and existing under Chapter 355 R.S.Mo. (2000, as amended), the Missouri Nonprofit Corporation Act (the **"Act"**). The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State of Missouri (the "**State**"), was created to lessen the burden of the government of The City of St. Louis, Missouri (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 and to address certain other governmental needs of the City. See **"ST. LOUIS MUNICIPAL FINANCE CORPORATION"** herein.

Authorization for the Series 2010 Bonds

The Series 2010 Bonds are issued under the authority of the constitution and laws of the State, including the Act and Ordinance No. 68717 of the City adopted by the Board of Aldermen on July 9, 2010, and approved by the Mayor on July 13, 2010 (the **"Ordinance"**) and are issued under and secured by the Indenture.

The Civil Courts Building

The Civil Courts Building houses the Twenty-Second Judicial Circuit of the State of Missouri. The Civil Courts Building, originally built in the early 1900's was substantially renovated with the proceeds of bonds issued by the Corporation II in 1994. (See **"THE CIVIL COURTS BUILDING"** herein.

Security and Sources of Payment for the Series 2010 Bonds

The Series 2010 Bonds will be payable from and secured by a pledge of Rentals and certain Additional Rentals (as defined in the Indenture) and receipts to be received by the Corporation pursuant to the Lease Purchase Agreement dated as of June 1, 2003, as amended and supplemented by the First Amended and Supplemental Lease Purchase Agreement dated as of July 1, 2010, by and between the Corporation and the City (collectively, the "**Lease Purchase Agreement**") pursuant to which the Corporation will lease to the City the Civil Courts Building (as hereinafter defined) and by certain amounts due under the Indenture (including, under certain circumstances, Series 2010 Bond proceeds and income from the investment thereof and proceeds from insurance and condemnation awards), which are intended to be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the Series 2010 Bonds. THE CITY IS ONLY OBLIGATED TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT FROM ANNUAL APPROPRIATIONS MADE BY THE CITY, AND THE FULL FAITH AND CREDIT OF THE CITY HAS NOT BEEN PLEDGED TO THE PAYMENT OF THE SERIES 2010 BONDS. See "**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS -- THE LEASE PURCHASE AGREEMENT**" herein.

The Series 2010 Bonds will be secured by a leasehold deed of trust on and a security interest in the hereinafter defined Civil Courts Building mortgaged to the Trustee pursuant to a Leasehold Deed of Trust, Security Agreement and Fixture Filing dated as of June 1, 2003, by the Corporation for the benefit of the Trustee and the leasehold deed of trust trustee provided therein (the "**Leasehold Deed of Trust**").

Pursuant to the Lease Purchase Agreement, the Rentals received with respect to the Series 2010 Bonds are to be deposited in the funds and accounts established with respect to the Series 2010 Bonds in the Indenture.

Definitions and Summaries of Certain Legal Documents

Brief descriptions of the refunding plan, the Corporation, the City, the Civil Courts Building, the estimated sources and uses of funds, certain investment considerations and risk factors, the Series 2010 Bonds, the Indenture, the Base Lease, the Lease Purchase Agreement and the Leasehold Deed of Trust are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2010 Bonds, the Indenture, the Base Lease, the Lease Purchase Agreement and the Leasehold Deed of Trust are qualified in their entirety by reference to such documents, and references herein to the Series 2010 Bonds are qualified in their entirety by reference to the respective forms thereof and the information with respect thereto included in the aforementioned documents, copies of all of which are available for inspection at the principal corporate trust office of the Trustee. During the period of the offering, copies of such documents will also be available at the office of Wells Fargo Securities, 230 West Monroe Street, Suite 2450, Chicago, Illinois, 60606, (312-920-3535).

Capitalized terms used herein and not otherwise defined shall have the meanings set forth in "**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS**" hereto.

THE CORPORATION

Organization, Powers and Purposes

The Corporation is a nonprofit corporation duly organized and existing pursuant to the Nonprofit Corporation Act of the State of Missouri (the "**State**"). The Corporation was incorporated in September 1991 and its purposes and objectives are to lessen the burden of the government of the City of St. Louis by financing or acquiring, leasing or subleasing real property and any improvements thereon, and personal property, to the City. In furtherance of its purposes and objectives, the Corporation may borrow money for its corporate purposes, invest, and disburse funds and issue bonds. Neither the Board of Directors of the Corporation nor any person executing the Series 2010 Bonds is personally liable on such Series 2010 Bonds by reason of the issuance thereof. The Series 2010 Bonds issued by the Corporation will not constitute a debt, liability or obligation of the City or the State. The Corporation by proper corporate actions of its Board of Directors has been duly authorized to execute and deliver the Base Lease, the Lease Purchase Agreement, the Indenture and the Leasehold Deed of Trust (as defined herein).

The Corporation has corporate power under the Nonprofit Corporation Act to issue the Series 2010 Bonds, to enter into the Base Lease, the Lease Purchase Agreement, the Indenture and the Leasehold Deed of Trust and to secure the Series 2010 Bonds under the Indenture. No part of the net earnings, income or property of the Corporation shall inure to the benefit of, or be distributed to, its directors, officers or other private persons or entities. The Corporation has no taxing power.

Board of Directors and Officers

The affairs of the Corporation are governed and managed by its Board of Directors. The Board of Directors is comprised of five persons who serve on its board by virtue of their respective positions within the City government as follows:

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 or designee; and
5) The Budget Director of the City or designee.

The above-enumerated persons shall serve as directors of the Corporation for so long as they hold their respective positions with the City. When a successor has been qualified and assumes such position, such successor shall succeed his predecessor to the Board of Directors of the Corporation.

The officers of the Corporation include a president, two vice presidents, a secretary and a treasurer who are chosen by vote of a majority of the directors in office. The officers shall hold office for terms of three years. 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.

The officers of the Corporation are as follows:

Name	Office
Candice T. Gordon	President
Barbara Geisman	Vice President
Tom Shepard	Vice President
Stephen J. Kovac	Secretary
Paul Payne	Treasurer

The principal mailing address of the Corporation is 1520 Market Street, Room 3005, St. Louis, Missouri.

The Corporation neither has nor assumes any responsibility as to the accuracy or completeness of any information contained herein which has been furnished by others. Without limiting the generality of the foregoing, information under the headings "**THE CITY**," "**THE CIVIL COURTS BUILDING**", and APPENDICES A and B was furnished by the City.

Outstanding Indebtedness

The Corporation has previously sold and delivered numerous series of bonds and notes secured by instruments separate and apart from the Indenture and the Lease Purchase Agreement. The owners of such bonds and notes have no claims on the assets, funds or revenues of the Corporation securing the Series 2010 Bonds and the owners of the Series 2010 Bonds will have no claim on assets, funds or revenues of the Corporation securing such other bonds and notes.

With respect to additional indebtedness of the Corporation, the Corporation may from time to time enter into separate agreements with the City for the purpose of providing financing for eligible projects and programs. Issues that may be sold by the Corporation in the future may be created under the Indenture or under separate and distinct indentures or resolutions and may be secured by instruments, properties and revenues separate from those securing the Series 2010 Bonds.

THE CITY

Certain information relating to the City is set forth in "**APPENDIX A – INFORMATION REGARDING THE CITY OF ST. LOUIS**". The City's basic audited financial statements for the fiscal year ended June 30, 2009, 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, 2009**." A complete copy of the City's 2009 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009 is available for inspection at the City's Comptroller's Office, 1200 Market Street, City Hall, Room 212, St. Louis, Missouri, 63103 or online at www.stlouis.missouri.org. Payments made by the City under the Lease Purchase Agreement 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.

The "**Fiscal Year**" as used herein is the twelve (12) month period beginning on July 1 and ending on the following June 30.

THE REFUNDING PLAN

The Refunded Bonds

The Refunded Bonds were issued pursuant to that certain Indenture of Trust, dated as of June 1, 2003, by and between the Corporation and UMB Bank, N.A., as trustee to refund a prior series of bonds issued in 1994 by the Corporation II, the proceeds of which were used (i) to pay the cost of financing certain improvements, renovations, rehabilitation, remodeling and equipping of the St. Louis Civil Courts Building (the "Civil Courts Building"); (ii) to fund a debt service reserve fund; and (iii) to pay all costs of issuance related to the issuance of the prior bonds.

As of the date hereof, $10,090,000 aggregate principal amount of the Series 2003A Bonds remain outstanding, including $2,360,000 maturing on August 1, 2010, which are being refunded with the proceeds of the Series 2010 Bonds.

Refinancing Plan

A portion of the proceeds of the Series 2010 Bonds will be deposited with the Trustee and used to pay principal of and interest on the Refunded Bonds on August 1, 2010.

SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the issuance of the Series 2010 Bonds and the refunding of the Refunded Bonds are as follows:

Sources of Funds:

Principal Amount of the Series 2010 Bonds	$ 2,690,000.00
Original Issue Premium	144,600.95
TOTAL	$ 2,834,600.95

Uses of Funds:

Refunding Deposits[1]	$ 2,415,500.00
Debt Service Reserve Fund Deposit	283,460.10
Costs of Issuance[2]	135,640.85
TOTAL	$2,834,600.95

[1] $2,415,500.00 shall be deposited with the Trustee and be applied to the payment of principal and interest on the Refunded Bonds on August 1, 2010.

[2] Includes Underwriters' discount and legal, financial advisory, accounting, printing and other fees and expenses incurred in the issuance of the Series 2010 Bonds.

DEBT SERVICE REQUIREMENTS

The following table lists the annual debt service requirements for the Outstanding Bonds of the Corporation issued under the Indenture, annual debt service for the Series 2010 Bonds and the aggregate debt service for the Fiscal Years set forth below taking into account the issuance of the Series 2010 Bonds.

Fiscal Year Ending June 30	Series 2003A Bonds Debt Service	Series 2010 Bonds Principal	Series 2010 Bonds Interest	Series 2010 Bonds Total Debt Service	Aggregate Annual Debt Service
2011	$ 325,512.50		49,428.75	$ 49,248.75	$ 374,941.25
2012	2,735,887.50		94,150.00	94,150.00	2,830,037.50
2013	2,731,762.50		94,150.00	94,150.00	2,825,912.50
2014	2,728,631.25		94,150.00	94,150.00	2,822,781.25
2015		$2,690,000	47,075.00	2,737,075.00	2,737,075.00
Total	$8,521,793.75	$ 2,690,000	$378,953.75	$3,068,953.75	$11,590,747.50

DESCRIPTION OF THE SERIES 2010 BONDS

General Description

The Series 2010 Bonds will consist of a serial maturity due on August 1, 2014 in the amount set forth on the cover page hereof. The Series 2010 Bonds will be dated the date of delivery and will bear interest from such date at the rate shown on the cover page of this Official Statement, such interest to be payable semiannually on February 1 and August 1 in each year (each an "**Interest Payment Date**"), commencing on February 1, 2011, and to be computed on the basis of a 360 day year, consisting of twelve 30-day months. The Series 2010 Bonds will mature, subject to prior redemption as hereinafter described, in the amounts set forth on the cover page of this Official Statement. The record date for interest on the Series 2010 Bonds shall be the fifteenth day of the calendar month immediately preceding the month in which the applicable Interest Payment Date occurs (whether or not a business day) (the "**Record Date**").

The Series 2010 Bonds are issued as fully registered Bonds in denominations of $5,000 or any integral multiple thereof.

The Series 2010 Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("**DTC**"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2010 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2010 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Series 2010 Bonds. See **APPENDIX E** for additional information on DTC.

The Series 2010 Bonds will not be a general obligation of the Corporation but will be special obligations of the Corporation, payable solely out of the Rentals and certain Additional Rentals under the Lease Purchase Agreement, and other payments, revenues and receipts including, under certain circumstances, Series 2010 Bond proceeds deposited in the Debt Service Fund and income from the investment thereof and proceeds from insurance and condemnation awards. The Rentals deposited with the Trustee, together with other moneys available to the Trustee, are intended to be sufficient for the prompt payment when due of the principal of, redemption premium, if any, and interest on the Series 2010 Bonds becoming due during any one year term of the Lease Purchase Agreement.

The Series 2010 Bonds will state that the principal of, and redemption premium, if any, and the interest on the Series 2010 Bonds are special obligations of the Corporation. None of the Corporation, the City or the State shall be obligated to pay the principal of, redemption premium, if any, or interest on the Series 2010 Bonds or other costs incident thereto, except from the Rentals and receipts received by the Corporation under the Lease Purchase Agreement and pledged by the Corporation therefor. The Series 2010 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the full faith and credit nor the taxing power of the City or the State is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2010 Bonds or other costs incidental thereto. The Corporation has no taxing power. Neither the directors, officers or employees of the Corporation or the City, nor any person executing the Series 2010 Bonds shall be liable personally thereon by reason of the issuance thereof. See "**CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS**" herein.

Security for the Series 2010 Bonds

As security for the payment of the principal of, redemption premium, if any, and interest on the Series 2010 Bonds, the Corporation is pledging to the Trustee under the Indenture, for the equal and proportionate benefit and security of all present and future owners of the Series 2003A Bonds, the Series 2010 Bonds and any Additional Bonds, all of its right, title and interest in and to the Lease Purchase Agreement (except the Corporation's rights to indemnity and other rights to receive payments under the Lease Purchase Agreement) and all Rentals and other payments, revenues and receipts derived by the Corporation under and pursuant to the provisions of the Lease Purchase Agreement (except for the rights of the Corporation to receive moneys for its own accounts under the Lease Purchase Agreement), and all moneys and securities from time to time held by the Trustee under the terms of the Indenture (but excluding any moneys in the Rebate Fund). The Series 2010 Bonds are also secured by a leasehold deed of trust and security interest in the Civil Courts Building pursuant to the Leasehold Deed of Trust. See the information contained under the caption "**SECURITY FOR THE SERIES 2010 BONDS**."

Redemption of Series 2010 Bonds

Optional Redemption. The Series 2010 Bonds are not subject to optional redemption prior to their Stated Maturity.

Mandatory Redemption. The Series 2010 Bonds are not subject to mandatory redemption prior to their Stated Maturity.

Extraordinary Optional Redemption. The Bonds shall be subject to extraordinary redemption and payment prior to their respective Stated Maturities by the Corporation, upon instructions from the City on any date at a redemption price of one hundred percent (100%) of the principal amount of the Bonds, plus accrued interest thereon to the redemption date on all Bonds to be redeemed, upon the occurrence of any of the following conditions or events, provided all of the Bonds are redeemed and paid according to their terms:

(1) if title to, or the use of, substantially all of the Civil Courts Building is condemned by any authority having the power of eminent domain;

(2) if the Corporation's interest in substantially all of the Civil Courts Building is found to be deficient or non-existent to the extent that the Civil Courts Building is untenantable or the efficient utilization of the Civil Courts Building by the City is impaired;

(3) if substantially all of the Civil Courts Building is damaged or destroyed by fire or other casualty; or

(4) if as a result of changes in the constitution of the State, or of legislative or administrative action by the State or any political subdivision thereof, or by the United States, or by reason of any action instituted in any court, the Lease Purchase Agreement shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way, by reason of such change of circumstances, unreasonable burdens or excessive liabilities are imposed on the City or the Corporation.

Selection of Series 2010 Bonds to be Redeemed. Bonds shall be redeemed in Authorized Denominations. In the case of a partial redemption of the Series 2010 Bonds, the Series 2010 Bonds to be redeemed shall be selected by the Trustee 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 Bonds of that Series of a denomination larger than $5,000. Any Bond which is to be redeemed only in part shall be submitted to the Paying Agent and delivered to the Trustee, who shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered. If the Holder of any Bond to be redeemed only in part shall fail to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the principal amount of a Bond so called for redemption and accrued interest thereon (and to that extent only). If the Bonds are in the form of Global Bond Certificates, the partial redemption of such Bonds shall be governed by the agreement between the Corporation, the Trustee and the Depository.

The Trustee shall call Bonds for redemption and payment as provided in the Indenture upon receipt by the Trustee at least 45 days prior to the Redemption Date of a written request of the Corporation with the written consent of the City. Such request shall specify the principal amount of the Series 2010 Bonds so to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Indenture pursuant to which such Bonds are to be called for redemption. The foregoing provisions of this paragraph shall not apply in the case of any mandatory redemption of Bonds pursuant to the mandatory redemption requirements of the Indenture, and Bonds shall be called by the Trustee for redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Corporation or the City and whether or not the Trustee shall hold in the Debt Service Fund or any other moneys available for and sufficient to effect the required redemption.

Notice of Redemption. If and when any of the Bonds 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 30 days nor more than 60 days prior to the Redemption Date to each Holder of Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall include the Redemption Notice Information.

The failure of the Holder of any Bond to be so redeemed to receive written notice mailed as provided in the Indenture or any defect therein shall not affect or invalidate the proceedings for the redemption of Bonds.

The Bond Registrar is also directed to comply with any mandatory 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 Bond to be redeemed.

Notice of the redemption of Bonds under the Indenture shall be given only if sufficient funds have been deposited with the Trustee to pay the redemption price of the Bonds to be redeemed (unless such notice shall state that the foregoing redemptions shall be made only to the extent there are funds available therefor).

Effect of Call for Redemption. Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Bonds 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 funds sufficient, to pay the principal of Bonds 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 Bonds to be issued to refund all or a part of the Bonds to be redeemed. Any redemptions shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as provided in the Indenture or the portions of the principal amount of Bonds 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 of, and redemption premium, if any and accrued interest on, such Bonds 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.

Additional Bonds

So long as no Event of Default has occurred and is continuing or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Purchase Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and be equally and ratably secured by the Indenture on a parity with the Series 2003A Bonds, the Series 2010 Bonds and any other Additional Bonds Outstanding, with the prior written consent of the Credit Provider with respect to the refunding of any Bonds secured by Credit Enhancement issued by such Credit Provider, at any time and from time to time, upon compliance with the conditions specified in the Indenture, for purposes, upon the conditions and subject to the limitations described in "**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS -- THE INDENTURE --** ***Additional Bonds***."

Except as provided in the Indenture, the Corporation will not otherwise issue any obligations on a parity with the Series 2003A Bonds and the Series 2010 Bonds, but the Corporation may (i) issue other obligations specifically subordinate and junior to the Series 2003A Bonds and the Series 2010 Bonds, with the express written consent of the City, or (ii) issue other obligations payable out of other revenues and secured by property other than the Civil Courts Building.

Book-Entry-Only System

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Series 2010 Bond certificate will be issued for each maturity of the 2010 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC's book-entry-only system, see "**APPENDIX F – DTC INFORMATION**" hereto.

In reading this Official Statement, it should be understood that while the Series 2010 Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Series 2010 Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described elsewhere in this Official Statement, notices that are to be given to registered owners under the Indenture shall be given only to DTC hereto.

Registration, Transfer and Exchange of Series 2010 Bonds

The Trustee has been appointed the Bond Registrar and as such shall maintain the Bond Register for the registration and transfer of Series 2010 Bonds as provided in the Indenture.

Any Series 2010 Bond may be transferred only upon the books kept for the registration and transfer of Series 2010 Bonds upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Series 2010 Bond a new fully registered Series 2010 Bond or Series 2010 Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture.

Any Series 2010 Bond, upon surrender thereof at the principal corporate trust office of the Trustee together with a written instrument of transfer duly executed by the registered owner or his 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 Series 2010 Bonds of the same series and maturity and bearing interest at the same rate.

In all cases in which Series 2010 Bonds shall be exchanged or transferred, the Corporation shall execute and the Trustee shall authenticate and deliver, at the earliest practicable time, Series 2010 Bonds in accordance with the provisions of the Indenture. All Series 2010 Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. The Corporation or the Trustee may charge the Bondholder requesting the same for every such exchange or transfer of Series 2010 Bonds 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 new Series 2010 Bond shall be delivered.

Persons Deemed Owners of Series 2010 Bonds

The person in whose name any Series 2010 Bond shall be registered as shown on the Bond Register required to be maintained by the Trustee shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Series 2010 Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2010 Bond, including the interest thereon, to the extent of the sum or sums so paid.

SECURITY FOR THE SERIES 2010 BONDS

General

The Series 2010 Bonds are issued on a parity with the Series 2003A Bonds and will be on parity with any Additional Bonds issued under the Indenture.

The Series 2010 Bonds will be payable from and secured by a pledge of Rentals, Additional Rentals and other security constituting the Trust Estate under the Indenture including receipts to be received by the Corporation, including, under certain circumstances, Series 2010 Bond proceeds deposited in the Debt Service Fund and income from the investment thereof and proceeds from insurance and condemnation awards which are intended to be sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 2010 Bonds. THE CITY IS ONLY OBLIGATED TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT FROM ANNUAL

APPROPRIATIONS MADE BY THE CITY, AND THE FULL FAITH AND CREDIT OF THE CITY HAS NOT BEEN PLEDGED TO THE PAYMENT OF THE SERIES 2010 BONDS.

The Lease Purchase Agreement

The Lease Purchase Agreement, subject to earlier termination pursuant to the provisions of the Lease Purchase Agreement, has an original term that commenced as of June 1, 2003, and will terminate as described below under the subheading "**Term of Lease Purchase Agreement**." The Corporation's right, title and interest in the Lease Purchase Agreement (except for certain indemnification rights and other rights to receive payments) has been assigned to the Trustee for the benefit of the owners of the Series 2010 Bonds.

The City, subject to annual appropriation, will pay or cause to be paid the Rentals to the Corporation required by the Lease Purchase Agreement. The Rentals and any Additional Rentals to be paid by the City under the Lease Purchase Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Series 2010 Bonds until the principal of, premium, if any, and interest on such Series 2010 Bonds will have been fully paid. The City will pay to the Trustee, in funds which will be immediately available not less than five (5) Business Days before the date any payment is due, as Rentals, amounts which correspond to the payments in respect of the principal of, premium, if any, and interest on the Series 2010 Bonds whenever and in whatever manner the same become due, whether at stated maturity, upon redemption or acceleration or otherwise. Additional Rentals shall be paid to the Trustee by the City as the same become due and payable or upon demand therefor.

In the Lease Purchase Agreement, the City covenants and agrees, subject to annual appropriation, that it will pay Rentals and any Additional Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Series 2010 Bonds will at any time occur. If the balance in the Debt Service Fund (not subject to the lien of the Trustee for fees and expenses) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Series 2010 Bonds in accordance with the provisions of the Lease Purchase Agreement, the City will pay as Rentals any such deficiency to the Trustee for deposit in the Debt Service Fund in immediately available funds and such payment will constitute Rentals under the Lease Purchase Agreement. Any amount at any time held by the Trustee in the Debt Service Fund (not subject to the lien of the Trustee for fees and expenses) for the payment of the principal of, premium, if any, and interest on the Series 2010 Bonds will, 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 Series 2010 Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Series 2010 Bonds 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 for fees and expenses) is sufficient to pay at the times required the principal of, premium, if any, and interest on all of the Series 2010 Bonds then remaining unpaid, the City will not be obligated to pay Rentals.

Term of Lease Purchase Agreement

The term of the Lease Purchase Agreement commenced as of June 1, 2003, and shall terminate on the earliest of the occurrence of any of the following events: (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) there occurs an Event of Default by the City under the Lease Purchase Agreement if the Corporation or the Trustee has elected such remedy pursuant to the Lease Purchase Agreement; (iii) the date upon which all Rentals and Additional Rentals required under the Lease Purchase Agreement shall be paid by the City; or (iv) the discharge of the Indenture pursuant to the terms thereof. The Lease Purchase Agreement provides that the City will give notice to the Corporation and the Trustee 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 "Board of Aldermen") of either (i) the termination of the Lease Purchase Agreement or (ii) the budgeting and appropriation of sufficient funds to make all payments of Rentals and Additional Rentals for such 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 payments of all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal year by the terms of the Lease Purchase Agreement.

In the event that the Board of Aldermen shall not budget and appropriate, specifically with respect to the Lease Purchase Agreement, on or before June 30 (or such future date the City shall adopt as the end of its Fiscal Year) of each year, moneys sufficient to pay all Rentals and the reasonably estimated Additional Rentals coming due for the next succeeding Fiscal Year, an Event of Non-Appropriation shall be deemed to have occurred.

Notwithstanding the preceding paragraph, no Event of Non-Appropriation shall be deemed to have occurred under the Lease Purchase Agreement if during the Fiscal Year subsequent to that in which an event described in the preceding paragraph occurs, Rentals and Additional Rentals are timely paid pursuant to the terms of the Lease Purchase Agreement, 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 Purchase Agreement moneys sufficient to pay all Rentals and Additional Rentals (or reasonable estimates thereof as to those Additional Rentals which have not been paid) coming due for such Fiscal Year. If an Event of Non-Appropriation shall occur and be continuing, upon receipt of a certificate from a representative of the City which states that the City has not appropriated funds required to be appropriated by the City or upon receipt of other notice of the occurrence of any Event of Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

IF AN EVENT OF NON-APPROPRIATION SHALL OCCUR, THE CITY SHALL NOT BE OBLIGATED TO MAKE PAYMENT OF THE RENTALS OR ADDITIONAL RENTALS OR ANY OTHER PAYMENT PROVIDED FOR IN THE LEASE PURCHASE AGREEMENT WHICH ACCRUE BEYOND THE LAST DAY OF THE FISCAL YEAR FOR WHICH RENTALS OR ADDITIONAL RENTALS WERE APPROPRIATED, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS WHICH ARE PAYABLE PRIOR TO THE TERMINATION OF THE LEASE PURCHASE AGREEMENT; *PROVIDED, HOWEVER*, THAT THE CITY SHALL CONTINUE TO BE LIABLE FOR THE AMOUNTS PAYABLE ACCRUED DURING SUCH TIME WHEN THE CITY CONTINUES TO OCCUPY THE CIVIL COURTS BUILDING. THE TRUSTEE SHALL, UPON THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION, 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 HOLDERS OF THE SERIES 2010 BONDS AND THE CREDIT PROVIDER, AND SHALL BE FURTHER ENTITLED TO ALL MONEYS THEN ON HAND IN ALL FUNDS AND ACCOUNTS CREATED UNDER THE INDENTURE (OTHER THAN THE MONEYS IN THE REBATE FUND, WHICH SHALL BE USED SOLELY AS PROVIDED IN THE INDENTURE). ALL PROPERTY, FUNDS AND RIGHTS ACQUIRED BY THE TRUSTEE UPON THE TERMINATION OF THE LEASE PURCHASE AGREEMENT AS TO THE CITY'S POSSESSORY INTEREST UNDER THE LEASE PURCHASE AGREEMENT BY REASON OF AN EVENT OF NON-APPROPRIATION AS PROVIDED PURSUANT TO THE TERMS OF THE LEASE PURCHASE AGREEMENT SHALL BE HELD BY THE TRUSTEE UNDER THE INDENTURE FOR THE BENEFIT OF THE HOLDERS OF THE SERIES 2010 BONDS AS SET FORTH IN THE INDENTURE UNTIL THE SERIES 2010 BONDS ARE PAID IN FULL.

Nothing in the Lease Purchase Agreement shall be construed as requiring the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals. If the City fails to pay any Rentals or Additional Rentals which are due, however, the City is required upon the request of the Trustee or the Corporation to immediately quit and vacate the Civil Courts Building. If the City fails to pay any required Rentals or Additional Rentals, the Trustee or the Corporation may bring legal action to evict the City from the Civil Courts Building.

However, the City is committed to achieving a balanced budget for each Fiscal Year. In that context, representatives of the City have indicated that it has historically been the City's practice to appropriate funds for debt service on its outstanding obligations prior to making appropriations for other purposes.

The Rentals and Additional Rentals constitute current expenses of the City and do not constitute mandatory payment obligations of the City in any ensuing Fiscal Year beyond the Fiscal Year for which such payments have been appropriated. No provision of the Lease Purchase Agreement shall be construed or interpreted as creating a general obligation or other indebtedness of the City within the meaning of any constitutional or statutory debt limitation.

The City covenants and agrees in the Lease Purchase Agreement that the City's Budget Director, or any other officers 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, in any year during the Lease Purchase Agreement term, a request or requests for the Rentals and reasonable estimate of Additional Rentals. Requests for appropriations shall be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals 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 Rentals to provide financing for the Civil Courts Building pursuant to the Lease Purchase Agreement will 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, in each fiscal year of the City during the Lease Purchase Agreement term, to appropriate funds for the City to provide financing for the Civil Courts Building in an amount sufficient to pay the Rentals and reasonably estimated Additional Rentals.

The Leasehold Deed of Trust

To secure the payment of the principal of, premium, if any, and interest on the Series 2003A, the Series 2010 Bonds and any other Additional Bonds, the Corporation has granted a leasehold deed of trust on and a security interest in its leasehold interest in the Civil Courts Building under the Base Lease to a deed of trust trustee named therein for the benefit of the Trustee.

In the Leasehold Deed of Trust, the Corporation covenants to pay or cause to be paid certain taxes and assessments on the Civil Courts Building, if any, and to maintain the Civil Courts Building in good condition and repair, free from liens and encumbrances and insured as provided in the Leasehold Deed of Trust.

Debt Service Reserve Fund

The Indenture establishes a Debt Service Reserve Fund to secure Bonds issued pursuant to the Indenture and the First Supplemental Indenture creates a Series 2010 Debt Service Reserve Account. The Debt Service Reserve Fund Requirement for the Series 2010 Bonds will be satisfied initially by the deposit of Series 2010 Bond proceeds into the Series 2010 Debt Service Reserve Account pursuant to the First Supplemental Indenture. Funds on deposit in such account shall secure only the Series 2010 Bonds. **The Reserve Policy deposited with the Trustee in connection with the issuance of the Series 2003A**

Bonds will secure only the Series 2003A Bonds. Funds on deposit in each account of the Debt Service Reserve Fund for a specific Series of Bonds shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the account of the Debt Service Fund for such Series of Bonds shall be insufficient to pay the principal of and interest on such Series of Bonds as the same become due. The Trustee may disburse and expend moneys from any account in the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account. Moneys on deposit in each account of the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided that all Bonds of the Series of Bonds secured by such account at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in each account of the Debt Service Reserve Fund shall be used to pay and retire the Bonds of the Series secured by such account last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in each account of the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement, with respect to the Series of Bonds secured by such account on each valuation date pursuant to the Indenture, no further deposits to said account of the Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from any account of the Debt Service Reserve Fund to prevent a default as provided in the Indenture and the withdrawal of such funds reduces the amount on deposit in such account of the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account, the City shall, pursuant to the Lease Purchase Agreement, 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 such account of the Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account.

So long as the sum on deposit in each account of the Debt Service Reserve Fund shall aggregate an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by each account, investment earnings on funds on deposit in such account of the Debt Service Reserve Fund shall be deposited into the Debt Service Fund attributable to such Series of Bonds. If, however, the sum on deposit in any account of the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account, the investment earnings on funds in the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: 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. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the applicable account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account shall be transferred to the account of the Debt Service Fund attributable to such series of Bonds. See "**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS – THE INDENTURE**."

THE CIVIL COURTS BUILDING

Pursuant to a Base Lease dated as of June 1, 2003 (the "**Base Lease**"), the City will lease to the Corporation a leasehold interest in the Civil Courts Building. Pursuant to the Lease Purchase Agreement, the Corporation will lease the Civil Courts Building back to the City. In accordance with the Lease

Purchase Agreement, the City has agreed to pay Rentals and Additional Rentals (if necessary), subject to annual appropriation, at such times and in such amounts so as to assure that no default in the payment of the principal of, premium, if any, and interest on the Series 2010 Bonds shall occur at any time.

The Civil Courts Building is one of the buildings housing the Twenty-Second Judicial Circuit of the State of Missouri. In the early 1990's, the Civil Courts Building fell into a deteriorated condition and was in need of capital improvements. In order to render the facility safe, accessible and habitable, the City issued the Series 1994 Bonds in order to (i) pay the cost of financing certain improvements, renovations, rehabilitation, remodeling and equipping of the Civil Courts Building, including but not limited to (a) installation of and improvements to life safety work systems, (b) installation of new HVAC and electric systems, (c) replacements and repairs to plumbing and elevator systems, (d) renovation and rehabilitation to law library and jury assembly room, and (e) removal of asbestos and lead paint in a portion of the Civil Courts Building (collectively, the "**Series 1994 Project**"). The Series 1994 Bonds were also used to fund a debt service reserve and pay all of the costs of issuance related to the Series 1994 Bonds. The Series 2003A Bonds were issued to refund all of the Series 1994 Bonds and to pay costs of issuance of the Series 2003A Bonds.

CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS

The Series 2010 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2010 Bonds may not be suitable investments for all persons, and prospective purchasers should carefully evaluate the risks and merits of an investment in the Series 2010 Bonds and should confer with their own legal and financial advisors. This discussion of these considerations and risk factors is not intended to be exhaustive.

The Series 2010 Bonds are special obligations of the Corporation, payable from Rentals and certain Additional Rentals received pursuant to the Lease Purchase Agreement. The Corporation has no taxing power. The Series 2010 Bonds do not constitute an indebtedness of the City or the State, and neither the City nor the State is liable thereon. The Series 2010 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2010 Bonds are also secured by the Leasehold Deed of Trust.

Lease Payments of City Not a General Obligation

The City is not obligated to pay Rentals or Additional Rentals beyond the fiscal year which ends June 30, 2011. Neither the Rentals nor Additional Rentals under the Lease Purchase Agreement nor any payments on the Series 2010 Bonds constitute a general obligation or other indebtedness of the City or a mandatory payment obligation of the City in any fiscal year beyond the current year for which an appropriation thereof has been made.

The obligations of the City under the Lease Purchase Agreement are limited to those funds of the City which are specifically budgeted and appropriated annually by the Board of Aldermen of the City for such purpose. The failure to renew the Lease Purchase Agreement would mean the loss of occupancy of the Civil Courts Building by the City.

The City's obligations under the Lease Purchase Agreement may be terminated on an annual basis by the City without any penalty, and there is no assurance that the City will renew the Lease Purchase Agreement. Accordingly, whether the City will renew the Lease Purchase Agreement throughout the term of the Series 2010 Bonds is dependent upon certain factors which are beyond the control of the Bondholders, including (i) the continuing need of the City for facilities such as the Civil Courts Building, (ii) the demographic conditions within the City, and (iii) the ability of the City to generate sufficient funds from the Civil Courts Building, fees, taxes, and other sources to pay its obligations under the Lease Purchase Agreement and the other obligations of the City and then to appropriate such funds for use in meeting its obligations under the Lease Purchase Agreement.

Early Redemption

For the circumstances in which the Series 2010 Bonds are subject to redemption, see the caption "**DESCRIPTION OF THE SERIES 2010 BONDS – REDEMPTION OF SERIES 2010 BONDS**" herein.

Realization of the Full Value of the Security for the Series 2010 Bonds

In the event that the City at any time elects not to renew the Lease Purchase Agreement, the Corporation shall, upon the direction of the Credit Provider, so long as such Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, give notice to the City to vacate the Civil Courts Building immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and the Corporation shall, upon direction of the Credit Provider, so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice, (i) terminate the Lease Purchase Agreement, re-enter the Civil Courts Building and eject all parties in possession thereof therefrom, and use its best efforts to sublease the Civil Courts Building or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Civil Courts Building.

If an Event of Default has occurred, the Trustee may, or shall, upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding, direct the mortgage trustee to foreclose the lien on the Civil Courts Building created and vested by the Leasehold Deed of Trust. Because the Civil Courts Building would not easily be used for purposes other than a courthouse, it is uncertain that the Civil Courts Building could be sold or subleased for an amount sufficient to redeem the Bonds in full if the Trustee was required to foreclose on or sublease such property.

The moneys derived from any such sublease or sale of the Civil Courts Building, following a foreclosure, along with other moneys then held by the Trustee under provisions of the Indenture (with certain exceptions as provided in the Lease Purchase Agreement and the Indenture) are required to be used to redeem the Series 2003A Bonds, the Series 2010 Bonds and any Additional Bonds, to the extent moneys are available. No assurance can be given that such moneys would be adequate to redeem the Series 2010 Bonds.

Cross Default

The Series 2003A Bonds and the Series 2010 Bonds are parity obligations under the Indenture. A default with respect to either series of Bonds may result in a default with respect to all Series 2003A Bonds and Series 2010 Bonds. Such a default could lead to the early maturity or redemption of all the Series 2003A Bonds and the Series 2010 Bonds.

All Bonds presently Outstanding under the Indenture except the Series 2010 Bonds are insured by a Credit Facility issued by a Credit Facility Provider. Upon the occurrence of an Event of Default under the Indenture, and as long as a Credit Facility is in effect with respect to any Series of Bonds issued under the Indenture and the Credit Facility Provider is not in default in its payment obligations under such Credit Facility, the Credit Facility Provider may direct the Trustee to declare all Bonds then Outstanding under the Indenture, including the Series 2010 Bonds, to be immediately due and payable and shall be entitled to control and direct the enforcement of all rights and remedies or, alternatively, may waive such default, even though such action may not be desired by, or in the best interests of, the Holders of the

Series 2010 Bonds. If no Bonds Outstanding under the Indenture were secured by a Credit Facility, the right to declare the Bonds immediately due and payable upon the occurrence of an Event of Default would be exercisable by the Holders of 25% of the Outstanding Bonds.

Limited Interest of the Trustee

Upon termination of the Lease Purchase Agreement by reason of an event of non-appropriation, the occurrence of certain events of condemnation, damage or destruction of all or a portion of the Civil Courts Building (if the City does not repair the Civil Courts Building) or an event of default, the Trustee may terminate the Lease Purchase Agreement and give the City notice to vacate the Civil Courts Building. Thereafter, the Trustee may foreclose under the Leasehold Deed of Trust and sublease or sell its interest in the Civil Courts Building, subject to permitted encumbrances. Because the interest of the Trustee in the Civil Courts Building is limited, an outright sale of the Civil Courts Building would not be possible. A potential purchaser of the Series 2010 Bonds should not assume that it will be possible to sublease or sell the leasehold interest of the Trustee in the Civil Courts Building upon termination of the Lease Purchase Agreement (i) for the amount then outstanding on the Series 2010 Bonds, and/or (ii) within a time period which would prevent a default in the timely payment of amounts payable with respect to the Series 2010 Bonds.

Special Use Facility

The Civil Courts Building is not easily used for purposes other than a courthouse. Because it is a special purpose building, in the event that the Trustee is required to foreclose on the Corporation's interest in the Civil Courts Building under the Base Lease, it is uncertain that such interest in the Civil Courts Building could be sold for an amount sufficient to redeem the Series 2010 Bonds in full.

No Restrictions on Use of Property After Default Under Lease Purchase Agreement

If an Event of Default occurs for any reason under the Lease Purchase Agreement or if the City terminates the Lease Purchase Agreement and fails to purchase the Corporation's interest in the Civil Courts Building, the Corporation has the right to possession of the Civil Courts Building for the remainder of the Term of the Lease Purchase Agreement and may sublease the Civil Courts Building or sell its interest in the Lease Purchase Agreement or the Civil Courts Building upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the Civil Courts Building under these circumstances, no assurances can be given that interest on the Series 2010 Bonds would continue to be exempt from federal or State income taxation. See **"TAX EXEMPTION"** herein.

Additional Bonds

Additional Bonds may be issued for the purposes and subject to the conditions set forth under such heading. See the heading "**DESCRIPTION OF SERIES 2010 BONDS – ADDITIONAL BONDS**" herein. Such Additional Bonds also would be secured by the Civil Courts Building encumbered by the Leasehold Deed of Trust and could reduce the amount of money received from the foreclosure on such property that could be used to pay the Series 2010 Bonds in the event of a default thereon.

Certain Matters Relating to Enforceability

Remedies provided for in the Lease Purchase Agreement, the Leasehold Deed of Trust and the Indenture may be unenforceable as a result of the application of principles of equity or of state or federal laws relating to bankruptcy, other forms of debtor relief, and creditors' rights generally. Furthermore, it is not certain whether a court would permit the exercise of the remedies of repossession and sale or leasing with respect thereto. The enforcement of any remedies provided in the Lease Purchase Agreement, the Leasehold Deed of Trust and the Indenture could prove both expensive and time consuming.

Moreover, the remedies available upon a default under the Indenture, the Lease Purchase Agreement or the Leasehold Deed of Trust 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, the Lease Purchase Agreement and the Leasehold Deed of Trust may not be readily available or may be limited. The various legal opinions to be delivered in connection with the issuance of the Series 2010 Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Lease Purchase Agreement and the Leasehold Deed of Trust 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.

Potential Environmental Risks

There are potential risks relating to environmental liability associated with the ownership of, leasing, or secured lending with respect to, any property. If hazardous substances are found to be located on property, owners of, or secured lenders regarding, such property may be held liable for costs and other liabilities relating to such hazardous substances on a strict liability basis. In the event of foreclosure, repossession, purchase or participation in the management of the Civil Courts Building by the Trustee or the Bondholders, the Trustee and/or the Bondholders may be held liable for costs and other liabilities relating to hazardous substances, if any, on the site of the Civil Courts Building on a strict liability basis and such costs might exceed the value of such property.

Effort to Repeal the City Earnings Tax

A citizen's group, "Let Voters Decide," which is not endorsed by the City, collected signatures for a statewide ballot initiative to repeal the City's 1% earnings tax. The initiative will be on the statewide ballot in November 2010. If approved by voters statewide, the issue would be placed on a ballot for voters in the City. If the residents of the City voted in favor of repealing the City's earning tax in the fashion proposed by the citizen's group, the tax would be phased out over a ten-year period, and it would decrease to 0.9% in 2012, 0.8% in 2013 etc., until it would end completely in 2021. Under the citizen's group's proposal, if the City voters decided to keep the earnings tax, the issue would again be brought to a citywide vote five years later and every five years thereafter. The earnings tax applies to anyone who lives or works in the City and accounts for nearly one-third of the City's General Fund.

FINANCIAL STATEMENTS

The audited basic financial statements of the City and the related report of the City's independent certified public accountants for the fiscal year ended June 30, 2009, are included in **APPENDIX B** hereto. The City's independent public accountants have not completed an audit of any financial statements of the City for any period subsequent to June 30, 2009, and have not conducted any procedures with respect to the fiscal 2009 financial statements subsequent to their audit.

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.

THE TRUSTEE

UMB Bank, N.A., is acting as the Trustee for the Series 2010 Bonds.

RATINGS

Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc. has assigned a rating of "A" to the Series 2010 Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's Ratings Services, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2010 Bonds.

LITIGATION

The Corporation represents that there is no litigation pending or, to the knowledge of the Corporation, threatened, affecting the Corporation and seeking to restrain or enjoin (i) the issuance or delivery of the Series 2010 Bonds or the proceedings or authority under which the Series 2010 Bonds are issued and sold, or (ii) the right or authority of the Corporation to enter into and perform its obligations under the Lease Purchase Agreement. The Corporation further represents that there is not now pending or, to the knowledge of the Corporation, threatened, any litigation affecting the Corporation which could reasonably be expected to materially or adversely affect the validity or enforceability of the Series 2010 Bonds, the Lease Purchase Agreement, the Indenture or the Leasehold Deed of Trust.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Corporation of the Series 2010 Bonds and with regard to the tax-exempt status of the Series 2010 Bonds are subject to the approving opinions of Armstrong Teasdale LLP, St. Louis, Missouri, Bond Counsel. Copies of such opinions in the form set forth in "**APPENDIX D – FORM OF BOND COUNSEL OPINIONS**" will be available at the time of the delivery of the Series 2010 Bonds.

Certain legal matters will be passed upon by the City Counselor for the City of St. Louis, Missouri, as Counsel to the City and the Corporation. Certain legal matters will be passed upon by the Hardwick Law Firm, LLC, Kansas City, Missouri, counsel to the Underwriters.

TAX EXEMPTION

Federal and State Income Taxation

The opinions of Armstrong Teasdale LLP, St. Louis, Missouri, Bond Counsel, to be delivered upon the issuance of the Series 2010 Bonds will state that, under existing law and assuming continuing compliance by the Corporation and the City with certain covenants to comply with the requirements of Internal Revenue Code of 1986, as amended (the "Code"), interest on the Series 2010 Bonds (including any original issue discount properly allocable to the owners thereof as discussed in the portion of this Official Statement captioned "**TAX-EXEMPT ORIGINAL ISSUE DISCOUNT BONDS**" is excludable from the gross income of the owners thereof for federal income tax purposes and is exempt from income taxes imposed by the State under Chapter 143 of the Revised Statutes of Missouri. No opinion is expressed regarding the applicability with respect to the Series 2010 Bonds or the interest on the Series 2010 Bonds of the taxes imposed by the State on financial institutions under Chapter 148 of the Revised Statutes of Missouri.

In addition, the opinions of Bond Counsel will state that under existing law, the Series 2010 Bonds are not "specified private activity bonds" within the meaning of the alternative minimum tax provisions of the Code and, accordingly, interest on the Series 2010 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations and the federal environmental tax on corporations.

However, interest on the Series 2010 Bonds will be included in a corporate taxpayer's adjusted current earnings for purposes of calculating its federal alternative minimum tax and environmental tax liabilities. Furthermore, the 2010 Bonds are not "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

In the Lease Purchase Agreement and the Tax Compliance Agreement, the Corporation and the City have agreed to comply with certain covenants and with the requirements of the Code, regarding, among other matters, use, expenditure and investment of Series 2010 Bond proceeds (including the timely rebate, if required, of certain net arbitrage earnings). In the event that the Corporation and the City fail to comply with the covenants in the Lease Purchase Agreement or the Tax Compliance Agreement, interest on the Series 2010 Bonds may become includable in the gross income of the Bondholders (and thus taxable) from the date of issuance of the Series 2010 Bonds.

The ownership of tax exempt obligations (such as the Series 2010 Bonds) may result in other federal (and, in some cases, state and local) tax consequences to certain Bondholders, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess net passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who have incurred or continued indebtedness to purchase or carry the Series 2010 Bonds. Prospective purchasers of the Series 2010 Bonds should consult their tax advisors as to the applicability of any such other tax consequences.

From time to time proposed legislation is considered by the U.S. Congress that, if enacted, would affect the tax consequences of owning obligations, such as the Series 2010 Bonds. Thus, prospective purchasers of the Series 2010 Bonds should be aware that future legislation may have an adverse effect on the tax consequences of owning the Series 2010 Bonds.

Original Issue Premium Bonds

The Series 2010 Bonds to be sold in the initial offering at a price greater than the principal amount thereof (the "Premium Bonds") are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the inside cover page hereof. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Premium Bonds and with respect to the state and local consequences of owning and disposing of such Premium Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has been retained by the Corporation as financial advisor to render certain professional services. As such, PFM has provided advice on the plan of financing and structure of the Series 2010 Bonds and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. PFM has not independently verified the factual information contained in the Official Statement, but relied on the information supplied by the Corporation, the City and other sources and the City's certificate as to the Official Statement and the diligence and accuracy of the Corporation and the City who have certified that it contains no material misstatement or omission 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 2010 Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

UNDERWRITING

The underwriters listed on the cover page hereof (the "Underwriters") have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase all, but not less than all, of the Series 2010 Bonds from the Corporation a purchase price of $2,799,750.95 (which represents the par amount of the Series 2010 Bonds plus original issue premium of $144,600.95 less an underwriter's discount of $34,850.00). The Underwriters will be obligated to purchase all such Series 2010 Bonds if any such Series 2010 Bonds are purchased. The Series 2010 Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such Series 2010 Bonds into investment trusts) at prices or yields lower than the public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

CERTAIN RELATIONSHIPS

Armstrong Teasdale LLP, St. Louis, Missouri, is serving as Bond Counsel with respect to the issuance of the Series 2010 Bonds, and has also represented the City and the Trustee from time to time on other transactions or matters. The Hardwick Law Firm, LLC, Kansas City, Missouri, is serving as counsel to the Underwriters and has also represents the City from time to time on other transactions or matters.

CONTINUING DISCLOSURE

A summary of the Continuing Disclosure Agreement (the "Disclosure Agreement") entered into by and between the City and the Trustee, as Dissemination Agent, is contained in **APPENDIX F.** All references herein to the Disclosure Agreement are qualified in their entirety by reference to such document. The Disclosure Agreement is available for inspection at the offices of the City.

The City and the Trustee have entered into a Continuing Disclosure Agreement dated as of July 1, 2010, pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the Series 2010 Bonds to provide (i) audited financial statements of the City and certain statistical data relating to the City by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 each year) (the "Annual Report"), commencing with the report for the 2010 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed electronically in the Electronic Municipal Market Access ("EMMA") system established by the Municipal Securities Rulemaking Board. EMMA is a website that provides free information about individual municipal securities and provides a central and accessible location where investors can obtain municipal bond information. EMMA provides free public access to continuing disclosure documents filed by issuers. The EMMA website is at www.emma.msrb.org. These covenants have been made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the "Rule").

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

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, any Beneficial Owner of the Bonds 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 the Series 2010 Bonds, 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.

CERTIFICATION OF OFFICIAL STATEMENT

Simultaneously with the delivery of the Series 2010 Bonds, the City will furnish to the Underwriters a certificate which shall state that, to the best of the signator's knowledge and belief, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2010 Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

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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 2010 Bonds. 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 since the date hereof.

It is anticipated that CUSIP identification numbers will be delivered with the Series 2010 Bonds, but neither the failure to print such numbers on any Series 2010 Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2010 Bonds.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2010 Bonds, have been duly approved and authorized by the Corporation and the City.

ST. LOUIS MUNICIPAL FINANCE CORPORATION

By: /s/ Candice T. Gordon
Candice T. Gordon, President

THE CITY OF ST. LOUIS, MISSOURI

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

By: /s/ Darlene Green
Darlene Green, Comptroller

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APPENDIX A
INFORMATION
REGARDING THE CITY
OF ST. LOUIS

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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 is a constitutional charter city not a part of any county, organized and existing under and pursuant to its Charter and the Constitution and laws of the State of Missouri.

The City is popularly known as the "Gateway to the West," due to its central location and historical role in the nation's westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the nation'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 is elected at large for a four-year term and 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 and those powers 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. Pursuant to the City Charter the Comptroller is the Chairman of the Department of Finance for the City and has broad investigative and audit powers with regard to City departments and agencies. The Comptroller also has administrative responsibility for all of the City's financial departments, accounting procedures and contractual obligations.

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. Half of the City's wards alternately elect Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term.

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, 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 ("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 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 six hundred thirty-one full-time firefighters. An estimated 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. Both the School District and the Junior College District are empowered to levy taxes, separate and distinct from those levied by the City that are sufficient to finance the operations of the respective public school system within its jurisdiction. 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 removed 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 appealed the Cole County Circuit Court's decision to the Supreme Court of Missouri. On December 16, 2008, the Supreme Court of Missouri affirmed the Cole County Circuit Court's decision.

Medical

Historically, the City has provided health care services for indigent citizens of the City directly at public clinics and hospitals. However, the City has now entered into a contract with a private third party 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.

Local Governmental Commissions and Agencies

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

Police

The Police Department of the City of St. Louis is directed by the Police Board which consists 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 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 proposes levels of employment and salaries of the police force with the 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, 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, also crossing the Mississippi River and 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.

On April 6, 2010, St. Louis County passed an additional one-half cent sales tax to be used to fund transportation. The passage of this tax triggered a matching quarter cent sales tax that was passed by the City in 1997. Together these taxes are expected to raise approximately $83 million dollars annually for Metro's operations and expansion of services.

Development

The St. Louis Development Corporation (the "SLDC") is a nonprofit corporation which provides technical assistance, staff and support services and economic incentives to public and civic bodies and private entities 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 in the City. SLDC's approximately 75 staff members work in 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: the Land Clearance for Redevelopment Authority; the Planned Industrial Expansion Authority; the Land Reutilization Authority; the Local Development Company (SBA); The Industrial Development Authority of the City of St. Louis, Missouri; the Port Authority; the Tax Increment Financing Commission; the Downtown Economic Stimulus Authority; and Operation Impact. Although SLDC works with a variety of City departments on various development initiatives, 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 planning and economic development related public bodies and agencies operating in the City include, but are not limited to, the St. Louis Housing Authority, the Regional Convention and Visitors Commission, the Regional Chamber and Growth Association, the East-West Gateway

Coordinating Council, the Regional Convention and Sports Complex Authority and the Partnership For Downtown Saint Louis.

ECONOMIC AND DEMOGRAPHIC DATA

Population Statistics

The 61.4-square-mile City of St. Louis is the center 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.

In the five decades between 1950 and 2000, population in the counties surrounding the City grew while the City's population declined by 500,000, or more than 60%. According to Census Bureau, however, the City's population trend has reversed and since 2003 the City's population has experienced growth. At the time of the 2000 census, the City's population was 348,189, down from a high of more than 850,000 in 1950. As of July, 2008, the Census Bureau estimates the City's population at 356,730. The City is working closely with the Census Bureau to ensure that the 2010 Census reflects this population growth.

A 2008 study by marketing firm Lesser & Co. found that 77% of Americans born after 1981 want to live in an "urban core". This bodes well for the City's future population growth.

The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years.

Calendar Year	City of St. Louis	Metropolitan Area
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	355,663	2,803,707
2008	356,730	2,816,710
2009	356,587	2,828,990

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 nearly 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 seven Fortune 500 corporations located in the St. Louis Metropolitan Area in 2009. Thirteen additional St. Louis companies ranked between 501 and 1,000 on the Fortune 1000 list.

In the fifty years between 1950 and 2000, the City's economy was badly damaged by an exodus of manufacturing jobs to the suburbs. As a result, the City's economy was reshaped and now relies heavily on life sciences and medical employment, entertainment, and professional firms. Many of the remaining manufacturers are focused on the production of "staples". For example, Dial and Procter & Gamble both produce goods that are relatively immune to the recession—soaps, bleaches, and detergents for household use. Both of these firms are undergoing expansion on the City's north riverfront. In addition to expansion of existing businesses, an influx of creative and other professional firms, both downtown and in other parts of the City, and an expansion of the City's hospitality and entertainment industry has contributed to job growth in the City. Much of this growth has been made possible by the use of City incentives and by the availability of Missouri incentives, in particular the Missouri Historic Tax Credit.

The Anheuser Busch-InBev merger was consummated at the end of 2008 and Anheuser-Busch has become a wholly-owned subsidiary of InBev. The City is now home to the new AB/InBev headquarters for the North American region and remains the global home of the flagship Budweiser brand. The Anheuser Busch/InBev merger has resulted in a variety of changes, most notably the loss of a world headquarters. However, as AB/InBev has consolidated and reduced its workforce in the St. Louis region, remaining jobs have been moved from leased suburban office space to AB/InBev's North American headquarters in the City's Soulard neighborhood.

Also of note, Wachovia purchased the former A. G. Edwards brokerage firm in 2008, intending to make St. Louis the headquarters for Wachovia Securities. Shortly after the purchase was finalized Wells Fargo purchased Wachovia. Wells Fargo honored Wachovia's commitment to retain a minimum of 4,500 workers in the City of St. Louis.

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.

In FY2009, 151 events with a total attendance of approximately 1,045,000 people took place in America's Center and the Edwards Jones Dome.

In July, 2009, the new Cardinals ballpark hosted Major League Baseball's All-Star Game. This event generated significant additional revenue for the City in FY2010.

In March and April of 2009, production took place in the City for a major motion picture film. This activity also resulted in a boost to the City's economy and the City hopes that the success of that film will lead to the attraction of additional film productions.

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. These hotels offer more than 7,800 sleeping rooms, an increase of more than 2,400 downtown rooms in the past four years.

In early 2008, the region's first Four Seasons Hotel, a 200 guest room and suite hotel, opened on Laclede's Landing in downtown St. Louis and the former Embassy Suites adjacent to Lumiere Place was converted to Hotel Lumiere. In 2008 a new Drury Hotel on I-44 at the western edge of the City also opened. Some of the newest hotels are a result of renovations of historic structures. Most recently, the new Indigo boutique hotel developed by the Roberts Companies opened in the Central West End in December, 2008. Other recently opened, renovated hotels in the downtown area include the Renaissance Grand and the Renaissance Suites, the Hilton, the Sheraton City Center, the Drury Plaza and the Westin. Other existing hotel properties, 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. The former Marriott Pavilion hotel has been converted to a Hilton following extensive renovations. In April 2009 the Moonrise Hotel, a boutique hotel in the Delmar Loop area, was completed. A new Embassy Suites is included in the renovation plan for the former Dillard's Building immediately east of America's Center.

Transportation

The City ranks as the second largest inland port in the United States handling more than 33 million tons of freight each year. The St. Louis Development Corporation is working with the Army Corps of Engineers and the U. S. Economic Development Administration to expand the capacity and versatility of the City's Municipal Docks on the north riverfront. The existing leases on these docks expire in 2011. Phase I of this initiative is the repair and modernization of the two existing docks. Phase II involves connecting these docks to provide a much larger contiguous freight transfer area. Both of these phases will provide the docks with the capacity to handle international shipping containers. Today this capacity does not exist anywhere in the St. Louis region. In early 2010, the City received a $15 million grant from the U.S. Department of Commerce to begin to implement its port expansion plans.

Approximately 199,000 commercial aircraft operations (arrivals and departures) were performed at Lambert Airport in 2009. Approximately 13 million passengers enplaned and deplaned in that year. That level of passenger activity was an 11 percent drop from 2008. Much of this decline may relate to the continuing downward trend in aviation travel attributed to the national economy. Lambert Airport has the potential capacity to operate out of 87 gates serving 13 major airlines. Southwest Airlines is Lambert's primary carrier and will serve 44 percent of the market after June 2010, American Airlines is Lambert's second largest commercial carrier and will serve 21% of the market after June 2010. In the fall of 2010, Lambert will begin the second phase of a major renovation of Terminal 1 and the A & C concourses. The renovations will include new or renovated restrooms, an improved security checkpoint, new flooring, ceiling and wall finishes, new ticket counters and improved passenger flows throughout the renovated areas. The first phase included new baggage claim systems, the interior restoration of the terminal's domed ceilings and all new roadway signage.

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 average 2009 data shows that manufacturing jobs represented 9.5% or 129,500 of the total 1,358,100 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.

The following table reflects the City's annual average employment by industry group for 2008.

CITY EMPLOYMENT BY INDUSTRY GROUP
(TOTAL NON-FARM)

Industry Group	Employees	Percentage
Services	58,502	31.7%
Government	34,430	18.6%
Manufacturing	20,145	10.9%
Finance Activities	11.252	6.1%
Trade, Transportation and Utilities	24,588	13.4%
Leisure and Hospitality	23,500	12.8%
Information	4,781	2.6%
Natural Resources, Mining and Construction	7,102	3.9%
Total	**184,300**	**100.0%**

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

There were 184,300 non-farm jobs within the City in 2009, representing 13.6% of Missouri'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.

	May 2010	Average 2009	Average 2008	Average 2007	Average 2006
Labor Force	156,370	158,060	156,950	156,007	158,275
Number Employed	139,106	139,570	144,444	145,091	147,428
% City Unemployed	11.0%	11.7%	8.0%	7.0%	6.9%
% State Unemployed	8.7%	9.3%	6.0%	5.0%	4.8%
% U.S. Unemployed	9.3%	10.0%	5.7%	4.6%	4.6%

Source: Missouri Department of Economic Development

Major Taxpayers

For calendar year 2009, taxes totaling $224,916,938, which consisted of earnings, payroll and property taxes were collected and combined in the General Fund. No one company contributed more than 6% of the total taxes collected. The top twenty taxpayers contributed $102,772,731.

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 2005 through 2009.

Calendar Year	Value of Housing New	Rehabilitation	Value of Commercial, Industrial or other Non-Housing	Total Number of Permits	Total Value
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
2008	80,113,004	36,531,184	411,480,366	5,192	528,124,554
2009	23,298,953	30,486,860	302,251,309	3,820	356,037,122

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. St. Louis is regarded by many as America's best sports city because of the quality of its teams and the excellence of its fan base. The current owners of the Rams have indicated their desire to sell the team. Two interests have made offers to purchase the team. Both interests have indicated their desire that the team remain in St. Louis. The potential sale is under review by the National Football League (NFL).

St. Louis also has recently achieved great success as an outstanding host city for sports events. In 2009 the City of St. Louis hosted the Women's NCAA Final Four and generated significant economic impact and positive media recognition. St. Louis again hosted the NCAA Wrestling Championships at the Scottrade Center for the fourth time in the past five years.

The new ballpark, Busch Stadium, opened in April 2006 and attendance exceeded 3.4 million per season, with approximately 40% of the attendees coming to the City from outside the St. Louis region. The new Busch ballpark holds more than 46,000 baseball fans and in 2008 had the fourth highest attendance in major league baseball. As mentioned, the new Busch Stadium hosted the 2009 Major League Baseball All-Star Game in July.

Business Development

The Business Development Division of the SLDC administers a variety 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, the 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. The SLDC applied for and received from the U.S. Department of Treasury a $52 million allocation of New Markets Tax Credits in 2005, $45 million in 2008 and $65 million in 2009.

The City has completed and is embarking on a variety of public and civic improvement initiatives designed to make downtown and other parts of the City even more attractive to residents, workers and visitors. While some of these initiatives involve public incentives, others are entirely privately funded. The new $30 million City Garden, completed in July 2009, an innovative and attractive new public space featuring world class sculpture in the Gateway Mall, was designed and funded entirely by the Gateway Foundation. The Gateway Foundation also provided funding for a plan for the entire Gateway Mall, which is an 18-block green space that runs through the center of downtown. Private fundraising efforts are underway to implement plans for other mall blocks. Old Post Office Plaza, a $9 million new public space immediately north of the Old Post Office and one block south of America's Center, was completed in March, 2009. The City 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. The Park Service is now actively engaged in the preparation of a master plan for the park and adjacent rights-of-way.

Ground breaking took place earlier this year for the new Mississippi River Bridge located immediately north of downtown. This bridge will improve access to downtown and northside neighborhoods from Illinois. Approximately 30% of downtown's workforce lives on the east side of the region.

In November of 2008, the Gateway Multimodal Transportation Center was completed as a new home for Amtrak and Greyhound and the complex includes a MetroLink stop and MetroBus service. Federal funding has been awarded for high speed rail service from St. Louis to Chicago. The Missouri Department of Transportation is working with additional federal funding to improve passenger rail access between St. Louis and Kansas City.

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. The I-64 construction is now complete and I-64 accommodates traffic through the City in an attractive and efficient manner.

Great Rivers Greenway has continued to expand its network of greenways within the City and provide additional opportunities for recreation and travel to work. More downtown workers are now using bicycles to access their workplaces.

American Recovery and Reinvestment Act ("ARRA") and the City

In February of 2009 President Obama and the United States Congress enacted ARRA, a special appropriations and tax bill designed to stimulate economic recovery throughout the United States. The City will benefit from ARRA in a number of respects.

First, ARRA has made available approximately $42 million in federal transportation funding. Half of that amount will be made available through the regional council of governments and half will be made available through the Missouri Department of Transportation for fifteen important City transportation infrastructure projects. One significant advantage to this funding is that it does not require a local match. As a result of ARRA, the City will be able to complete construction of the Tucker Viaduct, a major arterial that links downtown to the City's northside and will soon become the major downtown access route from the new Mississippi River Bridge.

ARRA funding will also improve the segment of Grand Avenue that serves the City's major ethnic business district as a part of East-West Gateway's "Great Streets" initiative. In addition, ARRA will fund improvements to Carrie Avenue that will open a large segment of the north riverfront for warehouse and industrial development. ARRA will also fund streetscape improvements along Sarah Avenue and South Broadway that will support two major residential initiatives now in predevelopment. ARRA will make additional major bridge, paving and traffic signal work possible at no cost to the City. Transportation funding will also benefit the port improvement project discussed above. ARRA funding of improvements on Memorial Drive between the Gateway Arch and the remainder of downtown will improve the appearance and accessibility of this important connection until the planned major reconstruction can take place.

ARRA also implements the Energy Block Grant program, from which the City will receive a new entitlement allocation of $3.7 million. The City plans to use the majority of these funds for capital improvements that will reduce energy usage and energy costs in City-owned facilities, and to test innovative forms of street lighting and electrical generation that will also reduce energy consumption and cost.

Through Army Corps of Engineers ARRA funding, the City's floodwall and levee are expected to receive additional improvements that will further enable the flood protection system to withstand major floods. The Corps continues to secure non-ARRA appropriations to make the originally contemplated improvements.

Development Overall

Between July of 2001 and December of 2008 nearly $5 billion in construction has been completed in the City. This construction includes $1.2 billion in residential construction, $2.3 billion in commercial and mixed use construction, and $1.4 billion in institutional construction. Over this same time period construction activity has generated significant revenues for the City including more than $44 million in building permit fees, and is estimated to have generated nearly $30 million in construction worker earnings and payroll taxes. The sizeable volume of visible construction activity in the City has led an ever-increasing number of businesses and individuals to believe that the City has a positive future. In the first part of calendar year 2010, financing closed on more than $250 million in additional development

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.

<u>Governmental Type Funds</u>—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 though 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.

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 Aldermen.

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 may not lawfully be spent. The Board of Estimate and Apportionment may from time to time appropriate any accruing unappropriated City revenue. 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. One half of the operating surplus of the General Fund is remitted to the Capital Fund at the end of each fiscal year.

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 2008 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA"). This was the twenty-first 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 for its annual budget for the Fiscal Year beginning July 1, 2009. 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 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, maintains 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.

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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. The continued effects of the downturn in economic conditions were evident as the FY10 fiscal year progressed, with total general revenues projected to fall short of original estimates by approximately $20M. Over half of this amount is in the major tax category where earnings and payroll tax results have lagged original estimates and are expected to see declines of 2% and 5% respectively compared to previous year results. (Note that these figures exclude a one-time release of approximately $7.2M in previously protested earnings tax revenues that were included as transfer revenue in the original budget estimate.) Sales tax receipts have also fallen and are anticipated to show declines of over 6% for the fiscal year. The release of anticipated telecommunications franchise taxes from protested accounts has been delayed causing a net decrease in anticipated revenues in this tax category of approximately $4.4M. In response to the developing shortfall, the City has taken corrective action by not filling vacant positions, reducing discretionary expenditures, releasing capital project funds and realized savings in a refinancing of existing debt on the City's Justice Center. Total actions taken and identified to date amount to approximately $10M with an additional $5M in supplemental appropriations from special revenue funds proposed to be completed by fiscal year end.

In preparing for its FY11 budget, the City engaged in a strategic decision-making process intended to cut long-term recurring costs while preserving acceptable levels of service. With the FY11 budget outlook projecting restrained growth from existing revenues and expected increases in costs such as employee pensions, the initial budget gap was estimated to be in excess of approximately $45M. The FY11 proposed general fund operating budget addresses this projected gap with a series of budget reductions across most City departments totaling approximately $20M (including payroll reductions to offset pension and other compensation costs). A variety of new service fee based revenues estimated at a net of approximately $14M (the largest component of which is an estimated $10M from a new refuse collection fee of which $3M is allocated for new refuse enforcement and recycling programs) has been proposed. Additionally, $11.5M in special and capital fund revenues are being reallocated to offset costs that would otherwise be assumed by the general fund. The largest sum of the reallocated funds is in unrestricted capital fund revenue accounts that will be applied to existing citywide capital debt obligations. The budget has been submitted to the Board of Aldermen. Budget deliberations and actions to implement the majority of the service fees are anticipated to be approved simultaneously with the adoption of the budget by July 1, 2010.

General Revenue Fund Expenditures

Table I is a combined statement of revenues, expenditures and changes in fund balances on an accrual basis for the Fiscal Years 2005 through 2009.

TABLE I
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)

	2009	2008	2007	2006	2005
Revenues					
Taxes	$342,751	$341,577	$321,610	$323,848	$308,836
Licenses & Permits	16,924	17,191	18,384	20,009	18,597
Intergovernmental Aid	24,974	23,768	23,359	25,331	25,593
Charges for Services, net	13,266	16,398	17,588	16,301	14,747
Court Fines & Forfeitures	11,127	10,000	8,273	7,893	8,773
Investment Income	2,364	3,864	5,965	5,800	1,749
Interfund Services provided	6,354	3,868	3,719	4,009	4,519
Miscellaneous	4,094	4,534	2,512	4,265	2,766
Total Revenues	421,854	421,200	401,410	407,456	385,580
Expenditures					
General Government	51,435	83,835	36,992	53,941	41,651
Convention & Tourism	187	201	154	204	1,795
Parks and Recreation	19,101	18,072	19,167	18,667	18,279
Judicial	49,250	45,571	41,806	40,427	40,478
Streets	30,216	29,056	27,070	27,930	28,000
Public Safety	240,624	335,730	234,350	230,814	218,927
Health and Welfare	3,247	2,997	2,663	3,511	2,941
Public Services	24,424	25,490	23,259	23,122	21,401
Debt Service	38,851	40,199	26,604	16,925	27,000
Total Expenditures	457,355	581,151	412,065	415,541	400,472
Excess of Revenues Over (Under) Expenditures Other Finance Sources/(Uses)	(35,481)	(159,951)	(10,655)	(8,085)	(14,892)
Issuance certificates of participation	9,100				
Issuance leasehold revenue bonds	6,160	145,447	23,165		
Issuance of justice center notes	9,069				
Bond discount on debt issuances	(525)	(2,953)	(321)		
Payment refunded to Bond Escrow Agent	(9,354)	(8,632)	(22,830)		
Transfers In	34,172	19,447	19,768	18,536	20,386
Transfers Out	(5,958)	(13,215)	(14,693)	(2,954)	(2,603)
Total Other Financing Sources (Uses)	42,664	140,094	5,089	15,582	17,783
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Uses	7,183	(19,857)	(5,566)	7,497	2,891
Fund Balances (Beginning of Year)	54,871	74,728	80,294	72,797	69,906
Year End	$62,054	$54,871	$74,728	$80,294	$72,797

Source: Audited Financial Statements.

Table II shows a general revenue fund summary of operations on a budgetary (cash) basis for the Fiscal years 2007 through 2009.

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

	2009	2008	2007
Revenues			
Taxes	$346,478	$349,582	$333,933
Licenses & Permits	16,871	17,285	18,392
Intergovernmental Aid	18,414	17,404	17,449
Charges for Services	18,542	18,946	20,930
Court Fines & Forfeitures	7,688	6,885	4,390
Interest	60	1,729	2,830
Miscellaneous	3,154	3,089	3,139
Total Revenues	411,207	414,920	401,063
Expenditures			
General Government	55,974	39,150	39,527
Convention & Tourism	190	199	156
Parks & Recreation	19,199	17,883	19,149
Judicial	47,596	43,559	42,016
Streets	30,382	29,376	26,900
Public Safety	116,404	106,176	100,815
Police	129,213	129,128	131,775
Health & Welfare	3,032	2,963	2,857
Public Services	24,767	25,092	23,218
Debt Service	22,621	33,270	24,997
Total Expenditure	449,378	426,796	411,410
Excess of Revenues Over (Under) Expenditures	(38,171)	(11,876)	(10,347)
Other Financial Sources (Uses):			
Transfers In	31,780	20,485	23,898
Transfers Out[1]	(5,353)	(12,063)	(14,293)
Total Other Finance Sources (Uses)	26,427	8,422	9,605
Excess of Revenues & Other Finance Sources Over (Under) Expenditures & Other Finance Uses	(11,744)	(3,454)	(742)
Fund Balances (Beginning of Fiscal Year)	18,082	21,536	22,278
Fund Balances (End of Fiscal Year)	$6,338	$18,082	$21,536

[1]Transfers 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 2007 through 2009.

	Fiscal Year		
TAXES:	2009	2008	2007
Earnings	31.24%	32.48%	32.10%
Franchise	13.86	13.32	12.35
Sales	10.84	11.27	11.47
Gross Receipts	1.86	1.92	1.92
Motor Vehicle Sales Tax	0.63	0.71	0.96
Real Estate	8.97	9.46	8.72
Personal Property	2.36	2.30	2.46
Payroll	8.02	8.49	8.20
Other Taxes	0.43	0.34	0.40
Total Taxes	78.21	80.29	78.58
License Fees	3.81	3.97	4.33
Departmental Receipts	10.80	11.04	11.47
27th Pay Reserve Transfers			
Transfers	7.17	4.70	5.62
	100.00%	100.00%	100.00%

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 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2009. 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. For more information, see the Official Statement "**CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS -- Effort to Repeal the City Earnings Tax.**"

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 2005 through 2009 was as follows:

Fiscal Year	Earnings Tax
2005	$122,941,515
2006	131,735,560
2007	136,433,476
2008	141,404,681
2009	138,402,392

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. Telecommunication Companies are taxed at 7.5% of the gross receipt with the first $13.5 million of revenue set aside in a special revenue fund to be used for employee retirement debt. 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. 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 2005 through 2009 was as follows:

Fiscal Year	Franchise Tax
2005	$52,083,765
2006	52,851,002
2007	52,455,509
2008	58,014,560
2009	61,413,919

Source: City Comptroller's Office.

Sales and Use Tax

City sales taxes are authorized by the Missouri General Assembly and approved by voters. The current sales tax rate is 8.241%, which includes the State of Missouri tax rate of 4.225%. The general fund portion of the tax rate is 1.375%. The remaining portions of the tax rate are earmarked for transportation, capital improvement, public safety, parks and the transitional school district. As of July 1, 2010, the sales tax rate will increase to 8.491% due to an additional quarter cent transportation tax. For more information, see Appendix A, "**MUNICIPAL SERVICES – Transit**."

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 7.575%. 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 2005 through 2009 were as follows:

Fiscal Year	Sales Tax
2005	$46,013,082
2006	47,346,639
2007	48,759,269
2008	49,060,636
2009	48,018,310

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 2005 through 2009 was as follows:

Fiscal Year	Gross Receipts Tax
2005	$11,826,756
2006	12,748,707
2007	8,168,761*
2008	8,361,949
2009	8,254,460

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.

Beginning Fiscal Year 2011, future amusement admission taxes from Blues hockey will be pledged to finance further improvements to the Kiel Opera House.

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 2005 through 2009 was as follows:

Fiscal Year	Motor Vehicle Sales Tax
2005	$3,563,374
2006	3,573,545
2007	4,060,390
2008	3,103,596
2009	2,775,347

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. This approach is mandated by Senate Bill No. 71 effective August 28, 2008. Senate Bill No. 71 requires political subdivisions to reduce their tax rates in a fiscal year according to the Hancock formula even if the political subdivision's tax rate is below the tax rate ceiling. As a result, there is no "windfall" to the City based upon the reassessments.

	Real Property[1]			Personal Property[1]		
Assessed Year	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Manufacturers[2] Inventory Assessed Value	Total Assessed Value
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
2008	3,533,951,238	15,390,825,612	861,836,703	2,588,098,207	287,366,431	4,683,154,372
2009	3,513,720,446	15,031,996,471	781,556,645	2,347,016,952	254,873,178	4,550,150,269

[1] Source: City Assessor's Office
[2] 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
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
2008	4,689,956,706	10,700,868,905	15,390,825,612
2009	5,058,777,819	9,973,218,653	15,031,996,471

Source: City Assessor's Office.

The tax rate levied on real and personal property during the Fiscal Year 2009 was $1.2276 per $100 of assessed valuations and during the Fiscal Year 2008 was $1.2123 per $100 of assessed valuations. The collection rate for the Fiscal Year 2009 was 88.2% compared to the rate of 84.2% for the Fiscal Year 2008. 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 2005 through 2009, on a cash basis, was as follows:

Fiscal Year	Real Property	Personal Property
2005	$32,535,672	$11,117,309
2006	34,108,578	10,019,639
2007	37,020,349	10,460,702
2008	41,188,305	10,020,978
2009	39,730,220	10,446,068

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 City Code exempts certain organizations and institutions from payment of the Payroll Tax including, religious, charitable organizations and institutions, not-for-profit civic, social service or fraternal organizations, not-for-profit hospitals, not-for-profit educational institutions. 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 2005 through 2009, on a cash basis, was as follows:

Fiscal Year	Payroll Taxes
2005	$31,588,099
2006	36,280,566
2007	34,857,007
2008	36,960,559
2009	35,531,482

Source: City Comptroller's Office.

Other Taxes

Other taxes collected by the City include the intangible tax, land tax suits, manufacturer's tax, commercial property surcharge and county stock insurance tax. The City's General Fund other tax revenue for the Fiscal Years 2005 through 2009, on a cash basis, was as follows:

Fiscal Year	Other Taxes
2005	$1,438,646
2006	1,273,080
2007	1,717,635
2008	1,490,288
2009	1,906,229

Source: City Comptroller's Office.

License Fees

License Fees are collected by the City for use, sale 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 2005 through 2009, on a cash basis, was as follows:

Fiscal Year	License Fees
2005	$18,597,181
2006	19,504,418
2007	18,392,139
2008	17,284,929
2009	16,870,624

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 are Intergovernmental Aid, Interest Earned, and Miscellaneous Receipts. The City's General Fund Departmental Receipts revenue for the Fiscal Years 2005 through 2009, on a cash basis, was as follows:

Fiscal Year	Departmental Receipts
2005	$46,253,141
2006	50,104,137
2007	48,737,953
2008	48,053,344
2009	47,857,933

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. After a determination by the Comptroller that such deposits are a surplus these funds are transferred to the General Revenue Fund.

The City's Operating Transfers for Fiscal Years 2005 through 2009, on a cash basis, were as follows:

Fiscal Year	Operating Transfers[1]
2005	$21,460,749
2006	16,443,308
2007	23,298,344
2008	20,484,557
2009	31,779,614

[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.

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 2005 through 2009 were:

Fiscal Year	Expenditures
2005	$ 849,533
2006	1,419,180
2007	1,182,762
2008	1,291,266
2009	1,059,334

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.

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 that 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 April 30, 2010 is $1,665,000. During Fiscal Year 2009, the General Revenue covered a debt service shortfall of $718,042. The final payments on these bonds are expected to be made in FY11; it is expected that project revenues and the debt service reserve will be sufficient to make the final payments and that no General Revenue Fund subsidy will be needed.

Likewise, in January 2007, the City issued its Taxable Tax Increment Revenue Notes (600 Washington Redevelopment Project 1–One City Centre Component) Series 2007 in the amount of $16,961,000. In March 2010, the Land Clearance for Redevelopment Authority issued $16,959,979 in Recovery Zone Facility Special Obligation Redevelopment Bonds defeasing these TIF notes. 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 lease is 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 St. Louis Marketplace and 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 60 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.

Four projects were financed with TIF revenue bonds issued by The Industrial Development Authority of the City of St. Louis, Missouri, namely, Edison Brothers, for $5.6 million issued on January 29, 2000, MLK Development for $2.3 million issued on March 18, 2002, Southtown for $6.4 million issued on September 14, 2006, and Loughborough for $18.43 million issued on November 26, 2007. As of April 30, 2010, the outstanding balances on the IDA TIF Revenue Bonds were $3,818,000 for Edison Brothers, $2,275,000 for MLK Development, $5,230,000 for Southtown and $17,705,000 for Loughborough.

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 Convention Hotel was financed through the issuance of industrial development bonds issued by the Authority. These bonds are special, limited obligations of the Authority and the City is not liable on the bonds. A shortfall in the funds available to pay interest on the Senior Lien Revenue Bonds (St. Louis Convention Center Headquarters Hotel Project) Series 2000A (the "Hotel Bonds"), issued by the Authority led to a sale of the Convention Hotel in foreclosure in February, 2009. The Convention Hotel, which is located on the south side of Washington Avenue directly opposite the Convention Center, was developed by Historic Restoration, Inc. ("HRI") and operated by Marriott Corp. HRI is a privately-owned developer entirely separate from and independent of the Corporation and the City. The

Convention Hotel was purchased at the sale by UMB Bank, N.A., the trustee for the holders of the Hotel Bonds, and will continue to be operated by Marriott Corp. Such owner has entered into an agreement with Jones Lang LaSalle Americas, Inc. to explore the sale of the Suites. The exclusive listing agreement will run for a period of approximately eleven (11) months. Jones Lang LaSalle Americas, Inc. is a company affiliated with Jones Lang LaSalle Hotels, the firm previously engaged to evaluate and make recommendations with regard to various aspects of operations of the Convention Hotel. Revenues generated by the Convention Hotel have failed to meet expectations since the downturn in convention business following the 2001 terrorist attacks. The current uncertainty in the economy may also have a negative affect on convention business.

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.

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TIF Project	Original TIF Debt TIF Costs	Outstanding TIF Debt as of May 31, 2010
Cupples #3	$3,745,000	$0
Chouteau/Compton #6	3,600,000	2,467,204
100 North Condominium LLC #10	400,000	101,027
Center for Emerging Technology #11	978,000	459,000
3800 Park #12	390,000	382,703
Gravois Plaza #13	4,049,000	4,049,000
4200 Laclede #17	925,400	830,400
Tech Electronics #19	900,000	900,000
1505 Missouri #20	659,540	654,540
Grand Center #21	14,520,000	13,849,000
WK F #22	1,036,000	979,761
Louderman #23	2,440,400	2,263,103
920 Olive/1000 Locust #24	2,667,732	2,667,732
Grace Lofts #25	1,715,725	1,586,725
Paul Brown #26	3,264,200	3,264,200
1141-1151 S. Seventh St #27	1,136,600	1,048,600
Terra Cotta #28	3,520,000	3,505,000
1312 Washington #29	419,000	318,000
Soulard Apartments #32	4,400,000	4,400,000
Printer Lofts #33	4,410,,000	4,410,000
City Hospital #34	2,935,000	2,633,000
Fashion Square #35	4,105,000	3,696,000
1601 Washington #36	3,365,000	3,313,000
1619 Washington #37	1,930,000	1,879,000
Highlands at Forest Park #38	2,412,000	2,248,000
Security Bldg #39	3,345,000	3,045,000
Catlin Townhouses #40	432,000	379,000
Shenandoah #41	254,700	217,699
1133 Washington #42	1,133,000	954,000
Maryland Plaza South #43	4,133,176	4,133,176
410 No. Jefferson #44	1,735,000	1,644,000
Warehouse of Fixtures #46	6,348,500	5,785,000
Maryland Plaza North #47	1,061,418	878,242
Marquette Bldg #48	4,500,000	4,311,000
Gaslight Square East #49	1,770,000	1,561,000
1136 Washington #50	3,524,000	3,261,000
Washington East #52	7,997,521	7,740,521
Auto Row #53	1,582,600	1,316,000
1300 Convention Plaza #55	941,525	899,000
Mississippi Place #56	863,100	825,000
5700 Arsenal #58	1,370,000	1,098,000
East Bank #61	1,456,825	1,456,825
2300 Locust #62	1,544,046	1,503,088
Pet Bldg #63	3,162,500	3,008,500
Moon Bros #65	1,490,000	1,481,000
Ely Walker #69	6,017,000	5,478,000
Packard Lofts #72	1,329,000	1,160,000
Bee Hat Lofts #73	1,407,329	1,313,000
Syndicate Trust Bldg #79	8,329,200	7,903766
Ludwig Lofts #80	1,080,000	1,080,000
600Washinton #85	16,959,979	16,959,979
4100 Forest Park #87	6,116,000	6,046,000
Grand/Cozen/Evans #88	1,650,000	1,645,000
	$161,458,616	$149,007,791

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 2006. TRANs have been issued annually since 1984 to bridge timing gaps in revenue collections.

Fiscal Year	TRANs Issued During Fiscal Year	As a Percent of General Fund Revenues[1]
2006	$45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35%
2009	50,000,000	11.29%
2010	55,000,000	12.12%[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 May 31, 2010:

Bonds	Amount Outstanding
General Obligation Bonds	$46,300,000
Water Revenue Bonds	19,585.000
Parking Revenue Bonds	76,975,000
Airport Revenue Bonds	905,405,000
Total	$1,048,265,000

Source: City Comptroller's Office.

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.

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Description	Amount Outstanding May 31,2010	Remaining Term in Years	Issue Date
Convention Center Hotel Compound Leasehold Revenue Bonds, Series 2000	$39,999,579	10	July 2000
Justice Center Leasehold Revenue Bonds, Series 2001	55,090,000	13	Sept. 2001
Convention Center Leasehold Refunding Bonds, Series 2003	55,130,000	4	Apr. 1998
Civil Courts Revenue Refunding Bonds, Series 2003A	10,089,500	4	May 2003
Forest Park Revenue Improvement Bonds, Series 2004	12,595,000	12	Dec. 2004
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	23	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	14,860,000	10	Aug. 2005
Rolling Stock	11,550,343	8	Sept. 2006
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,710,000	17	Oct. 2006
Convention and Sports Facility Project and Refunding Bonds, Series 2007 (Includes Preservation Payments)	53,873,000	11	May-07
Abram Building Leasehold Revenue Bonds, Series 2007	3,139,490	8	Jun-07
Recreation Sales Tax Leasehold Revenue Bonds Series 2007	48,515,000	27	Jul-07
Taxable Leasehold Revenue Bonds, Series 2007 (Pension Funding Project)	140,030,000	27	Sep-07
Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007	23,360,000	27	Dec-07
Taxable Public Safety Sales Tax Leasehold Revenue Bonds (Pension Funding Project) Series 2008A	18,170,000	10	Jun-08
Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series 2008B	25,080,000	29	Jun-08
Lease Certificates of Participation, Series 2008	8,530,000	12	Sept. 2008
Convention Center Capital Improvement Projects Series 2008	21,850,000	28	Nov-08
Convention Center Capital Improvement Projects Series 2009A	7,761,922	29	May-08
Infrastructure & Convention Center Capital Improvement Projects, Series 2009B	23,255,000	29	May-09
City Justice Center Leasehold Revenue Refunding Bonds Series 2009	8,495,000.	3	Oct-09
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2010 A (Capital Improvement)	24,736,396	27	Mar-10
Convention Center Compound Interest Leasehold Revenue Refunding Bonds, Series 2010 B (Project)	8,517,606	4	Mar-10
	$683,335,727		

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.

Description	Principal Outstanding May 31, 2010	Remaining Term in Years
MDNR Energy Efficiency Program	$ 320,774	3
MTFC Multimodal Direct Loan	3,776,864	8
Total	$4,099,638	

Source: City Comptroller's Office.

Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of May 31, 2010, is set forth below.

	General Obligation Bonds Outstanding	Percent Applicable to St. Louis	City's Direct and Overlapping Debt
The City of St. Louis	$ 46,300,000	100.00%	$ 46,300,000
Board of Education of the City of St. Louis	225,463,535	100.00%	225,463,535
Total	$271,763,535		$271,763,535

Source: City Comptroller's Office.

Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of May 31, 2010. These figures do not include lease agreements.

	Amount	Per Capita[1]	Ratio to Assessed Value
Total Direct Debt	$ 46,300,000	$132.97	1.05%
Total Direct and Overlapping Debt	$271,763,535	$780.51	6.18%

[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, 2010.

	City Purposes Basic Limit	Streets and Sewers Additional Limit
2009 Assessed Value	$4,550,150,269	$4,550,150,269
Debt limit - 10% of assessed value	455,015,027	455,015,027
Less: General Obligation Bonds	46,300,000	0
Legal Debt Margin	$ 408,715,027	$ 455,015,027

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.

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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, 2009, totaled $28,390,010 pension fund assets and are a statutory obligation of the City. In Fiscal years 2009 and 2010, the City made all payments requested by the three retirement systems and is budgeting for these payments in fiscal year 2011. The City is working with the retirement systems to explore ways to reduce future pension costs.

(In Thousands)

Benefits	Actuarial Valuation Date	Actuarial Value of System Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability
Employee's Retirement System	October 1, 2008	$674,017	$765,842	$91,825
Police Retirement System	October 1, 2008	752,273	803,417	51,144
Firemen's Retirement System	October 1, 2008	485,139	523,036	37,897

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. A review by an actuary determined there were no further OPEB obligations to be calculated and reported under GASB Statement No. 45 for the fiscal year ended June 30, 2008 for the Primary Government.

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

The SLPD is a discretely presented component unit of the City. 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.

In order to meet GASB No. 45 requirements, the SLPD hired an actuarial firm to calculate the dollar amount of unfunded actuarial accrued liability of the City as it relates to the SLPD for the Fiscal Year ending June 30, 2008. The City also hired an actuary to determine any possible liability. The information produced by the actuary was included in the SLPD's financial statements for the Fiscal Years ending June 30, 2008 and June 30, 2009. Complete financial statements may be obtained directly from the SLPD.

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. For the fiscal year ended June 30, 2009, the City, on behalf of the SLPD, provided healthcare insurance for approximately 1,480 retirees, while approximately 1,630 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 $6,056 per retiree for healthcare and $12.27 per retiree for life insurance. Historically, the City has funded the full amount of the OPEB obligation from its general fund revenues and expects to continue to do so.

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, 2010.

Fiscal Year Ending	City Cost
2010 estimate	$8,983,519
2009	7,903,645
2008	6,025,308
2007	5,605,911
2006	5,514,778
2005	6,470,532

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.

* * *

APPENDIX B
INDEPENDENT AUDITOR'S REPORT AND
BASIC FINANCIAL STATEMENTS
OF THE CITY OF ST. LOUIS, MISSOURI
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 PROCEDIRES ON TE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT, KPMG LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.

THE COMMON SEAL OF THE CITY OF ST. LOUIS.

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

Independent Auditor's Report

Honorable Mayor and Members of
the Board of Aldermen of the
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, 2009, 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 discretely presented component unit. The assets and revenues of the pension trust funds represent 90% and 32% of the assets and revenues, respectively, of the aggregate remaining fund information. The assets and revenues of the St. Louis Development Corporation represent 52% and 8% 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 unit, is based solely 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, 2009, 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 23, 2009, 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 18, the Budgetary Comparison Information on pages 137 through 142, and the Retirement Systems and Other Postemployment Benefit Plan Information on pages 143 through 144 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 23, 2009

As management of City of St. Louis, Missouri (the City), we offer readers of the City's Comprehensive Annual Financial Report this narrative overview and analysis of the City for the fiscal year ended June 30, 2009. The information presented here should be read in conjunction with our letter of transmittal and the City's financial statements including footnotes. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

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 $1.4 billion.
- Governmental activities and business-type activities had net assets of $177.3 million and $1.2 billion, respectively.
- The cost of services for the City's governmental activities was $704.4 million in fiscal year 2009 (excluding interest and fiscal charges).
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of $254.9 million. Of this amount, $55.0 million is unreserved fund balance.
- The unreserved fund balance for the general fund was $35.6 million or 7.8% of total general fund expenditures.
- In fiscal year 2009, the City issued $69.2 million in long-term debt to finance projects and refund debt. There was a net decrease of $6.7 million in debt during the current fiscal year.
- Net pension obligations/assets changed by $7.3 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 $26.6 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. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using accounting methods similar to those used by private sector business.

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 Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and inter-governmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities).

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.

Included in the financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, St. Louis Parking Commission Finance Corporation, and Grand Center Municipal Parking Finance Corporation as blended component units.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

1. *Governmental Funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of a fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

   Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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 non-major 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, the Police Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds and other post-employment benefits of the Police Department.

Combining Statements

The combining statements provide fund level detail for all non-major 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 year 2009 were $1.4 billion, the same as fiscal year 2008. 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 Summary
June 30, 2009 and 2008
(dollars in millions)

		Governmental Activities		Business-type Activities		Total	
		2009	2008	2009	2008	2009	2008
Assets:							
Current and other assets	$	462.2	508.2	387.3	385.1	849.5	893.3
Capital assets		807.6	780.6	1,889.0	1,873.7	2,696.6	2,654.3
Total assets		1,269.8	1,288.8	2,276.3	2,258.8	3,546.1	3,547.6
Liabilities:							
Long-term debt outstanding		975.3	950.4	944.3	967.9	1,919.6	1,918.3
Other liabilities		117.2	124.6	89.3	66.9	206.5	191.5
Total liabilities		1,092.5	1,075.0	1,033.6	1,034.8	2,126.1	2,109.8
Net assets:							
Invested in capital assets net of related debt		510.7	496.3	1,094.3	1,058.0	1,605.0	1,554.3
Restricted		32.8	29.9	138.0	142.7	170.8	172.6
Unrestricted		(366.2)	(312.4)	10.4	23.3	(355.8)	(289.1)
Total net assets	$	177.3	213.8	1,242.7	1,224.0	1,420.0	1,437.8

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 $1.4 billion at the close of the most recent fiscal year.

The largest portion of the City's net assets consists of its investments in 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 2009 and fiscal 2008, respectively, is $170.8 million and $172.6 million, which represent resources that are subject to external restrictions on how they may be used.

Total unrestricted net assets decreased by $66.7 million for the year ended June 30, 2009. Unrestricted governmental activities net assets showed a $366.2 million deficit at the end of 2009 as compared with a $312.4 million deficit in 2008. 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, $53.2 million
- Joint venture financing agreement for the expansion of the convention center, $57.5 million
- Tax increment financing debt for economic development projects in the amount of $163.6 million

Also, other financial activity effecting unrestricted governmental net assets in which no capital asset is associated with the debt issued is:

- Pension funding projects (Leasehold revenue bonds) $144.2 million

Although the net assets of the business-type activities account for 87.5% 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, 2009 and 2008
(dollars in millions)

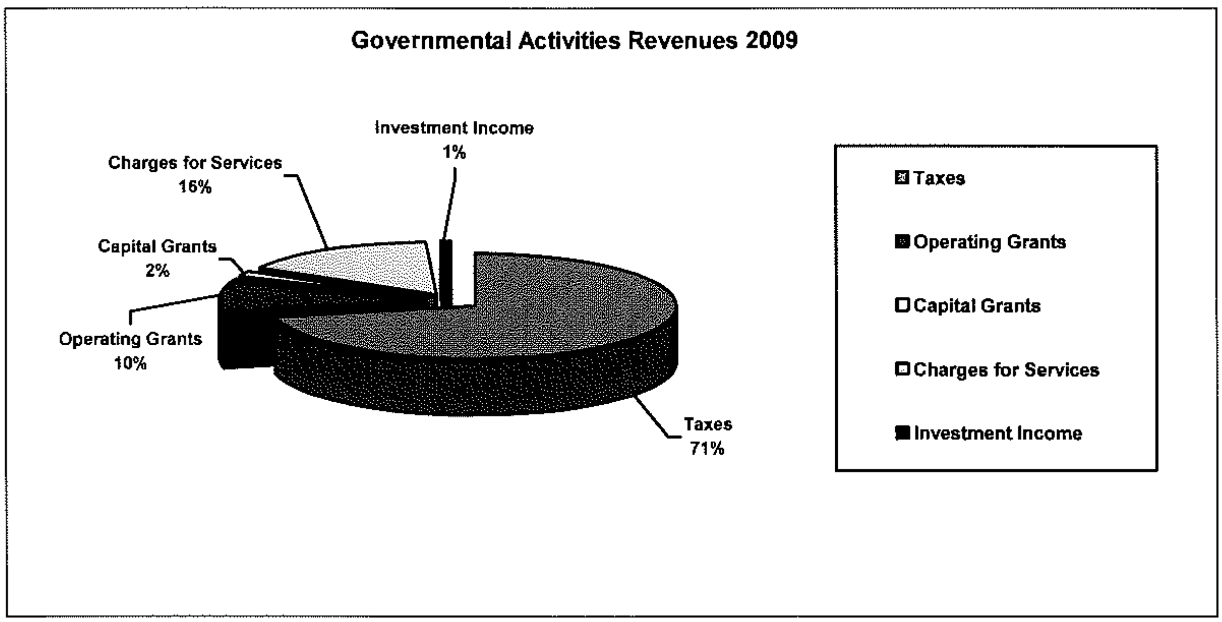
		Governmental Activites		Business-type Activites		Total	
		2009	2008	2009	2008	2009	2008
Revenues:							
Program revenues:							
Charges for services	$	112.5	110.1	221.7	225.0	334.2	335.1
Operating grants and contributions		73.6	72.9	2.7	4.3	76.3	77.2
Capital grants and contibutions		12.7	14.3	35.1	28.1	47.8	42.4
General revenues:						0.0	0.0
Taxes		509.5	473.7	—	—	509.5	473.7
Investment income		6.0	12.2	5.2	10.7	11.2	22.9
Total revenue		714.3	683.2	264.7	268.1	979.0	951.3
Expenses:							
General Government		85.7	74.2	—	—	85.7	74.2
Convention and tourism		4.5	4.4	—	—	4.5	4.4
Parks and recreation		33.4	31.3	—	—	33.4	31.3
Judicial		56.2	50.7	—	—	56.2	50.7
Streets		63.6	62.5	—	—	63.6	62.5
Public Safety:				—	—	0.0	0.0
Fire		70.6	69.7	—	—	70.6	69.7
Police -- Payment to the Police		146.9	143.5	—	—	146.9	143.5
Police Pension		8.2	12.9	—	—	8.2	12.9
Other		60.0	63.7	—	—	60.0	63.7
Health and welfare		54.2	45.7	—	—	54.2	45.7
Public service		59.2	70.0	—	—	59.2	70.0
Community development		61.9	60.6	—	—	61.9	60.6
Interest on long-term debt		54.7	50.0	—	—	54.7	50.0
Airport		—	—	175.8	215.7	175.8	215.7
Water division		—	—	47.5	45.1	47.5	45.1
Parking division		—	—	14.4	14.6	14.4	14.6
Total expenses		759.1	739.2	237.7	275.4	996.8	1,014.6
Increase (decrease) in net assets before gain and transfers		(44.8)	(56.0)	27.0	(7.3)	(17.8)	(63.3)
Transfers		8.3	8.7	(8.3)	(8.7)	—	—
Increase(decrease) in net assets		(36.5)	(47.3)	18.7	(16.0)	(17.8)	(63.3)
Net assets-beginning		213.8	261.1	1,224.0	1,240.0	1,437.8	1,501.1
Net assets-ending	$	177.3	213.8	1,242.7	1,224.0	1,420.0	1,437.8

Changes in net assets. The City's total revenue on a government-wide basis was $979.0 million, an increase of $27.7 million over the previous year. Taxes represent 52.0% of the City's revenue as compared with 49.8% last year. Additionally, 34.1% comes from fees charged for services, as compared to 35.2% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

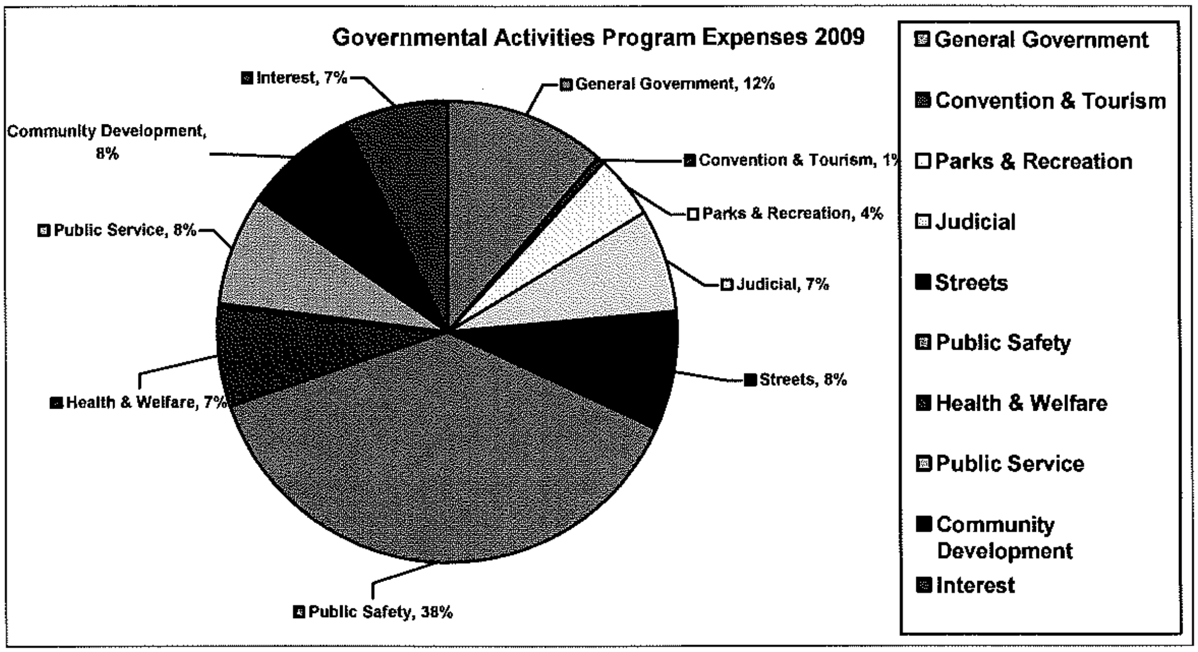
The total cost of all programs and services was $996.8 million, a decrease from $1,014.6 million last fiscal year. The City's expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

Governmental activities. As a result of this year's operations, the net assets of governmental activities decreased by $36.5 million or 17.1%. The net asset decrease is primarily related to the anticipated level of spending over the expected growth in revenues. Revenues increased by $31.1million or 4.6% due mainly to a change in telecommunication gross receipts and an additional sales tax for public safety. Total expenses increased by $19.9 million or 2.7%.

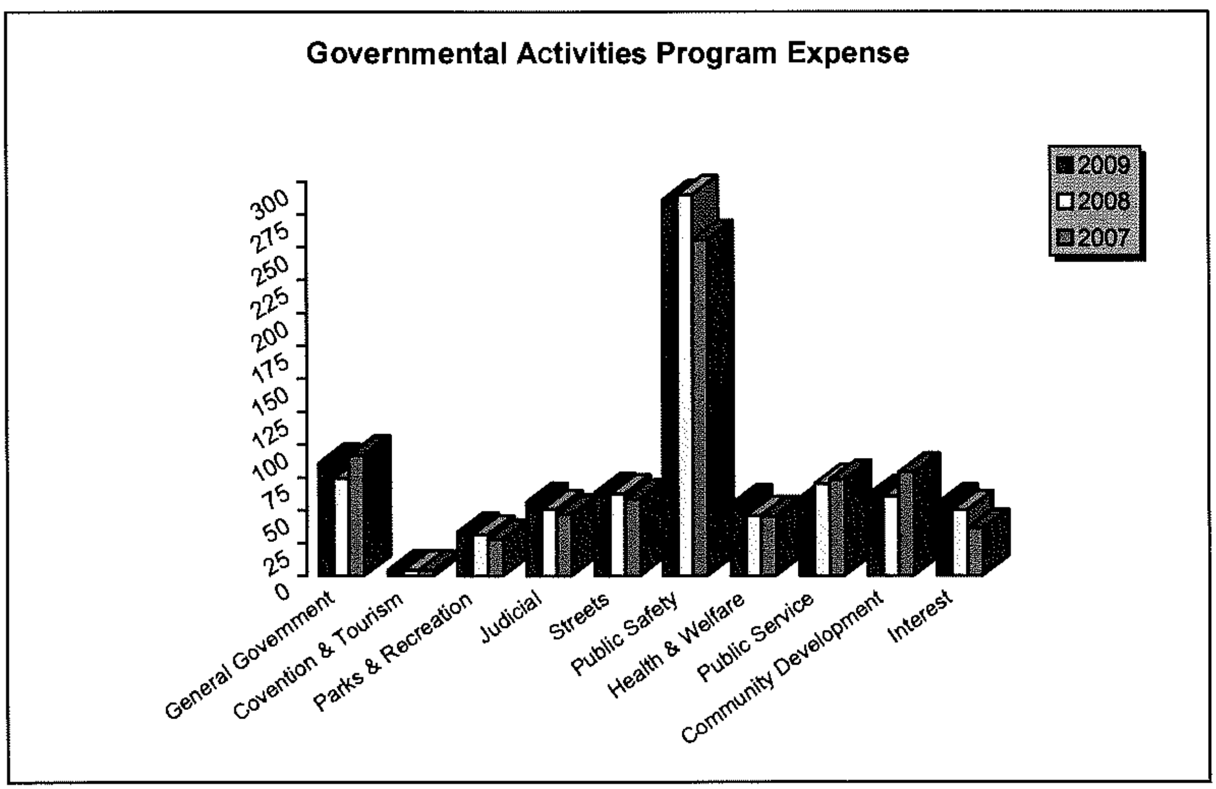
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2009.



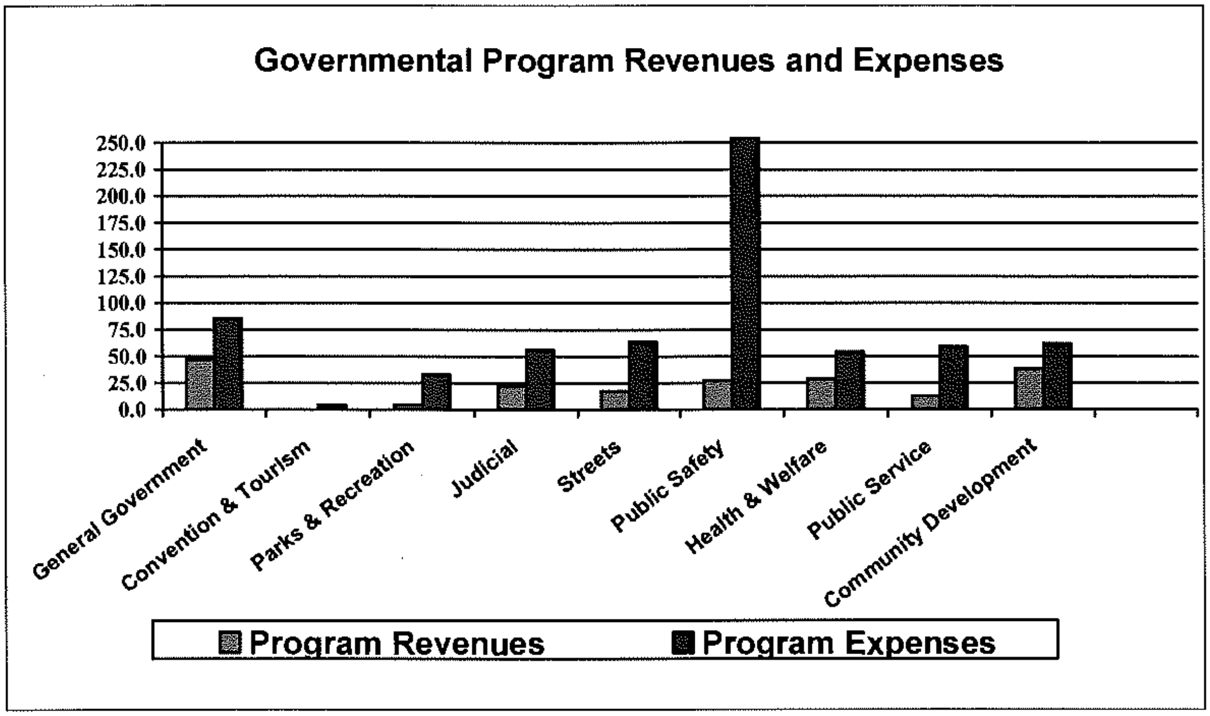
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was $759.1 million, an increase of $19.9 million or 2.6% over the prior year. As shown, public safety is the largest function in expense (38%). The majority of the spending was the result of funding the Police Department $147.0 million and the Fire Department $70.6 million.



The following chart is a comparison of expense of governmental activities for fiscal years ended 2009, 2008, and 2007.



The following chart depicts the total expenses and total program revenues of the City's governmental functions.



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

		Total Cost of Services		Net Costs of Services	
		2009	2008	2009	2008
General Government	$	85.7	74.2	38.8	39.0
Convention and tourism		4.5	4.5	4.5	4.4
Parks and recreation		33.4	31.3	28.8	28.7
Judicial		56.2	50.7	34.2	27.8
Streets		63.6	62.5	45.8	46.6
Public Safety:					
Fire		70.6	69.7	62.9	63.0
Police--Payment to Police		146.9	143.5	146.9	143.5
Police pension		8.2	12.9	8.2	12.9
Other		60.0	63.7	40.2	43.9
Health and welfare		54.2	45.7	25.3	22.5
Public service		59.2	70.0	46.2	41.5
Community development		61.9	60.6	23.8	18.1
Totals	$	704.4	689.3	505.6	491.9

The preceding charts represent the cost of governmental activities this year excluding interest and fiscal charges. The cost this year was $ 704.4 million compared with $689.3 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 $505.6 million. The difference of $198.8 million comprises charges for services ($112.5 million), operating grants and contributions ($73.6 million), and capital grants and contributions ($12.7 million).

Business-Type activities. Business-type activities reflect an increase in net assets of $18.7 million or 1.5%. This is due primarily to an increase in capital contributions received by the Airport from the federal government and a decrease in snow removal and deicer expense.

Lambert – St. Louis International Airport. The net assets of the Airport increased by $19.6 million or 1.9%. The operating gain was $1.0 million this year versus an operating loss of $6.4 million in 2008. Total operating revenues for 2009 was $134.4 million. Of this amount, major sources of operating revenue included aviation revenue (69.5%), concession revenue (16.3%), parking (11.5%), and lease revenue (2.7%). A significant non-operating revenue is passenger facility charges which accounts for $24.3 million.

At June 30, 2009, the capital assets balance was $1,653.5 million. This amount includes buildings and structures with $178.3 million, pavings with $646.4 million, and equipment with $25.4 million, all net of accumulated depreciation. Land is $750.6 million and construction in progress is $52.8 million.

At June 30, 2009, the Airport had bonded debt of $797.1 million.

Water Division. The net assets of the Water Division decreased by $1.1 million or .8%. Operating income was $2.1 million this year versus an operating income of $1.2 million in 2008. Total operating revenues for 2009 was $48.1million. Of this amount, major sources of operating revenue included metered revenue (43.4%) and flat rate revenue (43.9%).

At June 30, 2009, the capital assets balance was $155.2 million. This amount includes buildings and structures (net of accumulated depreciation) with $18.8 million, reservoirs and water mains with $90.9 million, equipment with $40.7 million, land with $1.2 million, and construction-in-progress with $3.6 million.

At June 30, 2009, the Water Division had bonded debt of $23.0 million.

Parking Division. The net assets of the Parking Division increased by $.2 million or .9%. Operating income was $2.7 million this year versus an operating income of $3.6 million in 2008. Total operating revenues for 2009 was $13.9 million. Of this amount, major sources of operating revenue included parking meter revenue (20.2%), parking violations notices revenue (32.0%), and parking facilities revenue (44.5%).

At June 30, 2009, the capital assets balance was $80.4 million. This amount includes buildings and parking garages (net of accumulated depreciation) $44.0 million, parking meters and lot equipment $1.2 million, equipment $.8 million, land $21.3 million and construction-in-progress $13.1 million.

At June 30, 2009, the Parking Division had bonded debt of $78.9 million.

The City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 20, 2009
(dollars in millions)

		2009	2008	2009 vs. 2008 $ Change	2009 vs. 2008 % Change
Total Assets	$	422.0	464.9	(42.9)	-9.2%
Total Liabilities		167.1	185.9	(18.8)	-10.1%
Fund Balance:					
Reserved:		199.9	212.2	(12.3)	-5.8%
Unreserved:					
General fund		35.6	33.7	1.9	5.6%
Special revenue		30.1	42.3	(12.2)	-28.8%
Capital projects		(10.7)	(9.2)	(1.5)	16.3%
Total Fund Balance		254.9	279.0	(24.1)	-8.6%
Total Liabilities and Fund Balance	$	422.0	464.9	(42.9)	-9.2%

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 $35.6 million, while the total general fund balance was $62.1 million. As of June 30, 2008, the balances were $33.7 million and $54.9 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 $35.6 million represents 7.7% of total general fund expenditures and transfers out of $463.3 million, while total general fund balance of $62.1 million represents 13.4% of total general fund expenditures and transfers out. This compares with 5.7% and 9.2%, respectively, in fiscal year 2008.

The total fund balance in the City's general fund increased by $7.2 million or 13.1 % in the current fiscal year. The City's general fund decreased by $19.9 million or 26.6% in the prior fiscal year. The key factor in the increase of the general fund balance is primarily due to additional debt service reserves.

The capital projects fund ended the fiscal year with a negative unreserved fund balance of $10.7 million and a total positive fund balance of $113.9 million, as compared with a negative unreserved fund balance of $9.3 million and a total positive fund balance of $137.9 million in fiscal year 2008. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received $73.6 million in intergovernmental revenues that funded community development in the amount of $32.5 million, or 44.2%, and health and welfare in the amount of $28.4 million, or 38.6%.

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 $11.7 million, the Water Division a negative amount of $4.4 million, and the Parking Division was $4.3 million, as compared with $20.8 million, negative $1.1 million, and $4.7 million, respectively in 2008. The total increase in net assets for the enterprise funds was $18.8 million in the current year and decrease of $16.0 million the previous year.

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 a decrease of $353.0 million from the previous year. The net decrease is primarily due to the decrease 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 $68.5 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, $4.2 million had been set aside for prior year encumbrances and commitments, and there were no supplemental appropriations. The original general fund budget totaled $460.9 million. Actual results for the fiscal year had revenues and transfers in falling short of original estimates by $17.9 million, totaling $443.0 million.

Actual expenditures and transfers out totaled $453.6 million. This includes expenditures of $3.2 million from prior year encumbrances and commitments. The encumbrances and commitments carried over into the next fiscal year in regard to the fiscal year 2009 budget total $3.0 million. A transfer out of $1.1 million was made to a 27th Pay Reserve. The General Fund ended the fiscal year with a budget basis operating deficit of $10.7 million. As of June 30, 2009, the unreserved fund balance of the General Fund was $6.3 million on a cash basis.

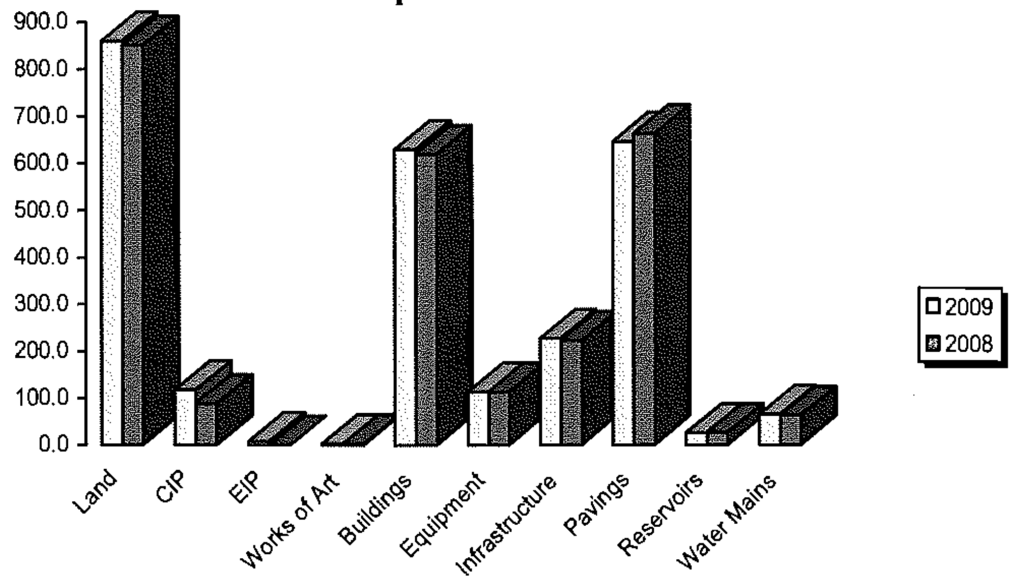
CAPITAL ASSETS AND DEBT ADMINISTRATION
Capital Assets

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 increase for the current fiscal year (including additions and deductions) of $43.3 million, or 1.6%, 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 Actvities		Total	
		2009	2008	2009	2008	2009	2008
Land	$	85.8	77.9	773.1	773.0	858.9	850.9
Construction in progress		48.5	51.5	69.5	37.4	118.0	88.9
Equipment in progress		7.9	—	—	—	7.9	—
Works of art		3.3	3.3	—	—	3.3	3.3
Buildings and improvements		388.9	378.5	241.1	241.9	630.0	620.4
Equipment		45.4	46.1	68.0	67.5	113.4	113.6
Infrastructure		227.8	223.3	—	—	227.8	223.3
Paving		—	—	646.4	663.6	646.4	663.6
Resevoirs		—	—	25.9	26.5	25.9	26.5
Water mains, lines, accessories		—	—	65.0	63.8	65.0	63.8
Total	$	807.6	780.6	1,889.0	1,873.7	2,696.6	2,654.3

Capital Assets



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 2009, the City had outstanding long-term debt obligations for governmental activities in the amount of $909.3 million compared with $890.8 million in fiscal year 2008. Of this amount, $49.8 million are general obligation bonds and $163.6 million are tax increment financing bonds. Leasehold revenue obligations outstanding totaled $517.6 million.

The City of St. Louis, Missouri

Outstanding Long-term Debt Obligations-Governmental Activities

(dollars in millions)

		Fiscal Year 2009	Fiscal Year 2008	$ change	% change
General obligation bonds payable	$	49.8	50.9	(1.1)	-2.2%
Section 108 Loan Guarantee Assistance Programs		53.2	56.0	(2.8)	-5.0%
Federal Financing Bank advances		0.6	0.6	0.0	0.0%
Tax increment financing bonds and notes payable		163.6	137.0	26.6	19.4%
Master note purchase agreement		0.1	0.1	0.0	0.0%
Loan agreement with Missouri Department of Natural Resources		0.5	1.0	(0.5)	-50.0%
Loan agreement with Missouri Transportation Finance Corporation		4.2	4.5	(0.3)	-6.7%
Capital lease—rolling stock		13.1	9.9	3.2	32.3%
Certificates of participation		9.1	0.0	9.1	—
Obligations with component units		40.0	49.7	(9.7)	-19.5%
Leasehold revenue improvement and refunding bonds		517.6	520.1	(2.5)	-0.5%
Joint venture financing agreement		57.5	61.0	(3.5)	-5.7%
Total	**$**	**909.3**	**890.8**	**18.5**	**2.1%**

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 2009 was $468,315 million. The City's effective legal debt margin as of June 30, 2009 was $427,741 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 2009. The City ratings on uninsured general obligation bonds as of June 30, 2009 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
Revenue Bonds Outstanding
Long-Term Debt Obligations-Business Type Activities
(dollars in millions)

		Fiscal Year 2009	Fiscal Year 2008	$ change	% change
Airport	$	797.1	818.8	(21.7)	-2.65%
Water Division		23.0	26.3	(3.3)	-12.55%
Parking Division		78.9	80.4	(1.5)	-1.87%
Total	$	899.0	925.5	(26.5)	-2.86%

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2009 and June 30, 2008 were $899.0 million and $925.5 million, respectively. The amount reflects a decrease of $26.5 million, or 2.86%. This amount includes Airport bonds of $797.1 million, Water Division bonds of $23.0 million, and Parking Division bonds of $78.9 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 2010 annual operating budget allocates $967.2 million among all budgeted funds, an increase of .6%.
- The fiscal year 2010 general fund budget is $453.9 million compared with $460.5 million in the prior year. This amount reflects a decrease of $6.6 million, or 1.4%.
- Total positions for fiscal year 2010 is 7,195, an decrease of 113 positions mainly in the public safety and health 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.


THE COMMON SEAL OF
THE CITY OF ST. LOUIS.

City of St. Louis, Missouri
Statement of Net Assets
June 30, 2009
(dollars in thousands)

		Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	SWMDC
ASSETS						
Cash and cash equivalents	$ 78,724	18,020	96,744	11,739	884	1,179
Investments	10,182	1,680	11,862	—	2,012	1,499
Receivables, net	163,493	40,132	203,625	11,546	1,092	—
Inventories	—	4,359	4,359	—	1,093	—
Restricted assets	149,651	298,921	448,572	2,190	4,108	—
Deferred charges	15,695	33,071	48,766	—	—	—
Internal balances	9,557	(9,557)	—	—	—	—
Other assets	15	682	697	566	54	—
Receivable from primary government	—	—	—	2,383	4,212	—
Receivable from component unit	1,620	—	1,620	—	—	—
Net pension asset	33,294	—	33,294	—	—	—
Property held for development	—	—	—	13,868	—	—
Capital assets, net:						
Non-depreciable	145,503	842,592	988,095	4,914	1,912	—
Depreciable	662,111	1,046,438	1,708,549	9,247	29,313	5,752
Total assets	1,269,845	2,276,338	3,546,183	56,453	44,680	8,430
LIABILITIES						
Accounts payable and accrued liabilities	23,352	29,932	53,284	1,456	825	—
Accrued salaries and other benefits	7,185	7,618	14,803	—	3,183	—
Accrued interest payable	55,300	21,263	76,563	298	—	—
Unearned revenue	13,707	5,055	18,762	—	—	—
Other liabilities	2,434	—	2,434	—	—	—
Commercial paper payable	—	25,000	25,000	—	—	—
Notes payable	9,068	—	9,068	—	—	—
Payable to primary government	—	—	—	—	1,620	—
Payable to component units	6,195	400	6,595	—	—	—
Long-term liabilities:						
Due within one year	78,536	26,989	105,525	10,610	33,501	—
Due in more than one year	896,765	917,334	1,814,099	25,220	53,084	—
Total liabilities	1,092,542	1,033,591	2,126,133	37,584	92,213	—
NET ASSETS						
Invested in capital assets, net of related debt	510,743	1,094,296	1,605,039	2,397	31,225	5,752
Restricted:						
Debt service	1,491	93,923	95,414	2,190	—	—
Capital projects	—	6,677	6,677	—	—	—
Airport improvement program	—	6,545	6,545	—	—	—
Passenger facility charges	—	30,850	30,850	—	—	—
Statutory restrictions	31,293	—	31,293	—	4,412	—
Unrestricted (deficit)	(366,224)	10,456	(355,768)	14,282	(83,170)	2,678
Total net assets	$ 177,303	1,242,747	1,420,050	18,869	(47,533)	8,430

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
Year ended June 30, 2009
(dollars in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets – Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: SLDC	Component Units: SLPD	Component Units: SWMDC
Primary Government:										
Governmental activities:										
General government	$ 85,680	37,706	9,138	—	(38,836)	—	(38,836)	—	—	—
Convention and tourism	4,504	19	—	—	(4,485)	—	(4,485)	—	—	—
Parks and recreation	33,431	4,516	131	—	(28,784)	—	(28,784)	—	—	—
Judicial	56,159	18,952	3,034	—	(34,173)	—	(34,173)	—	—	—
Streets	63,646	17,734	129	—	(45,783)	—	(45,783)	—	—	—
Public safety:										
Fire	70,572	7,669	—	—	(62,903)	—	(62,903)	—	—	—
Police— payment to SLPD	146,955	—	—	—	(146,955)	—	(146,955)	—	—	—
Police pension	8,196	—	—	—	(8,196)	—	(8,196)	—	—	—
Other	60,020	19,632	167	—	(40,221)	—	(40,221)	—	—	—
Health and welfare	54,223	494	28,384	—	(25,345)	—	(25,345)	—	—	—
Public service	59,218	253	41	12,726	(46,198)	—	(46,198)	—	—	—
Community development	61,859	5,524	32,539	—	(23,796)	—	(23,796)	—	—	—
Interest and fiscal charges	54,684	—	—	—	(54,684)	—	(54,684)	—	—	—
Total governmental activities	759,147	112,499	73,563	12,726	(560,359)	—	(560,359)	—	—	—
Business-type activities:										
Airport	175,758	159,061	2,683	35,122	—	21,108	21,108	—	—	—
Water Division	47,500	48,709	—	—	—	1,209	1,209	—	—	—
Parking Division	14,352	13,897	—	—	—	(455)	(455)	—	—	—
Total business-type activities	237,610	221,667	2,683	35,122	—	21,862	21,862	—	—	—
Total primary government	$ 996,757	334,166	76,246	47,848	(560,359)	21,862	(538,497)	—	—	—
Component Units:										
SLDC	$ 16,575	6,740	7,574	—	—	—	—	(2,261)	—	—
SLPD	184,852	3,950	15,678	1,347	—	—	—	—	(163,877)	—
SWMDC	315	348	—	275	—	—	—	—	—	308
Total component units	$ 201,742	11,038	23,252	1,622	—	—	—	(2,261)	(163,877)	308
General revenues:										
Taxes:										
Property taxes, levied for general purpose					$ 67,562	—	67,562	—	—	—
Property taxes, levied for debt service					4,810	—	4,810	—	—	—
Sales taxes					143,972	—	143,972	—	—	—
Earnings/payroll taxes					181,214	—	181,214	—	—	—
Gross receipts taxes (includes franchise tax)					108,178	—	108,178	—	—	—
Miscellaneous taxes					3,712	—	3,712	—	—	—
Unrestricted investment earnings					6,001	5,188	11,189	220	135	29
Support provided by City of St. Louis, Missouri					—	—	—	—	146,955	—
Gain on sale of capital assets					83	—	83	—	—	—
Transfers					8,301	(8,301)	—	—	—	—
Total general revenues and transfers					523,833	(3,113)	520,720	220	147,090	29
Change in net assets					(36,526)	18,749	(17,777)	(2,041)	(16,787)	337
Net assets—beginning of year					213,829	1,223,998	1,437,827	20,910	(30,746)	8,093
Net assets—end of year					$ 177,303	1,242,747	1,420,050	18,869	(47,533)	8,430

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2009
(dollars in thousands)

		Major Funds		Nonmajor Funds	
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents:					
Restricted	$ 11,509	7,492	—	7,137	26,138
Unrestricted	18,967	10,303	—	47,795	77,065
Investments:					
Restricted	15,120	100,406	—	7,987	123,513
Unrestricted	828	798	3,495	5,015	10,136
Receivables, net of allowances					
Taxes	94,240	2,641	—	35,256	132,137
Licenses and permits	2,564	—	—	252	2,816
Intergovernmental	3,812	1,037	19,118	1,147	25,114
Charges for services	434	57	—	1,898	2,389
Notes and loans	—	—	—	56	56
Other	552	97	1	207	857
Due from component units	1,620	—	—	—	1,620
Due from other funds	17,878	—	—	2,306	20,184
Total assets	$ 167,524	122,831	22,614	109,056	422,025
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 3,997	8,547	7,438	2,264	22,246
Accrued salaries and other benefits	5,719	83	980	403	7,185
Due to component units	4,212	—	—	1,961	6,173
Due to other funds	1,290	235	14,258	962	16,745
Advance from other funds	16,090	—	—	—	16,090
Deferred revenue	72,480	43	—	23,753	96,276
Other liabilities	1,682	—	—	752	2,434
Total liabilities	105,470	8,908	22,676	30,095	167,149
Fund balances:					
Reserved:					
Encumbrances	1,617	31,442	—	6,337	39,396
Debt service	24,867	1,486	—	16,500	42,853
Special revenues	—	—	—	25,958	25,958
Capital projects	—	91,684	—	—	91,684
Unreserved, reported in:					
General fund	35,570	—	—	—	35,570
Special revenue funds	—	—	(62)	30,166	30,104
Capital projects fund	—	(10,689)	—	—	(10,689)
Total fund balances	62,054	113,923	(62)	78,961	254,876
Total liabilities and fund balances	$ 167,524	122,831	22,614	109,056	422,025

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, 2009
(dollars in thousands)

Total fund balances—governmental funds—balance sheet	$	254,876
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets and certain other 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.		807,577
The City reports a net pension asset on the statement of net assets to the extent actual contributions to the City's retirement plans exceed the annual actuarial required contribution. This asset is not reported in the fund financial statements. Fluctuations in net pension assets are reported in the statement of activities.		33,294
Various taxes related to fiscal year 2009 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.		13,567
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, 2009 and payable on December 31, 2009 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.		69,002
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.		2,592
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.		15,695
Notes payable applicable to the City's governmental activities are not due and payable using current financial resources and, accordingly, are not reported as liabilities within the fund financial statements.		(9,068)
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, 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, 2009 are:		
Accrued compensated absences		(28,212)
Net pension obligation		(22,406)
Accrued interest payable on bonds		(55,300)
Landfill closure liability		(250)
Joint venture financing agreement		(57,516)
Certificates of participation		(9,100)
Obligation with component unit		(40,000)
Capital leases-rolling stock		(13,131)
Bonds and notes payable		(789,363)
Unamortized discounts		5,219
Unamortized premiums		(12,586)
Unamortized deferred amounts on refunding		12,413
Total net assets—governmental activities—statement of net assets	$	177,303

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, 2009
(dollars in thousands)

	Major Funds			Nonmajor Funds	
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 342,751	18,819	—	144,658	506,228
Licenses and permits	16,924	—	—	5,314	22,238
Intergovernmental	24,974	13,356	73,563	4,800	116,693
Charges for services, net	13,266	323	—	14,727	28,316
Court fines and forfeitures	11,127	—	—	—	11,127
Investment income	2,364	2,685	(2)	954	6,001
Interfund services provided	6,354	—	—	—	6,354
Miscellaneous	4,094	365	—	8,406	12,865
Total revenues	421,854	35,548	73,561	178,859	709,822
EXPENDITURES					
Current:					
General government	51,435	20	10,229	18,542	80,226
Convention and tourism	187	—	—	11	198
Parks and recreation	19,101	6,712	82	3,932	29,827
Judicial	49,250	—	2,933	3,039	55,222
Streets	30,216	4,287	188	2,809	37,500
Public Safety:					
Fire	60,972	—	—	1,038	62,010
Police	124,480	1,234	—	21,241	146,955
Police-pension	8,072	—	—	—	8,072
Other	47,100	—	73	10,270	57,443
Health and welfare	3,247	—	29,214	20,980	53,441
Public services	24,424	2,053	(676)	32,793	58,594
Community development	—	—	29,725	33,495	63,220
Capital outlay	—	65,785	—	1,830	67,615
Debt service:					
Principal	21,727	8,434	840	10,758	41,759
Interest and fiscal charges	17,124	4,676	953	25,887	48,640
Total expenditures	457,335	93,201	73,561	186,625	810,722
Deficiency of revenues over expenditures	(35,481)	(57,653)	—	(7,766)	(100,900)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	—	83	—	—	83
Issuance of SLMFC Certificates of Participation	9,100	—	—	—	9,100
Issuance of Convention Center 2008 leasehold revenue bonds	6,160	15,690	—	—	21,850
Bond discount on debt issuances	(525)	—	—	—	(525)
Issuance of capital lease-Rolling Stock	—	5,600	—	—	5,600
Issuance of tax increment financing notes	—	—	—	32,669	32,669
Issuance of Justice Center notes	9,069	(1)	—	—	9,068
Payment to refunded escrow agent-obligation with component unit	(9,354)	—	—	—	(9,354)
Transfers in	34,172	12,321	—	4,356	50,849
Transfers out	(5,958)	(41)	—	(36,549)	(42,548)
Total other financing sources (uses), net	42,664	33,652	—	476	76,792
Net change in fund balances	7,183	(24,001)	—	(7,290)	(24,108)
Fund balances:					
Beginning of year	54,871	137,924	(62)	86,251	278,984
End of year	$ 62,054	113,923	(62)	78,961	254,876

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, 2009
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances		$ (24,108)
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. Details of the reported amounts are as follows:		
Capital ontlay	67,615	
Capital contribution	270	
Loss on disposal of capital assets	(840)	
Depreciation expense	(43,215)	
		23,830
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 resonrces 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:		
Change in revennes received after the 60-day accrual period	2,799	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	1,346	
		4,145
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.		1,427
The City reports a net pension obligation/asset on the statement of net assets to the extent actual contributions to the City's retirement plans fall below/exceed the annual required contribution. This obligation/asset is not reported in the fund financial statements. Fluctuations in net pension obligations/assets are reported in the statement of activities.		(7,065)
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 2008 Convention Center Tax Leasehold Revenue Bonds	(21,850)	
Series 2008 St. Louis Municipal Finance Corporation (SLMFC) Certificates of Participation	(9,100)	
Notes payable Justice Center 2008 Debt Service Reserve-short term debt	(9,068)	
Capital Lease-Rolling Stock	(5,600)	
Tax increment financing notes payable	(32,669)	
Repayments during the current year:		
Advance refunding of obligation with component unit	9,205	
Annual principal payments on bonds and notes payable	35,452	
Annual principal payments on joint venture financing agreement	3,512	
Annual principal payments on capital leases	2,310	
Aunnal principal payments on SLMFC Certificates of Participation	485	
		(27,323)
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	(1,912)	
Accrued interest payable on bonds	(6,114)	
Landfill closure liability	(150)	
Discounts on debt issuances, net of amortization	329	
Premiums on debt issuances, net of amortization	1,654	
Deferred bond issuance costs, net of amortization	(1,388)	
Deferred amounts on refundings, net of amortization	149	
		(7,432)
Change in net assets—governmental activities—statement of activities		$ (36,526)

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
(dollars in thousands)

	Major Funds—Enterprise Funds: Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	$ 62,895	5,295	1,612	69,802	—
Unrestricted cash and cash equivalents	5,336	3,927	8,757	18,020	1,659
Investments – unrestricted	—	3	1,677	1,680	46
Receivables, net of allowances:					
Intergovernmental	15,916	—	—	15,916	124
Charges for services	14,648	6,150	109	20,907	—
Passenger facility charges	3,248	—	—	3,248	—
Accrued interest	61	—	—	61	—
Prepaid assets	—	—	—	—	15
Due from other funds	—	—	—	—	5,056
Advance to other funds	—	—	—	—	16,090
Inventories	1,901	2,458	—	4,359	—
Other current assets	660	2	20	682	—
Total current assets	104,665	17,835	12,175	134,675	22,990
Noncurrent assets:					
Cash and cash equivalents-restricted	7,548	—	—	7,548	—
Investments – restricted	202,027	7,872	11,672	221,571	—
Capital assets:					
Property, plant, and equipment	1,465,444	273,107	64,600	1,803,151	137
Less accumulated depreciation	(615,353)	(122,716)	(18,644)	(756,713)	(100)
	850,091	150,391	45,956	1,046,438	37
Land	750,557	1,238	21,318	773,113	—
Construction-in-progress	52,828	3,550	13,101	69,479	—
Capital assets, net	1,653,476	155,179	80,375	1,889,030	37
Deferred charges and other assets	31,055	203	1,813	33,071	—
Total noncurrent assets	1,894,106	163,254	93,860	2,151,220	37
Total assets	1,998,771	181,089	106,035	2,285,895	23,027
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	10,354	2,127	1,960	14,441	1,106
Accrued salaries and other benefits	1,555	588	121	2,264	—
Accrued vacation and compensatory time benefits	3,572	1,636	146	5,354	—
Contracts and retainage payable	15,491	—	—	15,491	—
Accrued interest payable	20,586	542	135	21,263	—
Current portion of revenue bonds	21,670	3,440	1,879	26,989	—
Commercial paper payable	25,000	—	—	25,000	—
Due to other funds	4,176	3,788	473	8,437	58
Due to component unit	—	—	400	400	22
Claims payable	—	—	—	—	20,369
Deferred revenue	1,301	1,852	1,902	5,055	—
Total current liabilities	103,705	13,973	7,016	124,694	21,555
Noncurrent liabilities:					
Revenue bonds payable, net	796,434	19,094	71,119	886,647	—
Deposits held for others	—	1,610	—	1,610	—
Other liabilities	20,978	6,592	1,507	29,077	—
Total noncurrent liabilities	817,412	27,296	72,626	917,334	—
Total liabilities	921,117	41,269	79,642	1,042,028	21,555
NET ASSETS					
Invested in capital assets, net of related debt	950,263	132,645	11,388	1,094,296	37
Restricted:					
Debt service	78,332	4,880	10,711	93,923	—
Capital projects	—	6,677	—	6,677	—
Airport improvement program	6,545	—	—	6,545	—
Passenger facility charges	30,850	—	—	30,850	—
Unrestricted (deficit)	11,664	(4,382)	4,294	11,576	1,435
Total net assets	$ 1,077,654	139,820	26,393	1,243,867	1,472

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	$ 1,242,747

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, 2009
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert—St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Aviation revenues	$ 93,419	—	—	93,419	—
Concessions	21,981	—	—	21,981	—
Water sales	—	45,208	—	45,208	—
Lease revenue	3,626	—	—	3,626	—
Parking, net	15,423	—	13,897	29,320	—
Charges for services	—	—	—	—	22,968
Intergovernmental revenue	—	—	—	—	264
Miscellaneous	—	2,906	—	2,906	—
Total operating revenues	134,449	48,114	13,897	196,460	23,232
OPERATING EXPENSES					
Claims incurred	—	—	—	—	18,269
Premiums	—	—	—	—	2,986
Personal services	42,665	16,100	6,797	65,562	507
Material and supplies	5,099	10,355	244	15,698	29
Purchased power	—	2,417	—	2,417	—
Contractual services	35,597	5,835	1,101	42,533	—
Miscellaneous	(62)	3,235	852	4,025	—
Depreciation and amortization	47,429	4,943	2,159	54,531	14
Interfund services used	2,755	3,145	73	5,973	—
Total operating expenses	133,483	46,030	11,226	190,739	21,805
Operating income	966	2,084	2,671	5,721	1,427
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	2,683	—	—	2,683	—
Investment income	4,343	464	381	5,188	—
Interest expense	(40,575)	(1,412)	(3,108)	(45,095)	—
Passenger facility charges	24,299	—	—	24,299	—
Amortization of bond issue costs	(1,478)	(36)	—	(1,514)	—
Loss on disposal of capital assets	(222)	(22)	—	(244)	—
Miscellaneous, net	313	595	(18)	890	—
Total nonoperating revenues (expenses), net	(10,637)	(411)	(2,745)	(13,793)	—
Income (loss) before transfers and capital contributions	(9,671)	1,673	(74)	(8,072)	1,427
Transfers in	—	—	607	607	—
Transfers out	(5,831)	(2,777)	(300)	(8,908)	—
Capital contributions	35,122	—	—	35,122	—
Change in net assets	19,620	(1,104)	233	18,749	1,427
Total net assets—beginning of year	1,058,034	140,924	26,160		45
Total net assets—end of year	$ 1,077,654	139,820	26,393		1,472

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	—
Change in net assets of business-type activities—government-wide statement of activities	$ 18,749

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2009
(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	$ 145,598	47,658	14,107	207,363	18,745
Other operating cash receipts	—	—	54	54	—
Payments to suppliers of goods and services	(48,539)	(20,889)	(2,884)	(72,312)	(17,365)
Payments to employees	(42,363)	(15,747)	(6,830)	(64,940)	(262)
Payments for interfund services used	(2,309)	(3,644)	—	(5,953)	—
Net cash provided by operating activities	52,387	7,378	4,447	64,212	1,118
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Interest paid on share of bond pension liability	—	(234)	—	(234)	—
Transfers from other funds	—	—	607	607	—
Transfers to other funds	(5,831)	(2,848)	(300)	(8,979)	—
Net cash provided by (used in) noncapital financing activities	(5,831)	(3,082)	307	(8,606)	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	24,744	—	—	24,744	—
Receipts from federal financing assistance	27,180	—	—	27,180	—
Acquisition and construction of capital assets	(53,651)	(4,338)	(10,674)	(68,663)	—
Proceeds from sale of surplus property	1,551	—	—	1,551	—
Proceeds from issuance of commercial paper	28,000	—	—	28,000	—
Principal paid on commercial paper	(4,000)	—	—	(4,000)	—
Principal paid on revenue bond maturities	(21,725)	(3,300)	(1,546)	(26,571)	—
Cash paid for interest	(41,869)	(1,100)	(3,494)	(46,463)	—
Proceeds from lease termination and other	—	629	500	1,129	—
Net cash used in capital and related financing activities	(39,770)	(8,109)	(15,214)	(63,093)	—
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(612,110)	(74,546)	(86,817)	(773,473)	—
Proceeds from sales and maturities of investments	615,049	81,160	97,363	793,572	—
Investment income	4,036	510	496	5,042	—
Net cash provided by investing activities	6,975	7,124	11,042	25,141	—
Net increase in cash and cash equivalents	13,761	3,311	582	17,654	1,118
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	8,891	1,884	3,661	14,436	587
Restricted	53,127	4,027	6,126	63,280	—
	62,018	5,911	9,787	77,716	587
End of year:					
Unrestricted	5,336	3,927	1,612	10,875	1,705
Restricted	70,443	5,295	8,757	84,495	—
	$ 75,779	9,222	10,369	95,370	1,705
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 966	2,084	2,671	5,721	1,427
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	47,429	4,942	2,159	54,530	14
Changes in assets and liabilities:					
Receivables, net	3,774	292	(23)	4,043	(124)
Inventories	(66)	(678)	—	(744)	—
Other assets, net	(209)	—	20	(189)	29
Accounts payable, accrued liabilities, accrued salaries and other benefits	(3,251)	208	224	(2,819)	815
Claims payable	—	—	—	—	3,520
Deferred revenue	113	222	(36)	299	—
Due to/from other funds	446	1,070	(615)	901	(842)
Advance to other funds	—	—	—	—	(3,721)
Advance from other funds	—	(585)	—	(585)	—
Deposits held for others	—	(199)	—	(199)	—
Other long term liabilities	3,185	22	47	3,254	—
Total adjustments	51,421	5,294	1,776	58,491	(309)
Net cash provided by operating activities	$ 52,387	7,378	4,447	64,212	1,118
Supplemental disclosure for noncash activities:					
Loss on disposal of surplus property	$ (222)	$ (22)	$ —	$ (244)	
Unrealized gain on investments	$ 510	$ 3	$ 155	$ 668	

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(dollars in thousands)

		Pension Trust Funds	Agency Funds
ASSETS			
Cash and cash equivalents—unrestricted	$	14,808	31,793
Cash and cash equivalents—restricted		—	5,042
Investments—unrestricted		—	3,353
Pension trust investments—unrestricted:			
U. S. government securities		87,150	—
Corporate bonds		125,129	—
Domestic bond funds		46,180	—
Stocks		635,460	—
Foreign government and corporate obligations		18,681	—
Mortgage-backed securities		65,141	—
Collective investment funds		288,796	—
Real estate group annuity and equities		156,531	—
Investment property		1,589	—
Hedge funds		44,253	—
Money market mutual funds and other short-term investments		68,287	—
Managed international equity funds		114,076	—
Total investments		1,651,273	—
Securities lending collateral		108,304	—
Receivables, net of allowances:			
Taxes		—	27,464
Contributions		1,551	—
Accrued interest		3,357	—
Other		8,252	870
Capital assets		456	—
Total assets		1,788,001	68,522
LIABILITIES			
Accounts payable and accrued liabilities		1,771	2,362
Deposits held for others		1,064	32,625
Due to other governmental agencies		—	33,535
Securities lending collateral liability		108,304	—
Other liabilities		7,600	—
Total liabilities		118,739	68,522
NET ASSETS			
Net assets held in trust for pension benefits	$	1,669,262	—

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, 2009
(dollars in thousands)

		Pension Trust Funds
ADDITIONS		
Contributions:		
Members	$	7,500
Employers		48,219
Investment income:		
Interest and dividends		38,318
Class action settlements		85
Net depreciation in fair value of investments		(307,493)
		(269,090)
Less investment expense		(7,936)
Net investment income		(277,026)
Total additions		(221,307)
DEDUCTIONS		
Benefits		123,519
Refunds of contributions		5,328
Administrative expense		2,715
Total deductions		131,562
Net decrease		(352,869)
Net assets held in trust for pension benefits:		
Beginning of year		2,022,131
End of year	$	1,669,262

See accompanying notes to basic financial statements.

I. 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 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.

Grand Center Municipal Parking Finance Corporation (MPFC)

The MPFC was established during the year ended June 30, 2008 but had no financial activities as of June 30, 2009. The MPFC is a legally separate not-for-profit public benefit corporation with the Parking Commission as the sole member of the MPFC. Because the Parking Division appoints all of MPFC's directors and is able to impose its will on the MPFC, it is considered to be a component unit of the Parking Division. The MPFC's goal is to employ innovative public parking programs, services, technology, and products to strengthen the economic vitality and competitiveness of arts and entertainment venues and supporting enterprises operating in the Grand Center area. An additional goal is to improve the coordination of public parking regulations and enforcement, along with the quality marketability, availability, and accessibility of public parking spaces in the Grand Center area.

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.

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) Change in Reporting Entity

The City included Forest Park Forever, Inc. (FPF) as a discretely presented component unit as of June 30, 2008. During 2009, the City determined that the economic resources held by FPF for the direct benefit of the City are not significant to the City and, hence, the City has recorded a change in their reporting entity and FPF is not presented as a discretely presented component unit as of and for the year ended June 30, 2009.

4) 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.

5) 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.

6) Pension Trust Funds

Financial information for the pension trust funds has been included within the accompanying financial statements as of September 30, 2008, which is the fiscal year end of the retirement plans, which falls within the City's current fiscal year end.

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 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.

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 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).

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 for 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.

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 2008 was $1.3225 per $100 (in dollars) of assessed valuation of which $1.2276 (in dollars) is for the general fund and $0.0949 (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.

The City invests in various investments. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the fair values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

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.

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.

(dollars in thousands)

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:

	Years
Buildings	40 to 99
Improvements other than buildings	20 to 40
Equipment	5 to 20
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.

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

(dollars in thousands)

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.

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:

	Years
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. 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:

	Years
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.

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 – 100
Building improvements	10 – 15
Furniture and fixtures and other Equipment	5 – 8
Automotive equipment	3
Communication equipment	5
Computer and software	3

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.

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 as part of accrued salaries and other benefits, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2009.

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 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, $35,374 will remain in force and will be liquidated under the current year's budget and $4,022 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, 2009 are comprised of the following:

1) General Fund
Cash and investments with trustees to be used for debt service related to various projects.

2) Capital Projects Fund
Cash and investments with trustees to be used for debt service and construction related to various capital projects, and the 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, lateral sewer repair program funds, licensed gaming revenue, parks and recreation sales tax, public safety sales tax, and Forest Park maintenance.

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.

t. Individual Fund Deficit

At June 30, 2009, the grants fund has a deficit fund balance of $(62). This amount will be offset by future commissions. The extraordinary expenses special revenue fund has deficit fund balance of $(331). This amount will be offset by charges for services to other funds in future years.

u. Adoption of New Accounting Pronouncements

Effective July 1, 2008 the City adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses accounting and financial reporting standards for pollution (including contaminations) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The City has determined that the adoption of this statement has no material effect on its financial statements.

(dollars in thousands)

v. Reclassifications

Certain 2008 amounts included within the notes to the basic financial statements have been reclassified to conform with current year presentation.

2. DEPOSITS AND INVESTMENTS

a. Primary Government

The following is a reconciliation of the City's deposit and investment balances as of June 30, 2009:

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.

		Cash and Cash and Equivalents	Investments	Restricted Assets	Total
Government-wide statement of net assets	$	96,744	11,862	448,572	557,178
Fiduciary statement of fiduciary net assets —agency funds		36,835	3,353	—	40,188
Total primary government excluding pension trust funds		133,579	15,215	448,572	597,366
Fiduciary statement of fiduciary net assets —pension trust funds:					
Firemen's System		7,841	413,644	—	421,485
Police System		6,918	649,011	—	655,929
Employees' System		49	588,618	—	588,667
Total pension trust funds		14,808	1,651,273	—	1,666,081
Total primary government	$	148,387	1,666,488	448,572	2,263,447

(dollars in thousands)

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, 2009, the primary government (excluding the pension trust funds) had the following cash deposits and investments:

Federal National Mortgage Association	$	80,996
Federal Home Loan Mortgage Corp.		76,652
Federal Home Loan Bank		151,113
United States Treasuries		5,228
Federal National Mortgage Pool		7,315
Freddie Mac		1,002
Government Backed Trusts		840
Money Market Mutual Funds		80,071
Certificates of Deposit		37,154
Other Cash Deposits		156,995
	$	597,366

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

(dollars in thousands)

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. 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, 2009:

		Fair Value	Investment Maturities (in years)			
			Less Than 1	**1-5**	**6-10**	**More Than 10**
Federal National Mortgage Association	$	80,996	45,138	33,378	2,480	—
Federal Home Loan Mortgage Corp.		76,652	73,441	3,211	—	—
Federal Home Loan Bank		151,113	132,120	14,009	—	4,984
United States Treasuries		5,228	5,228	—	—	—
Federal National Mortgage Pool		7,315	7,315	—	—	—
Freddie Mac		1,002	1,002	—	—	—
Government Backed Trusts		840	—	840	—	—
Money Market Mutual Funds		80,071	80,071	—	—	—
	$	403,217	344,315	51,438	2,480	4,984

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Investment Policy provides that investments of the City be rated in one of the three highest ratings categories by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service.

(dollars in thousands)

The investments of the primary government (excluding the pension trust funds) were rated as follows by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Ratings Service as of June 30, 2009:

	Fair Value	AAA	Aaa	A-1+	P-1	Not Rated
Federal National Mortgage Association	$ 80,996	9,753	2,479	35,991	—	32,773
Federal Home Loan Mortgage Corp.	76,652	3,617	3,693	69,159	183	—
Federal Home Loan Bank	151,113	28,134	—	122,979	—	—
United States Treasuries*	5,228	2,733	—	—	—	2,495
Federal National Mortgage Pool	7,315	7,315	—	—	—	—
Freddie Mac	1,002	1,002	—	—	—	—
Government Backed Trusts	840	840	—	—	—	—
Money Market Mutual Funds	80,071	75,191	—	—	—	4,880
	$ 403,217	128,585	6,172	228,129	183	40,148

*United States Treasuries are explicitly guaranteed by the United States government.

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, collateral securities, or deposits that are in the possession of the counterparty. 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, 2009, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: $7,821 of Federal National Mortgage Association securities, $14,280 of Federal Home Loan Mortgage Corporation securities, $62,269 Federal Home Loan Bank securities, and $2,733 of U.S. Treasury securities. 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.

(dollars in thousands)

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, 2009, the concentration of the City's deposits and investments was as follows:

Federal National Mortgage Association	13.56	%
Federal Home Loan Mortgage Corp.	12.83	
Federal Home Loan Bank	25.30	
United States Treasuries	0.88	
Federal National Mortgage Pool	1.22	
Freddie Mac	0.17	
Government Backed Trusts	0.14	
Money Market Mutual Funds	13.40	
Certificates of Deposit	6.22	
Other Cash Deposits	26.28	
	100.00	

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

As of September 30, 2008, the Firemen's System had the following cash deposits and investments:

Common stock	$	182,766
Collective investment—equity		34,612
Hedge funds—equity		20,472
Corporate obligations		111
Collective investment—bonds		98,192
Real estate investment trust		47,828
Money market funds		29,663
Other cash deposits		7,841
	$	421,485

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date.

A major portion of the Firemen's System's investment holdings are invested in equity securities (corporate stocks, collective investment funds, and a hedge fund) that are subject to domestic and international stock market earnings results. These equity market conditions deteriorated significantly subsequent to the Fireman's System's September 30, 2008 fiscal year end. This market condition change will not affect current retirees or future retiree benefits, but will require increased contributions by the City in the future.

(dollars in thousands)

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.

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, 2008:

			Investment maturities (in years)			
	Fair Value	No Maturity	Less than 1	1-5	6-10	More than 10
Common stock	$ 182,766	182,766	—	—	—	—
Collective investment - equity	34,612	34,612	—	—	—	—
Hedge fund - equity	20,472	20,472	—	—	—	—
Corporate obligation	111	—	—	—	—	111
Collective investment- bonds	98,192	—	3,162	41,417	42,606	11,007
Real estate investment trust	47,828	47,828	—	—	—	—
Money market funds	29,663	29,663	—	—	—	—
	$ 413,644	315,341	3,162	41,417	42,606	11,118

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, 2008:

Credit Rating Level	Common Stock	Collective Investment	Hedge Fund	Corporate Obligations	Real Estate Investment	Money Market
AAA	$ —	73,055	—	111	—	—
AA	—	5,725	—	—	—	—
A	—	7,129	—	—	—	—
BBB	—	12,244	—	—	—	—
N/A	182,766	—	—	—	—	—
Not Rated	—	34,651	20,472	—	47,828	29,663
	$ 182,766	132,804	20,472	111	47,828	29,663

(dollars in thousands)

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, 2008:

	Money Market	Equities	Fixed Income	Hedge Fund	Real Estate Investment Trust	Total
Australian Dollar	$ —	2,281	—	—	—	2,281
British Pound Sterling	—	3,972	—	—	—	3,972
Canadian Dollar	—	1,428	—	—	—	1,428
Euro	—	17,608	—	—	—	17,608
Hong Kong Dollar	—	609	—	—	—	609
Indonesian Rupiah	—	263	—	—	—	263
Japanese Yen	—	9,289	—	—	—	9,289
Malaysian Ringgit	—	82	—	—	—	82
Mexican Peso	—	231	—	—	—	231
Norwegian Krone	—	712	—	—	—	712
Singapore Dollar	—	503	—	—	—	503
Swedish Krona	—	1,122	—	—	—	1,122
Swiss Franc	—	3,861	—	—	—	3,861
Total Foreign Currency	—	41,961	—	—	—	41,961
U.S. Dollar	29,663	175,417	98,303	20,472	47,828	371,683
Total	$ 29,663	217,378	98,303	20,472	47,828	413,644

Custodial 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 "Al" (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.

(dollars in thousands)

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% of the portfolio's market value at cost, with the exception of cash, cash equivalents, U.S. Treasury, of U.S. 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. Investment in any single fund of hedge funds shall not exceed 10% of the fund's market value. 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	25	20	35
International Equities	16	21	26
Real estate trust	—	10	15
Hedge fund	—	5	10

Investments that exceed 5% or more of net assets held in trust for pension benefits for the Firemen's System at September 30, 2008 are as follows:

Aberdeen Core Plus Fixed	$	98,192
The Principal US Property		47,827
Artisan International Stock		34,612
Northern Trust Global Investment Collective Government Short-term Investment Fund		26,122

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. Borrowers shall be rated AA, A, or higher by Moody's or Standard and Poors. Collateral consisting of cash, letter of credit, U.S. government or agency securities, or floating rate notes of U.S. issuers 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, 2008 the Firemen's System has recorded a liability of $574 due to collateral deficiency resulting from a borrower's bankruptcy. At September 30, 2008, $14,598 in loans were outstanding to borrowers. The Firemen's System earned income of $302 for its participation in the securities lending program for the year ended September 30, 2008.

(dollars in thousands)

3) Primary Government—Pension Trust Fund—Police System

As of September 30, 2008, the Police System had the following cash deposits and investments:

Equities:		
Common Stock	$	223,272
Collective Investment Funds		149,117
Real Estate Equities		33,867
Mortgaged-Backed Securities-Government		36,128
Mortgaged-Backed Securities-Non-Government		29,012
Fixed Income Collective Investment Fund		6,875
Corporate Bonds		96,246
Government Securities		52,071
Short-Term Notes and Commercial Paper		499
Money Market Funds		20,335
Investment Property		1,589
Other Cash Deposits		6,918
	$	655,929

Marketable securities are stated at fair value. Fair values are based on the last reported sales price on September 30 or on the last reported bid price if no sale was made on that date. Investment property is reported at estimated fair value as determined by an independent real estate appraisal of the property.

A major portion of the Police System's investment holdings are invested in equity securities (corporate stocks, collective investment funds, and real estate equity shares) that are subject to domestic and international stock market earnings results. These equity market conditions deteriorated significantly subsequent to the Police System's September 30, 2008 fiscal year end. This market condition change will not affect current retirees or future retiree benefits, but will require increased contributions by the City in the future.

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.

(dollars in thousands)

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, 2008:

			Investment maturities (in years)			
	Fair Value	No Maturity	Less than 1	1 – 5	6 – 10	More than 10
Equities	$ 406,256	406,256	—	—	—	—
Mortgaged-Backed Securities—Government	36,128	—	—	—	2,993	33,135
Mortgaged-Backed Securities—Nongovernment	29,012	—	—	1,071	887	27,054
Corporate Bonds	96,246	—	56,507	15,947	17,376	6,416
Collective investment funds	6,875	6,875	—	—	—	—
Government Securities	52,071	—	16,014	16,596	12,293	7,168
Short-Term Notes and Commercial Paper	499	—	499	—	—	—
Money Market Funds	20,335	20,335	—	—	—	—
Investment Property	1,589	1,589	—	—	—	—
	$ 649,011	435,055	73,020	33,614	33,549	73,773

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, 2008:

Credit Rating Level	Equities	Government Mortgage-Backed Securities	Nongovernment Mortgage-Backed Securities	Corporate Bonds	Collective Investment Funds	Government Securities	Short-term Notes and Commercial Paper	Money Market Fund	Investment Property
AAA	$ —	35,460	24,125	975	—	46,809	499	—	—
AA	—	—	1,381	7,282	—	3,970	—	—	—
A	—	—	260	15,381	—	300	—	—	—
BBB	—	—	283	13,969	—	—	—	—	—
BB	—	—	—	490	—	—	—	—	—
B	—	—	—	32	—	—	—	—	—
N/A	406,256	—	—	—	—	—	—	—	—
Not Rated	—	668	2,963	58,117	6,875	992	—	20,335	1,589
	$ 406,256	36,128	29,012	96,246	6,875	52,071	499	20,335	1,589

(dollars in thousands)

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, 2008:

		Money Money Market/ Commercial Paper	Investment Property	Equities	Fixed Income	Total
Australian Dollar	$	—	—	—	941	941
Brazilian Real		—	—	396	—	396
British Pound Sterling		—	—	4,191	944	5,135
Canadian Dollar		—	—	2,783	1,473	4,256
Chinese Yuan		—	—	56	—	56
Euro		—	—	2,895	997	3,892
Indian Rupee		—	—	856	—	856
Mexican Peso		—	—	—	341	341
New Zealand Dollar		—	—	—	99	99
Panamanian Balboa		—	—	—	150	150
Swiss Franc		—	—	2,713	162	2,875
Total Foreign Currency		—	—	13,890	5,107	18,997
U.S. Dollar		20,835	1,589	392,366	215,224	630,014
Total	$	20,835	1,589	406,256	220,331	649,011

Custodial 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.

(dollars in thousands)

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 respective investment manager's benchmark index.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Police System's investment in a single issuer. Emerging markets asset class as a sub-set of foreign equities has a target of 5% with a minimum of 3% and a maximum of 7%. 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	28%	30%	32%
Real Estate Equity	3	5	7
Large Cap U.S. Stocks	38	40	42
Small Cap U.S. Stocks	8	10	12
Foreign Equities	13	15	17

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 Fund	$	81,815
MFO PIMCO PAPS Mortgage Portfolio Institutional Class		36,436

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, 2008 the Police System has recorded a liability of $1,332 due to collateral deficiency resulting from a borrower's bankruptcy. Outstanding loans to borrowers at September 30, 2008 were

(dollars in thousands)

$96,257. The Police System earned income of $503 for its participation in the securities lending program for the year ended September 30, 2008.

4) Primary Government—Pension Trust Fund—Employees' System

As of September 30, 2008, the Employees' System had the following cash deposits and investments:

Stocks	$	229,422
Managed International Equity Funds		114,076
Corporate Bonds and Debentures		28,771
Foreign Governmental and Corporate Obligations		18,681
Domestic Bond Funds		46,180
Real Estate Funds		74,835
U.S. Government and Agency Securities		35,079
Temporary Cash Investments		17,792
Managed hedge fund		23,782
Other Cash Deposits		49
	$	588,667

Investments are reported at fair market value. Securities traded on a national or international exchange funds are valued at the unit value quoted by the investee entity. Security transactions and any resulting realized gains or losses are accounted for on a completed transaction basis. Commingled funds are valued at the unit value quoted by the investee entity based on the underlying asset values. Real estate funds and other managed funds are valued based on valuations of underlying investments as reported by fund managers.

Subsequent to September 30, 2008, the fair value of investments decreased significantly due to continuing fluctuations in the national and global economies.

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:

(dollars in thousands)

		Short-Term	Debt	Equity	Total
British Pound	$	52	1,271	—	1,323
Brazilian Real		—	132	—	132
Canadian Dollar		3	1,140	—	1,143
Euros		837	11,012	—	11,849
Mexican Peso		—	202	—	202
Uruguayan Peso		—	76	—	76
Japanese Yen		31	4,905	—	4,936
Total	$	923	18,738	—	19,661

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation to the Employees' Retirement System. Below is a list of fixed income credit qualities.

Quality Rating		
Aaa/U.S. Governments	$	85,321
Aa		12,003
A		21,314
Baa		8,466
Below Baa		1,607
Total	$	128,711

All temporary cash investments held by the Employees' Retirement System at September 30, 2008 were unrated.

Interest Rate Risk

The Employees' System does not have a formal policy to limit interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of an investment. Duration is a measure of debt instrument's exposure to a change in interest rate and the related sensitivity of market price to parallel shifts in the yield curve. It uses the present value of cash flows, weighted for those cash flows as a percentage of the instrument's full price.

Investment		Fair Value	Effective Duration
Payden and Rygel	$	31,067	5.6 years
Allegiant		51,464	5.2 years
SSGA		46,180	4.5 years
	$	128,711	

(dollars in thousands)

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, 2008, 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, 2008, the Employees' System has lending arrangements outstanding with a market value for securities lent of $108,180. Subsequent to September 2008, the Employees' System has instructed its administrator to limit the value of securities loaned to $100 million and refrain from any additional lending.

Concentration of Credit Risk

At September 30, 2008, 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 to the Employees' System:

State Street Global Advisors Passive Bond Market Index Fund	$ 46,180
Silchester International Investors International Value Equity Group Trust	$ 65,785
Walter Scott & Partners Limited Group Trust International	$ 48,291
Principal Global Investors Real Estate Group Annuity Contract	$ 74,835

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, 2009, 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, 2009, the market value of investments approximates the carrying value of $114.

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, 2009, the SLPD had the following cash deposits and investments:

(dollars in thousands)

Federal Home Loan Discount Notes	$	4,467
Certificates of Deposit		547
Other cash deposits		1,990
Total	$	7,004

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 Discount Notes securities had maturities of one year or less as of June 30, 2009.

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 Federal Home Loan Discount Notes as of June 30, 2009 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.

(dollars in thousands)

At June 30, 2009, 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, 2009, 100% of the SLPD's investments (excluding certificates of deposit and cash deposits) were in U.S. Government Agencies-Federal Home Loan Discount Notes.

d. Component Unit—SWMDC

At June 30, 2009, 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 $1,499 at year-end consisted entirely of Federal Home Loan Discount Notes and Federal Home Loan Bank with less than one year to maturity and rated A-1+ by Standard & Poor's Corporation.

3. RECEIVABLES, NET

		Taxes	Intergovern-mental	Charges for Services	Notes and Loans	Other	Total Receivables
Governmental activities:							
General fund	$	94,240	3,812	434	—	3,116	101,602
Capital projects fund		2,641	1,037	57	—	97	3,832
Grants fund		—	19,118	—	—	1	19,119
Other governmental funds		35,256	1,147	1,898	56	459	38,816
Internal service funds		—	124	—	—	—	124
Total governmental activities	$	132,137	25,238	2,389	56	3,673	163,493
Business-type activities:							
Airport	$	—	15,916	14,648	—	3,309	33,873
Water Division		—	—	6,150	—	—	6,150
Parking Division		—	—	109	—	—	109
Total business-type activities	$	—	15,916	20,907	—	3,309	40,132

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

(dollars in thousands)

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	$	1,211
Taxes receivable—other governmental funds		139
License and permits receivable—general fund		35
Charges for services receivable—other governmental funds		37
Business-type activities:		
Charges for services receivable—Airport		109
Charges for services receivable—Water Division		2,548
	$	4,079

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of small business commercial loans to facilitate business growth. 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, 2009:

Airport bond fund:		
Debt service account	$	42,655
Debt service reserve account		35,617
Airport renewal and replacement fund		3,500
Passenger facility charge fund		27,602
Airport development fund		93,891
Airport construction fund		67,046
Drug enforcement agency funds		2,159
	$	272,470

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 $38,211 at the end of fiscal year 2011. Beginning in Airport fiscal year 2012, the Airport will allocate an amount sufficient to

(dollars in thousands)

bring the amount on deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

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 and the bond provision for the bond and construction funds at June 30, 2009 are as follows:

Bond funds:		
Waterworks bond fund	$	4,050
Water replacement and improvement account		830
Total bond funds		4,880
Construction funds		6,428
Customer deposits		1,610
Service line maintenance		249
	$	13,167

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

a. To the unrestricted *Waterworks Operations and Maintenance Fund*, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.

b. 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.

c. 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.

d. 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.

e. 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.

(dollars in thousands)

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2009 are as follows:

Series 2007 and 2006 bonds:		
Debt service reserve	$	4,943
Debt Service		677
Construction Funds		2,625
Repair and replacement		2,576
Net project revenues		133
TIF funds-Argyle		2
Parking trust—Parking Division accounts		1,921
Total series 2007 and 2006 bonds		12,877
Series 2003A and 2003B bonds:		
Gross revenues		106
Bond		142
Repair and replacement		24
Operating reserve		100
Redemption		35
Total series 2003A and 2003B bonds		407
	$	13,284

Descriptions of the above funds required by the Series 2007 and 2006 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) *Debt service*—Moneys deposited into this account pay principal and accrued and unpaid interest on the respective bonds.

3) *Capitalized interest* – Moneys deposited in this account to pay accrued and unpaid interest.

4) *Construction funds*—Provides for the payment of construction costs to complete the respective projects.

5) *Cost of issuance*—Provides for the payment of costs of issuance incurred in conjunction with the issuance of the bonds.

6) *Net project revenues*—Maintains funds used to fund the debt service account.

7) *Argyle TIF* – Money from the Argyle TIF district to help pay principal and interest on the bonds.

(dollars in thousands)

8) *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.

9) *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, 2009 are as follows:

Bond funds	$ 2,190

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture. 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. Amounts received above the required limits are remitted by the Trustee to SLDC.

e. Component Unit—SLPD

Restricted cash and investments at June 30, 2009 consists of cash and investments legally restricted by outside parties through the provisions of grant programs or contractual agreements.

(dollars in thousands)

7. CAPITAL ASSETS

a. Primary Government

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Governmental activities:					
Capital assets not being depreciated:					
Land	$ 84,237	1,562	—	—	85,799
Construction in progress	33,497	41,833	—	(26,833)	48,497
Equipment in progress	—	7,856	—	—	7,856
Works of art	3,233	77	—	41	3,351
Total capital assets not being depreciated	120,967	51,328	—	(26,792)	145,503
Capital assets being depreciated:					
Buildings	466,547	5,963	—	2,640	475,150
Improvements other than buildings	79,101	1,092	—	—	80,193
Equipment	107,822	5,724	(8,184)	—	105,362
Infrastructure	477,822	6,949	—	24,152	508,923
Total capital assets being depreciated	1,131,292	19,728	(8,184)	26,792	1,169,628
Less accumulated depreciation for:					
Buildings	131,291	11,553	—	—	142,844
Improvements other than buildings	21,803	1,814	—	—	23,617
Equipment	60,362	6,995	(7,344)	—	60,013
Infrastructure	258,176	22,867	—	—	281,043
Total accumulated depreciation	471,632	43,229	(7,344)	—	507,517
Total capital assets being depreciated, net	659,660	(23,501)	(840)	26,792	662,111
Governmental activities capital assets, net	$ 780,627	27,827	(840)	—	807,614

Construction in progress consists primarily of recreation centers, the transportation center, and street and bridge projects. Equipment in progress consists of communication equipment being prepared for its intended use.

Included in the governmental activities capital assets is an idle capital asset that the City has determined to be impaired because of a change in service utility that is considered other than temporary. This capital asset's carrying value is $4,052 at June 30, 2009. No impairment loss was recognized for the year ended June 30, 2009 as the asset was already carried at the lower of cost or fair market value.

(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2009. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2008	Additions	Retirements	Transfers	Balance June 30, 2009
Business-type activities:					
Combined:					
Capital assets not being depreciated:					
Land	$ 773,041	1,470	(1,397)	—	773,114
Construction-in-progress	38,113	62,281	(4,728)	(26,188)	69,478
Total capital assets not being depreciated	811,154	63,751	(6,125)	(26,188)	842,592
Capital assets being depreciated:					
Buildings and structures	544,614	5,835	(146)	9,686	559,989
Equipment	84,764	2,628	(834)	4,806	91,364
Pavings	919,091	818	—	11,590	931,499
Parking meters and lot equipment	6,197	13	—	—	6,210
Reservoirs	34,513	—	—	—	34,513
Boiler plant equipment	661	—	—	—	661
Pumping equipment	10,309	—	—	25	10,334
Purification basins and equipment	42,468	—	—	81	42,549
Water mains, lines, and accessories	114,561	2,725	(8)	—	117,278
Motor vehicle equipment	8,686	335	(267)	—	8,754
Total capital assets being depreciated	1,765,864	12,354	(1,255)	26,188	1,803,151
Less accumulated depreciation for:					
Buildings and structures	302,662	16,366	(107)	—	318,921
Equipment	55,014	4,464	(586)	—	58,892
Pavings	255,453	29,653	—	—	285,106
Parking meters and lot equipment	4,725	324	(29)	—	5,020
Reservoirs	7,974	665	—	—	8,639
Boiler plant equipment	625	3	—	—	628
Pumping equipment	7,948	194	—	—	8,142
Purification basins and equipment	12,347	833	—	—	13,180
Water mains, lines, and accessories	50,810	1,439	(7)	—	52,242
Motor vehicle equipment	5,747	463	(267)	—	5,943
Total accumulated depreciation	703,305	54,404	(996)	—	756,713
Total capital assets being depreciated, net	1,062,559	(42,050)	(259)	26,188	1,046,438
Business-type activities capital assets, net	$ 1,873,713	21,701	(6,384)	—	1,889,030

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, and various improvements to the waterworks system.

(dollars in thousands)

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

Governmental activities:		
General government	$	6,308
Convention and tourism		4,309
Parks and recreation		3,260
Judicial		336
Streets		25,530
Public safety:		
Fire		2,023
Other		795
Health and welfare		402
Public service		266
Total depreciation expense, governmental activities	$	43,229
Business-type activities:		
Airport	$	47,333
Water Division		4,942
Parking Division		2,129
Total depreciation expense, business-type activities	$	54,404

(dollars in thousands)

b. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated:				
Land	$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	664	—	—	664
Parking facilities	18,990	—	—	18,990
Total capital assets being depreciated	22,654	—	—	22,654
Less accumulated depreciation for:				
Leasehold improvements	1,500	200	—	1,700
Equipment	657	4	—	661
Parking facilities	10,428	618	—	11,046
Total accumulated depreciation	12,585	822	—	13,407
Total capital assets being depreciated, net	10,069	(822)	—	9,247
SLDC capital assets, net	$ 14,983	(822)	—	14,161

(dollars in thousands)

c. Component Unit—SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets not being depreciated:				
Land	$ 1,646	—	—	1,646
Construction in progress	—	266	—	266
Total capital assets not being depreciated	1,646	266	—	1,912
Capital assets being depreciated:				
Buildings and improvements	40,397	575	—	40,972
Furniture, fixtures, and other equipment	4,941	977	(22)	5,896
Automotive equipment	11,790	752	(766)	11,776
Communications equipment	6,716	—	—	6,716
Computers and software	3,532	669	(38)	4,163
Total capital assets being depreciated	67,376	2,973	(826)	69,523
Less accumulated depreciation for:				
Buildings and improvements	18,169	814	—	18,983
Furniture, fixtures, and other equipment	2,896	831	(22)	3,705
Automotive equipment	8,473	1,759	(703)	9,529
Communications equipment	4,410	358	—	4,768
Computers and software	2,699	564	(38)	3,225
Total accumulated depreciation	36,647	4,326	(763)	40,210
Total capital assets being depreciated, net	30,729	(1,353)	(63)	29,313
SLPD capital assets, net	$ 32,375	(1,087)	(63)	31,225

(dollars in thousands)

d. Component Unit—SWMDC

The following represents a summary in SWMDC's capital assets for the year ended June 30, 2009:

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets being depreciated:				
Infrastructure	$ 8,725	516	—	9,241
Total capital assets being depreciated	8,725	516	—	9,241
Less accumulated depreciation for:				
Infrastructure	3,195	294	—	3,489
Total accumulated depreciation	3,195	294	—	3,489
SWMDC capital assets, net	$ 5,530	222	—	5,752

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, 2009, 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	$ 3,997	—	3,997
Capital projects fund	4,227	4,320	8,547
Grants fund	7,438	—	7,438
Other governmental funds	2,165	99	2,264
Internal service	1,106	—	1,106
Total governmental activities	$ 18,933	4,419	23,352
Business-type activities:			
Airport	$ 10,354	15,491	25,845
Water Division	2,127	—	2,127
Parking Division	1,960	—	1,960
Total business-type activities	$ 14,441	15,491	29,932

(dollars in thousands)

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:

System	System Fiscal Year-end
Firemen's	September 30, 2008
Police	September 30, 2008
Employees'	September 30, 2008

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 provides 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 statutes 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 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.

(dollars in thousands)

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) Funded Status

The funded status of the Firemen's System as of October 1, 2008, the most recent actuarial valuation date is a follows:

Actuarial Valuation Date		Actuarial Value of Assets		Actuarial Accrued Liability (AAL)		Unfunded AAL (UAAL)	Funded Ratio		Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
October 1, 2008	$	485,139	$	523,036	$	37,897	92.8%	$	41,649	91.0%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2009 are as follows:

Annual required contribution	$	(12,585)
Interest on net pension asset		2,729
Adjustment to annual required contribution		(3,067)
Annual pension cost		(12,923)
Contributions made		7,485
Decrease in net pension asset		(5,438)
Net pension asset, beginning of year		35,786
Net pension asset, end of year	$	30,348

(dollars in thousands)

The net pension asset of $30,348 as of June 30, 2009 is reflected as a net pension asset 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)
2009	$ 12,923	58 %	$ 30,348
2008	17,105	372	35,786
2007	17,899	23	(10,799)

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	October 1, 2008
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	3.5%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.0%, 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% with a maximum of 25% in increases after age 60

5) Other

In fiscal year 2008, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying past unfunded actuarially determined annual contributions in connection with the three Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 and Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A to fund the Firemen's System in the amounts of $49,405 and $12,800, respectively (see note 14).

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 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.

(dollars in thousands)

3) Funding Status

The funded status of the Police System as of October 1, 2008, the most recent actuarial valuation date is a follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
October 1, 2008	$ 752,273	$ 803,417	$ 51,144	93.6%	$ 63,835	80.1%

The aggregate actuarial cost method is used to determine the annual required contribution of the employer (ARC) for the Police System. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the plan.

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Police System for the year ended June 30, 2009 are as follows:

Annual required contribution	$ (10,384)
Interest on net pension asset	238
Adjustment to annual required contribution	(362)
Annual pension cost	(10,508)
Contributions made	10,384
Decrease in net pension asset	(124)
Net pension asset, beginning of year	3,070
Net pension asset, end of year	$ 2,946

The net pension asset of $2,946 is reflected as a net pension asset within governmental activities in the government-wide financial statements.

(dollars in thousands)

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 Asset (Obligation)
2009	$ 10,508	99 %	$ 2,946
2008	11,586	365	3,070
2007	16,504	49	(27,634)

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

Date of actuarial valuation	October 1, 2008
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

5) Other

In fiscal year 2008, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying past unfunded actuarially determined annual contributions in connection with the three Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 and Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A to fund the Police's System in the amounts of $29,587 and $6,000, respectively (see note 14).

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. The monthly pension benefits of all retirees or their beneficiaries are adjusted accordingly to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became effective January I, 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

The Employees System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. The Board of Trustees established the required employer contributions rate based on active member payroll of 10.95% effective July 1, 2008, 13.21% of active member payroll effective July 1, 2007 and 13.17% of active member payroll effective July 1, 2006. The City contributed 7.55% of active member payroll beginning July 2006 through June 2008, and 10.95% of active member payroll beginning July 2008. The City made an additional contribution of $46,699 in September 2007 and $14,222 in July 2008.

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 annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year.

(dollars in thousands)

3) Funded Status

The funded status of the Employees System for the actuarial valuation as of September 30, 2008 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL As A Percentage of Covered Payroll
September 30, 2008	$ 674,017	$ 765,842	$ 91,825	88.01%	$ 238,702	38.47%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

4) 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, 2009 are as follows:

Annual required contribution	$ (25,298)
Interest on net pension obligation	(2,211)
Adjustment to annual required contribution	2,456
Annual pension cost	(25,053)
Contributions made	23,275
Increase in net pension obligation	(1,778)
Net pension obligation, beginning of year	(27,647)
Net pension obligation, end of year	$ (29,425)

The net pension obligation of $(29,425) is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	$ (22,406)
Business-type activities	(3,866)
Component unit—SLPD	(3,153)
	$ (29,425)

(dollars in thousands)

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
2009	$	25,053	93	%	$	(29,425)
2008		28,937	264			(27,647)
2007		28,939	52			(75,020)

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

Date of actuarial valuation	October 1, 2008
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, 2008
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%.

5) Other

In fiscal year 2008, the Board of Aldermen authorized and approved the issuance and sale of bonds for the purpose of paying past unfunded actuarially determined annual contributions in connection with the three Retirement Systems. During fiscal year 2008, SLMFC issued Taxable Leasehold Revenue and Refunding Bonds Series 2007 of which $46,699 was used to fund the Employees' System. (see note 14).

(dollars in thousands)

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, 2009 contributions of $321, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2009, SLDC's current covered payroll was $3,553 and total payroll amounted to $3,658. 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.

11. COMPONENT UNIT—SLPD OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The SLPD is obligated under Chapter 84.160 RSMo to provide medical and life insurance benefits for former civilian and commissioned employees who retire subsequent to 1969. The SLPD provides these other postemployment benefits (OPEB) under a single-employer, defined benefit postemployment plan. The SLPD's OPEB plan does not issue a separate financial report.

Commissioned employees may retire and receive benefits under the SLPD's OPEB plan after 20 years of creditable service, regardless of age. Civilian employees may retire and receive benefits under the SLPD's OPEB plan after attaining age 55 with 20 years of service, or after attaining age 60 with five years of service. The disability eligibility for officers for a service disability has no minimum age or service requirements and for an ordinary disability is 10 years of service. The disability eligibility for civilians is 5 years of service.

For eligible retired employees and disabled employees under age 65, the SLPD pays the full cost of a base healthcare plan. Retirees may elect to pay costs associated with a buy-up healthcare plan, which provides coverage in excess of the base healthcare plan. For eligible retired employees and disabled employees over 65, the SLPD pays the costs of a Medicare Supplement Plan. Retirees pay the full cost of spouse healthcare coverage. Additionally, the SLPD provides a postretirement death benefit of $3.

At July 1, 2007, the date of the latest actuarial valuation, plan membership consisted of the following:

Retirees and beneficiaries receiving benefits	1,342
Terminated plan members entitled to, but not yet receiving benefits	129
Active members	1,907
Total plan members	3,378

(dollars in thousands)

Funding Policy

Contributions made to the SLPD's OPEB plan are established and may be amended by Board of Police Commissioners. For the year ended June 30, 2009, the SLPD contributed $7,903, which was based upon pay-as-you-go financing requirements.

Annual Other Postemployment Benefit Cost and Net Other Postemployment Benefit Obligation

The SLPD's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, and amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The annual required contribution represents a level of funding that, if paid on an on-going basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the SLPD's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the SLPD's net OPEB obligation:

Annual required contribution	$	(24,007)
Interest on net OPEB obligation		(820)
Adjustment to annual required contribution		1,067
Increase in net OPEB obligation		(23,760)
Contribution made		7,903
Increase in net OPEB obligation		(15,857)
Net OPEB obligation, beginning of year		(16,405)
Net OPEB obligation, end of year	$	(32,262)

The SLPD's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

Fiscal year		Annual OPEB cost (AOC)	Percentage of AOC contributed		Net OPEB obligation
2009	$	23,760	33.3%	$	32,262
2008		22,668	27.6%		16,405

Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrual liability for benefits was $236,138, and the actuarial value of assets was $0. The covered payroll (annual payroll of active employees covered by the plan) was $85,372, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 276.6%. The actuarial valuation was updated to incorporate significant changes to the substantive plan.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made throughout the future. In future years, the schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The projection of future benefit payments for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and includes the types of benefits provided at the time of each valuation, as amended for significant changes to the plan that would impact the valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5% investment rate of return, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after five-years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over a 30-year amortization period.

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.

(dollars in thousands)

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, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 50,875	—	(1,085)	49,790	3,490
Section 108 Loan Guarantee Assistance Programs	56,080	—	(2,920)	53,160	3,110
Federal Financing Bank advances	630	—	(50)	580	55
Tax increment financing bonds and notes payable	136,987	32,669	(6,102)	163,554	6,392
Master note purchase agreement	52	—	(9)	43	—
Loan agreement with Missouri Department of Natural Resources	977	—	(499)	478	158
Loan agreement with MTFC	4,500	—	(329)	4,171	392
Capital lease—rolling stock	9,841	5,600	(2,310)	13,131	2,654
Certificates of participation	—	9,100	—	9,100	570
Obligation with component unit	49,690	—	(9,690)	40,000	—
Leasehold revenue improvement and refunding bonds	520,195	21,850	(24,458)	517,587	26,357
Joint venture financing agreement	61,028	—	(3,512)	57,516	3,643
Unamortized discounts, premiums, and deferred amounts on refunding	(4,560)	(674)	188	(5,046)	—
Net pension obligation	20,903	1,503	—	22,406	—
Accrued vacation, compensatory, and sick time benefits	26,300	19,437	(17,525)	28,212	18,866
Landfill closure	100	250	(100)	250	—
Claims and judgments payable	16,849	17,262	(13,742)	20,369	12,849
Governmental activities long-term liabilities	$ 950,447	106,997	(82,143)	975,301	78,536

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.

In past fiscal years, the City has advance refunded various leasehold revenue improvement and refunding bonds and general obligation 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, 2009, $74,425 of outstanding leasehold revenue improvement and refunding bonds and general obligation bonds are considered defeased.

(dollars in thousands)

		Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Business-type activities:						
Airport:						
Revenue bonds payable	$	818,830	—	(21,725)	797,105	21,670
Net pension obligation		1,765	15	—	1,780	—
Pension funding liability		5,510	—	—	5,510	—
Other		907	—	(128)	779	—
Accrued vacation, compensatory, and sick time benefits		6,074	3,646	(3,497)	6,223	4,014
Unamortized discounts, premiums, and deferred amounts on refunding		21,578	3,581	(4,160)	20,999	—
Due to the City of Bridgeton		10,800	—	(3,300)	7,500	4,000
Deferred lease revenue		—	7,200	—	7,200	—
Total Airport		865,464	14,442	(32,810)	847,096	29,684
Water Division:						
Revenue bonds payable		26,325	—	(3,300)	23,025	3,440
Customer deposits		1,809	—	(199)	1,610	—
Net pension obligation		1,444	1,624	(1,602)	1,466	—
Pension funding liability		3,269	—	—	3,269	—
Other		237	—	(53)	184	—
Accrued vacation, compensatory, and sick time benefits		3,128	298	(117)	3,309	1,636
Unamortized discounts, premiums, and deferred amounts on refunding		(676)	—	185	(491)	—
Total Water Division		35,536	1,922	(5,086)	32,372	5,076
Parking Division:						
Revenue bonds payable		80,400	—	(1,546)	78,854	1,879
Net pension obligation		573	517	(470)	620	—
Pension funding liability		887	—	—	887	—
Accrued vacation, compensatory, and sick time benefits		196	146	(196)	146	146
Unamortized discounts, premiums, and deferred amounts on refunding		(6,105)	—	249	(5,856)	—
Total Parking Division		75,951	663	(1,963)	74,651	2,025
Business-type activities long-term liabilities	$	976,951	17,027	(39,859)	954,119	36,785
Less amounts recorded in:						
Accounts payable and accrued liabilities					(4,000)	(4,000)
Accrued salaries and other benefits					(5,796)	(5,796)
					$ 944,323	26,989

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 was 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 were payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds was guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments were 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.

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.

(dollars in thousands)

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	3,490	2,171	5,661
2011		3,615	2,056	5,671
2012		3,730	1,940	5,670
2013		3,905	1,779	5,684
2014		4,090	1,590	5,680
2015 – 2019		23,740	4,930	28,670
2020 – 2024		4,895	1,111	6,006
2025 – 2026		2,325	148	2,473
	$	49,790	15,725	65,515

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

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 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. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

Principal and interest requirements for the combined Section 108 program notes are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	3,110	3,234	6,344
2011		3,300	3,051	6,351
2012		3,500	2,855	6,355
2013		3,720	2,642	6,362
2014		3,950	2,410	6,360
2015 – 2019		23,830	7,885	31,715
2020 – 2021		11,750	787	12,537
	$	53,160	22,864	76,024

(dollars in thousands)

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 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 bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	55	38	93
2011		60	35	95
2012		65	30	95
2013		70	26	96
2014		75	21	96
2015 – 2017		255	27	282
	$	580	177	757

e. Tax Increment Financing Bond and Notes Payable

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, 2009, the City had $163,554 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.5% to 10.0%, payable in various installments through 2030. The City issued $32,669 in TIF bonds and notes payable during fiscal year 2009.

(dollars in thousands)

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:				
2010	$ 1,545	1,389	4,846	9,372
2011	1,665	1,228	5,160	9,059
2012	—	1,145	5,495	8,724
2013	—	1,145	5,851	8,368
2014	—	1,145	6,231	7,987
2015 – 2019	—	5,724	36,951	33,402
2020 – 2024	791	5,679	46,683	19,753
2025 – 2029	2,613	5,157	32,027	4,787
2030	13,557	457	139	9
	$ 20,171	23,069	143,383	101,461

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 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, 2009, the balance of the note outstanding is $43.

(dollars in thousands)

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:

		Principal	Interest	Total
Year ending June 30:				
2010	$	158	13	171
2011		125	8	133
2012		127	5	132
2013		68	1	69
	$	478	27	505

h. Loan Agreement With Missouri Transportation Finance Corporation (MTFC)

In October 2007, the City entered into a loan agreement with the MTFC in the amount of $4,500 at an annual interest rate of 4.2%. The proceeds of the loan are to be used for the construction of a transportation center to consolidate urban buses, intercity buses, light rail, passenger rail, commercial space and parking at one location. Annual payments are $567 which began January 2009 and will end January 2018.

(dollars in thousands)

Principal and interest requirements under the loan agreement with the MTFC are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	392	175	567
2011		408	159	567
2012		426	142	568
2013		443	124	567
2014		463	105	568
2015-2018		2,039	216	2,255
	$	4,171	921	5,092

i. Capital Lease—Rolling Stock

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%.

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 was included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease were used to purchase computer equipment. The final installment was paid during fiscal year 2009.

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%.

In November 2007, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $825. The proceeds of the lease are to be used to purchase computer hardware and software. This portion of the capital lease is due in semi annual installments from 2008 through 2010 with an annual interest rate of 4.0238%.

In March 2008, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $653. The proceeds of the lease are to be used to purchase microwave communication system equipment. This portion of the capital lease is due in semi annual installments from 2008 through 2018 with an annual interest rate of 3.96%.

In December 2008, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of $5,600. The proceeds of the lease are to be used to purchase rolling stock.

(dollars in thousands)

This portion of the capital lease is due in semi annual installments from 2009 through 2014 with an annual interest rate of 4.97%.

Principal payments of $2,310 were made on these lease agreements in fiscal year 2009. The following is a schedule of future minimum lease payments as of June 30, 2009.

Year ending June 30:		
2010	$	3,231
2011		3,083
2012		2,697
2013		2,128
2014		1,558
2015 – 2018		2,415
Total future minimum lease payments		15,112
Amount representing interest		(1,981)
Present value of net minimum lease payments	$	13,131

Capital assets (equipment) of $14,536 are recorded by the City on its statement of net assets in conjunction with these capital leases.

j. Certificates of Participation

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.

On September 9, 2008, the SLMFC issued Lease Certificates of Participation Series 2008 in the amount of $9,100. The Series 2008 Certificates were used to refund the LCRA's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and Series 1997B, in the amount of $9,205. The Series 2008 Certificates are due in installments through July 2021 and bear an interest rate ranging from 2.15% to 4.55.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $149. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2021 using the straight-line method, which approximates the effective interest method.

(dollars in thousands)

The City advance refunded the Series 1997A&B bonds to reduce its total debt service payments over the next 13 years by approximately $1,079 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $833.

The obligation is recorded as a long-term liability. The City's payments are payable from the general fund.

The following is a schedule, by years, of the future minimum payments together with the present value of the net minimum payments for the obligation, which supports the Kiel Premises, as of June 30, 2009.

Year ending June 30:		
2010	$	900
2011		897
2012		896
2013		897
2014		891
2015 – 2019		4,502
2020 – 2022		2,714
Total future minimum obligation payments		11,697
Amount representing interest		(2,597)
Present value of net minimum obligation payments	$	9,100

No capital assets are recorded by the City on its statement of net assets in conjunction with this obligation due to the proceeds being used for demolition and site preparation.

k. Obligation with Component Unit—Convention Center Hotel

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 14).

(dollars in thousands)

The obligation with component unit is recorded as a long-term liability. The City's obligation is payable from the capital projects fund. The following is a schedule, by years, of the future minimum payments together with the present value of the net minimum payments for the obligation as of June 30, 2009.

Year ending June 30:		
2010	$	—
2011		—
2012		3,525
2013		2,700
2014		2,285
2015 – 2019		61,180
2020 – 2021		30,590
Total future minimum obligation payments		100,280
Amount representing interest		(60,280)
Present value of net minimum obligation payments	$	40,000

No capital assets are recorded by the City on its statement of net assets in conjunction with this obligation due to the proceeds of this obligation being used for construction of a convention center hotel that is not owned by the City.

14. 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.

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.

On November 25, 2008, the SLMFC issued the Convention Center Capital Improvement Projects Leasehold Revenue Bonds Series 2008 in the amount of $21,850. The proceeds of the Series 2008 Bonds were issued to fund certain capital improvements to the City of St. Louis Convention Center Property. The Series 2008 bonds principal payments commence fiscal year 2022 and bear an interest rate of 5.0% to 5.625%.

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 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.

In order to secure the Series 2004 bonds, a surety bond was purchased from FGIC. Events involving the credit exposure of certain monoline bond insurers resulted in FGIC's credit ratings from Moody's and S&P being reduced from Aaa/AAA to B1/BB, respectively. Due FGIC's downgrades, the surety policy failed to satisfy the Indenture requirements which states that the surety must be an "A" category. In August 2008, the debt service reserve was fully funded to satisfy the requirements of the Indenture.

e. 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.

f. 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.

g. Recreation Sales Tax

On July 12, 2007, the SLMFC issued $51,965 in Recreation Sales Tax Leasehold Revenue Bonds Series 2007 (Series 2007 Bonds). The purpose of the Series 2007 Bonds is to pay the costs of designing and construction two new recreational center facilities in the City and to renovate several existing recreational facilities. Interest is paid semi-annually on the bonds at the rate of 4% to 5%. The Series 2007 Bonds are subject to redemption, in whole on February 15, 2017 and any date thereafter, or in part on February 15, 2017, and on any interest payment date thereafter at the option of the corporation. The Series 2007 Bonds maturing 2028, 2032, and 2037 (the term bonds) shall be subject to mandatory sinking fund redemption and payment prior to maturity on February 15, 2025, February 15, 2029 and February 15, 2033 respectively and annually in the years thereafter.

In order to secure the Series 2007 bonds, a surety bond was purchased from Ambac. Events involving the credit exposure of certain monoline bond insurers resulted in Ambac's credit ratings from Moody's and S&P being reduced from Aaa/AAA to Baa1/AA, respectively. Due Ambac's downgrades, the surety policy failed to satisfy the Indenture requirements which states the provider must be rated in one of the two highest rating categories. In April 2009, an Irrevocable Transferable Letter of Credit was issued by Northern Trust Company to satisfy the requirements of the Indenture. As of June 30, 2009, there were no outstanding borrowings under the letter of credit.

h. Police Capital Improvement Sales Tax

On December 13, 2007, the SLMFC issued $25,000 in Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007 (Police Series 2007 Bonds). A portion of the proceeds will be used to pay for the cost of purchasing and installing equipment for a new interoperable communications system for the City. The communications property includes infrastructure equipment to be installed in the Police department communication's center and mobile radio units. The other portion of the proceeds will be used by the Police Board for facilities improvements including improvements to be made to the Police three area command stations.

Debt payments will be made from the Police Capital Improvement Sales Tax revenues. Interest is paid semi-annually on the bonds at the rate of 3.625% to 4.1%. The Police Series 2007 Bonds maturing on February 15, 2023, 2025, 2028, 2033 and 2037 are subject to mandatory redemption and payment prior to maturity pursuant to the sinking fund requirements.

(dollars in thousands)

i. Public Safety Sales Tax Pension Funding Project

On June 12, 2008, the SLMFC issued $19,445 Taxable Public Safety Sales Tax Leasehold Revenue Bonds Series 2008A –Pension Funding Project (Series 2008A Bonds). The proceeds were used to complete the funding due the Police and Firemen's Retirement Systems. Debt service will be paid by the Public Safety Sales Tax approved by the voters in February 2008. The Series 2008A Bonds include serial bonds in the principal amount of $9,190 with interest rates ranging from 3.826% to 5,207% and are not subject to optional redemption prior to stated maturity. There are term bonds in the principal amount of $10,255 with an interest rate of 5.857%. The bonds maturing in 2019 shall be subject to mandatory sinking fund redemption and payment prior to stated maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2015.

j. Juvenile Detention Center

On June 12, 2008, the SLMFC issued $25,555 Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series 2008B (Series 2008B Bonds). The proceeds will be used to fund the constructions, installation, rehabilitation and improvements of the property know as the Juvenile Detention Center as well as improvements to other real property. The Series 2008A Bonds include serial bonds in the principal amount of $8,170 with an interest rate of 4% and term bonds in the principal amount of $17,385 with interest rates ranging from 4.25% to 4.5% The term bonds maturing in 2025, 2028, and 2038 shall be subject to mandatory sinking fund redemption and payment prior to stated maturity pursuant to the mandatory redemption requirements of the Indenture on June 1, 2023, June1, 2026, and June 1, 2029, respectively.

k. Principal and Interest Requirements

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	**Interest**	**Principal**	**Interest**
Year ending June 30:				
2010	$ 2,255	493	$ 12,915	4,261
2011	2,360	381	14,035	3,595
2012	2,465	270	9,940	2,986
2013	2,580	152	11,310	2,450
2014	2,685	44	12,325	1,850
2015 – 2019	—	—	10,087	13,065
2020 – 2024	—	—	21,351	22,495
2025 – 2029	—	—	32,893	40,462
2030	—	—	12,604	16,739
	$ 12,345	1,340	$ 137,460	107,903

(dollars in thousands)

	Justice Center		Forest Park	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2010	$ 6,925	4,202	$ 805	563
2011	7,250	3,875	835	533
2012	11,025	3,528	865	508
2013	7,920	2,966	895	473
2014	8,340	2,545	930	443
2015 – 2019	41,790	5,864	5,280	1,568
2020 – 2022	1,790	72	3,790	320
	$ 85,040	23,052	$ 13,400	4,408

	Carnahan Courthouse		Abram Building	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2010	$ 15	974	$ 358	134
2011	160	974	372	119
2012	170	968	388	103
2013	175	960	404	87
2014	1,235	954	421	70
2015 – 2019	6,930	3,988	1,373	102
2020 – 2024	8,430	2,482	—	—
2025 – 2028	6,610	597	—	—
	$ 23,725	11,897	$ 3,316	615

(dollars in thousands)

	Recreation Sales Tax		Police Capital Improvement Sales Tax	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2010	$ 910	2,326	$ 265	1,041
2011	950	2,290	280	1,030
2012	985	2,252	290	1,020
2013	1,025	2,212	300	1,008
2014	1,065	2,172	315	996
2015 – 2019	6,065	10,165	1,760	4,787
2020 – 2024	7,645	8,661	3,860	4,282
2025 – 2029	9,660	6,675	5,285	3,261
2030 – 2034	12,220	4,119	6,570	1,973
2035 – 2039	8,900	905	4,700	429
	$ 49,425	41,777	$ 23,625	19,827

	Public Safety Sales Tax Pension Funding Project 2008		Juvenile Detention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2010	$ 1,445	982	$ 465	1,084
2011	1,505	922	480	1,066
2012	1,575	851	500	1,046
2013	1,655	774	520	1,026
2014	1,735	692	540	1,006
2015 – 2019	10,255	1,870	3,055	4,684
2020 – 2024	—	—	3,710	4,022
2025 – 2029	—	—	4,570	3,163
2030 – 2034	—	—	5,695	2,039
2035 – 2038	—	—	5,545	637
	$ 18,170	6,091	$ 25,080	19,773

l. <u>Pension Funding Project</u>

The Police Retirement System and the Firemen's Retirement System filed two lawsuits in the Circuit Court of the City against the City seeking declaratory and injunctive relief and damages on the basis that the City was required to pay the entire certified amounts submitted by the Police System and the Firemen's System for their fiscal years 2004-2007. The Circuit Court granted summary judgment in favor of the Systems relative to the fiscal year 2004 suit and the City appealed the rulings. The Missouri Eastern District Court of Appeals transferred the cases to the Supreme Court of Missouri. On March 13, 2007, the Supreme Court affirmed the judgments of the Circuit Court.

(dollars in thousands)

In late May 2007, the Employees Retirement System delivered notice to the City of their intent to seek similar court judgments for the alleged shortfalls in the City's funding of the Employee System for fiscal year 2004 through 2007.

On September 27, 2007, in response to these cited actions, the SLMFC issued $140,030 in Taxable Leasehold Revenue and Refunding Bonds Series 2007- Pension Funding Project (Pension Funding Project Bonds). Included in the financing was the refunding of the Firemen's System Series 1998 Bonds in the amount of $8,430. The distribution of funds to the retirement systems were as follows:

Firemen's Retirement System	$	49,405
Police Retirement System		29,587
Employees' Retirement System		46,699
	$	125,691

The Pension Funding Project Bonds is a term bond bearing an interest rate of 6.5% due June 1, 2037. They are subject to pro rata mandatory sinking fund redemption and payment prior to stated maturity on June 1, 2011 and annually on June 1 in each of the years thereafter to and including June 1, 2036 at the redemption price of 100% of the principal amount so redeemed.

The cost savings to refund the bonds was minimal. By refunding the bonds, collateral used to secure them was needed to secure the Series 2007 bonds.

The long-term liability for the Employees' System portion of the Pension Funding Project Series 2007 debt is reflected as a long-term liability within the accompanying basic financial statements as follows as of June 30, 2009:

Governmental activities	$	32,671
Business-type activities		9,666
Component unit—SLPD		4,362
	$	46,699

(dollars in thousands)

Principal and interest requirements for the Pension Funding Project Bonds Series 2007 are as follows:

	Pension Funding Project	
	Principal	**Interest**
Year ending June 30:		
2010	$ —	9,102
2011	2,035	9,102
2012	2,165	8,970
2013	2,305	8,829
2014	2,455	8,680
2015 – 2019	14,895	40,783
2020 – 2024	20,410	35,268
2025 – 2029	27,960	27,718
2030 – 2034	38,310	17,369
2035 – 2038	29,495	3,914
	$ 140,030	169,735

Of the $140,030 of outstanding Pension Funding Project Bonds Series 2007, $126,002 is recorded within governmental activities, $9,666 is recorded within business-type activities, and $4,362 is recorded within the SLPD component unit.

15. 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 $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.

(dollars in thousands)

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 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, 2009, 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:

		Principal	Interest	Preservation Payments	Total
Year ending June 30:					
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		2,990	1,920	1,090	6,000
2014		3,145	1,759	1,096	6,000
2015 – 2019		18,410	6,066	5,524	30,000
2020 – 2022		13,525	1,090	385	15,000
	$	46,175	17,484	11,341	75,000

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

(dollars in thousands)

16. COMPONENT UNIT—LONG-TERM LIABILITIES

a. 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, 2009:

		Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Due to other governmental agencies	$	11,919	1,736	(1,799)	11,856	2,800
Notes payable		7,961	540	(736)	7,765	5,360
Other liabilities		5,384	1,075	(2,015)	4,444	1,805
Revenue bonds		12,130	—	(365)	11,765	645
	$	37,394	3,351	(4,915)	35,830	10,610

Maturities on notes payable are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	5,360	107	5,467
2011		1,900	10	1,910
2012		505	2	507
	$	7,765	119	7,884

Revenue bonds outstanding at June 30, 2009 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 determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

(dollars in thousands)

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
Year ending June 30:						
2010	$ 425	19	220	562	—	214
2011	—	—	430	541	—	214
2012	—	—	455	512	—	215
2013	—	—	485	481	—	214
2014	—	—	515	448	—	214
2015 – 2019	—	—	3,125	1,648	—	1,072
2020 – 2024	—	—	3,070	108	1,980	869
2025	—	—	—	—	1,060	37
	$ 425	19	8,300	4,300	3,040	3,049

b. 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, 2009:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due within One Year
Accrued banked overtime, vacation, and sick time leave	$ 28,609	17,573	(18,461)	27,721	17,475
Worker's compensation	17,643	2,938	(3,594)	16,987	4,942
Net pension obligation	2,962	2,616	(2,425)	3,153	—
Pension obligation payable	4,362	—	—	4,362	—
Claims payable	1,500	600	—	2,100	2,100
Net OPEB obligation	16,405	23,761	(7,904)	32,262	8,984
	$ 71,481	47,488	(32,384)	86,585	33,501

(dollars in thousands)

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2009 are summarized as follows:

Bond Series 1997, Series B, interest rate of 6%, payable in varying amounts through 2015	$	31,165
Bond Series 1998, interest rate of 5.13%, payable in varying amounts through 2016		44,235
Bond Series 2001A, interest rates ranging from 4.40% to 5.50%, payable in varying amounts through 2012		18,970
Bond Series 2002, Series A, B, and C, interest rates ranging from 4.0% to 5.50%, payable in varying amounts through 2033		41,820
Bond Series 2003A, interest rates ranging from 3.20% to 5.25%, payable in varying amounts through 2019		61,210
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
		797,105
Less:		
Current maturities		(21,670)
Unamortized discounts and premiums		52,688
Deferred amounts on refunding		(31,689)
	$	796,434

As of June 30, 2009, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	21,670	40,594	62,264
2011		24,015	39,380	63,395
2012		25,965	38,061	64,026
2013		27,030	36,673	63,703
2014		35,975	35,074	71,049
2015 – 2019		192,610	146,032	338,642
2020 – 2024		175,865	98,429	274,294
2025 – 2029		181,880	53,171	235,051
2030 – 2034		112,095	9,656	121,751
	$	797,105	497,070	1,294,175

(dollars in thousands)

In 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, 2009, $536,180 of outstanding revenue bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2009 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, 4.15% - 4.75% Payable in varying amounts through July 1, 2014	$	23,025
Less:		
Current maturities		(3,440)
Deferred amount on refunding		(460)
Unamortized discounts		(31)
	$	19,094

Debt service requirements to maturity of the 1998 Water Revenue Bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	3,440	959	4,399
2011		3,585	809	4,394
2012		3,740	650	4,390
2013		3,905	480	4,385
2014		4,085	297	4,382
2015		4,270	102	4,372
	$	23,025	3,297	26,322

(dollars in thousands)

c. Parking Division

Revenue bonds outstanding at June 30, 2009 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028	$	4,235
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038		6,504
Series 2006 revenue bonds interst ranging from 3.75% to 5.14% payable in varying amounts through 2032		55,410
Series 2007 revenue bonds interst ranging from 4.125% to 6.00% payable in varying amounts through 2034		12,705
		78,854
Less:		
Current maturities		(1,879)
Unamortized discount and deferred loss on refunding		(5,856)
	$	71,119

The Series 2003A bonds are secured by an irrevocable direct pay letter of credit with the Bank of America, N.A. (the Bank) in the original amount of $6,807. The letter of credit automatically extended for successive one-year periods until the absolute termination date of June 6, 2028, unless written notice is given not less than one year prior to the actual or anticipated termination date beyond which the Bank elects not to renew the letter of credit. As of June 30, 2009, there are no outstanding draws related to this letter of credit.

Debt service requirements for the Parking Division revenue bonds are as follows:

		Principal	Interest	Total
Year ending June 30:				
2010	$	1,879	3,639	5,518
2011		1,973	3,551	5,524
2012		2,074	3,452	5,526
2013		2,186	3,354	5,540
2014		2,298	3,242	5,540
2015 – 2019		13,433	14,570	28,003
2020 – 2024		16,905	11,318	28,223
2025 – 2029		19,412	7,247	26,659
2030 – 2034		16,999	2,000	18,999
2035 – 2038		1,695	211	1,906
	$	78,854	52,584	131,438

In prior years, the Parking Division advance refunded various 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, 2009, $18,775 of outstanding revenue bonds are considered defeased.

18. PLEDGED REVENUES

The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following narratives list those revenues by source along with the general purpose of the debt, the amount of the pledge remaining, the term of the pledge commitment, the amount of pledged revenue collected during the current fiscal year, and the approximate percentage of the revenue stream that has been committed, if estimable:

a. Governmental activities

The City has pledged an ad valorem tax levied upon all taxable, tangible property, real and personal (property tax revenue) related to various general obligation revenue bonds. The general purpose of the various general obligation revenue bonds is the purpose of refunding renovation of fire and police buildings and demolition of unsafe or condemned buildings and communications equipment for fire police and EMS and police infrastructure improvements. The bonds are payable, in part, from a tax rate that is set annually based on revenue required to pay debt. The term of commitments related to such pledged revenues vary by issuances and extend to fiscal year 2026. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2009, the total principal and interest remaining to be paid on the debt is $65,515. Principal and interest paid was $6,231 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $5,410. During fiscal year 2009, the proportion of pledged revenues needed for debt service to revenues collected was 100%.

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in specified TIF districts to pay debt outstanding. The general purpose of the TIFS are to assist in development of blighted properties. The debt outstanding is payable from the related pledged revenues through year 2030. Annual principal and interest outstanding on the various TIF bonds and notes outstanding is paid based on the amount of revenue captured in each particular district. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2009, the total principal and interest remaining is $343,771, which includes the Section 108 Loan for the Convention Center Hotel principal and interest outstanding because it is backed by TIF funds. Principal and interest paid was $19,626 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $16,889. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 100%.

A $45 (in dollars) surcharge on civil cases in the circuit court is imposed by state statute to be used for courthouse restoration. A city ordinance also imposes a $5 (in dollars) court cost on all municipal ordinance violation cases to be used for courthouse restoration. The funds are used as pledges for the Civil Court and Carnahan Courthouse Leasehold Revenue Refunding Bond Series, with purposes of financing renovations at the Civil Courts building and the Carnahan Courthouse, respectively. The term of commitment related to such pledged revenues extend to fiscal year 2027. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2009, the total principal and interest remaining on these financings is $49,307. Principal and interest paid was $3,718 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $1,499. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged State per diem prisoner reimbursements for boarding of State prisoners to Justice Center debt issuances. The purpose of the financings was to construct a new Justice Center. The term of commitment related to such pledged revenues extend to fiscal year 2020. Annual principal and interest payments on the bonds are expected to require 100% of estimated related net revenues. As of June 30, 2009, total principal and interest remaining on the debt is $108,092. Principal and interest paid was $11,127 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $6,535. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 100%

The City has pledged a portion of the one half cent capital improvement sales tax to fund the Forest Park Leasehold Revenue Refunding Bonds, whose purpose was to finance improvements to Forest Park. As legally committed by ordinance, 10.4% of the revenue collected from this sales tax is allocated for Forest Park. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated related net revenues. As of June 30, 2009, total principal and interest remaining on the debt is $17,808. Principal and interest paid was $1,372 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $1,814. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 75.6%.

The City has pledged the one eighth cent parks and recreation sales tax to fund the Recreation Sales Tax Leasehold Revenue Bonds Revenue Bonds whose purpose was the construction of two new recreation centers. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2037. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated related net revenues. As of June 30, 2009, total principal and interest remaining on the debt is $91,202. Principal and interest paid was $3,236 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $4,280. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 75.6%.

The City has pledged a portion of the one half cent capital improvement sales tax to fund the Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007, whose purpose was capital improvements to police buildings and certain interoperable communications equipment to be used by the police, fire and EMS. As legally committed by ordinance, 10% of the revenue collected from this sales tax is allocated for police capital improvements. The annual debt payment is appropriated from this source of funds. The term of commitment related to such pledged revenues extend to fiscal year 2037. Annual principal and interest payments on the bonds are expected to require less than 90% of estimated related net revenues. As of June 30, 2009, total principal and interest remaining on the debt is $43,452. Principal and interest paid was $1,310 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $1,742. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 75.2%.

The 3.5% sales tax imposed on the amount of sales or charges for all rooms paid by the transient guests of hotels and motels is pledged by the City to fund the Convention and Sports Facility Refunding Bonds Series C 2007, whose purpose was to construct a multipurpose convention and indoor sports facility. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 100% of estimated related net revenues. As of June 30, 2009, total principal and interest remaining on the debt is $75,000. Principal and interest paid was $6,000 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $6,513. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 92.1%.

The City has pledged all payments in lieu of taxes (PILOTs) and fifty per cent of the economic activity taxes (EATS) captured in the Argyle TIF district to pay debt outstanding on a portion of the Parking Revenue Bonds Series 2006 associated with the Argyle Parking garage construction. The term of commitment related to such pledged revenues extend to fiscal year 2022. Annual principal and interest payments on the bonds are expected to require less than 100% of estimated related net revenues. As of June 30, 2009, total principal and interest outstanding on this portion of the debt is $12,308. The pledged net revenue recognized for the year ended June 30, 2009 related to the collection of PILOTs and EATs was $982. During fiscal year 2009, the proportion of pledged revenues needed to revenues collected was 100%.

The City has pledged general fund police parking ticket revenues to the Parking Revenue Bonds Series 2006 & Series 2007 in parity with the Parking Division to make up any shortfall of other committed sources. The term of commitment related to such pledged revenues extend to fiscal year 2038. As of June 30, 2009, total principal and interest remaining on the debt is $56,132. During fiscal year 2008, revenue from the police parking ticket revenues totaled $1,852. Since Parking Division revenues for fiscal year 2009 and cash held at the trustee were sufficient to pay the debt service requirement, no general fund revenues were necessary for fiscal year 2009. See footnote 18b.

b. Business-type activities

Airport

The Airport has pledged a specific revenue stream, net of specifies operating expenses, to secure the repayment of $797,105 in various long-term debt issuances, as outlined in note 17. The general purpose of the various long-term debt issuances is for land acquisition and construction of the capital assets at the Airport. The bonds are payable from Airport net revenues and are payable through 2034. Annual principal and interest payments on the bonds are expected to require less than 80% of estimated Airport net revenues. As of June 30, 2009, the total principal and interest remaining to be paid on the bonds is $1,294,175. Principal and interest paid was $62,300 for the year ended June 30, 2009. The pledged net revenue recognized for the year ended June 30, 2009 was $83,907.

Water

The Water Division has pledged all Water Division revenues to secure repayment of the Water Revenue Refunding Bonds (Series 1998 Bonds). The bonds were issued for the purpose of funding various Water Division infrastructures. As of June 30, 2009, the remaining principal and interest requirement is $26,322, payable through July 2014 (fiscal year 2015). Fiscal year 2009 net revenues were $49,231 so the proportion of pledged revenue to revenue collected is estimated at 8.9% at June 30, 2009.

Parking

The Parking Division has pledged net Parking Division project revenues and net Parking Division revenues to secure the repayment the City of St. Louis Parking Revenue Bonds, Series 2006 & 2007. The general purpose of the bonds is to build parking facilities in the City. As of June 30, 2009, the remaining principal and interest requirement is $112,263, payable through fiscal year 2034. Fiscal year 2009 net revenues were $4,202 so that the proportion of pledged revenues needed to revenues collected was 100% for fiscal year 2009.

19. SHORT-TERM DEBT

a. City

The City issued $50,000 of general fund Tax and Revenue Anticipation notes dated July 1, 2008 and redeemed June 30, 2009. The purpose of the notes is to improve cash flow to allow more prompt vendor payments and encourage additional vendors to bid on City business.

In order to secure the Justice Center Series 2000 bonds and the Series 2005 bonds, a surety bond was purchased from Ambac. Events involving the credit exposure of certain monoline bond insurers resulted in Ambac's credit ratings from Moody's and S&P being reduced from Aaa/AAA to Baa1/AA, respectively. Due to Ambac's downgrades, the surety policy failed to satisfy the Indenture requirements which states the provider must be rated in one of the two highest rating categories. A Letter of Credit was issued in February 2009 from Bank of America, N.A. which satisfied the requirements of the Indenture until June 2009. In June 2009, a Promissory Note was issued by Bank of America, N.A. to satisfy the requirements of the Indenture until June 29, 2010 when further provisions will be made. Since the note is not expected to be paid with current financial resources, it does not represent a liability in the government funds, and the note is recorded as short-term debt within the government-wide financial statements.

(dollars in thousands)

Short-term debt activity for the year ended June 30, 2009 was as follows:

		Balance June 30, 2008	Issued	Redeemed	Balance June 30, 2009
Tax revenue anticipation notes	$	—	50,000	(50,000)	—
Notes payable-Justice Center DSR		—	9,068	—	9,068
	$	—	59,068	(50,000)	9,068

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, 2009, commercial paper of $25,000 was outstanding. The commercial paper outstanding at June 30, 2009 consisted of $1,000 Commercial Paper Series A, due on July 28, 2009 at an interest rate of 0.65%, and $24,000 Commercial Paper Series C, due on July 13, 2009 at an interest rate of 4.25%.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2009:

		Balance June 30, 2008	Issued	Redeemed	Balance June 30, 2009
Commerical paper payable	$	1,000	28,000	(4,000)	25,000

20. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport and Water Division have entered into eight 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.

(dollars in thousands)

b. Terms

The terms of Airport forward purchase agreements I – IV are as follows:

	Airport I	Airport II	Airport III	Airport IV
Date of origin	June 1995	December 2003, as amended July 2005	December 2003, as amended January 2007	December 2003, as amended July 2005 and January 2007
Underlyind bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 A, Series 2005 debt service	Series 1997B debt service	Series 2001A, Series 2005, Series 2007A debt service
Guaranteed interest rate	6.34%	5.34%	5.35%	Series 2001A: 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
Date of termination (upon maturity of bond series)	2015	2027	2014	2031
Notional amount (representing balance in applicable accounts)	$1,169	$960	$5,465	$17,035
Obligation (representing the unamortized portion of lump-sum payment) recorded on the statement of fund net assets at June 30, 2009	$627	N/A	N/A	N/A

(dollars in thousands)

The terms of Airport forward purchase agreements V – VII and the Water Division forward purchase agreement are as follows:

	Airport V	Airport VI	Airport VII	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	2015
Notional amount (representing balance in applicable accounts)	$674	$1,421	$6,383	$4,050
Obligation (representing the unamoritzed portion of the initial lump-sum payment) recorded on the statement of fund net assets at June 30, 2009	N/A	N/A	N/A	$184

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 II through VII, 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.

(dollars in thousands)

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, 2009, these fair values are as follows:

Agreement		Fair Value
Airport II	$	(372)
Airport III		(485)
Airport IV		(5,251)
Airport V		(134)
Airport VI		(282)
Airport VII		(370)

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, 2009 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 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, 2009 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, 2009. 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.

(dollars in thousands)

21. OPERATING LEASES

a. At June 30, 2009, 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:		
2010	$	917
2011		860
2012		803
2013		755
2014		733
2015 – 2019		2,509
2020 – 2024		250
2025 – 2028		188
	$	7,015

Rental and lease expenditures for the fiscal year 2009 totaled $2,997.

b. Airport – Use Agreements and Leases with Participating Air Carriers

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with participating air carriers that expires on June 30, 2011. 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.

(dollars in thousands)

During fiscal year 2009, revenues from participating air carriers accounted for 61% 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 participating and non-participating air carriers for the year ended June 30, 2009:

		Participating	Non-participating	Total
Airfield	$	59,516	9,546	69,062
Terminal and concourses		21,023	1,668	22,691
Hangars and other buildings		822	46	868
Cargo buildings		661	137	798
	$	82,022	11,397	93,419

The Airport also leases facilities and land with varying renewal privileges to various non-participating air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancelable operating leases, other than leases with participating airlines, pursuant to long-term use agreements:

Year ending June 30:		
2010	$	15,767
2011		8,834
2012		7,317
2013		5,716
2014		5,629
2015 – 2019		25,304
2020 – 2024		8,635
2025 – 2029		3,782
2030 – 2034		3,782
2035		396
Total minimum future rentals	$	85,162

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to $4,815 for the year ended June 30, 2009.

(dollars in thousands)

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2013. Expenses for operating leases and service agreements were $117 for the year ended June 30, 2009. Future minimum payments are as follows:

Year ending June 30:		
2010	$	126
2011		90
2012		52
2013		7
Total minimum future rentals	$	275

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:		
2010	$	255
2011		255
2012		270
2013		301
2014		301
2015 – 2017		803
	$	2,185

Additionally, at June 30, 2009, 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. Sublease revenue is retained by SLDC for use at the site.

(dollars in thousands)

22. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2009 are as follows:

Receivable Fund	Payable Fund		Amount
General fund	Special revenue—Grants fund	$	14,258
	Other governmental nonmajor funds		48
	Enterprise:		
	Airport		1,624
	Water Division		1,671
	Parking Division		219
	Internal service funds		58
			17,878
Other governmental nonmajor funds	General fund		1,157
	Capital projects fund		235
	Other governmental nonmajor funds		914
			2,306
Internal service funds	General fund		133
	Enterprise:		
	Airport		2,552
	Water Division		2,117
	Parking Division		254
			5,056
		$	25,240

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, 2010.

Advances to/from other funds as of June 30, 2009 are as follows:

Advance from	Advance to		Amount
General fund	Internal Service Fund	$	16,090

(dollars in thousands)

23. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2009 consisted of the following:

		Transfer To					
		General Fund	Capital Projects Fund	Other Govern-mental Funds	Water Division	Parking Division	Total
Transfer From	General fund	$ —	1,716	4,242	—	—	5,958
	Capital Projects fund	41	—	—	—	—	41
	Other Governmental Funds	25,223	10,605	114	—	607	36,549
	Airport	5,831	—	—	—	—	5,831
	Water Division	2,777	—	—	—	—	2,777
	Parking Division	300	—	—	—	—	300
		$ 34,172	12,321	4,356	—	607	51,456

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.

24. 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, 2009, 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.

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 which it renews annually and will continue to do so until the landfill is fully closed. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. The agreement would also allow for the City to incur penalties if all conditions are not met. The City Counselors Office has revised the outlook from reasonably possible to a remote possibility due to further conversations with DNR. Due to this change, the liability recorded regarding this penalty has been eliminated.

Presently, there are two issues that remain – three sections have been satisfactorily closed; one section is still under scrutiny due to methane gas which the City must remediate. At June 30, 2009, a liability has been recorded in the amount of $250 for this remediation. Also, the landfill originally encroached on private property and the City through LRA has acquired most but not all of this property. There is a two acre piece that still needs to be acquired and the City is in negotiations with the property owner. Although, all efforts may have been made to properly seal the landfill for closure, it cannot be officially closed until this last piece of land is acquired.

c. Commitments

At June 30, 2009, the City had outstanding commitments amounting to approximately $76,115, resulting primarily from service agreements.

Additionally, at June 30, 2009, the Airport had outstanding commitments amounting to approximately $45,924 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 20% of the Airport's total operating revenues and 34% of total revenues from participating air carriers for the fiscal year ended June 30, 2009. Accounts receivable at June 30, 2009 contained of $2,069 relating to amounts owed to the Airport by American. These amounts include $1,193 of unbilled aviation revenues at June 30, 2009.

Southwest provided 20% of the Airport's total operating revenues and 34% of total revenues from participating air carriers for the fiscal year ended June 30, 2009. Accounts receivable at June 30, 2009 contained of $4,269 relating to amounts owed to the Airport by Southwest. These amounts include $2,090 of unbilled aviation revenues at June 30, 2009.

e. Airport Expansion

During the year ended June 30, 2008, as a result of an agreement between the City of St. Louis and City of Bridgeton (Bridgeton), the Airport recognized a $30,532 loss on the disposal of surplus property, which was originally acquired by the Airport for the purpose of noise mitigation and airport expansion. This agreement resolves and settles the remaining disputes between the Airport and Bridgeton. The key items in the agreement require the Airport to (1) pay over a three year period, $10,800 to Bridgeton, (2) convey to Bridgeton approximately forty-two acres of land, and (3) lease to Bridgeton various parcels of land. Other key items in the agreement require Bridgeton to convey to the Airport approximately twenty-six acres of land. The land conveyed to Bridgeton by the Airport was originally recorded at cost. The cost of the land capitalized by the Airport in prior years represented all costs associated with preparing the land for its intended purpose of noise mitigation and airport expansion, including the costs of acquiring the land and returning the land to an undeveloped state. The land conveyed to the Airport by Bridgeton was recorded at fair market value. The difference resulted in a loss to the Airport. The terms of settlement for the surplus land included restrictions on the use of land resulting from its proximity to the Airport. Approximately ten acres of the land conveyed to the Airport will be leased to Bridgeton.

The above land transactions are part of a larger settlement agreement with Bridgeton. The Airport obtained FAA approval on the settlement agreement prior to closing on the agreement. As such, the Airport did not receive cash, but consideration in the form of an exchange of similar properties. The receipt of these properties will complete the land acquisition of all remaining properties owned by Bridgeton that are within the W-1W boundaries. As stated in the preceding paragraph, the Airport will pay over a three year period, $10,800 to Bridgeton. In fiscal years 2010, and 2011 $4,000, and $3,500 respectively is due to Bridgeton. The liability totaled $7,500 as of June 30, 2009, and $4,000 is included in accounts payable and accrued expenses with the remaining $3,500 included in other long-term liabilities within the accompanying balance sheet at June 30, 2009.

During the year ended June 30, 2009, the Airport recognized a $222 loss on the sale of surplus property, which was originally acquired by the Airport for the purpose of noise mitigation and airport expansion. The surplus property was a tract of land containing approximately 3 acres and will be developed for commercial purposes. The terms of the sale for the surplus land included restrictions on the use of land resulting from its proximity to the Airport. The Airport has recorded the $1,175 proceeds from the sale of the surplus property as net assets restricted for the Airport Improvement Program at June 30, 2009.

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.

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. Revenues from these contracts amounted to $5,453 during the year ended June 30, 2009.

SLDC has received three allocation awards of New Market Tax Credit (NMTC) investment authority pursuant to Section 45D of the internal Revenue Code: a Round 2, $52 million allocation received in 2005, a Round 6, $45 million allocation in October 2008, and a Round 7, $65 million allocation received in October 2009 from the Department of the Treasury's Community Development Financial Institutions Fund (CDFI). The NMTC program allows individuals and corporate taxpayers to receive a credit against federal income taxes in exchange for making a qualified entity investment in a qualified active low-income community business (QALICB). In order to qualify for the credits various federal requirements must be complied with. SLDC was required to create Community Development Entities (CDE) so as to demonstrate its mission of serving low-income residents and its accountability to the low income community. The NMTC program requires the credits to be transferred to the QALICB's by for-profit partnerships or corporations for federal tax purposes. To comply with this provision, SLDC created 20 subsidiary CDEs – St. Louis Market Tax Credit Fund, LLCI through XX with the intent that each NMTC to be allocated would be assigned its own CDE. The entire Round 2, $52 million of tax credits has been allocated to seven entities and all of the transactions had closed as of June 30, 2008. Six entities were selected through a Request for Proposals to receive sub-allocations from SLDC's Round 6 allocation. One of these transactions has closed. An RFP has been issued seeking project uses for the Round 7 allocation announced in October 2009.

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, 2009.

25. 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 $19,978 at June 30, 2009, 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.

The City is self-insured for the prescription drug coverage provided to employees and retirees. The estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of $391 at June 30, 2009 relating to such matters is recorded in the self-insurance internal service fund—health.

Additionally, as of June 30, 2009, the following claims were recorded/accrued within the noted funds because the claims are not accounted for within the PFPC internal service fund; Airport in the amount of $52; Water in the amount of $134; General fund in the amount of $198; and Special Revenue fund in the amount of $39.

The City maintains a blanket surety bond covering all City employees through PFPC. In addition, the City purchases commercial insurance for property damage for large City buildings and some contents. Damage and liability coverage is applicable to the Airport. There were no significant changes in coverage for the year ended June 30, 2009 and, for the years ended June 30, 2009, 2008, and 2007 settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2009 and 2008 are as follows:

(dollars in thousands)

		Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2009	$	16,849	17,262	(13,742)	20,369
2008		16,344	14,106	(13,601)	16,849

Additionally, there is an estimate of general liability claims outstanding of $9,340 to $9,490, 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. At June 30, 2009, claims payable of $2,100, represents the amount attributable to a lawsuit with a probable adverse outcome potential that is not covered by the City. Additionally, at June 30, 2009, $50 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, 2009, these liabilities amounted to $16,987 for workers' compensation. Of SLPD's total worker's compensation liability, $9,111 has been accrued for benefits to be paid for long-term medical care for an officer seriously injured in the line of duty. Benefit payments for this case amounted to approximately $219 for the year ended June 30, 2009.

(dollars in thousands)

Changes in the balances of claims payable and workers' compensation claims liabilities during fiscal years ended June 30, 2009 and 2008 were as follows:

		Beginning of year	Incurred claims and changes in estimates	Claim payments	End of year
Claims payable:					
2009	$	1,500	600	—	2,100
2008		—	1,500	—	1,500
Worker's compensation claims:					
2009	$	17,643	2,938	(3,594)	16,987
2008		40,357	(17,710)	(5,004)	17,643

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.

26. 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, collectability 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.

27. 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, 2009 could not be determined; however, the original issue amounts totaled approximately $2 billion (in dollars).

28. 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 October 13, 2006, the City and the Southtown TDD entered into an Intergovernmental Cooperation Agreement in which the district has pledged an annual appropriation of the TDD Revenue to pay debt service on the portion of the TIF bonds related to the transportation projects. TDD revenues cannot exceed 13.7295% of the debt service requirements.

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.

29. FUTURE ACCOUNTING PRONOUNCEMENTS

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* (GASB Statement No. 51). This statement establishes accounting and financial reporting requirements for intangible assets, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB Statement No. 51 is effective for the City for the year ending June 30, 2010, as applicable.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB Statement No. 53). This statement is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. The statement specifically requires governments to measure most derivative instruments at fair value in their financial statements. The guidance in this statement also addresses hedge accounting requirements and is effective for the City for the year ending June 30, 2010, as applicable.

The City has not completed its assessment of the impact of the adoption of these statements.

30. 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 2009, the City issued $55,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2010 and bear interest at a rate of 2.00% per year.

b. Tax Increment Revenue Notes

Subsequent to June 30, 2009, the City issued tax increment revenue notes totaling $16,961 with interest rates ranging from 7.0% to 8.08%.

c. Convention Center Capital Improvement Projects Compound Interest Leasehold Revenue Bonds, Series 2009A and Convention Center Capital Improvement Projects Current Interest Junior Lien Leasehold Revenue Bonds, Series 2009B

On July 2, 2009, the SLMFC issued the Convention Center Capital Improvement Projects Compound Interest Leasehold Revenue Bonds, Series 2009A in the amount of $7,762 and Infrastructure and Convention Center Capital Improvement Projects Current Interest Junior Lien Leasehold Revenue Bonds, Series 2009B in the in the amount of $23,255. The proceeds of the Series 2009A&B Bonds were issued to fund certain capital improvements to the City of St. Louis Convention Center Property. The Series 2009A bonds are serial bonds whose principal payments commence fiscal year 2022 with initial offering yields at maturity of 6.0% to 6.59%. The Series 2009B Bond is a 5.375% term bond due July 15, 2038.

d. Series 2009A Airport Revenue Bonds

On July 14, 2009, the Airport issued $129,970 in Series 2009A Airport Revenue Bonds. The proceeds of the Series 2009A Bonds will be used for the purchase, construction, extension and improvement of the Airport. The Series 2009A bonds mature in installments from 2010 to 2034 and bear interest at rates varying between 2.65% and 6.70%.

e. Announcements by American Airlines

On September 17, 2009, American Airlines issued a press release announcing a reduction in operations at the Airport effective April, 2010. The number of daily flights will be reduced from 82 to 36. The airline will now fly to nine domestic markets.

American Airlines is bound by an Airport Use Agreement to pay for its gates, office space, etc. until June 30, 2011 even if they do not use the gates. Therefore, the Airport will continue to receive this terminal and concourses revenue. In addition, the Airport implemented steps to decrease spending and continue its air service development efforts. On October 21, 2009, Southwest Airlines announced nine new daily flights effective in May, 2010. The next day, United Airlines announced a new daily flight to San Francisco.

It is also very important to note that Southwest Airlines continues to have a strong presence at the Airport and the expectation is that their service to the community will grow.

f. City Justice Center Leasehold Revenue Refunding Bonds, Series 2009

On October 13, 2009, the SLMFC issued the City Justice Center Leasehold Revenue Refunding Bonds, Series 2009 in the amount of $9,920. The proceeds of the Series 2009 Bonds were issued to refund a portion of the 1996B Bonds outstanding. The Series 2009 Bonds bear an interest rate of 1.8% to 4.0%.

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APPENDIX C
SUMMARIES OF LEGAL DOCUMENTS

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APPENDIX C

SUMMARIES OF LEGAL DOCUMENTS

Definitions of Words And Terms

The following words are defined in the Indenture of Trust, dated as of June 1, 2003, by and between the St. Louis Municipal Finance Corporation and UMB Bank, N.A., St. Louis, Missouri, as Trustee, as amended and supplemented by the First Amended and Supplemental Indenture of Trust, dated as of July 1, 2010:

"Additional Bonds" means any additional Bonds, including refunding bonds, issued by the Corporation pursuant to the Indenture.

"Additional Rentals" means the payments payable by the City pursuant to the Lease Agreement.

"Authorized Denominations" means Five Thousand Dollars ($5,000) or any integral multiple thereof.

"Base Lease" means the Base Lease between the City and the Corporation, dated as of June 1, 2003, as from time to time supplemented or amended in accordance with the Indenture.

"Base Lease Rent" means the items referred to as such in the Base Lease.

"Base Lease Term" means the term of the Base Lease commencing as of the date of the delivery of the Base Lease and ending on the date specified in the Base Lease.

"Board of Aldermen" means the Board of Aldermen of the City.

"Bond," "Bonds," or *"Series of Bonds"* means any bond or bonds, including Additional Bonds, authenticated and delivered under and pursuant to the Indenture.

"Bond Counsel" means Armstrong Teasdale LLP or an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and the City.

"Bond Insurance Policy" means the insurance policy issued by the Credit Provider guaranteeing the scheduled payment of principal of and interest on the Series 2003A Bonds when due.

"Bond Register" means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer and exchange of Bonds.

"Bond Registrar" means the Trustee or any successor when acting in such capacity under the Indenture.

"Bondholder," "Holder," or *"Registered Owner"* means the registered owner of any Bond as recorded on the Bond 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.

"Civil Courts Building" means the Property and existing building known as the Civil Courts Building owned by the City and used by the 22nd Judicial Circuit of Missouri, together with all existing fixtures, furnishing and equipment, and any other personalty hereafter acquired by the Corporation and leased by the Corporation to the City pursuant to any Supplemental Lease Agreement with respect to the Civil Court Building.

"Cede & Co." means Cede & Co., as nominee of the Depository Trust Company, New York, New York, and any successor nominee of the Depository with respect to the Bonds.

"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 Base 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 Bond 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 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations there under.

"Collateral" or *"collateral"* as used in the definition of Permitted Investments means the obligation described in subparagraphs (1) and (2) of the definition of Permitted Investments.

"Completion Date" means the date of completion of the Project, as that date is certified as provided in the Lease Agreement and the Indenture.

"Comptroller" means the designated representative of the office of the Comptroller, which supervises the fiscal affairs of the City.

"Construction Contracts" means the contracts for the construction of the Project, by and between the City and Construction Contractors.

"Construction Contractors" means, collectively, the contractors who enter into Construction Contracts for the construction of all or any part of the Project.

"Construction Costs" means all reasonable and necessary expenses incidental to the acquisition of real and personal property, construction, renovation, equipping and installing of furnishings and equipment for the Civil Courts Building or any part thereof and any related municipal facilities which are to be acquired, renovated or improved with proceeds of Bonds including without limitation architectural, engineering legal, financial, administrative and accounting services relating thereto, the cost of all machinery, fixtures and equipment necessary or desirable in connection with the Project, costs as may be necessary or incidental to the Project and any and all other costs which in the opinion of Bond Counsel constitute construction expenditures within the meaning of Section 148(f)(4)(B)(i)(b) of the Code.

"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 person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base 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, Interim 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 all Construction Costs, all costs of establishing an escrow to refund a prior series of Bonds issued for the purpose of paying Construction Costs of the Project, and all reasonable and necessary expenses of or incidental to the Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale and issuance of Bonds with respect to the Project, including but not limited to, legal, organizational, marketing or other special services; financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of Credit Enhancement, 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 Bonds shall be as pre-approved by the Comptroller.

"Costs of Issuance Fund" means the Leasehold Revenue Bonds 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.

"Credit Enhancement" means a letter of credit, surety bond or municipal bond insurance policy or policies, if any, issued by the Credit Provider guaranteeing, providing for or insuring the payment when due of the principal of, and the interest on, one or more series of Bonds as provided therein. The Bond Insurance Policy and the Reserve Policy are Credit Enhancement within the meaning of such term.

"Credit Provider" means, with respect to the Series 2003A Bonds, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy and the Reserve Policy issued in connection with the Series 2003A Bonds.

"Debt Service Fund" means the Leasehold Revenue Bonds Debt Service Fund created in the Indenture.

"Debt Service Reserve Fund" means the Leasehold Revenue Bonds Debt Service Reserve Fund created in the Indenture.

"Debt Service Reserve Fund Deposits" means with respect to any Series of Bonds the deposits into the Debt Service Reserve Fund, if any, required by the Supplemental Indenture authorizing such Series of Bonds.

"Debt Service Reserve Fund Requirement" means, for each Series of Bonds secured by the Debt Service Reserve Fund, the least of (a) the maximum annual debt service on such Series of Bonds Outstanding, (b) 10% of the original proceeds of such Series of Bonds, or (c) 125% of the average annual

debt service requirements on such Series of Bonds when issued. With respect to any Series of Bonds, and with the prior written consent of the Credit Provider, 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 account of the Debt Service Reserve Fund for such Series of Bonds in the amount of the Debt Service Reserve Fund Requirement with respect to such Series of Bonds, 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.

"Defeasance Obligations" means Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (*"United States Treasury Obligations"*), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

"Depository" or *"DTC"* means Depository Trust Company, New York, New York, 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, and its successors and assigns.

"Escrow Agreement" means the Escrow Deposit Agreement, dated as of June 1, 2003, by and among the Corporation, St. Louis Municipal Finance Corporation II, the City and UMB Bank, N.A., as Escrow Agent.

"Event of Default" means (a) with respect to the Lease Agreement any Event of Default as defined in the Lease Agreement, and (b) with respect to the Indenture any Event of Default as defined in the Indenture.

"Event of Non-Appropriation" means an Event of Non-Appropriation as defined in the Lease Agreement.

"First Supplemental Indenture" means the First Amended and Supplemental Indenture of Trust dated as of July 1, 2010 by and between the Corporation and the Trustee.

"First Supplemental Lease Agreement" means the First Amended and Supplemental Lease Purchase Agreement dated as of July 1, 2010 by and between the Corporation and the City.

"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 Ratings, 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 Civil Court Building, exclusive of land, excavations, footings, foundations and parking lots, but in no event shall such value be less than the principal amount of the Bonds 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 Bonds due on a particular Stated Maturity, immobilized from general circulation in the Depository.

"Impositions" means those taxes, assessments and other impositions defined in the Lease Agreement.

"Indenture" means the Original Indenture, as amended and supplemented by the First Supplemental Indenture, and as may be further amended and supplemented in accordance with the provisions of the Indenture.

"Interest Payment Date" means (i) with respect to the Series 2003A Bonds, February 1 and August 1 of each year, beginning August 1, 2003, as long as the Series 2003A Bonds remain Outstanding, (ii) with respect to the Series 2010 Bonds, February 1 and August 1 of each year, beginning February 1, 2011, as long as the Series 2010 Bonds remain Outstanding, and (iii) with respect to any other Series of Bonds, such dates as provided in the Supplemental Indenture pursuant to which such Series of Bonds are issued.

"Lease Agreement" means the Original Lease Agreement, as supplemented and amended by the First Supplemental Lease Agreement, and as from time to time supplemented or amended in accordance with the Lease Agreement and the Indenture.

"Leasehold Deed of Trust" means the Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated as of June 1, 2003, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein.

"Maturity" means, with respect to any Bond, the date on which the principal of such Bond 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.

"Mayor" means the designated representative of the office of the Mayor, which is the chief elected official of the City.

"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.

"Opinion of Bond Counsel" means a written opinion of any legal counsel acceptable to the Corporation, the City and the Trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption form federal income taxation of interest on such obligations.

"Opinion of Counsel" means a written opinion of any legal counsel acceptable to the Corporation and the Trustee and, to the extent the City is asked to take action in reliance thereon, the City, who may be an employee of or counsel to the Corporation or the City.

"Ordinance" means (i) with respect to the Series 2003A Bonds, Ordinance No. 65872 of the City enacted on May 16, 2003, which authorizes, among other things, the issuance, sale and delivery of the Series 2003A Bonds, in accordance with the Indenture, and any amendments or supplements thereto, (ii) with respect to the Series 2010 Bonds, Ordinance No. 68717 of the City enacted on July 13, 2010, which authorizes, among other things, the issuance, sale and delivery of the Series 2010 Bonds, in accordance with the Indenture, and any amendments or supplements thereto, and (iii) with respect to any other Series of Bonds, such ordinance of the City which authorizes, among other things, the issuance, sale and delivery of such Series of Bonds.

"Original Indenture" means the Indenture of Trust dated as of June 1, 2003 by and between the Corporation and the Trustee.

"Original Lease Agreement" means the Lease Purchase Agreement dated as of June 1, 2003 by and between the Corporation and the City.

"Outstanding" means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, except:

(a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for canceling;

(b) Bonds which are deemed paid under the Indenture;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture; and

(d) Bonds 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 Bonds outstanding under the Indenture, the Base Lease or the Lease Agreement.

"Participants" means those financial institutions for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

"Paying Agent" means the Trustee when acting in such capacity under the Indenture.

"Permitted Encumbrances" means:

(a) any financing statements relating to the Indenture, the Base Lease, the Lease Agreement or the Leasehold Deed of Trust;

(b) Impositions which are not then delinquent, or if then delinquent, are being contested in accordance with the Lease Agreement;

(c) utility, access and other easements and rights-of-way, restrictions and exceptions, including operating agreements or leases, which will not interfere with or impair any of which may be necessary to the operation of the Civil Court Building (or, if it is not being operated, the operation for which it was designed or last modified);

(d) 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;

(e) such minor defects and irregularities of title as normally exist with respect to properties similar in character to the Property and which the Corporation certifies do not materially adversely affect the value of the Civil Court Building or impair the Property affected thereby for the purpose for which it was acquired or is held by the Corporation;

(f) zoning laws and similar restrictions which are not violated by the Civil Court Building;

(g) the Base Lease;

(h) the Lease Agreement, and

(i) the Leasehold Deed of Trust.

"Permitted Investments" means

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (*"United States Treasury Obligations"*), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC)

(b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations

(c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes

(d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations

(e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are 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)

(g) Financing Corporation (FICO) Debt obligations

(h) Resolution Funding Corporation (REFCORP) Debt obligations

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated 'A-1' or better by S&P.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million.

6. Commercial paper (having original maturities of not more than 270 days) rated 'A-1+' by S&P and 'Prime-1' by Moody's.

7. Money market funds rated 'AAm' or 'AAm-G' by S&P, or better.

8. "State Obligations", which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated 'A3' by Moody's <u>and</u> 'A' by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated 'A-1+' by S&P and 'MIG-1' by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated 'AA' or better by S&P and 'Aa' or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (*"Verification"*);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

(a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) The Trustee or a third party acting solely as agent therefor or for the Corporation (the *"Holder of the Collateral"*) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) All other requirements of S&P in respect of repurchase agreements shall be met.

(e) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Corporation or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Corporation and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Corporation or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Corporation and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

(e) the investment agreement shall provide that if during its term

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Corpoation, the Trustee or a third party acting solely as agent therefor (the *"Holder of the Collateral"*) collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee, and

(f) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(g) the investment agreement must provide that if during its term

i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Corporation or the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate, and

ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. (*"event of insolvency"*), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate.

"Plans and Specifications" means the Plans and Specifications for the Project any amendments and additions thereto, and any change orders thereto.

"Principal Payment Date" means (i) with respect to the Series 2003A Bonds, August 1 of each year, beginning August 1, 2003, as long as the Series 2003A Bonds remain Outstanding, (ii) with respect to the Series 2010 Bonds, August 1, 2014, and (iii) with respect to any other Series of Bonds, such dates as provided in the Supplemental Indenture pursuant to which such Series of Bonds are issued.

"Project Fund" means the Leasehold Revenue Bonds Project Fund created in the Indenture.

"Project" means acquisition of real and personal property, and the construction, renovation, equipping and installing of furnishings and equipment for the Civil Courts Building and any other municipal facilities which are to be acquired, renovated or improved with proceeds of the Bonds.

"Property" means the real property described in **Exhibit B** to the Lease Agreement and situated in the City including all streets and roads adjoining thereto and all easements and rights of way now or hereafter used in connection therewith together with all land lying in the bed of any street or road, open or proposed, in front of or adjoining such site to the center line thereof now or hereafter used in connection with such site.

"Rebate Fund" means the Leasehold Revenue Bonds Rebate Fund established in the Indenture.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day (whether or not a business day) of the calendar month preceding such Interest Payment Date occurs.

"Redemption Date," when used with respect to any Bond to be redeemed, means the date fixed for redemption pursuant to the Indenture.

"Redemption Notice Information" means information in a written and dated notice from the Trustee which (a) identifies the Bonds to be redeemed by the name of the issue (including the name of the

issuer and any series designation), CUSIP number, if any, date of issue, interest rate, maturity and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of the Bonds will be redeemed, the certificate numbers and the principal amount of the Bonds to be redeemed, (b) identifies the date on which the notice is published and the Redemption Date, (c) states the price at which the Bonds will be redeemed, (d) states that interest on the Bonds or the portions of Bonds 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, (e) states that payment for the Bonds 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 Bonds to be redeemed in whole or in part and (f) identifies by name and telephone number a representative of the Trustee who may be contacted for additional information.

"Refunded Bonds" means (i) with respect to the Series 2010 Bonds, the Series 2003A Bonds maturing August 1, 2010, and (ii) with respect to any other Series of Bonds, such Bonds as so designated in the Supplemental Indenture pursuant to which such Series of Bonds are issued.

"Refunding Bonds" means bonds issues to refund any Series of Bonds or portion thereof then Outstanding.

"Rentals" or *"Rent"* means those payments required to be made by the City pursuant to the Lease Agreement.

"Replacement Bonds" means the Bonds authenticated and delivered by the Bond Registrar pursuant to the Original Indenture or the First Supplemental Indenture.

"Reserve Policy" means the debt service reserve fund insurance policy issued by the Credit Provider guaranteeing the scheduled payment of the principal of and interest on the Series 2003A Bonds subject to the limitations set forth therein.

"Resolution" means (i) with respect to the Series 2003A Bonds, the resolution adopted by the Board of Directors of the Corporation on May 14, 2003 authorizing, among other things, the issuance, sale and delivery of the Series 2003A Bonds and the execution of certain documents related thereto, (ii) with respect to the Series 2010 Bonds, the resolution adopted by the Board of Directors of the Corporation on July 13, 2010 authorizing, among other things, the issuance, sale and delivery of the Series 2010 Bonds and the execution of certain documents related thereto, and (iii) with respect to any other Series of Bonds, the resolution adopted by the Board of Directors of the Corporation authorizing, among other things, the issuance, sale and delivery of such Series of Bonds and the execution of certain documents related thereto.

"S&P" means Standard & Poor's Ratings Service, a division of the McGraw-Hill Companies, 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" means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to the Original Indenture or pursuant to a Supplemental Indenture authorizing the issuance of such Bonds as a separate Series, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, or other provisions. If a Series of Bonds is sold in installments, Series shall mean all of the Bonds of such installment.

"Series 2003A Bonds" means the Leasehold Revenue Refunding Bonds, Series 2003A (Civil Courts Building Project), authorized by the Indenture.

"Series 2010 Bonds" means the Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project) in the aggregate principal amount of $2,690,000 issued by the Corporation pursuant to the Indenture.

"State" means the State of Missouri.

"Stated Maturity" means, when used with respect to any Bond, the date specified in the Indenture or in any Supplemental Indenture authorizing Additional Bonds as the fixed date on which the principal of such Bond is due and payable.

"Supplemental Base Lease" means any lease supplemental or amendatory to the Base Lease entered into by the City and the Corporation pursuant to the Base Lease.

"Supplemental Indenture" means any indenture supplemental or amendatory to the Indenture entered into by the Corporation and the Trustee pursuant to the Indenture.

"Supplemental Lease Agreement" means any lease purchase agreement supplemental or amendatory to the Lease Agreement entered into by the Corporation and the City pursuant to the Lease Agreement and the Indenture.

"Tax Compliance Agreement" means (i) with respect to the Series 2003A Bonds, the tax compliance agreement and the provisions of Sections 141-150 of the Code, executed by the City, the Corporation, and the Trustee in connection with the issuance of the Series 2003A Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code, (ii) with respect to the Series 2010 Bonds, the tax compliance agreement and the provisions of Sections 141-150 of the Code, executed by the City, the Corporation, and the Trustee in connection with the issuance of the Series 2010 Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code, and (iii) with respect to any other Series of Bonds, the tax compliance agreement and the provisions of Sections 141-150 of the Code, executed by the City, the Corporation, and the Trustee in connection with the issuance of such Series of Bonds to evidence compliance with the provisions of Sections 141 through 150 of the Code.

"Term" or *"Lease Term"* means the term of the Lease Agreement beginning as of June 1, 2003 and ending on the earliest of the occurrence of any of the following events (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 Rentals, 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; and

(d) as to any investment not specified above: the value thereof established by prior agreement between the Corporation, the Trustee and the Credit Provider.

"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 Request.

Summary of Indenture

The following is a summary of certain provisions of the Indenture, pursuant to which the Series 2010 Bonds will be issued. The summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Indenture, copies of which are available from the Corporation.

Nature of Obligations. The Bonds and the interest thereon are special obligations of the Corporation payable solely out of the Rentals and other revenues, moneys, and receipts derived by the Corporation pursuant to the Lease Agreement, and are secured by a pledge and assignment of the Trust Estate to the Trustee and in favor of the Bondholders, as provided in the Indenture. 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. The Bonds and the interest thereon shall not be a debt of the City or the State and the City and the State shall not be liable thereon, and the Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

The Bonds are further secured by a deed of trust of the Corporation's interest in the Civil Courts Building pursuant to the Leasehold Deed of Trust for the benefit of the owners and holders of the Bonds.

Assignment of Trust Estate. Pursuant to the Indenture, the Corporation, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and redemption premium, if any, and to secure the performance and observance by the Corporation of the covenants, agreements and conditions in the Bonds and the Indenture contained, pursuant to the Indenture and subject to the Lease Agreement, has granted, bargained, and sold, mortgaged, warranted, conveyed, and confirmed, and pledged, assigned, and granted a security interest in all and singularly the following property (said property being referred to as the *"Trust Estate"*) unto the Trustee and its successors-in-trust and its assigns, for the benefit of the Bondholders:

1. All leases of the Trust Estate, or portions thereof, now or hereafter entered into and all right, title and interest of the Corporation thereunder.

2. All right, title and interest of the Corporation (including the right to enforce any of the terms thereof) in, to and under:

(a) the Base Lease,

(b) the Lease Agreement and all Rentals and Additional Rentals and certain other revenues, moneys and receipts pursuant to the Lease Agreement or otherwise available to secure the Bonds, except the amounts described in the Lease Agreement and the Corporation's rights to indemnification under the Lease Agreement,

(c) the Leasehold Deed of Trust,

(d) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the Lease Agreement, and

(e) any and all real and personal property interests, including but not limited to equipment, of the Corporation acquired by the Corporation in connection with the Civil Courts Building pursuant to the Base Lease and the Lease Agreement subject to subparagraph (b) hereinabove.

3. All moneys and securities from time to time held by the Trustee under the Indenture, excluding moneys on deposit in the Rebate Fund and the Escrow Fund held by the Escrow Agent under the Escrow Agreement, 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 under the Indenture by the Corporation or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized by the Indenture 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.

Method and Place of Payment of Bonds; Interest Rights Preserved. Payment of the principal of and redemption premium, if any, shall be made upon the presentation and surrender of such Bonds at their respective Maturities at the payment office of the Paying Agent. Payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the Registered Owner thereof at the close of business on the Record Date next preceding said Interest Payment Date (a) by check or draft mailed to such Bondholder at his address as it appears on the Bond Register, or (b) upon written request to the Trustee by any Holder of Bonds in the aggregate principal amount of at least $1,000,000, by electronic transfer to such Holder upon written notice to the Trustee from such Holder containing the electronic transfer instructions (which shall be located in the continental United States) to which such Holder wishes to have such transfer directed, provided such written notice is given by such Holder to the Trustee not less than five Business Days before the applicable Record Date. Any such written notice for electronic transfer shall be signed by such Holder and shall include the name of the bank, its address, its ABA routing number and the name, number and contact name related to such Holder's account at such bank to which the payment is to be credited.

Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond shall become mutilated, or be lost, stolen or destroyed, the Corporation shall execute and the Trustee shall authenticate and deliver a new Bond of like date and tenor as the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Corporation and the Trustee evidence of such loss, theft or destruction satisfactory to the Corporation and the Trustee, together with indemnity satisfactory to them to save each of them harmless. In the event any such Bond shall have matured, is about to mature or has been called for redemption, instead of delivering a substitute Bond the Trustee may pay the same without surrender thereof. Upon the issuance of any substitute Bonds, the Corporation and the Trustee may require the payment of an amount sufficient to reimburse the Corporation and the Trustee for any tax or other governmental charge that may be imposed in relation thereto and any other reasonable fees and expenses incurred in connection therewith.

Additional Bonds.

1. So long as no Event of Default has occurred and is continuing or any other event which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Agreement (unless such Additional Bonds are Refunding Bonds or are being issued to cure such event), Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity with the Series 2003A Bonds and any Outstanding Additional Bonds, with the prior written consent of the Credit Provider, at any time and from time to time upon compliance with the conditions provided in this Section, for the following purposes:

(a) paying the Costs of completing the Project, such cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative; or

(b) providing funds for refunding all or any part of the Bonds 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; provided, however, that a refunding of all of the Outstanding Bonds secured by Credit Enhancement issued by a Credit Provider will not require the consent of such Credit Provider.

2. Before any Additional Bonds shall be issued the Corporation shall adopt a resolution authorizing the issuance of such Additional Bonds, fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Bonds are being issued, authorizing the Corporation to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds, and, if necessary, authorizing the Corporation to enter into a Supplemental Lease Agreement or other security instruments, to provide for the use of the proceeds of such Additional Bonds and payments at least sufficient to pay the principal of, and redemption premium, if any, and interest on, the Bonds then to be Outstanding as the same become due and for such other matters as are appropriate because of the issuance of such Additional Bonds.

3. Such Additional Bonds shall have the same designation as the Series 2003A Bonds, except for an identifying series letter or date and except, if appropriate, for the deletion of the word

"Refunding" in the case of Bonds which are not Refunding Bonds, shall be numbered, shall bear interest at such rate or rates not exceeding the maximum rate then permitted by law, shall be stated to mature and shall be redeemable at such times and prices (subject to Article III of the Indenture), all as may be provided by the Supplemental Indenture authorizing such Additional Bonds. Except as to any difference in the date, the Stated Maturities, the rate or rates of interest or the provisions for redemption, such Additional Bonds shall be entitled to the same benefit and security of the Indenture as the Bonds. No Refunding Bonds shall be issued to refund all or a portion of Bonds Outstanding unless such Outstanding Bonds shall be deemed defeased under the Indenture upon completion of such refunding.

4. Nothing in the Indenture shall prohibit the Corporation from issuing bonds for any permissible purpose under separate indentures of trust.

Funds Created. The Indenture provides for the creation of the following special trust funds and accounts to be designated as follows:

(1) Leasehold Revenue Bonds Debt Service Fund including separate and distinct accounts to be designated the "Series 2003A Debt Service Account" and the "Series 2010 Debt Service Account" (the *"Debt Service Fund"*);

(2) Leasehold Revenue Bonds Costs of Issuance Fund including separate and distinct accounts to be designated the "Series 2003A Costs of Issuance Account" and the "Series 2010 Costs of Issuance Account" (the *"Costs of Issuance Fund"*);

(3) Leasehold Revenue Bonds Debt Service Reserve Fund including a separate and distinct account to be designated the "Series 2010 Debt Service Reserve Account" (the *"Debt Service Reserve Fund"*);

(4) Leasehold Revenue Bonds Project Fund (the *"Project Fund"*); and

(5) Rebate Fund

The moneys in the above funds and accounts shall be held by the Trustee and shall be applied in accordance with the provisions of the Lease Agreement and the Indenture.

Debt Service Fund. In addition to the initial deposits of Bond proceeds pursuant to the Original Indenture and the First Supplemental Indenture, the Trustee shall deposit into the applicable accounts of the Debt Service Fund (a) all amounts to be deposited in the Debt Service Fund pursuant to the Lease Agreement corresponding to the payments of principal of, redemption premium, if any, and interest on each Series of Bonds; (b) all interest and other income derived from investments of funds on deposit in such account of the Debt Service Fund; (c) any amounts on deposit in the applicable account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement with respect to the applicable Series of Bonds and certain investment earnings on amounts in such account of the Debt Service Reserve Fund, pursuant to the Original Indenture, and (d) all other moneys received by the Trustee which the Trustee is directed in writing to deposit in any account of the Debt Service Fund.

Except as otherwise provided in the Indenture and as may be provided in any Supplemental Indenture with respect to using moneys in the Debt Service Fund to purchase Bonds in the open market, moneys in the Debt Service Fund shall be expended solely for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds as the same mature and become due or upon the redemption thereof prior to maturity.

The Corporation has authorized and directed the Trustee to withdraw sufficient funds from the Debt Service Fund to pay the principal of, and redemption premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying such principal, redemption premium, if any, and interest.

Whenever the amount in the Debt Service Fund from any source whatsoever is sufficient to redeem all of the Bonds 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 Bonds on the next succeeding Redemption Date for which the required redemption notice may be given or on such later Redemption Date as may be specified by the City. Any moneys in the Debt Service Fund may be used to redeem a portion of the Bonds 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 Bonds theretofore matured or called for redemption and (ii) for payment of any past due interest remaining unpaid.

Debt Service Reserve Fund. The Debt Service Reserve Fund Requirement for the Series 2003A Bonds shall be satisfied initially by depositing the Reserve Policy with the Trustee, and such Reserve Policy shall secure only the Series 2003A Bonds. The Debt Service Reserve Fund Requirement for the Series 2010 Bonds shall be satisfied initially by the deposit into the Series 2010 Debt Service Reserve Account made pursuant to Section 402(b) of the First Supplemental Indenture, and funds on deposit in such account shall secure only the Series 2010 Bonds.

Except as otherwise provided in the Indenture, funds on deposit in each account of the Debt Service Reserve Fund for a specific Series of Bonds and amounts available under the Reserve Policy shall be used and applied by the Trustee solely to prevent a default in the event moneys on deposit in the account of the Debt Service Fund for such Series of Bonds shall be insufficient to pay the principal of and interest on such Series of Bonds as the same become due. The Trustee may disburse and expend moneys from any account in the Debt Service Reserve Fund whether or not the amount therein equals the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account. Moneys on deposit in each account of the Debt Service Reserve Fund may be used to pay Bonds called for redemption or to purchase Bonds in the open market, prior to their Stated Maturity, provided that all Bonds of the Series of Bonds secured by such account at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in each account of the Debt Service Reserve Fund shall be used to pay and retire the Bonds of the Series secured by such account last becoming due, unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in each account of the Debt Service Reserve Fund, including amounts available under the Reserve Policy, shall aggregate an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account on each valuation date pursuant to Section 504, no further deposits to said account of Debt Service Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from any account of the Debt Service Reserve Fund to prevent a default as provided in the Indenture and the withdrawal of such funds reduces the amount on deposit in such account of the Debt Service Reserve Fund to less than the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account, the City shall, pursuant to Section 4.2 of the Lease Agreement, make up such deficiency by making monthly payments of Additional Rentals, in accordance with Section 608 of the Indenture with respect to draws on the Reserve Policy, and with respect to a draw of any cash withdrawn from such account of the Debt Service Reserve Fund, 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 such account of the

Debt Service Reserve Fund again aggregates a sum equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account.

So long as the sum on deposit in each account of the Debt Service Reserve Fund, including amounts available under the Reserve Policy, shall aggregate an amount equal to the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by each account, investment earnings on funds on deposit in such account of the Debt Service Reserve Fund shall be deposited into the account of the Debt Service Fund attributable to such Series of Bonds. If, however, the sum on deposit in any account of the Debt Service Reserve Fund shall be less than the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account, the investment earnings on funds in such account of the Debt Service Reserve Fund shall remain therein and be applied to reducing such deficiency.

Notwithstanding the foregoing, any of the following may be used in lieu of or as partial substitution for cash in the Debt Service Reserve Fund: the Reserve Policy, 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. In the case of the utilization of any cash substitute as described in this paragraph, any moneys remaining in the applicable account of the Debt Service Reserve Fund in excess of the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account shall be transferred to the account of the Debt Service Fund attributable to such Series of Bonds.

Valuation of Debt Service Reserve Fund. Permitted Investments in each account of the Debt Service Reserve Fund shall be evaluated at the market value thereof, exclusive of accrued interest, by the Trustee quarterly on February 1, May 1, August 1 and November 1 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 any account of the Debt Service Reserve Fund shall aggregate an amount less than the Debt Service Reserve Fund Requirement with respect to the Series of Bonds secured by such account (by reason of such evaluation and not by reason of any withdrawal), the City shall, pursuant to Section 4.2 of the Lease Agreement, make up such deficiency as Additional Rentals equal to such deficiency no later than the next valuation date. Valuation of amounts available under the Reserve Policy shall be determined in accordance with the terms of the Reserve Policy and Section 608 of the Indenture.

After payment in full of the principal of, premium, if any, and interest on the Bonds (or provision has been made for the payment thereof as specified in the Indenture), the payment of any Policy Costs owed to the Credit Providers 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 Leasehold Deed of Trust, the Tax Compliance Agreement and any agreement with respect to Credit Enhancement, if any, all amounts remaining in the Debt Service Reserve Fund shall be paid to the City.

Costs of Issuance Fund. Moneys on deposit in the Series 2010 Costs of Issuance Account shall be paid out from time to time by the Trustee upon Written Requests of the Corporation Representative and the City Representative, in substantially the form of **Exhibit B** attached to the First Supplemental Indenture, in an amount equal to the amount of costs and expenses of issuing and securing the Series 2010 Bonds 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 Series 2010 Bonds. 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 Series 2010 Costs of Issuance Account to the Series 2010 Debt Service Account.

Rebate Fund. In accordance with the Tax Compliance Agreement, the Corporation has covenanted to calculate and pay directly to the government of the United States of America all amounts due for payment of "arbitrage rebate" under Section 148(f) of the Code with respect to the Bonds. 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 to deposit in the Rebate Fund amounts held in any fund or account under the Indenture for the Bonds (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 satisfaction of all rebate obligations payable to the United States shall be transferred to the City.

Nonpresentment of Bonds. In the event any Bond 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 Bond shall have been made available to the Trustee, all liability of the Corporation to the Bondholder thereof for the payment of such Bond 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 Bond 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 Bond. If any Bond shall not be presented for payment within four years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall without liability for interest thereon repay to the City the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the City, and the Bondholder 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.

Investment of Moneys. Moneys held in the Project Fund, the Costs of Issuance Fund, the Debt Service Fund and the Debt Service Reserve Fund and the Rebate Fund shall, pursuant to written direction of the City and in accordance with the 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 direction, the Trustee may invest moneys in Permitted Investments of the type described in subparagraph (8) of the definition thereof. 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 purpose of such fund or account. The Trustee shall transfer excess moneys in the Debt Service Reserve Fund to the Debt Service Fund after each quarterly valuation.

Events of Default. If any one or more of the following events occur, it is 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 Bond;

(b) Default by the Corporation in the due and punctual payment of the principal of or redemption premium, if any, on any Bond, 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 Bonds or in any other document or instrument that secures or otherwise relates to the debt and obligations secured by the Indenture, and the continuance thereof for a period of thirty (30) 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 Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the said 30-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 30-day period and diligently pursued to completion and if such consent in its judgment, does not materially adversely affect the interests of the Bondholders; provided, however, that such period shall not extend beyond a total of 90 days without the prior written consent of the Credit Provider. Upon receipt of notice of any Event of Default as described in this subparagraph (c) the City shall have the rights specified in the Indenture with respect to purchasing the Corporation's interest and curing defaults.

(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 with respect to purchasing the Corporation's interest and curing defaults.

In determining whether a payment default has occurred or whether a payment of interest on, principal of or redemption premium, if any, on the Series 2003A Bonds has been made under the Indenture, no effect shall be given to payments made under the Bond Insurance Policy. Any acceleration of the Series 2003A Bonds or any annulment thereof shall be subject to the prior written consent of the Credit Provider (if it has not failed to comply with its payments obligations under the Bond Insurance Policy.

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 Bonds then Outstanding, shall, by notice in writing delivered to the Corporation and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereof immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable.

If the maturity of the Series 2003A Bonds is accelerated, the Credit Provider may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Corporation) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Credit Provider's obligations under the Bond Insurance Policy with respect to such Series 2003A Bonds shall be fully discharged.

Surrender of Possession of Trust Estate; Rights and Duties of Trustee in Possession. Pursuant to the Lease Agreement, the City is required to 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) the budgeting and appropriation of sufficient funds 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 payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease Agreement. If the Trustee does not receive such notice by the last day of any Fiscal Year, the Trustee shall request that the City confirm in writing the fact that appropriation has been made. If notice of termination has been duly given pursuant to the Lease Agreement, 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 for which Rentals and Additional Rentals have been paid. Pursuant to the Lease Agreement, failure of the City to budget and appropriate prior to June 30 (or such other 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 Rentals for the following Fiscal Year, shall constitute an Event of Non-Appropriation.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Corporation shall, upon direction of the Credit Provider, so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, give notice to the City to vacate the Civil Courts Building immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and the Corporation shall, upon direction of the Credit Provider, so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice to the City, (i) terminate the Lease Agreement, reenter the Civil Courts Building and eject all parties in possession therefrom, and use its best efforts to sublease the Civil Courts Building or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Civil Courts Building, 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 charges or expenses of the Trustee and its agents and counsel under the Indenture, 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 under the Indenture or invalidate any act done in response to such default or pursuant to notice of default. Whenever all that is due upon the Bonds 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.

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 Bondholders 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, acting at the direction of the Credit Provider, pursue any available remedy at law or equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture or to enforce or realize upon any of the rights, powers, liens or interests granted 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 by the Indenture 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 Bonds then Outstanding and indemnified as provided in the Indenture, the Trustee shall be obligated to exercise one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Bondholders. All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds 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 Bondholder, and any recovery or judgment shall, subject to the Indenture, be for the equal benefit of all the Registered Owners of the Outstanding Bonds.

Limitation on Exercise of Remedies by Bondholders. No Bondholder 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 under the Indenture or for the appointment of a receiver or any other remedy unless:

(i) a default has occurred of which the Trustee has been notified 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 Bonds then Outstanding shall have made written request to the Trustee, shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore described or to institute such action, suit or proceedings 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 granted in the Indenture or to institute such action, suit or proceeding in its own name;

and such notification, request and provision of indemnity are declared in every case, at the option of the Trustee under the Indenture, 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, it being understood and intended that no one or more Bondholders 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 except in the manner provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture shall, however, affect or impair the right of any Bondholder to payment of the principal of, and premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Corporation to pay the principal of, and premium, if any, and interest on, each of the Bonds to the respective Registered Owners thereof at the time, place, from the source and in the manner in the Indenture and in such Bond expressed.

Right of Bondholders to Direct Proceedings. Anything in the Indenture to the contrary notwithstanding, but subject to the rights of the Credit Provider set forth in the Indenture, the Holders of a majority in aggregate principal amount of Bonds 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 thereunder; 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 the Indenture, shall, after payment of the (i) cost and expenses of the proceedings resulting in the collection of such moneys and (ii) of the fees, expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Debt Service Fund and any other fund created for the payment of Bonds and all moneys so deposited in the Debt Service Fund or such other fund shall be applied as follows:

(a) If the principal of all the Bonds 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 Bonds, 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 Bonds which shall have become due and payable (other than Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds, 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 Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, 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 Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the Indenture then, subject to subparagraph (b) above, in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with subparagraph (a) above.

Whenever moneys are to be applied as described in this Section, 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 Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Opportunity of City to Purchase or Cure in the Event of Default. Upon receipt of notice by the City of an Event of Default with respect to the punctual payment of any interest on or principal of any Bond, the Corporation has, under the Lease Agreement, granted the City an option to purchase the Corporation's interest in the Civil Courts Building. Upon receipt of notice by the City of an Event of Default with respect the performance or observance of other covenants, agreements, or conditions contained in the Indenture, the Corporation has, pursuant to the Indenture, granted the City full authority, on account of the Corporation, to perform any covenant, agreement, or obligation, the non-performance 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.

Supplemental Indentures Not Requiring Consent of Bondholders. The Corporation with the approval of the Board of Aldermen and the Trustee may from time to time, with the consent of the Credit Provider but without the consent of or notice to any of the Bondholders, enter into such Supplemental Indenture or Supplemental Indentures as shall not adversely affect the interests of the Bondholders, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in the Indenture or to correct or supplement any provision which may be inconsistent with any other provision therein; (b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders or the Trustee or either of them; (c) to subject to the Indenture additional revenues, properties or collateral; (d) to issue Additional Bonds; (e) to make any other change which in the sole determination of the Trustee does not materially adversely affect the Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and (f) to evidence the appointment of a separate trustee or co-trustee or the succession of a new trustee.

Supplemental Indentures Requiring Consent of Bondholders. The Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding 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 are 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 of the Holders of the Bonds then Outstanding is required for (a) an extension of the maturity of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) reduction in the aggregate principal amount of the Bonds, 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 the purposes set forth above, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at the address shown on the Bond 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 Bondholders. 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 Bonds Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof and therein provided, no Holder of any Bond shall have 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 or 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 Bonds shall be deemed to be the consent of the City to the execution of a Supplemental Indenture therefor.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before the Corporation and the Trustee enter into any Supplemental Indenture, there shall have been delivered to the Corporation and the Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, 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 validity of the Bonds or the exclusion from federal gross income of interest on any tax-exempt Bonds.

Supplemental Lease Agreements and Supplemental Base Leases Not Requiring Consent of Bondholders. The Corporation and the Trustee shall, with the consent of the Credit Provider but without the consent of or notice to the Bondholders consent to the execution of any Supplemental Lease Agreement and any Supplemental Base Lease, as may be required (i) by the Lease Agreement, the Base Lease or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with the issuance of Additional Bonds, or (iv) 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 Bondholders; in making such determination the Trustee may rely on the opinion of such Counsel as it may select.

Supplemental Lease Agreements and Supplemental Base Leases Requiring Consent of Bondholders. Except for the Supplemental Base Leases or Supplemental Lease Purchase Agreements described in the previous paragraph, neither the Corporation nor the Trustee shall consent to the execution of any Supplemental Lease Agreement or any Supplemental Base 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 Bonds at the time Outstanding given and obtained as provided in the Indenture with respect to Supplemental Indentures; *provided that* the consent of all the Holders of Bonds shall be required for (a) the creation of any lien ranking superior to or on a parity with the lien of the Indenture, unless otherwise permitted or (b) a reduction in the aggregate principal amount of the Bonds, the Holders of which are required to consent to any Supplemental Lease Agreement or any Supplemental Base 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 Base Lease, the Trustee shall cause notice of such proposed Supplemental Lease Agreement or Supplemental Base Lease to be given in the same manner as provided with respect to Supplemental Indentures. Such notice is required to briefly set forth the nature of such proposed Supplemental Base Lease or Supplemental Lease Agreement and to state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

Opinion of Bond Counsel. Notwithstanding anything to the contrary in the Indenture, before the Corporation and the Trustee enter into any Supplemental Lease, there shall have been delivered to the Corporation and the Trustee an Opinion of Bond Counsel stating that such Supplemental Lease is authorized or permitted by the Indenture and the Lease Agreement, complies with their respective terms, 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 validity of the Bonds or the exclusion from federal gross income of interest on any tax-exempt Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE BASE LEASE

The following is a summary of certain provisions of the Base Lease, dated as of June 1, 2003, by and between the Corporation and the City (the *"Base Lease"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Base Lease, a copy of which is available from the Corporation.

Lease of Civil Courts Building. Pursuant to the Base Lease, the City demises and leases to the Corporation the Civil Courts Building currently under its control and management and the Corporation leases from the City effective June 1, 2003, such Civil Courts Building upon the terms and conditions therein provided, and with respect to the Civil Courts Building, subject to Permitted Encumbrances, for a Base Lease Term commencing as of June 1, 2003, and ending twenty (20) years beyond the final maturity date of the Bonds; provided, however, that if the Bonds have been paid in full at maturity or defeased pursuant to Article XIII of the Indenture and the City has not been required to surrender possession of the Civil Courts Building due to an Event of Non-Appropriation or an Event of Default under the Lease Agreement, the Base Lease will terminate upon such payment in full or defeasance..

Rent and other Considerations. As and for rental under the Base Lease and in consideration of the leasing of the Civil Courts Building to the Corporation thereunder, and in order to provide funds for the refunding of the Series 1994 Bonds, the Corporation shall: (a) Simultaneously with the delivery of the Base Lease, enter into the Lease Agreement; (b) Issue, sell and cause to be delivered to the purchasers thereof the Bonds in one or more Series in the principal amount, bearing interest, maturing and having the other details as set forth in the Indenture and any Supplemental Indenture; and (c) Deposit the proceeds of the sale of each Series of Bonds as provided in the Indenture and any Supplemental Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT

The following is a summary of certain provisions of the Lease Purchase Agreement, dated as of June 1, 2003, by and between the Corporation and the City, as amended and supplemented by the First Amended and Supplemental Lease Purchase Agreement dated as of July 1, 2010 (together, the *"Lease Agreement"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Lease Agreement, a copy of which is available from the Corporation.

Term of Lease Agreement; Termination; Annual Appropriation Required. The Term of the Lease Agreement shall commence as of June 1, 2003, and shall terminate on the earliest of the occurrence of any of the following events: (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) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to Section 12.2; (iii) the date upon which all Rentals and Additional Rentals, as the case may be, required under the Lease Agreement shall be paid by the City; or (iv) discharge of the Indenture as provided in Article XIII of the Indenture. The expiration or termination of the Term of the Lease Agreement as to the City's right of possession of the Civil Courts Building shall terminate the City's rights of use of the Civil Courts Building; provided, however, that all other terms of the Lease Agreement and the Indenture, including the continuation of City's purchase right under Section 10.1 of the Lease Agreement and all obligations of the Trustee with respect to the Holders of the Bonds and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is discharged, as provided in the Indenture. The termination or expiration of the Term of the Lease 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 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 Bonds, funding of the Debt Service Reserve Fund and all other amounts required under the Indenture.

Nothing in the Lease Agreement shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals (except as heretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Lease Agreement, the City, upon the request of the Trustee or the Corporation, will immediately quit and vacate the Civil Courts Building, and the Rentals and Additional Rentals (except for payments which have been theretofore appropriated and then available for such purpose) shall thereupon cease, it being understood between the parties and the Trustee that the City shall not be obligated to pay any Rentals or Additional Rentals to the Corporation except as provided in the Lease Agreement. Should the City fail to pay any portion of the required Rentals and Additional Rentals, the Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Civil Courts Building. No judgment may be entered against the City for failure to pay any Rentals or Additional Rentals, except to the extent that the City has theretofore incurred liability to pay such Rentals or Additional Rentals through its actual use and occupancy of the Civil Courts Building.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease Agreement are from year to year only and do not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the current Fiscal Year. No provision of the Lease 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 Agreement nor the issuance of the Bonds directly or indirectly or contingently obligates the City to make any payments beyond those appropriated for the City's then current Fiscal Year; provided, however, that nothing therein shall be construed to limit the rights of the Bondholders 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 Rentals. Requests for appropriations shall be made in each Fiscal Year so that the Rentals and a reasonable estimate of Additional Rentals 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 Rentals to provide financing for the Civil Courts Building 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, in each Fiscal Year of the City during the Lease Term, appropriate funds for the City to provide financing in an amount sufficient to pay principal of, redemption premium, if any, and interest, on the Bonds. Upon such appropriation, the Rentals and reasonably estimated Additional Rentals will be available for such Fiscal Year to be drawn upon to make payments pursuant to the terms of the Lease 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 Section 11.4(b) of the Lease Agreement.

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 Aldermen of the City of either (i) the termination of the Lease Agreement or (ii) the budgeting and appropriation of sufficient funds to make all payments of Rentals and Additional Rentals for such 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 payments of Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease Agreement. If the Trustee does not receive such notice prior to the last day of any Fiscal Year, the Trustee shall request that the City confirm in writing the fact that 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 for which Rentals and Additional Rentals have been paid. Subject to Section 11.4 of the Lease Agreement, failure of the City to budget and appropriate prior to June 30 (or such other 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 Rentals for the following Fiscal Year, shall constitute an Event of Non-Appropriation.

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 Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals under the Lease Agreement. The City reasonably believes that legally available funds in an amount sufficient to pay all Rentals and Additional Rentals during the Lease Term can be obtained and, in addition to using its bonafide best efforts to accomplish the same, shall exhaust all available administrative reviews and appeals, if any, in the event such portion of the budget request is not approved. 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.

Rentals. The City, subject to the provisions of Section 3.2 of the Lease Purchase Agreement, agrees to pay or cause to be paid the amounts required by the Lease Agreement as follows: Until the principal of, premium, if any, and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with Article XIII of the Indenture, the City shall pay to the Trustee, 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 in respect of the Civil Courts Building, amounts which shall correspond to the payments in respect of the principal of, premium, if any, and interest on the Bonds whenever and in whatever manner the same shall become due, whether at Stated Maturity, upon redemption or acceleration or otherwise (said amounts being defined as *"Rentals"*).

Pursuant to the Lease Agreement, 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 of, premium, if any, or interest on the Bonds shall at any time occur. If the balance in the Debt Service Fund (not subject to the lien of the Trustee under Section 1002 of the Indenture) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Bonds 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 Section 1002 of the Indenture) for the payment of the principal of, premium, if any, and interest on the Bonds 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 Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Bonds 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 Section 1002 of the Indenture) shall be sufficient to pay at the times required the principal of, premium, if any, and interest on all of the Bonds then remaining unpaid, the City shall not be obligated to pay Rentals.

The City covenants and agrees to make the Rentals to the Trustee at its principal corporate trust office for the account of the Corporation during the Lease Term on or before 11:00 A.M., Trustee's local time, in the appropriate amount and on the dates specified in this Section. All Rentals shall be deposited by the Trustee in accordance with the provisions of the Lease 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 Rentals. The City shall pay or cause to be paid, subject to the provisions of the Lease Agreement, as Additional Rentals:

(a) To the Trustee amounts equal to the amounts to be paid to the Trustee pursuant to Section 1002 of the Indenture and to the Escrow Agent amounts equal to the amounts to be paid pursuant to Section 11 of the Escrow Deposit Agreement;

(b) all Impositions (as defined in Article VI of the Lease Agreement);

(c) all amounts required under Section 15.1 of the Lease Agreement;

(d) all costs incident to the payment of the principal of and interest on the Bonds as the same become due and payable, including all costs, premiums and expenses in connection with the call, redemption and payment of all Outstanding Bonds which amounts shall be deposited in the Debt Service Fund;

(e) the payments, if any, which the City shall be required under the Lease Agreement to deposit into the Debt Service Reserve Fund pursuant to the Indenture;

(f) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease 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 Base Lease, the Indenture, the Leasehold Deed of Trust, or the Lease Agreement;

(g) all reasonable fees and expenses of the Credit Provider for the provision of any Credit Enhancement including all Policy Costs and any and all charges, fees, costs and expenses which the Credit Provider may reasonably pay or incur in connection with:

(i) the administration, enforcement, defense or preservation of any rights or security in the Leasehold Deed of Trust, the Indenture, the Base Lease or the Lease Agreement (collectively, the *"Related Documents"*);

(ii) the pursuit of any remedies under the Lease Agreement or any other Related Document or otherwise afforded by law or equity;

(iii) any amendment, waiver or other action with respect to, or related to the Lease Agreement or any other Related document whether or not executed or completed;

(iv) the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it; or

(v) any litigation or other dispute in connection with the Lease Agreement or any other Related Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Credit Provider to honor its obligations under the Credit Enhancement;

(h) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Bonds or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation or a qualified 501(c)(3) corporation;

(i) all amounts required to be rebated to the United States as provided in the Indenture; and

(j) any and all additional amounts owed by the City in connection with the Lease Agreement.

City's Option to Purchase Corporation's Interest. The City shall have the option to purchase the Corporation's leasehold interest in the Civil Courts Building and to terminate the Base Lease and the Lease Agreement at any time during the Base Lease Term (subject to the requirements of the following provisions of this subsection) upon payment of the purchase price pursuant to Section 10.2 of the Lease Agreement. Except as otherwise provided in this Section, the City shall give at least sixty (60) days written notice to the Corporation and the Trustee of its intent to exercise the option and so terminate the Lease Agreement. Payment of the purchase price pursuant to Section 10.2 shall constitute exercise of the option granted under the Lease Agreement without further action by the City. If the City receives notice of an Event of Default with respect to the punctual payment of any interest on or principal of any Bond or if an Event of Non-Appropriation under Section 11.4 of the Lease Agreement has occurred, the City shall also have the option to purchase the Corporation's leasehold interest in the Civil Courts Building under the Base Lease and to terminate the Lease Agreement upon payment of the purchase price pursuant to Section 10.2 of the Lease Agreement. The City shall give notice of its intent to exercise the option provided for by this subsection 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 Non-Appropriation. The City shall make the payment provided for in this subsection 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 Section 10.1 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 Bonds 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 and the Escrow Agent's fees and expenses under the Escrow Agreement, accrued and to accrue until such redemption of the Bonds; plus

(c) an amount equal to all of the obligations of the City and the Corporation under the Tax Compliance Agreement; plus

(d) reasonable costs incident to the redemption of the Bonds;

(e) all other Additional Rentals obligations incurred by the City through the date of the purchase; plus

(f) the sum of $10.00.

It is agreed that the purchase option is granted to the City in consideration of, and the purchase price of the Corporation's leasehold interest in the Civil Courts Building includes, the conveyance of a leasehold interest in the Civil Courts Building by the City to the Corporation and the Rentals during the Lease Term pursuant to Section 4.1 of the Lease Agreement, in addition to the foregoing amounts, which purchase amounts constitute the fair value of the Corporation's leasehold interest in the Civil Courts Building in the judgment of the Corporation after giving consideration to all relevant factors.

Liability Insurance: Indemnification. The City shall, under the City's customary insurance practices (which may include self-insurance subject to availability of appropriation therefor) or otherwise, take such measures as may be necessary to insure against liability for injuries to or disability or death of any person or damage to or loss of property arising out of or in any way relating to the condition or the operation of the Civil Courts Building or any part thereof during the term of the Lease Agreement. The net proceeds of all such self-insurance or other insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. It is understood that this insurance covers any and all liability of the City and its officers, employees and agents. The City agrees to indemnify the Corporation and the Trustee for any loss, damage or expense incurred, paid or suffered by them as a result of any suit or claim of a nature covered by such insurance, to the full extent permitted by State law.

Property Insurance. The City shall maintain an insurance policy on (or, with the consent the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, self insure) the Civil Courts Building in an amount at least equal to the principal amount of Bonds Outstanding against loss included in all risk insurance policies then in use in the State, including earthquake coverage, if the Civil Courts Building is in an earthquake zone. Any such insurance may be subject to reasonable deductibles.

All insurance policies shall name the Corporation or its assignee as an insured or loss payee. Insurance proceeds shall be payable to the City and the Corporation as their interests appear. No insurance policy may be cancelled or modified absent prior written notification of at least 30 days to the Corporation.

The net proceeds of any such insurance, whether from the City's self-insurance program or otherwise, shall be applied as provided in Article XI of the Lease Agreement.

Workers' Compensation Insurance. The City agrees throughout the Lease Term to maintain, in connection with the Civil Courts Building, its status as a qualified self-insurer under Chapter 287 of the Missouri Revised Statutes with regard to Workers' Compensation Insurance or, with the prior written consent of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, similar reasonable and customary insurance.

Title Insurance. Title insurance in an amount not less than the principal amount of the Bonds then Outstanding, under which the City, the Corporation and the Trustee are named as insureds.

Damage, Destruction and Condemnation. Unless the City shall have exercised its option to purchase the Corporation's interest under the Base Lease and terminate the Lease Agreement as provided in Article X of the Lease Agreement, if (i) all the Civil Courts Building is destroyed or is damaged by fire or other casualty or (ii) title to or the temporary use of the Civil Courts Building or the interest of the City or the Corporation in the Civil Courts Building 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, subject to the provisions of the following paragraph, cause the net proceeds of any insurance or condemnation award to be applied to the prompt repair, restoration, modification or improvement of the Civil Courts Building by the City free of liens other than Permitted Encumbrances. Any balance of the net proceeds remaining after such work has been completed for the Civil Courts Building shall be transferred and used in accordance with Section 502 of the Indenture.

If the City determines that the repair, restoration, modification or improvement of the Civil Courts Building is not economically feasible or in the best interest of the City, then, in lieu of making such repair, restoration, modification or improvement, the City shall make provision for the redemption of Outstanding Bonds in an amount equal to the net proceeds of any such insurance or condemnation award rounded to the nearest Authorized Denomination, any such net proceeds (i) shall be deposited into the Debt Service Fund to be applied to the payment of the Outstanding Bonds called for redemption; (ii) shall be used to pay the fees and expenses of the Corporation and the Trustee, together with all other amounts due under the Indenture and under the Lease Agreement as provided in Section 4.2 of the Lease Agreement, and (iii) shall be used to pay all amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement.

If insurance or condemnation proceeds with respect to the Civil Court Building in excess of $200,000 (or such higher threshold to which the Credit Provider, if any, shall agree) are received, such proceeds shall be applied to replacement or restoration of the affected property or to redemption of the Bonds; provided, however, that unless all Outstanding Bonds are to be redeemed from such amount, prior written consent of the Credit Provider, if any, shall be required for any such redemption.

Insufficiency of Net Proceeds. If the net proceeds are insufficient to pay in full the cost of any repair, restoration, modification or improvement of the Civil Courts Building in accordance with Section 11.1 of the Lease Agreement, subject to appropriation of sufficient funds, the City shall complete the work and pay any cost in excess of the amount of the net proceeds, and the City agrees that if by reason of any such insufficiency of the net proceeds, the City shall make any payments pursuant to the provisions in

Section 11.2 of the Lease Agreement, the City shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease Agreement.

Assignment, Subleasing and Licensing by the City. The Lease Agreement may not be assigned by the City without the prior written consent of the Corporation and the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement. However, the Civil Courts Building may be subleased by the City, in whole or in part, without such consent, subject, however, to each of the following conditions:

(a) The Lease Agreement and the obligation of the City to pay Rentals and Additional Rentals thereunder and to perform all of the terms, covenants and conditions of the Lease Agreement and of any other security document to which it shall be a party shall remain obligations of the City and any assignee or transferee or sublessee of the City shall have assumed in writing and have agreed to keep and perform all of the terms of the Lease Agreement on the part of the City to be kept and performed and shall be jointly and severally liable with the City for the performance thereof except for the payment of Rentals and Additional Rentals which shall remain the sole, non-assignable obligation of the City, and shall be subject to service of process in the State, and, if a corporation, shall be qualified to do business in the State, and in the opinion of Counsel, such assignment or transfer or sublease shall not legally impair in any respect the obligations of the City for the payment of all Rentals nor for the full performance of all of the terms, covenants and conditions of the Lease Agreement or of any other security document to which the City is a party, nor impair or limit in any respect the obligations of any obligor under any other security documents.

(b) The City shall within ten (10) days after the delivery thereof, furnish or cause to be furnished to the Corporation, the Credit Provider and the Trustee a true and complete copy of such sublease.

(c) No Sublease by the City shall cause the Civil Courts Building or any portion thereof being subleased for a purpose other than a governmental or proprietary function authorized under the provisions of the constitution and laws of the State and the Charter of the City.

(d) Before entering into any sublease, the City shall obtain and file with the Trustee and the Corporation an opinion from Bond Counsel to the effect that the Sublease will not cause the interest on the Bonds to become subject to federal or Missouri income taxes.

The City may grant licenses to use all or any portion of the Civil Courts Building in the normal course of business without the consent of the Corporation.

Event of Non-Appropriation. Pursuant to the Lease Agreement:

(a) Except as provided in subsection (b) below, in the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease 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 Rentals coming due for the next succeeding Fiscal Year, an Event of Non-Appropriation shall be deemed to have occurred.

(b) Notwithstanding subsection (a) above, no Event of Non-Appropriation shall be deemed to have occurred if, during the Fiscal Year subsequent to that in which an event described in subsection (a) above occurs, Rentals and Additional Rentals are timely paid, 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 Agreement moneys sufficient to pay all Rentals and Additional Rentals (or reasonable estimates thereof as to those Additional Rentals which have not been paid) coming due for such Fiscal Year. If an Event of Non-Appropriation 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 Non-Appropriation with respect to the City, the Trustee shall immediately notify the Corporation of such occurrence.

If an Event of Non-Appropriation shall occur, the City shall not be obligated to make payment of the Rentals or Additional Rentals or any other payment provided for in the Lease Agreement which accrue beyond the last day of the Fiscal Year for which Rentals or Additional Rentals were appropriated, except for the City's obligation to make payments which are payable prior to the termination of the Lease Agreement; provided, however, that the City shall continue to be liable for the amounts payable accrued during such time when the City continues to occupy the Civil Courts Building. The Trustee shall, upon the occurrence of an Event of Non-Appropriation, 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 Bondholders and the Credit Provider, 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 Agreement as to the City's possessory interest thereunder by reason of an Event of Non-Appropriation as provided therein shall be held by the Trustee under the Indenture for the benefit of the Credit Provider and the Bondholders as set forth in the Indenture until the Bonds are paid in full.

Upon the occurrence and continuance of any Event of Non-Appropriation the Corporation shall, upon direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, give notice to the City to vacate the Civil Courts Building immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and, shall, upon direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, without any further demand or notice to the City, (i) terminate the Lease Agreement, re-enter the Civil Courts Building and eject all parties in possession thereof therefrom, and sublease the Civil Courts Building or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Civil Courts Building.

Non-Substitution and Non-Condemnation Covenant. The City covenants and agrees that, to the extent permitted by law, if an Event of Default described in Article XII of the Lease Agreement occurs with respect to the City, the City will not construct, own or operate any courthouse facility not in existence at the time such Event of Default occurs during the sixty (60) day period subsequent to such Event of Default. The provisions of this paragraph shall survive the termination of the Lease Agreement as a result of an Event of Default and shall remain in effect and be binding upon the City.

The City further covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Civil Courts Building. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fail or refuse to abide by such covenant and condemns the Civil Courts Building, the appraised value of the Civil Courts Building shall not be less than the greater of (i) if such Bonds are then subject to redemption, the principal and interest components of the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

Termination of Lease Term. The Lease Term shall terminate as to the City, including the City's right to possession of the Civil Courts Building pursuant to Section 3.2 of the Lease Agreement, upon the earliest of the occurrence of any of the following events: (i) the last day of the Fiscal Year for which Rentals or Additional Rentals were appropriated; (ii) there occurs an Event of Default by the City under the Lease Agreement if the Corporation or the Trustee elects such remedy pursuant to Section 12.2 thereof; (iii) the date upon which all Rentals and Additional Rentals required under the Lease Agreement shall be paid by the City, or (iv) discharge of the Indenture as provided in Article XIII of the Indenture.

Events of Default Defined. The following are "Events of Default" under the Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the City to pay any Rentals or Additional Rentals in the amounts and at the times specified in the Lease Agreement.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement, other than as referred to in subsection (a) of this Section, which is not remedied within thirty (30) days after receipt by the City of written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation, the Trustee or the Credit Provider, unless the Trustee and Credit Provider 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 but is capable of being corrected within a reasonable period of time, neither the Trustee or the Credit Provider will 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 failure 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) Failure by the City to immediately vacate the Civil Courts Building upon the request of the Trustee after an Event of Non-Appropriation occurs.

(e) The City shall vacate or abandon the Civil Courts Building, and the same shall remain uncared for and unoccupied for a period of 60 consecutive days.

The provisions of this Section are subject to the following limitations: if by reason of force majeure the City is unable in whole or in part to carry out its obligations under the Lease Agreement, other than its obligation to pay Rentals or Additional Rentals with respect thereto, the City shall not be deemed in default under the continuance of such inability, provided notice thereof is given to the Corporation and the Trustee. The term "force majeure" as used in this Section shall mean, without limitation, the following acts of God: strikes, lockouts or other industrial disturbances; acts of public enemies including acts of terrorism whether foreign or domestic; orders or restraints of any kind of the government of the United States of America or the State of Missouri or their respective departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; fires;

storms; droughts; floods; explosions; breakage or accident to machinery, transmission pipes or canals; or any other cause or event not reasonably within the control of the City and not resulting from its negligence. The City agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City and the City shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the City unfavorable to the City.

Remedies on Default. Whenever any Event of Default referred to in the foregoing section shall have happened and be continuing, the Trustee, or the Corporation upon the direction of the Trustee, with the prior consent of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall have the right, at its option and without any further demand or notice, to take, and shall take upon the prior written direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, any one or more of the following remedial steps:

(a) By written notice to the City declare all Rentals and Additional Rentals for the Fiscal Year in which the Event of Default occurred to be immediately due and payable and such Rentals and Additional Rentals shall thereupon become immediately due and payable; or

(b) Give the City written notice of intention to terminate the Lease 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 City's rights to possession of the Civil Courts Building shall cease and the Lease Agreement shall thereupon be terminated, and the Corporation may reenter and take possession of the Civil Courts Building; or

(c) With or without terminating the Lease Agreement take possession of the Civil Courts Building, in which event the City shall vacate the Civil Courts Building and take all actions necessary to authorize, execute and deliver to the Corporation all documents necessary to vest in the Corporation for the remainder of the Lease Term, all of the City's leasehold interest in and to the Civil Courts Building, sell the Corporation's (or its assignee's) interest in the Base Lease, or lease the Civil Courts Building and collect the rentals therefor, for all or any portion of the remainder of its leasehold term upon such terms and conditions as it may deem satisfactory in its sole discretion with the City remaining liable, subject to the provisions of Section 3.2 of the Lease Agreement, for the difference between (i) the Rentals and Additional Rentals payable by the City during the Lease Term and (ii) the net proceeds or any purchase price, rents or other amounts paid by the new purchaser, lessee or sublessee of the Civil Courts Building, and, provided further, that, in such event, if the Corporation shall receive a payment for sale of its interest or total sub-rentals for sublease that are, after payment of the Corporation's expenses in connection therewith, in excess of the purchase price applicable under Section 10.2 at the time of default plus interest thereon at the interest rate per annum borne by the Bonds, then such excess shall be paid to the City either by the Corporation, its assigns, or by its sublessee; or

(d) Without terminating the Lease Agreement, reenter the Civil Courts Building or take possession thereof pursuant to legal proceedings or pursuant to any notice provided for by law, and having elected to reenter or take possession of the Civil Courts Building without terminating the Lease Agreement, the Corporation shall use reasonable diligence to relet the Civil Courts Building, or parts thereof, for such term or terms and at such rental and upon such other provisions and conditions as the Corporation may deem advisable, with the right to make alterations and repairs to the Civil Courts Building, and no such reentry or taking of possession of the Civil Courts Building by the Corporation shall be construed as an election on the Corporation's part to terminate the Lease Agreement, and no such reentry or taking of possession by the Corporation shall relieve the City of its obligation to pay Rentals or Additional Rentals (at the time or times provided in the Lease Agreement), or of any of its other obligations under the Lease Agreement, all of which shall survive such reentry or taking of possession, and the City shall continue to pay the Rentals and Additional Rentals specified in the Lease Agreement until the end of the Lease Term, whether or not the Civil Courts Building shall have been relet, less the net proceeds, if any, of any reletting of the Civil Courts Building after deducting all of the Corporation's reasonable expenses in or in connection with such reletting, including without limitation all repossession costs, brokerage commissions, legal expenses, expenses of employees, alteration costs and expense of preparation for reletting. Said net proceeds of any reletting shall be deposited in the Debt Service Fund and shall be applied as provided in the Indenture.

Having elected to reenter or take possession of the Civil Courts Building without terminating the Lease Agreement, the Corporation may, (subject to any restrictions in the Indenture against termination of the Lease Agreement), by notice to the City given at any time thereafter while the City is in Default in the payment of Rentals or Additional Rentals or in the performance of any other obligation under the Lease Agreement, elect to terminate the Lease Agreement on a date to be specified in such notice, which date shall be not earlier than 30 days after reentry under subparagraph (c) above, and if all Defaults shall not have been cured, on the date so specified the Lease Agreement shall thereupon be terminated. If in accordance with any of the foregoing provisions of this Article the Corporation shall have the right to elect to reenter and take possession of the Civil Courts Building the Corporation may enter and expel the City and those claiming through or under the City and remove the property and effects of both or either without being guilty of any manner of trespass and without prejudice to any remedies for arrears of rent or for preceding breach of covenant. 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 Agreement, or any right of the Corporation pursuant to this subsection.

(e) Take whatever action at law or in equity may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Lease Agreement.

Subordination of Agreement to Leasehold Deed of Trust. The Lease Agreement and the rights of the City are and shall continue to be subject and subordinate to the lien of the Leasehold Deed of Trust (and to all extensions, renewals or modifications thereof) and all other security agreements, financing statements or other security interests given by the Corporation to or for the benefit of the Trustee to secure the payment of the principal of and interest on the, except for the provisions concerning damage, destruction and condemnation in Section 11.1 of the Lease Agreement and the provisions concerning the City's purchase option in Section 10.1 of the Lease Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE LEASEHOLD DEED OF TRUST

The following is a summary of certain provisions of the Leasehold Deed of Trust, Security Agreement and Fixture Filing dated as of June 1, 2003, by and between the Corporation and the Trustee (the *"Leasehold Deed of Trust"*). This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to the Leasehold Deed of Trust, a copy of which is available from the Corporation.

Grant of Leasehold Estate. Under the Leasehold Deed of Trust, the Corporation (the *"Grantor"*) grants a lien on and a security interest in, all of Grantor's right to and interest in the following items to Victor Zarrilli, as trustee (the *"Deed of Trust Trustee"*) and the Trustee (the *"Beneficiary"*): (1) Grantor's leasehold interest (*"Leasehold Estate"*) under the Base Lease in the real property described in Exhibit A to the Leasehold Deed of Trust (the *"Property"*), together with all buildings, structures and other improvements, now or at any time situated, placed or constructed thereupon (which together with the Property is referred to as the *"Civil Courts Building"*), (2) all leases, subleases, licenses, concessions, occupancy agreements or other agreements (written or oral, now or at any time in effect) which grant a possessory interest in, or the right to use, all or any part of the Mortgaged Property, as defined below, together with all related security and other deposits (the *"Subleases"*), (3) all of the rents, revenues, income, proceeds, profits, security and other types of deposits, and other benefits paid or payable by parties to the Subleases other than Grantor under the Subleases (the *"Rents"*), (4) all accessions, replacements and substitutions for any of the foregoing and all proceeds thereof, (5) all insurance policies, unearned premiums therefor and proceeds from such policies covering any of the above property now or hereafter acquired by Grantor, and (6) all of Grantor's right to and interest in any awards, remunerations, reimbursements, settlements or compensation heretofore made or hereafter to be made by any governmental authority pertaining to the Mortgaged Property. As used in the Leasehold Deed of Trust, the term *"Mortgaged Property"* shall mean all or, where the context permits or requires, any portion of the above or any interest therein.

Performance of Obligations. Grantor will duly perform all of its obligations under the Leasehold Deed of Trust in accordance with the terms thereof.

Due on Sale or Encumbrance. Grantor will not, without the prior written consent of the Beneficiary, transfer, convey or otherwise part with its right to or interest in any of the Mortgaged Property, or any portion thereof, or create or permit or allow to exist or to be created any mortgage, deed of trust, pledge or other lien or encumbrance on any of the Mortgaged Property, other than the Leasehold Deed of Trust and the Lease Agreement, and Grantor will not suffer or permit any mechanic's or materialmen's lien or any other lien of any nature whatsoever to attach to any of the Mortgaged Property or to remain outstanding against the same or any part thereof; provided, however, Grantor shall pay the amounts resulting in such liens or otherwise bond over such liens by depositing with the Beneficiary an amount that is sufficient in the Beneficiary's reasonable judgment to pay in full such contested amount and all penalties and interest that might become due thereon. In the event Grantor fails to prosecute such contested lien in good faith and with reasonable diligence, the Beneficiary may apply the monies deposited with the Beneficiary in payment of or on account of such contested lien. If the amount deposited with the Beneficiary is insufficient for the payment in full of such contested lien, Grantor shall, upon demand, deposit with the Beneficiary a sum sufficient to make such payment in full. If the Grantor satisfies any contested lien, the Beneficiary will return to the Grantor any funds deposited by the Grantor with the Beneficiary.

Insurance. The Grantor agrees to at all times comply or cause the City to comply with the provisions of the Lease Agreement relating to maintenance of insurance. In the event Grantor shall fail to maintain or cause to be maintained the full insurance coverage required by the Leasehold Deed of Trust or shall fail to keep the Mortgaged Property in good repair and operating condition, the Deed of Trust Trustee or the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefore shall become an additional obligation of Grantor, which amounts, together with interest thereon from the date of payment by such party at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), Grantor agrees to pay on demand to the party advancing same.

Repairs. Grantor will at all times keep and maintain the Mortgaged Property and every part thereof in good order, repair and condition, without any liability of the Deed of Trust Trustee or the Beneficiary to any person for damage for failure to repair or for any other cause, and Grantor will promptly make all needed and proper repairs, restorations, renewals and replacements thereof, so that at all times the value of the Mortgaged Property and every part thereof shall be fully preserved and maintained, and Grantor will not cause or permit any waste on or of the Mortgaged Property or otherwise allow the Mortgaged Property, or any part thereof, to depreciate in value by any act or neglect.

Compliance. Grantor will not use or suffer or permit to be used the Mortgaged Property or any part thereof in any manner inconsistent with the rights of the Deed of Trust Trustee or the Beneficiary under the Leasehold Deed of Trust, or in violation of the provisions of any insurance policy or any rules or regulations of insurance underwriters.

Condemnation. In the event the Mortgaged Property, or any part thereof, be taken through condemnation proceedings or by virtue of the exercise of the right of eminent domain or pursuant to governmental action, any and all amounts awarded in any such condemnation proceeding for the taking of the Mortgaged Property, or any part thereof, shall be applied as provided in the Lease Agreement. Grantor shall give the Beneficiary immediate notice, in writing, of the actual or threatened commencement of any condemnation or eminent domain proceeding affecting all or any portion of the Mortgaged Property.

Taxes. Grantor covenants and agrees to pay or cause the City to pay any and all taxes, assessments, liens and other charges that may be levied or assessed against the Mortgaged Property, or any part thereof, prior to the time the same shall become delinquent. Within thirty (30) days of receipt of written request of the Beneficiary, Grantor shall promptly provide the Beneficiary with proof of payment of such payment.

Cure Payments. If Grantor shall fail to pay or cause to be paid any tax, assessment, lien or other charge levied or assessed against the Mortgaged Property, or any part thereof, or shall fail to keep and perform any of the covenants and conditions contained in the Leasehold Deed of Trust, the Deed of Trust Trustee or the Beneficiary shall be privileged, but shall not be obligated, to pay any such tax, assessment, lien, rent or other charge, to redeem such property from any sale or foreclosure for taxes or assessments or liens, to effect and pay for insurance required under the Leasehold Deed of Trust, to perform or pay for any other obligations, and to make such other disbursements as are necessary or advisable in the opinion of the Deed of Trust Trustee or the Beneficiary to cure any default of Grantor under the Leasehold Deed of Trust or protect the lien or the rights of the Deed of Trust Trustee and the Beneficiary under the Leasehold Deed of Trust; any and all such sums of money advanced for such purposes by the Deed of Trust Trustee or the Beneficiary shall be deemed additional Indebtedness secured by the Leasehold Deed of Trust and shall be payable on demand with interest accruing from the time so advanced at the rate of 2% per annum over and above the interest rate announced from time to time by the Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law), and failure on the part of Grantor to repay the amounts so advanced on demand shall constitute an Event of Default under the Leasehold Deed of Trust; provided, however, nothing contained in the Leasehold Deed of Trust shall be construed as requiring the Deed of Trust Trustee or the Beneficiary to effect such insurance or to advance or expend money or take any action for any of the purposes aforesaid.

Compliance with Laws. Grantor shall: (i) comply with all statutes, ordinances, regulations, rules, orders, decrees and other requirements relating to the Mortgaged Property, or any part thereof, by any federal, state or local authority, including, without limitation, the Americans with Disabilities Act of 1990, and (ii) observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, without limitation, zoning variances, special exceptions, and nonconforming uses), privileges, franchises and concessions that are applicable to the Mortgaged Property or that have been granted to or contracted for by Grantor in connection with any existing or presently contemplated use of the Mortgaged Property or any part thereof. Grantor shall not initiate or acquiesce in any changes to or termination of any of the foregoing or of zoning design actions affecting the use of the Mortgaged Property or any part thereof without the prior written consent of the Beneficiary.

Inspection of Property. Grantor shall permit the Beneficiary and the Deed of Trust Trustee and their representatives and agents to inspect the Mortgaged Property from time to time upon reasonable prior telephonic notice during normal business hours and as frequently as the Beneficiary considers reasonable, subject to the provisions of the Base Lease.

Security Agreement; Fixture Filing. Grantor also grants to the Beneficiary to secure the Indebtedness a security interest in all goods and equipment now owned or hereafter acquired by Grantor that are intended to be used or are actually used as part of the Civil Courts Building so as to become fixtures, and all replacements thereof, substitutions therefor, and accessions thereto and cash and non-cash proceeds thereof (the *"Personal Property Collateral"*). The Personal Property Collateral and the Mortgaged Property are collectively referred to as the *"Collateral."* The Leasehold Deed of Trust constitutes a "security agreement" and a "fixture filing" as those terms are used in Article 9 of the UCC in effect in the jurisdiction where the Property is located. The address of the Beneficiary (Secured Party) and Grantor (Debtor) are the addresses set forth for them in the introductory paragraph of the Leasehold Deed of Trust. The Leasehold Deed of Trust is to be filed for record in the real estate records where the Property is located. Grantor is the record owner of a Leasehold Estate in the Property.

Release. If all of Grantor's covenants and agreements under the Leasehold Deed of Trust are performed in full and the Indebtedness is irrevocably paid in full, then the Leasehold Deed of Trust shall be void and the Leasehold Deed of Trust shall be released with all recording costs associated with recording any necessary release to be paid by Grantor.

Future Advances. The Leasehold Deed of Trust is to be governed by Section 443.055 of the Revised Statutes of Missouri and secures future advances, including Additional Bonds, issued under the Indenture, in an amount not to exceed $90,000,000. In the event the Beneficiary shall receive a notice pursuant to Section 443.055 of the Revised Statutes of Missouri terminating the Leasehold Deed of Trust as security for future advances for future obligations made or incurred after the date of such notice, then upon receipt of such notice, the Beneficiary shall have no further obligation under any document evidencing, securing or related to the indebtedness secured by the Leasehold Deed of Trust notwithstanding anything to the contrary in any such document.

Events of Default; Remedies. In the event any one or more of the following events shall occur (an *"Event of Default"*): (a) If default shall be made in the payment of any of the Indebtedness secured by the Leasehold Deed of Trust, or any interest thereon, as and when the same shall become due and payable after the expiration of all applicable cure periods, whether by reason of demand, acceleration or otherwise; (b) If Grantor's interest in the Mortgaged Property shall pass by operation of law as the result of any creditor's action, suit or proceeding; (c) If the Mortgaged Property or any portion thereof or ownership interest therein is sold, transferred, assigned or in any manner conveyed without the prior written consent of the Beneficiary, except as provided in the Leasehold Deed of Trust; (d) If an Event of Default occurs under the Indenture after giving effect to all applicable cure periods (if any); or (e) If default shall be made by Grantor in the due performance or observance of any covenant, agreement or condition contained in the Leasehold Deed of Trust or therein required to be performed or observed by Grantor with respect to the Bonds (other than those set forth at clauses (a) - (c) hereinabove) and such default shall continue for a period of ten (10) days after the date of the mailing of a written notice addressed to Grantor at the address hereinabove set forth, or to such other address as may be designated by Grantor in written notice delivered to the Beneficiary; THEN, AND IN EACH AND EVERY SUCH EVENT: (1) All of the Indebtedness then outstanding and unpaid and all accrued and unpaid interest thereon shall, at the option of Beneficiary to be exercised upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, become and be due and payable immediately, anything in the Leasehold Deed of Trust to the contrary notwithstanding; (2) Upon demand of Trustee or Beneficiary made upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, Grantor shall forthwith surrender to Beneficiary the actual possession of all of the Mortgaged Property and it shall be lawful (whether or not Grantor has so surrendered possession) for Beneficiary, either personally or by agents or attorneys, forthwith to enter into or upon the Mortgaged Property and to exclude Grantor, the agents and servants of Grantor, and all parties claiming by, through or under Grantor, including the City, wholly therefrom, and Beneficiary shall thereupon be solely and exclusively entitled to possession of said Mortgaged Property and every part thereof, and to use, operate, manage and control the same, either personally or by managers, agents, servants or attorneys, for the benefit of the Owners of the Bonds to the fullest extent authorized by law; and upon every such entry, Beneficiary may, from time to time, at the expense of Grantor, make all necessary and proper repairs and replacements to the Mortgaged Property as Beneficiary in its discretion sees fit, and any amounts so expended shall be due on demand, bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by Beneficiary as its "prime rate" on commercial loans (or such lower maximum amount permitted by law) and shall be secured by the Leasehold Deed of Trust; (3) Trustee, at the request of Beneficiary made upon the direction of the Credit Provider so long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, shall proceed to sell either by himself or by agent or attorney, the Mortgaged Property or any part(s) thereof at public vendue or outcry at the customary place to the highest bidder for cash after first giving notice as required by the statutes of the State of Missouri and upon such sale Trustee shall receive the proceeds of such sale and shall execute and deliver a deed or deeds or other instruments of conveyance, assignment and transfer to the property sold, to the purchaser or purchasers thereof; and (4) So long as the Credit Provider has not failed to comply with its payment obligations under the applicable Credit Enhancement, then upon direction of the Credit Provider, Trustee and/or Beneficiary shall (or if the Credit Provider has failed to comply with its payment obligations under the applicable Credit Enhancement, Trustee and/or Beneficiary may) proceed by suit or suits at law or in equity to enforce the Indebtedness secured by the Leasehold Deed of Trust and/or to foreclose the Leasehold Deed of Trust and in such event Trustee shall be entitled to a reasonable fee for his services and Trustee and Beneficiary shall be entitled to a reasonable fee for the services of their attorneys and agents, and for all expenses, costs and outlays. Upon or at anytime after the filing of any suit to foreclose the lien of the Leasehold Deed of Trust, Beneficiary shall be entitled as a matter of right to the appointment of a receiver of the Mortgaged Property, either before or after sale, without notice and without regard to the solvency or insolvency of Grantor at the time of the application for such receiver, and without regard to the solvency or insolvency of Grantor at the time of the application for such receiver, and without regard to the then value of the Mortgaged Property, and Trustee, or Beneficiary, may be appointed as such receiver. Such receiver shall have all powers necessary or incidental for the protection, possession, control, management and operation of the Mortgaged Property.

In any sale or sales made by Deed of Trust Trustee under the power granted in the Leasehold Deed of Trust, or upon any sale or sales under or by virtue of any judicial proceedings: (i) the whole of the Mortgaged Property may be sold in one parcel as an entirety, or the Mortgaged Property may be sold in separate parcels as may be determined by Deed of Trust Trustee in his discretion; (ii) all recitals contained in any deed or other instrument of conveyance, assignment or transfer made and delivered by Deed of Trust Trustee in pursuance of the powers granted and conferred in the Leasehold Deed of Trust, shall be prima facie evidence of the facts therein set forth: (iii) such sale or sales shall operate to divest Grantor of all right, title, interest, claim and demand, either at law or in equity, under statute or otherwise, in and to the Mortgaged Property and every part thereof so sold and shall be a perpetual bar, both in law or equity, against Grantor and any and all persons claiming or to claim from, through or under Grantor; and (iv) the Beneficiary may bid for and purchase the Mortgaged Property or any part thereof. Each time it shall become necessary to insert an advertisement of foreclosure, and sale is not had, Deed of Trust Trustee shall be entitled to receive the sum of One Hundred Dollars ($100.00) for services and the amount of all advertising charges from Grantor, all of which shall be further secured by the Leasehold Deed of Trust. Upon the foreclosure and/or sale of the Mortgaged Property, or any part thereof, the proceeds of such sale or sales shall be applied as follows: First, to the cost and expense of executing the trust, including reasonable compensation of Deed of Trust Trustee and reasonable attorneys' fees and expenses, outlays for documentary stamps, cost of procuring title insurance commitments, continuing abstracts, title searches or examinations reasonably, necessary or proper, next, to the payment of any and all advances made by the Deed of Trust Trustee or the Beneficiary, with interest thereon as hereinabove provided; next, to the payment of the balance of the Indebtedness secured by the Leasehold Deed of Trust, with interest thereon as therein provided; and any surplus thereafter shall be paid to Grantor or any other party legally entitled thereto: provided that in the event the net proceeds of such sale or sales shall not be sufficient to pay in full the Indebtedness secured by the Leasehold Deed of Trust. Grantor promises and agrees to pay any deficiency thereon on demand with interest.

Grantor shall not apply for or avail itself of any appraisement, valuation, redemption, stay, extension or exemption laws, or any so-called "moratorium laws", now existing or hereinafter enacted, in order to prevent or hinder the enforcement or foreclosure of the Leasehold Deed of Trust, and waives the benefit of such laws. Grantor, for itself, its successors and assigns, wholly waives the period of redemption and any right of redemption provided under any existing or future law in the event of a foreclosure of the Leasehold Deed of Trust. Grantor, for itself and all who may claim through or under it, waives any and all right to have the property and estates comprising the Mortgaged Property marshalled upon any foreclosure of the lien of the Leasehold Deed of Trust and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property sold as an entirety. Grantor waives any order or decree of foreclosure, pursuant to the rights granted in the Leasehold Deed of Trust, on behalf of the Grantor, and each and every person acquiring any interest in or title to the Mortgaged Property, subsequent to the date of the Leasehold Deed of Trust, and on behalf of all other persons to the extent permitted by applicable law.

Resignation or Removal of the Deed of Trust Trustee. The Deed of Trust Trustee may resign at any time by written instrument to that effect delivered to the Beneficiary. The Beneficiary shall be entitled to remove, at any time and from time to time, including any time before, during or after the commencement or completion of any foreclosure proceeding, the Deed of Trust Trustee. In case of the death, removal, resignation, refusal to act or otherwise being unable to act of the Deed of Trust Trustee, the Beneficiary shall be entitled to select and appoint a successor Deed of Trust Trustee under the Leasehold Deed of Trust by an instrument duly executed, acknowledged and recorded in the manner and form for conveyances of real estate in the State of Missouri, which recording may occur before, during or after the commencement or completion of any foreclosure proceeding, and any such successor Deed of Trust Trustee shall thereupon succeed to Deed of Trust Trustee as Deed of Trust Trustee under the Leasehold Deed of Trust and to all of the rights, powers, duties, obligations and estate of said Deed of Trust Trustee as if specifically named in the Leasehold Deed of Trust, provided no defect or irregularity in the resignation or removal of said Deed of Trust Trustee or in the appointment of a successor Deed of Trust Trustee or in the execution and recording of such instrument shall affect the validity of said resignation, removal or appointment or any act or thing done by such successor Deed of Trust Trustee pursuant thereto. Additionally, whether the recording of the successor Deed of Trust Trustee instrument takes place before, during or after the commencement or completion of any foreclosure proceeding shall have no effect upon the validity of said proceeding. Deed of Trust Trustee shall not be disqualified from acting as Deed of Trust Trustee under the Leasehold Deed of Trust or from performing any of the duties of Deed of Trust Trustee, or from exercising the rights, powers and remedies granted in the Leasehold Deed of Trust, by reason of the fact that Deed of Trust Trustee is an officer, employee or stockholder of the Beneficiary, or is interested, directly or indirectly, as the holder of any of the Indebtedness secured by the Leasehold Deed of Trust. Grantor expressly consents to Deed of Trust Trustee acting as Deed of Trust Trustee irrespective of the fact that Deed of Trust Trustee might be otherwise disqualified for any of the foregoing reasons, and that any interest which Deed of Trust Trustee or any successor shall have or may acquire in the Indebtedness secured by the Leasehold Deed of Trust, or the Mortgaged Property, shall neither interfere with nor prevent his acting as Deed of Trust Trustee or from purchasing said property at said sale or sales, and all parties waive any objection to Deed of Trust Trustee having or acquiring any such interest in the Indebtedness or Mortgaged Property and continuing to act as Deed of Trust Trustee. Deed of Trust Trustee covenants faithfully to perform and fulfill the trust created in the Leasehold Deed of Trust, but shall be liable, however, only for gross negligence or willful misconduct as determined by a court of competent jurisdiction.

Amendment of the Leasehold Deed of Trust. Grantor may from time to time amend, change or modify the Leasehold Deed of Trust, but only with the consent of the Deed of Trust Trustee, the Beneficiary and the City, and if required by the terms of the Indenture, the consent of the holders of the requisite aggregate principal amount of the Bonds then outstanding and the Credit Provider.

Discharge of the Leasehold Deed of Trust. If Grantor shall pay and discharge or provide, in a manner satisfactory to the Beneficiary, for the payment and discharge of the whole amount of all sums payable under the Leasehold Deed of Trust, including all sums owing and other obligations under the Indenture, or shall make arrangements satisfactory to the Beneficiary for such payment and discharge, and if all sums owing under the Indenture are paid and all other obligations under the Indenture are satisfied, then and in that case all property, rights and interest conveyed, assigned or pledged by the Leasehold Deed of Trust shall revert to Grantor, and the estate, right, and interest of the Deed of Trust Trustee and the Beneficiary in the Leasehold Deed of Trust shall thereupon cease, terminate and become void; and the Leasehold Deed of Trust, and the covenants of Grantor contained in the Leasehold Deed of Trust, shall be discharged and the Beneficiary in such case on demand of Grantor and at Grantor's cost and expense, shall execute and deliver to Grantor a proper instrument or proper instruments acknowledging the satisfaction and termination of the Leasehold Deed of Trust and shall convey, assign and transfer or cause to be conveyed, assigned or transferred, and shall deliver or cause to be delivered to Grantor, all property, including money, then held by the Beneficiary under the Leasehold Deed of Trust, to be applied by Grantor as provided in the Indenture.

APPENDIX D
FORM OF BOND COUNSEL OPINION

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Appendix D – FORM OF BOND COUNSEL OPINION

July 22, 2010

St. Louis Municipal Finance Corporation
St. Louis, Missouri

UMB Bank, N.A.
St. Louis, Missouri

The City of St. Louis, Missouri
St. Louis, Missouri

Wells Fargo Bank, National Association
Chicago, Illinois

Re: $2,690,000 St. Louis Municipal Finance Corporation Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by St. Louis Municipal Finance Corporation (the *"Corporation"*) of the above-referenced bonds (the *"Series 2010 Bonds"*) pursuant to a resolution adopted by the Corporation on July 13, 2010 (the *"Resolution"*) and Ordinance No. 68717 adopted by the Board of Aldermen of the City of St. Louis, Missouri, on July 9, 2010 and approved by the Mayor of the City of St. Louis, Missouri, on July 13, 2010 (the *"Ordinance"*). In such capacity, we have examined such laws and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents (with the exception of the Official Statement, the *"Transaction Documents"*):

a. Resolution;

b. Ordinance;

c. Indenture of Trust (the *"Original Indenture"*), dated as of June 1, 2003, by and between the Corporation and UMB Bank, N.A., as Trustee (the *"Trustee"*);

d. First Amended and Supplemental Indenture of Trust, dated as of July 1, 2010, by and between the Corporation and the Trustee (the *"First Supplemental Indenture"* and, together with the Original Indenture, the *"Indenture"*);

e. Base Lease (the *"Base Lease"*), dated as of June 1, 2003, by and between The City of St. Louis, Missouri (the *"City"*) and the Corporation;

f. Lease Purchase Agreement, dated as of June 1, 2003, by and between the Corporation and the City (the *"Original Lease Agreement"*);

g. First Amended and Supplemental Lease Purchase Agreement, dated as of July 1, 2010, by and between the Corporation and the City (the *"First Supplemental Lease Agreement"* and, together with the Original Lease Agreement, the *"Lease Agreement"*);

h. Leasehold Deed of Trust, Security Agreement and Fixture Filing, dated as of June 1, 2003, by the Corporation for the benefit of the Trustee and the deed of trust trustee named therein (the *"Leasehold Deed of Trust"*);

i. Bond Purchase Agreement, dated July 15, 2010, by and between the Corporation and Wells Fargo Bank, National Association, as Representative of the Underwriters, as defined therein (the *"Purchase Agreement"*);

j. Tax Compliance Agreement, dated as of July 1, 2010, by and among the Corporation, the City, and the Trustee (the *"Tax Agreement"*);

k. Continuing Disclosure Agreement, dated as of June 1, 2003, by and between the City and the Trustee (the *"Disclosure Agreement"*); and

l. Official Statement dated July 15, 2010 relating to the Series 2010 Bonds (the *"Official Statement"*).

In making our examination of documents, we have assumed that the parties to such documents, other than the Corporation, had the power to enter into and perform all obligations thereunder and have also assumed the due authorization by all requisite action and execution and delivery of such documents and that the documents above are valid and binding as to the parties, other than the Corporation. In giving this opinion, we have relied upon such certificates with respect to the accuracy of factual matters contained therein which were not independently established.

As to questions of fact material to this opinion, we have relied upon representations of the Corporation and the City contained in the Resolution and the Ordinance, respectively, and the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We note that various issues with respect to the City and the Corporation in connection with the Series 2010 Bonds are addressed in the opinion of the Deputy City Counselor of the City of St. Louis. Except as otherwise stated herein, we express no opinion with respect to those issues. In addition, we express no opinion as to the title to or the description of the property subject to the Indenture, the Lease Agreement, or the other Transaction Documents.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The First Supplemental Indenture has been duly authorized, executed, and delivered by the Corporation and constitutes the valid and legally binding obligation of the Corporation, enforceable in accordance with its terms.

2. The Series 2010 Bonds have been duly authorized, executed, and delivered by the Corporation, duly authenticated by the Trustee and are valid and binding limited obligations of the Corporation, enforceable in accordance with their terms and entitled to the benefits of the Indenture, and evidence proportionate interests in the right to receive Rentals from the City under the Lease Agreement. Neither the Lease Agreement nor the Series 2010 Bonds constitute an indebtedness of the Corporation, the City, or the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the Corporation or the City is pledged to the payment of the Rentals (as defined in the Indenture) or any other payments under the Lease Agreement or to the payment of the Series 2010 Bonds.

3. The interest on the Series 2010 Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from gross income for federal and Missouri income tax

purposes. Such interest 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 purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Agreement complies 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 2010 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2010 Bonds (including any original issue discount properly allocable to the owners thereof) to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2010 Bonds. We express no opinion as to whether the interest on the Series 2010 Bonds (including any original issue discount properly allocable to the owners thereof) is exempt from the tax imposed on financial institutions pursuant to Chapter 148 of the Revised Statutes of Missouri, as amended.

4. The Series 2010 Bonds are being offered at prices greater than their principal amounts. Under the Code, the difference between the principal amount of a Series 2010 Bond and the cost basis of such Series 2010 Bond to an owner thereof is "bond premium." We are of the opinion that an initial purchaser with an initial adjusted basis in a Series 2010 Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of the amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Series 2010 Bond based on the purchaser's yield to maturity (or, in the case of Series 2010 Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Series 2010 Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Series 2010 Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax exempt income for purposes of determining various other tax consequences of owning such Bonds.

Except as stated in paragraphs 3 and 4 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2010 Bonds.

It is to be understood that the rights of the owners of the Series 2010 Bonds and the enforceability of the Series 2010 Bonds and the Transaction Documents may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity.

Except as set forth in our supplemental opinion of even date herewith, we have not been engaged or undertaken to review the accuracy, adequacy, or completeness of any offering material relating to the Series 2010 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

The opinions set forth above are based on existing law, and we do not undertake to advise you of any matters which may come to our attention subsequent to the date hereof and which may affect the legal opinions expressed herein.

Very truly yours,

APPENDIX E
DTC
INFORMATION

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The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Series 2010 Bonds"). The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Series 2010 Bonds in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities 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 1 7A 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 the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010 Bond documents. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Corporation or Agent, on 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, Agent, or 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 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 the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Corporation or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security 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, Security 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 Corporation believes to be reliable, but Corporation takes no responsibility for the accuracy thereof.

APPENDIX F
SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of July 1, 2010 (the "Disclosure Agreement") is executed and delivered by The City of St. Louis, Missouri (the "City") and UMB Bank, N.A., as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of $2,690,000 Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project) (the "Series 2010 Bonds") by the St. Louis Municipal Finance Corporation (the "Corporation"). The Series 2010 Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2003, as amended and supplemented by the First Amended and Supplemental Indenture of Trust, dated July 1, 2010 (collectively, the "Indenture") between the Corporation and UMB Bank, N.A., as Trustee (the "Trustee"). In consideration of the mutual covenants and agreements herein, the City and the Dissemination Agent covenant and agree as follows:

SECTION 1: Purpose of the Disclosure Agreement.

The City and the Dissemination Agent are entering into this Disclosure Agreement for the benefit of the Beneficial Owners of the Series 2010 Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below). The City acknowledges that no other party has undertaken any responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement. The City represents that it has never failed to be make any filings required by continuing disclosure undertakings with respect to any of its bonds.

SECTION 2: Definitions.

In addition to the definitions set forth in 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" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2010 Bonds (including persons holding Series 2010 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010 Bonds for federal income tax purposes.

"**City**" means The City of St. Louis, Missouri.

"**Corporation**" means St. Louis Municipal Finance Corporation.

"Dissemination Agent" means UMB Bank, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

*"***EMMA***"* means the Electronic Municipal Market Access system for municipal securities disclosures at www.emma.msrb.org.

"Listed Events" means any of the events listed in Section 5(A) of this Disclosure Agreement.

"**MSRB**" means the Municipal Securities Rulemaking Board and any successor thereto.

"**Official Statement**" means the Official Statement dated July 15, 2009, relating to the issuance and sale of the Series 2010 Bonds.

"Participating Underwriter" means any of the original underwriters of the Series 2010 Bonds required to comply with the Rule in connection with the offering of the Series 2010 Bonds.

"Repository" means each National Repository and each State Repository, if any.

"Rule" means Rule 15c12(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" means the State of Missouri.

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 (presently June 30) commencing with the report for the 2010 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement.

B. Not later than fifteen (15) Business Days prior to the date specified in Subsection A above for providing the Annual Report to the MSRB, the City shall either provide the Annual Report to the Dissemination Agent with instructions to file the Annual Report as specified in Subsection A above or provide a written certification to the Dissemination Agent and the Trustee (if not the Dissemination Agent) that the City has provided the Annual Report to the MSRB).

C. If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date in Subsection A, the Dissemination Agent shall send a notice to the MSRB in substantially the form as **Exhibit A** hereto.

D. The Dissemination Agent shall unless the City has certified in writing that the City has provided the Annual Report to the MSRB, promptly following receipt of the Annual Report and the instructions required by Subsection B above, provide the Annual Report to the MSRB and file a report with the City 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 MSRB to which it was provided or that the City has certified that it filed the Annual Report. Unless the City has provided the Annual Report as provided above, the Dissemination Agent shall notify the City in each year not later than 90 days and again not later than 30 days prior to the date for providing the Annual Report to the MSRB, of the date on which its Annual Report must be provided to the Dissemination Agent or MSRB.

SECTION 4: Content of the Annual Report.

The City's Annual Report shall contain or include by reference the following:

(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 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 pursuant to the Disclosure Agreement, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) Certain statistical and operating data of the City updated for the prior Fiscal Year in substantially the scope and form in Appendix A to the final Official Statement in tables under the sections captioned:

(a) "ECOMONIC AND DEMOGRAPHIC DATA: Population Statistics," "Employment," "Major Taxpayers," "Building and Construction Data," "Sports Related Economic Development," "Business Development, and "Development Overall;"

(b) "EMPLOYEES AND EMPLOYEE RELATIONS," and

(c) "RETIREMENT SYSTEMS."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an "obligated person," which have been filed with each of the MSRB, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB and clearly identified as such by the City.

SECTION 5: Reporting of Significant Events.

A. Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2010 Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. modifications to rights of Bondholders;

4. optional, contingent or unscheduled bond calls;

5. defeasance;

6. rating changes;

7. adverse tax opinions or events affecting the tax-exempt status of the Series 2010 Bonds;

8. unscheduled draws on debt service reserves reflecting financial difficulties;

9. unscheduled draws on credit enhancements reflecting financial difficulties;

10. substitution of credit or liquidity providers, or their failure to perform; or

11. release, substitution or sale of property securing repayment of the Series 2010 Bonds.

B. The Dissemination Agent shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any Listed Event, contact the City, 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 below.

C. Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to Subsection B above or otherwise, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

D. If knowledge of the occurrence of a Listed 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 below.

E. If in response to a request under Subsection B above, the City determines that the Listed 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 below.

F. If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event, the Dissemination Agent shall file a timely notice of such occurrence with the MSRB or the National MSRB and each State Repository with a copy to the City.

SECTION 6: EMMA.

THE DISSEMINATION AGENT SHALL USE EMMA, OR ANY SUCCESSOR REPOSITORY SYSTEM APPROVED BY THE MSRB, FOR THE SUBMISSION OF ANNUAL REPORTS AND NOTICE OF MATERIAL EVENTS TO MSRB FOR SO LONG AS EMMA IS RECOGNIZED, AUTHORIZED, OR APPROVED BY THE **SEC.** SUBMISSION OF AN ANNUAL REPORT OR A NOTICE OF MATERIAL EVENT BY THE DISSEMINATION AGENT TO EMMA SHALL BE DEEMED TO SATISFY THE DISSEMINATION AGENT'S OBLIGATIONS UNDER THIS DISCLOSURE AGREEMENT WITH RESPECT TO THAT ANNUAL REPORT OR NOTICE OF MATERIAL EVENT.

SECTION 7: Termination of Reporting Obligations.

The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Series 2010 Bonds. If the City's obligations under the Indenture are assumed in full by another entity, such entity 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 2010 Bonds, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5(A) of this Disclosure Agreement.

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 the 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 the Disclosure Agreement. The Dissemination Agent may resign at any time by providing 30 days written notice to the City. The Dissemination Agent also will have no duty or obligation to determine the materiality of the listed events and will not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is no other designated Dissemination Agent, the Trustee will 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 execution of such 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:

1. If the amendment or waiver related to the provisions of Sections 3A, 4 or 5A 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 2010 Bonds, or the type of business conducted;

2. The undertaking, as amended or taking into account such waiver, should, in the Opinion of Bond Counsel (as defined in the Indenture), have complied with the requirements of the Rule at the time of the original issuance of the Series 2010 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

3. The amendment or waiver either (i) is approved by the Bondholders of the Series 2010 Bonds 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 Bond Counsel, does not materially impair the interests of the Bondholders or Beneficial Owners of the Series 2010 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5 of this Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 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 the occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement, provided that 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 the occurrence of a Listed 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 Trustee may (and, upon receipt of satisfactory indemnity and at the request of any Participating Underwriter or the Bondholders or Beneficial Owner of at least 25% aggregate principal amount of Outstanding (as defined in the Indenture) Bonds, shall), or any Bondholder or Beneficial Owner of at least 25% aggregate principal amount of the Series 2010 Bonds may, take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed to be an Event of Default under the Indenture, the Lease Purchase Agreement (as defined in the Indenture) or with respect to the Series 2010 Bonds, 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 action to compel performance.

SECTION 12: Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by applicable law, the City hereby indemnifies and saves the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2010 Bonds.

SECTION 13: Notices.

Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City:

The City of St. Louis, Missouri
City Hall, Room 212
1200 Market Street
St. Louis, Missouri 63103
Attention: Comptroller
Telephone/Fax: 314-622-4026

With copy to:

The City of St. Louis, Missouri
City Hall, Room 314
1200 Market Street
St. Louis, Missouri 63103
Attention: Deputy City Counselor
Telephone/Fax: 314-622-4956

To the Dissemination Agent:

UMB Bank, N.A.
Attn: Corporate Trust Department
2 South Broadway, Suite 600
St. Louis, Missouri 63102
Telephone/Fax: 314-612-8480 / 314-612-8499

Any person may, by written notice to the other persons listed above, 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 Underwriters, and Bondholders and Beneficial Owners from time to time of the Series 2010 Bonds, 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 and construed in accordance with the laws of the State of Missouri.

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 reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suite in the appropriate court of law.

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St. Louis Municipal Finance Corporation • Leasehold Revenue Refunding Bonds, Series 2010 (Civil Courts Building Project)

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