

*In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the tax covenants described herein and the accuracy of certain representations and certifications made by the City and the Corporation described herein, interest on the Series 2008 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Co-Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Co-Bond Counsel is further of the opinion that, under existing law and assuming that interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, interest on the Series 2008 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from Missouri taxable income for the purposes of the personal income tax and corporate income tax imposed by the State of Missouri. See "TAX MATTERS" herein regarding certain other tax considerations.*

**\$21,850,000**

**ST. LOUIS MUNICIPAL FINANCE CORPORATION**  
**Leasehold Revenue Bonds, Series 2008**  
**(Convention Center Capital Improvement Projects)**

**Dated: Date of Delivery**

**Due: July 15, as shown on the inside cover**

The Leasehold Revenue Bonds, Series 2008 (Convention Center Capital Improvement Projects) (the "**Series 2008 Bonds**") are being issued by the St. Louis Municipal Finance Corporation (the "**Corporation**"), a nonprofit corporation organized and existing under the laws of the State of Missouri (the "**State**"). The Series 2008 Bonds will be issued under and secured by the Sixth Supplemental and Restated Indenture of Trust dated as of November 1, 2008 (the "**Indenture**"), by and among the Corporation, The Industrial Development Authority of the City of St. Louis, Missouri (the "**Authority**") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). The proceeds of the Series 2008 Bonds will be used (i) to fund certain capital improvements to the City of St. Louis Convention Center Property, as described herein; (ii) to fund capitalized interest on the Series 2008 Bonds; (iii) to fund a debt service reserve fund for the Series 2008 Bonds; and (iv) to pay Costs of Issuance in connection with the issuance and sale of the Series 2008 Bonds.

The Series 2008 Bonds shall be special obligations of the Corporation payable solely out of the Rentals and certain Additional Rentals received pursuant to the Fifth Supplemental and Restated Lease Purchase Agreement among the Corporation, the Authority and The City of St. Louis, Missouri (the "**City**") (all as herein described), and are secured by a pledge and assignment of the Trust Estate (as herein described) to the Trustee pursuant to the Indenture. 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 Purchase Agreement for anything done or omitted to be done by the Corporation thereunder. The Series 2008 Bonds shall not be a debt of the City or the State and neither the City nor the State shall be liable thereon. The Series 2008 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Series 2008 Bonds are further secured by a Deed of Trust (as herein described), the lien of which shall encumber the Corporation's interest in the Convention Center Property (as herein described). The obligation of the City to make payments of Rentals and Additional Rentals is subject to annual appropriation by the City. The Corporation has no taxing power. See "**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS**" herein.

The Series 2008 Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., or such other name (either, the "**Nominee**") as may be requested by an authorized representative of The Depository Trust Company ("**DTC**"), New York, New York, as registered owner and nominee for DTC. Purchases of the Series 2008 Bonds will be made in book-entry form only. The Series 2008 Bonds are issuable in denominations of \$5,000 or any integral multiple of \$5,000 thereof ("**Authorized Denominations**"). Purchasers will not receive certificates representing their interests in the Series 2008 Bonds purchased. So long as the Nominee is the registered owner of the Series 2008 Bonds, references herein to the Bondholders or registered owners shall mean the Nominee, and shall not mean the Beneficial Owners (as herein defined) of the Series 2008 Bonds. Principal of the Series 2008 Bonds will be payable as set forth on the following page. Interest on the Series 2008 Bonds is payable each January 15 and July 15 commencing January 15, 2009. Payments of principal of premium, if any, and interest on the Series 2008 Bonds will be made by the Trustee to the Nominee, for disbursement to the DTC Participants (as herein defined) for subsequent disbursement to the Beneficial Owners of the Series 2008 Bonds. The Series 2008 Bonds are subject to optional and extraordinary optional redemption prior to maturity as more fully described herein.

The scheduled payments of principal of and interest on the Series 2008 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. ("**Assured Guaranty**") or the "**Credit Facility Provider**". See "**Bond Insurance**" herein.



This cover page contains information for reference only. It is not a complete summary of the Series 2008 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.

**See the following page for maturities, principal amounts, interest rates, yields, and CUSIP numbers.**

The Series 2008 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to prior placement, withdrawal or modification of the offer without notice, and subject to the approval of the validity of the Series 2008 Bonds by Armstrong Teasdale LLP and Saulsberry & Associates, LLC, Co-Bond Counsel, and certain other conditions referred to herein. Certain legal matters will be passed upon for the Corporation and the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, The Stolar Partnership LLP and Worsham N. Caldwell, Jr. & Associates, LLC. It is expected that the Series 2008 Bonds will be available for delivery to DTC, in New York, New York on or about November 25, 2008.

**STIFEL  
NICOLAUS**

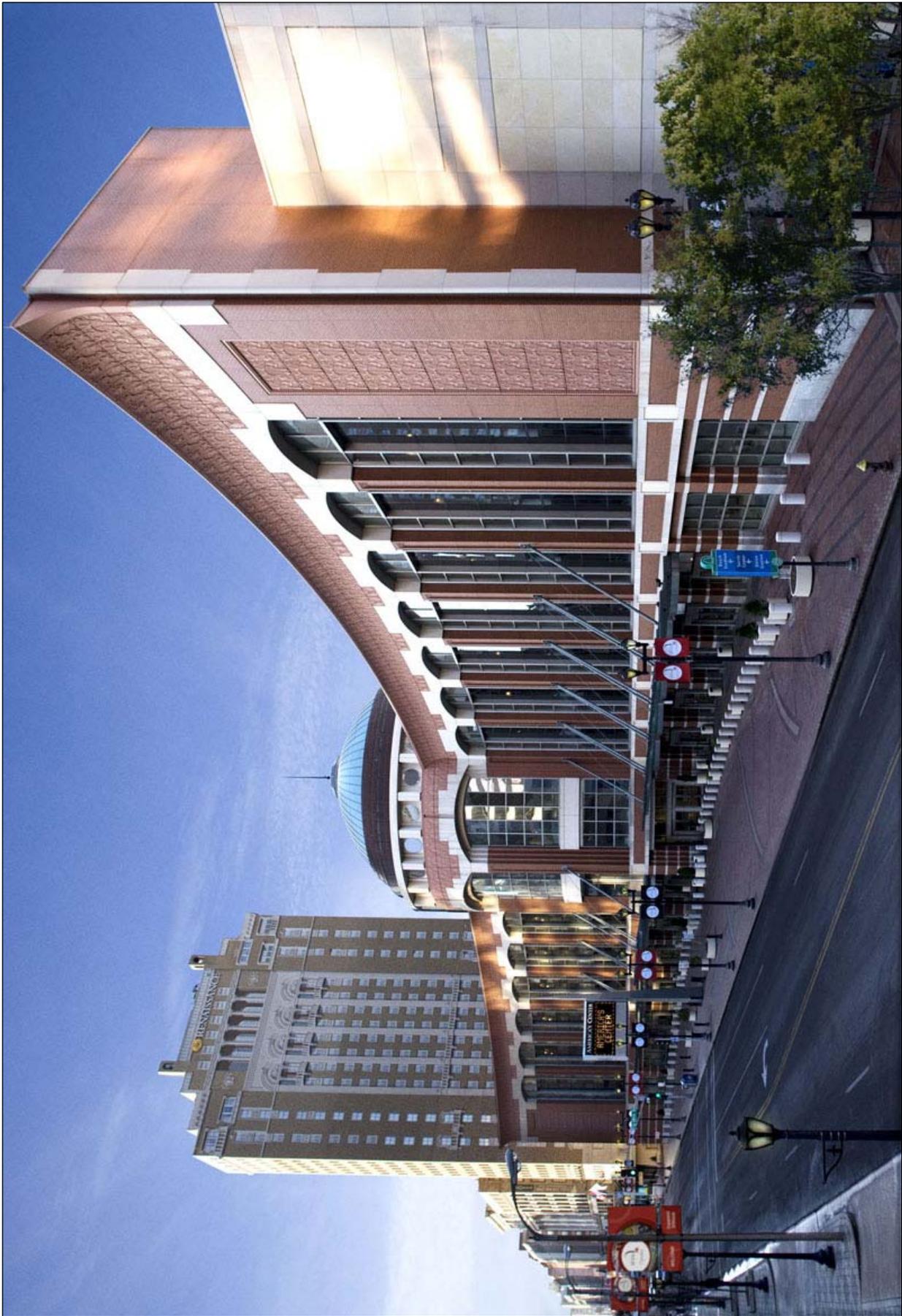
**J.P.Morgan**

**Siebert Brandford Shank & Co.,  
LLC**

**Morgan Keegan & Company, Inc.**

**PiperJaffray**

**Rice Financial Products Company**



CONVENTION CENTER FAÇADE LOOKING WEST ALONG WASHINGTON AVENUE

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading “**BOND INSURANCE**” and “**APPENDIX G – Specimen Financial Guaranty Insurance Policy.**”

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

**\$21,850,000**

**ST. LOUIS MUNICIPAL FINANCE CORPORATION  
Leasehold Revenue Bonds, Series 2008  
(Convention Center Capital Improvement Projects)  
Base CUSIP: 79165T**

**Serial Bonds**

<u>Maturity</u> <u>July 15</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u> <sup>1</sup>
2021	\$3,825,000	5.000%	5.280%	NF4
2022	\$1,600,000	5.100%	5.360%	NG2
2023	\$1,700,000	5.250%	5.430%	NH0
2024	\$1,775,000	5.300%	5.500%	NJ6
2025	\$1,875,000	5.375%	5.570%	NK3
2026	\$1,975,000	5.400%	5.630%	NL1
2027	\$2,075,000	5.500%	5.680%	NM9
2028	\$2,225,000	5.500%	5.720%	NN7
2029	\$2,325,000	5.500%	5.760%	NP2
2030	\$2,475,000	5.625%	5.810%	NQ0

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<sup>1</sup> Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondowners only at the time of issuance of the Bonds, and the Corporation and the City do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future.

This Official Statement is provided in connection with the initial offering and sale of the Series 2008 Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The information contained in this Official Statement has been derived from information provided by the Corporation, the City or the Credit Facility Provider and other sources which are believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the Corporation, the City, the Underwriters or the Credit Facility Provider to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

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

The Series 2008 Bonds have not been registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act") in reliance upon the exemption contained in Section 3(a)(2) of such act. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act. The registration or qualification of the Series 2008 Bonds in accordance with applicable provisions of securities laws of any states in which the Series 2008 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 2008 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Other than with respect to information concerning the Credit Facility Provider contained in "BOND INSURANCE" and "APPENDIX G – Specimen Financial Guaranty Insurance Policy," none of the information in this Official Statement has been supplied or verified by Assured Guaranty and Assured Guaranty makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2008 Bonds; or (iii) the tax-exempt status of the interest on the Series 2008 Bonds.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

#### **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT**

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

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

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

**THE CITY OF ST. LOUIS  
ELECTED OFFICIALS**

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

**BOARD OF ALDERMEN**

Charles Quincy Troupe – Ward 1  
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  
Bennice Jones-King – Ward 21  
Jeffrey Boyd – Ward 22  
Kathleen Hanrahan – Ward 23  
William Waterhouse – Ward 24  
Dorothy Kirner – Ward 25  
Frank Williamson – Ward 26  
Gregory J. Carter – Ward 27  
Lyda Krewson – Ward 28

**ST. LOUIS MUNICIPAL FINANCE CORPORATION**

**BOARD OF DIRECTORS**

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

**OTHER CITY OFFICIALS**

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

**BOARD OF ESTIMATE AND APPORTIONMENT**

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

**FINANCIAL ADVISOR**

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

**INVESTMENT ADVISOR**

Columbia Capital Management LLC  
Overland Park, Kansas

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## OFFICIAL STATEMENT

Relating to  
\$21,850,000  
St. Louis Municipal Finance Corporation  
Leasehold Revenue Bonds, Series 2008  
(Convention Center Capital Improvement Projects)

### INTRODUCTION

The information in this section is furnished solely to provide limited introductory information regarding the terms of St. Louis Municipal Finance Corporation's Leasehold Revenue Bonds, Series 2008 (Convention Center Capital Improvement Projects) (the "**Series 2008 Bonds**") and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the cover page and the Appendices hereto. The order and placement of materials in this Official Statement, including the information on the cover page and the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. Capitalized terms used and not defined herein are defined under the section "**DEFINITIONS OF WORDS AND TERMS**" set forth in **Appendix C** to this Official Statement.

#### The Issuer

The issuer of the Series 2008 Bonds is the St. Louis Municipal Finance Corporation, a nonprofit corporation duly organized and existing under Chapter 355 R.S.Mo. (2000, as amended), the Missouri Nonprofit Corporation Act, as amended to date (the "**Corporation**"). See "**ST. LOUIS MUNICIPAL FINANCE CORPORATION**" herein.

#### Authorization for the Series 2008 Bonds

The Series 2008 Bonds are issued under the authority of the constitution and laws of the State of Missouri (the "**State**"), including Section 100.155 R.S.Mo. (2000, as amended) and Ordinance No. 68076 of the City, adopted by the Board of Aldermen on July 11, 2008, and approved by the Mayor on July 28, 2008 (the "**Ordinance**") and are issued under and secured by the Sixth Supplemental and Restated Indenture of Trust, dated as of November 1, 2008 (as amended from time to time, the "**Indenture**"), by and among the Corporation, the Industrial Development Authority of the City of St. Louis, Missouri (the "**Authority**") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). The Series 2008 Bonds, and any bond or bonds, including "**Additional Bonds**" (as defined in the Indenture), that may be authenticated and delivered under the Indenture are referred to herein from time to time as "**Bond**" or "**Bonds.**"

#### The Convention Center

The convention center facility (as further described in the Indenture, the "**Convention Center Property**") is located in downtown St. Louis at Washington Avenue, between 7<sup>th</sup> and 8<sup>th</sup> Streets, and is the largest and most modern convention facility in the St. Louis metropolitan region. The operation of the Convention Center Property as part of The America's Center Convention Complex (the "**Convention Center**") is managed by the Convention and Visitor's Commission. See "**THE CONVENTION CENTER**" herein.

## **Purposes of the Series 2008 Bonds**

The proceeds of the Series 2008 Bonds will be used: (i) to fund certain capital improvements to the City of St. Louis Convention Center Property, as described herein (see “**THE SERIES 2008 PROJECTS**” herein); (ii) to fund capitalized interest on the Series 2008 Bonds; and (iii) to fund a debt service reserve fund for the Series 2008 Bonds; and (iv) to pay the Costs of Issuance in connection with the issuance and sale of the Series 2008 Bonds.

## **Security and Sources of Payment for the Series 2008 Bonds**

The Series 2008 Bonds are special obligations of the Corporation payable solely out of the Rentals and certain Additional Rentals received pursuant to the Fifth Supplemental and Restated Lease Purchase Agreement dated as of November 1, 2008 among the Corporation, the City and the Authority (as amended from time to time, the “**Lease Purchase Agreement**”) as herein described, and are secured by a pledge and assignment of the Trust Estate pursuant to the Indenture. The Series 2008 Bonds are further secured by a Deed of Trust, the lien of which encumbers the Corporation’s interest in the Convention Center Property (as herein described). For additional information on the security and sources of payment for the Series 2008 Bonds, see “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS**” herein. The Series 2008 Bonds are also secured by a policy of financial guaranty insurance issued by Assured Guaranty, as more fully described herein under the heading “**SECURITY FOR THE SERIES 2008 BONDS – Bond Insurance.**”

## **Definitions and Summaries of Certain Legal Documents**

Capitalized terms used and not defined herein are defined in the Definition of Words and Terms included in **Appendix C** to this Official Statement. Summaries of the Indenture, the Lease Purchase Agreement, the Trust Estate and the Deed of Trust and certain other matters are set forth in **Appendix D** to this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture, the Lease Purchase Agreement, the Deed of Trust, the Tax Compliance Agreement and the Continuing Disclosure Agreement are qualified in their entirety by reference to such documents. Copies or the definitive form, as applicable, of such documents may be reviewed prior to delivery of the Series 2008 Bonds at the offices of the City’s Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis, Missouri 63103, and following delivery of the Series 2008 Bonds at the office of the Trustee, 911 Washington Avenue, Suite 300, St. Louis, Missouri 63101, (314) 613-8252, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

## **ST. LOUIS MUNICIPAL FINANCE CORPORATION**

### **Organization, Powers and Purposes**

The Corporation, a nonprofit corporation duly organized in 1991 and existing under the laws of the State, was created to lessen the burden of the government of the City by financing or acquiring and leasing to the City real property and improvements thereon and personal property for use by or on behalf of the City and to address certain other governmental needs of the City. In furtherance of these purposes, the Corporation may borrow money, invest, disburse funds and issue bonds. Neither the members of the Board of Directors of the Corporation (the “**Board of Directors**”) nor any person executing the Series 2008 Bonds is personally liable on the Series 2008 Bonds by reason of the issuance thereof. The Series 2008 Bonds are being issued by the Corporation and will not constitute a debt, liability or obligation of the City or the State. The Corporation has by proper corporate actions of its Board of Directors been duly authorized

to execute and deliver the Indenture, the Lease Purchase Agreement and the Deed of Trust and all related documents.

**Board of Directors/Officers**

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

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

The officers of the Corporation are as follows:

<u>Name</u>	<u>Office</u>
Ivy Neyland-Pinkston	President
Ronald H. Smith	Vice President
Tom Shepard	Vice President
Stephen J. Kovac	Secretary
Paul Payne	Treasurer

The principal mailing address of the Corporation is City Hall, Room 212, 1200 Market Street, 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, including information under the headings “**THE CITY**,” “**THE CONVENTION CENTER**,” “**BOND INSURANCE**” and **Appendices A, B and G**, which information was furnished by the City or the Credit Facility Provider, as the case may be.

**Outstanding Indebtedness**

The Corporation previously has 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, other than the owners of the Bonds, have no claims on the assets, funds or revenues of the Corporation securing the Bonds, and the owners of the Series 2008 Bonds will have no claim on assets, funds or revenues of the Corporation securing such other bonds and notes, other than the Bonds.

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 Bonds, including the Series 2008 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, 2007, the most recent fiscal year for which audited financial statements of the City are available, are set forth in “**APPENDIX B – INDEPENDENT AUDITOR’S REPORT AND BASIC FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI FOR THE FISCAL YEAR ENDED JUNE 30, 2007.**” A complete copy of the City’s 2007 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007 is available for inspection at the City’s Comptroller’s Office, 1200 Market Street, City Hall, Room 212, St. Louis, Missouri, 63103 and may be viewed on the City’s website at [stlouis.missouri.org/government](http://stlouis.missouri.org/government). 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 SERIES 2008 BONDS

### General

The Series 2008 Bonds are being issued pursuant to the Indenture among the Corporation, the Authority and the Trustee.

The Series 2008 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co. or other such name (either, the “**Nominee**”), as may be requested by an authorized representative of The Depository Trust Company (“**DTC**”), New York, New York, as registered owner and nominee for DTC. No Beneficial Owners will receive certificates representing their respective interest in the Series 2008 Bonds, except in the event the Corporation issues replacement bonds. Ownership and subsequent transfers of ownership will be reflected by book-entry on the records of DTC and the Participants.

The Series 2008 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2008 Bonds will be payable every January 15 and July 15 commencing January 15, 2009.

The Series 2008 Bonds are subject to optional and extraordinary optional redemption prior to maturity as more fully described below. The Series 2008 Bonds are not subject to mandatory redemption.

It is anticipated that CUSIP identification numbers will be printed on the Series 2008 Bonds, but neither the failure to print such numbers on any Series 2008 Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser of the Series 2008 Bonds to accept delivery of and pay for any Series 2008 Bonds.

### Security for the Series 2008 Bonds

There are presently outstanding under the Indenture (amounts shown for compound interest bonds are as originally issued): \$2,567,205 Compound Interest Leasehold Revenue Refunding Bonds, Series 1993A (the “**Series 1993A Bonds**”), \$79,720,000 Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project) (“**Series 2003 Bonds**”), \$20,882,005.05 Compound Interest Leasehold Revenue Bonds, Series 2005A (Convention Center Refunding and Improvement Projects) (the “**Series 2005A Bonds**”), and the \$24,115,886.00 Compound Interest Junior Lien Leasehold Revenue Bonds, Series 2005B (Refunding and Capital Improvement Projects) (the “**Series 2005B Bonds**”). There are also presently outstanding under the Indenture \$39,999,579 Compound Interest Leasehold Revenue Bonds,

Series 2000 (St. Louis Convention Center Headquarters Hotel Project) issued by the Authority (the “**Series 2000 Bonds**”). The Series 1993A Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds and any Additional Bonds issued under the Indenture which are on a parity with these bonds are called “**Parity Bonds**.” All bonds which have been issued under the Indenture are secured by and entitled to the protection of the Indenture on a parity with the Parity Bonds except the Series 2000 Bonds, which are junior lien bonds subordinate to the Parity Bonds, and the Series 2005B Bonds, which are junior lien bonds subordinate to both the Parity Bonds and the Series 2000 Bonds.

As security for the payment of the principal of, premium, if any, and interest on the Series 2008 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 2008 Bonds on a parity with all present and future owners of the other Parity Bonds all of its right, title and interest in and to the Lease Purchase Agreement (except for the Corporation’s rights to certain payments of costs and expenses and to indemnity) and all Rentals and certain Additional Rentals derived by the Corporation under and pursuant to 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, including moneys on deposit in the Series 2008 Reserve Account (but excluding any moneys required to be held by the Trustee in the Rebate Fund and moneys and securities on deposit in the reserve accounts for other series of Bonds issued under the Indenture). The Series 2008 Bonds are also secured by a deed of trust and security interest in the Convention Center Property pursuant to the Deed of Trust. The Series 2000 Bonds and the Series 2005B Bonds are also secured and entitled to the protection given by the Indenture, but both such series of Bonds are subordinate to the priority lien on the Trust Estate (as defined in the Indenture) of the Parity Bonds and, in the case of the Series 2005B Bonds, also subordinate to the Series 2000 Bonds. See the information contained under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS**.”

THE SERIES 2008 BONDS SHALL NOT BE A DEBT OF THE CITY OR THE STATE AND NEITHER THE CITY NOR THE STATE SHALL BE LIABLE THEREON, AND THE SERIES 2008 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NO INCORPORATOR, MEMBER, AGENT, EMPLOYEE, DIRECTOR OR OFFICER OF THE CORPORATION OR THE CITY SHALL AT ANY TIME OR UNDER ANY CIRCUMSTANCES BE INDIVIDUALLY OR PERSONALLY LIABLE UNDER THE INDENTURE OR THE LEASE PURCHASE AGREEMENT FOR ANYTHING DONE OR OMITTED TO BE DONE BY THE CORPORATION THEREUNDER.

THE CITY’S PAYMENT OF RENTALS AND ADDITIONAL RENTALS PURSUANT TO THE LEASE PURCHASE AGREEMENT IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY. IF THE CITY FAILS TO BUDGET AND APPROPRIATE FUNDS FOR RENTALS AND ADDITIONAL RENTALS IN ANY FISCAL YEAR, THE LEASE PURCHASE AGREEMENT WILL TERMINATE AT THE END OF THE FISCAL YEAR FOR WHICH FUNDS HAVE BEEN APPROPRIATED AND REQUIRE THE CITY TO VACATE THE PROPERTY, WHICH IS A PART OF THE SECURITY FOR THE SERIES 2008 BONDS.

### **Optional Redemption**

The Series 2008 Bonds are subject to optional redemption and payment prior to their Stated Maturity, at the election of the Corporation upon the direction and instruction by the City, on January 15, 2017, as a whole at any time thereafter, or in part on any Interest Payment Date thereafter at the redemption price of 100% of the principal thereof, plus accrued interest thereon to the redemption date.

## **Extraordinary Optional Redemption**

The Series 2008 Bonds are subject to extraordinary optional redemption and payment prior to their Stated Maturity by the Corporation, upon instructions from the City with the consent of the Credit Facility Provider, on any date at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date without premium, upon the occurrence of any of the following conditions or events, provided all of the Series 2008 Bonds so redeemed are redeemed and paid according to their terms:

(1) if title to, or the use of, substantially all of the Convention Center Property is condemned by any authority having power of eminent domain;

(2) if the Corporation's interest in substantially all of the Convention Center Property is found to be deficient or nonexistent to the extent that the Convention Center Property is untenable or the efficient utilization thereof by the City is impaired;

(3) if substantially all of the Convention Center Property is damaged or destroyed by fire or other casualty, or

(4) if as a result of changes in the constitution of the State or 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 becomes 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 2008 Bonds to be Redeemed**

In the event less than all of the Series 2008 Bonds of a particular Maturity are to be redeemed, such Series 2008 Bonds shall be redeemed in such order of Maturity as directed by the Corporation (upon the direction of the City), the Trustee shall select the Series 2008 Bonds to be redeemed by lot or 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 Series 2008 Bonds of such denomination as provided below. Series 2008 Bonds shall be redeemed only in \$5,000 principal amount or integral multiples thereof on the date of such redemption.

## **Notice and Effect of Call for 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 Series 2008 Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall include information regarding (a) the Redemption Date; (b) the redemption price; (c) the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2008 Bonds to be redeemed; (d) that on the Redemption Date the redemption prices will become due and payable upon such Series 2008 Bonds, and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Series 2008 Bonds are to be surrendered for payment of the redemption price which shall be the principal corporate trust office of the Trustee as Paying Agent. The failure of the Holder of any Series 2008 Bond to be so redeemed to receive written notice mailed shall not affect or invalidate the redemption of Series 2008 Bonds. The Bond Registrar is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Series 2008 Bond to be redeemed.

Prior to any date fixed for redemption, 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 Series 2008 Bonds to be called for redemption and accrued interest thereon on the Redemption Date. 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 portion of the Series 2008 Bonds to be redeemed. Upon the happening of the above conditions, and notice having been given as described above, the Bonds 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, are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

### **Registration, Transfer and Exchange**

The Trustee is appointed Bond Registrar for the purpose of registering and transferring Series 2008 Bonds and as such shall keep the Bond Register as provided in the Indenture. All of the Series 2008 Bonds and all transfers and all exchanges thereof shall be fully registered as to principal and interest in the Bond Register. Subject to any restrictions relating to global bond certificates in the event Series 2008 Bonds are issued in book-entry only form, Series 2008 Bonds may be transferred in the Bond Register only upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the Registered Owner thereof or its attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Series 2008 Bond, a new Series 2008 Bond or Series 2008 Bonds, registered in the name of the transferee, of any Authorized Denomination, in an aggregate principal amount equal to the principal amount of such Series 2008 Bond, of the same Series and Stated Maturity, and bearing interest at the same rate. Bonds, upon surrender thereof at the principal payment office of the Trustee, together with a written instrument of transfer duly executed by the Registered Owner thereof or his attorney or legal representative in such form as is satisfactory to the Trustee, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and Stated Maturity, of any Authorized Denomination, and bearing interest at the same rate.

In all cases in which Series 2008 Bonds are exchanged or transferred, the Corporation shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Series 2008 Bonds in accordance with the Indenture. All Series 2008 Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. No service charge shall be made to any Bondholder for registration, transfer, or exchange of Series 2008 Bonds, but the Corporation or the Trustee may make a charge for every such exchange or transfer of Series 2008 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 transfer or exchange is completed.

Neither the Corporation nor the Trustee shall be required (i) to issue, transfer, or exchange any Series 2008 Bond during a period beginning at the opening of business 15 days preceding the date of mailing a notice of redemption for Series 2008 Bonds selected for redemption and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Series 2008 Bond so selected for redemption in whole or in part.

## **Cross Default**

A default with respect to any of the Parity Bonds may result in a default with respect to all other Parity Bonds. A default with respect to the Series 2000 Bonds or Series 2005B Bonds, which are subordinate to the Parity Bonds, may also result in a default with respect to the Parity Bonds.

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 25% in aggregate principal amount of Bonds then Outstanding shall, declare the principal of all Bonds and the interest accrued thereon (or accreted value) immediately due and payable. In such event, the Trustee shall immediately draw on any applicable bond insurance policy and/or surety bond (a “**Credit Facility**”) in an amount equal to the principal and accrued interest (or accreted value) on the date established by the Trustee for acceleration.

Subject only to the rights of any other credit facility provider as set out in the Indenture, the Credit Facility Provider shall be deemed to be the Holder of all of the Series 2008 Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction, or approval or taking any action permitted by or required under the Indenture, to be granted or taken by the Holders of the Series 2008 Bonds.

In the event of an acceleration as described above, the Credit Facility Provider, as long as any Credit Facility is in effect and the Credit Facility Provider associated with such Credit Facility is in compliance with its payment obligation thereunder, or the Trustee with the prior written consent of such Credit Facility Provider may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding shall, direct the mortgage trustee to foreclose the lien on the Convention Center Property created and vested by the Deed of Trust. The Trustee shall receive the proceeds of such foreclosure sale and shall pay the same in accordance with the provisions of the Indenture. Notwithstanding any provisions to the contrary contained in the Indenture, in an event of default, no Series 2000 Bond may be redeemed unless provision for payment of all Parity Bonds has been made pursuant to the Indenture, and no series 2005B Bond may be redeemed unless provision for payment of all Parity Bonds and all Series 2000 Bonds has been made pursuant to the Indenture. See “**Appendix C – Summaries Of Legal Documents – The Indenture**” herein.

## **Book-Entry Only System**

Upon initial issuance, ownership interests in the Series 2008 Bonds will be available to purchasers only through a book-entry system (the “**Book-Entry System**”) maintained by DTC, New York, New York, which will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities registered in the name of the Nominee. Initially, one fully-registered certificate will be issued for each maturity of the Series 2008 Bonds, in the aggregate principal amount of each maturity of the Series 2008 Bonds, and will be deposited with DTC. See **Appendix E** of this Official Statement for a description of DTC and its book-entry only system. The information in **Appendix E** will not apply to any Series 2008 Bonds issued in certificate form due to the discontinuance of the DTC Book-Entry System.

## **Additional Bonds**

So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Purchase 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 2008 Bonds and any other outstanding Parity Bonds, at any time and from time to time, upon compliance with the

conditions provided in the Indenture with the prior written consent of the Credit Facility Provider, for the purpose of providing funds:

- (i) to pay the cost of completing the Project or an Additional Project;
- (ii) to pay all or any part of the cost of the acquisition, purchase, construction, installation, or equipping of additions to or expansions of or remodeling or modification or rehabilitation of the Convention Center Property and to pay the costs of acquisition and installation of additional equipment and the costs of acquisition of additional rolling stock related to the Convention Center Property; and
- (iii) for refunding all or any part of the Outstanding Parity Bonds or Additional Bonds issued for the purpose of refunding the Parity Bonds, 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 Bonds then outstanding will not require the consent of the Credit Facility Provider.

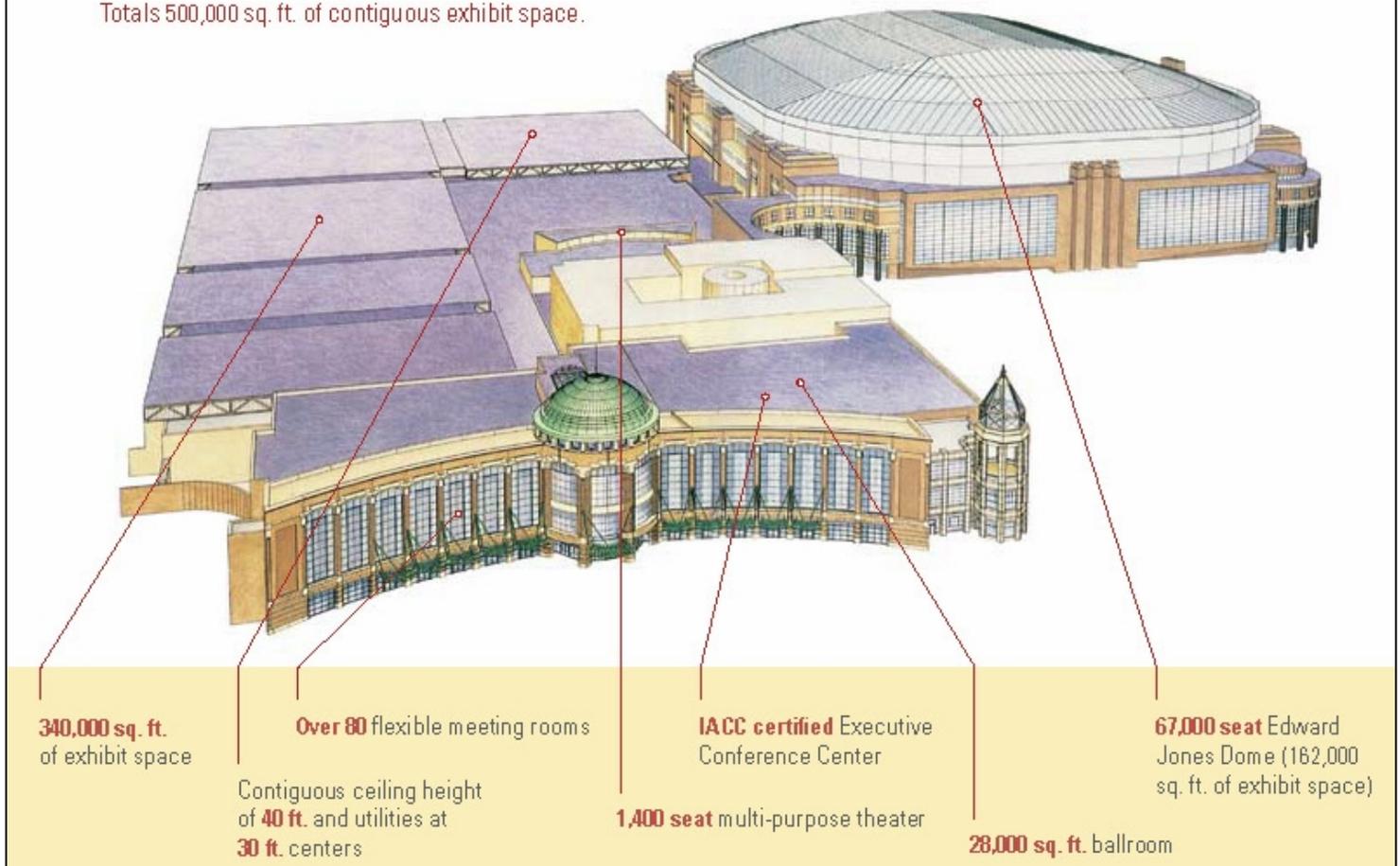
### **THE CONVENTION CENTER**

The Convention Center Property is owned by the Corporation and leased to the City pursuant to the Lease Purchase Agreement. It is located in downtown St. Louis and is the largest and most modern convention facility in the St. Louis metropolitan region. When it was originally completed in 1976, the Convention Center was the eighth largest facility of its kind in the United States and consisted of a 500,000 square foot facility, including 240,000 square feet of exhibit space. In order to enhance the competitiveness of the Convention Center, the City undertook a major expansion and renovation program in 1993 and constructed the Edward Jones Dome in 1995. As a result of the 1993 renovation program, which included the acquisition of additional land as well as expansion of the existing facilities, the Convention Center Property now contains 502,000 square feet of exhibit space in six halls, as well as 84 meeting rooms, the Ferrara Theatre, and the St. Louis Executive Conference Center. Together with the Edward Jones Dome, which is not subject to the Lease Purchase Agreement, the Convention Center Property is operated by the St. Louis Convention and Visitor's Commission ("CVC") as the 1,001,000 square foot America's Center Convention Complex.

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# America's Center

Totals 500,000 sq. ft. of contiguous exhibit space.



## Management and Operations

The Convention Center is managed by the CVC. The CVC was established in 1984 by Missouri Revised Statute Section 67.601 to promote conventions, tourism and business development in the greater St. Louis area. The statute establishes a Board of Commissioners for policy formulation and budgetary oversight. The Board consists of eleven (11) members. Five (5) Commissioners are appointed by the County Executive of St. Louis County and five (5) Commissioners are appointed by the Mayor of the City. The CVC Commission's chairperson is appointed by the governor of the State of Missouri as the eleventh Commissioner. The CVC is the primary sales and marketing organization that markets the Convention Center facility and the City as a convention, meeting and leisure travel destination.

The CVC serves as both marketer and facility manager and this creates a competitive benefit. Convention planners and site selection decision-makers traditionally prefer to negotiate with and purchase the meeting product – the Convention Center – directly from the service provider.

The CVC is funded by 11/15ths of a 3-3/4% Convention and Tourism Hotel Tax paid by visitors who use hotel sleeping rooms in the City and St. Louis County.

Private revenue from membership dues and corporate sponsorships also supports the CVC's efforts to increase convention business and tourism in metropolitan St. Louis. These funds are used to market the facility and destination and to cover any operating deficits incurred by the Convention Center. An

additional 3-1/2% tax paid by visitors who use hotel or motel sleeping rooms in the City is collected by the City to fund Convention Center debt service. (See “**SUMMARY OF TAX SOURCES—Restrictions on Application of Hotel Tax Revenues,**” herein.)

The Convention Center, like similar facilities in the Midwest, currently draws trade shows, conventions and assemblies from across the United States. The Midwest region typically has been successful in the convention and trade show market primarily due to the area’s concentration of manufacturing and distribution facilities, population centers and central location. Planned improvements to Lambert International Airport will only enhance the appeal of the City as a prime location for such trade shows, conventions and assemblies.

### **Service Area**

The service area of the Convention Center will depend upon the type of event to be held at the Convention Center. The CVC defines the current service area of the Convention Center for conferences and consumer trade shows as the entire Midwest region within a 300 mile radius of the City. Additionally, the ballroom and the St. Louis Executive Conference Center are considered choice sites for local corporate, civic and social events, including meetings and banquets.

### **Competition from Other Facilities**

Based on a comprehensive analysis of the City’s competitiveness among second-tier destinations and some first-tier cities, the CVC has determined that nineteen (19) cities are the City’s primary competitors in the meetings/convention and tradeshow markets. Not all of these cities can compete with the City in all market segments since the Edward Jones Dome, adjacent to the Convention Center Property and operated together with the Convention Center as The America’s Center Convention Complex, offers a competitive advantage when bidding for major religious and sports-related events. The nineteen (19) competing cities are Atlanta, Baltimore, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Detroit, Houston, Indianapolis, Kansas City, Louisville, Memphis, Milwaukee, Minneapolis, Nashville, New Orleans and San Antonio.

### **Historical Utilization of the Convention Center**

The City’s Convention Center was one of the pioneers of modern convention facilities in the United States, opening before the big boom in the meetings industry that occurred in the mid-1980s. The history of the building’s expansion began when many large associations and organizations found their meeting needs growing both in the number of attendees they attracted and in the amount of exhibition space they required. With each expansion, there has been a significant jump in business with increases in both the number of city-wide conventions and the corresponding hotel room nights used.

During 1999, the Convention Center broke existing attendance records. The facility’s design, flexibility and professional operating staff were spotlighted when the largest indoor gathering ever held to date in the United States took place in the facility on January 27, 1999. More than 104,000 people filled all 502,000 square feet of exhibit space in the Convention Center, including the Edward Jones Dome, to participate in the historic Mass celebrated by Pope John Paul II. That same year, major sports championships were held in the adjacent Edward Jones Dome, including the NCAA attendance-breaking Midwest Regional Men’s Basketball Championship and two NFL football championship playoff games. Since then, the Edward Jones Dome has continued to host major sporting and entertainment events, such as world tour concerts by the Rolling Stones, U2 and Backstreet Boys, plus collegiate sporting events such as the annual Gateway Classic football championship and regional rivalries, including the University of Missouri Tigers football team versus the University of Illinois Fighting Illini. The design of the Edward Jones Dome contributed to St. Louis’ selection for NCAA basketball events, including the Men’s Regional Events in 2004 and the Final Four in 2005.

The 2003 opening of the 1,083-room convention headquarters hotel, operated by Marriott International under its Renaissance Hotel brand, increased St. Louis' capacity and competitiveness for major conventions that use more than 1,000 hotel rooms per night. In calendar year 2007, the CVC booked 36 conventions that used more than 1,000 rooms per night.

## THE SERIES 2008 PROJECTS

### Overview

The projects financed from the proceeds of the Series 2008 Bonds consist of certain capital improvements to the Convention Center Property located in downtown St. Louis, Missouri. See “**THE CONVENTION CENTER**” herein.

### Capital Improvements

The Series 2008 Projects include interior improvements and renovations, replacement and upgrading of building equipment for various activities that take place in the Convention Center Property. The Series 2008 Projects are designed to increase the functionality and operational efficiency of the Convention Center Property as well as to make it a more attractive and useful facility for prospective users.

**Building Equipment.** The Convention Center Property's steam chillers and gas boilers will be replaced, along with fan terminals and roof exhaust fans. Supplemental air conditioning will be installed, and the fire alarm system and building automation will be upgraded.

**Interior Improvements.** Interior improvements include the replacement of escalators and upgrading of elevators. Miscellaneous other improvements will be made to interior signage and directories.

**Additional Improvements.** In addition to the Series 2008 Projects, a number of other improvements are contemplated. These include the replacement of damaged sidewalks, curbs and driveways; cleaning and sealing granite, limestone and brickwork on the facades; weatherproofing all doors; improving exterior signage and replacing a portion of the roof; replacing carpets and the original atrium skylights and windows; repainting walls and ceilings and replacing the 20-year old speakers for the sound system; and water fountains and sprinkler heads, along with other interior improvements. Under the Indenture, the Corporation is authorized to issue Additional Bonds on a parity with the Parity Bonds to finance additional improvements to the Convention Center. The Corporation expects to issue such Additional Bonds when conditions in the financial markets become favorable.

## CONVENTION VISITORS COMMISSION – CONVENTION CENTER ACTIVITY TABLES TOP 25 CONVENTIONS BOOKED FOR 2008

<b><i>Group</i></b>	<b><i>Attendance</i></b>	<b><i>Peak Room Nights</i></b>	<b><i>Total Room Nights</i></b>
Your Travel Biz	20,000	2,800	11,475
Joyce Meyer	18,000	3,500	10,000
Ace Hardware	16,100	4,730	20,232
African Methodist Episcopal	15,000	2,691	23,017
TEAM	15,000	2,600	5,896
Shriners of North America	12,000	3,002	14,481
National Athletic Trainers Assn.	7,600	3,415	13,271
National Automatic Merchandising Assn.	7,000	1,500	6,225
PartyLite	6,000	1,461	7,032
Reliv International	6,000	1,200	3,630
State Beauty	6,000	1,700	4,100

<u>Group</u>	<u>Attendance</u>	<u>Peak Room Nights</u>	<u>Total Room Nights</u>
Journalism Education Association	5,000	875	3,137
Anheuser Busch	3,000	800	820
EquipoVision	3,000	364	769
International Society of Arboriculture	3,000	756	3,261
Society of Biomolecular Sciences	3,000	1,075	4,747
National Assn of Postmasters	2,500	692	3,566
Institute for Supply Management	2,300	1,057	3,833
Natl' Assn of Drug Court Professionals	2,200	2,108	7,932
Mary Kay	2,000	102	140
Natl' Assn of Campus Activities	2,000	1,108	4,535
American Concrete Institute	1,500	750	3,100
Coalition of Black Trade Unionists	1,500	810	4,130
Parents as Teachers	1,500	560	1,838
U. S. Green Building Council	1,500	178	427

### CONVENTION AND VISITORS COMMISSION CONSUMED BUSINESS OVERVIEW

	<b>Groups 2000+</b>	<b>Room Nights</b>	<b>Groups 1000- 1999</b>	<b>Room Nights</b>	<b>Groups 500-999</b>	<b>Room Nights</b>	<b>Groups 0-499</b>	<b>Room Nights</b>	<b>Total Groups</b>	<b>Total Room Nights</b>
2003 Actual	12	176,339	12	52,188	21	53,209	250	105,558	295	387,294
2004 Actual	8	131,926	15	79,407	28	65,971	302	122,498	353	399,802
2005 Actual	8	179,533	14	64,103	22	48,262	248	104,299	292	396,197
2006 Actual	10	159,129	22	112,803	25	62,499	299	132,080	356	466,511
2007 Actual	12	166,729	15	71,328	28	67,666	311	141,460	366	447,183
2008 Act/Proj	12	161,973	12	56,605	36	85,649	325	135,064	385	439,291

Source: St. Louis Convention and Visitors Commission

Since the events of September 11, 2001, the St. Louis metropolitan area has experienced the second-best recovery in the Top 25 markets in the country. In the past 7 years 2,365 hotel rooms have been added in this market. Although occupancy in the metropolitan area is down, as well as the average daily room rental rate, St. Louis' diverse economy has fared much better than all but one other market as every destination in the country takes steps to rebuild its business. Source: St. Louis Convention and Visitors Commission

#### Recent Development Concerning Convention Center Hotel

**THE HOTEL BONDS DESCRIBED BELOW ARE NOT OBLIGATIONS OF EITHER THE CORPORATION OR THE CITY AND ARE NOT ISSUED UNDER THE INDENTURE OR SECURED BY THE LEASE PURCHASE AGREEMENT, THE DEED OF TRUST OR THE CONVENTION CENTER PROPERTY.**

Historic Restoration, Inc. ("HRI"), the developer of the Renaissance Grand hotel, which is located on the south side of Washington Avenue directly opposite the Convention Center, has forecasted a shortfall in the funds available to pay the interest due on December 15, 2008, on the Authority's Senior Lien Revenue Bonds (St. Louis Convention Center Headquarters Hotel Project) Series 2000A (the "**Hotel Bonds**"). The Hotel Bonds were issued to fund a portion of the costs of construction and renovation of the Renaissance Grand Hotel. HRI is a privately-owned developer entirely separate from and independent of the Corporation, the Authority, and the City.

Marriott Corp., the hotel operator, has scheduled a meeting with the holders of the Hotel Bonds on November 11, 2008, to present financial information, including its forecast for the remainder of calendar year 2008 and budget for calendar year 2009. According to a report published October 30, 2008, in *The Bond Buyer*, this financial information is expected to show further deterioration in hotel revenues. *The*

*Bond Buyer* report also stated that HRI will present a forbearance plan to the owners of the Hotel Bonds at the November 11th meeting. Revenues at this hotel have failed to meet expectations since the downturn in convention business following the 2001 terrorist attacks. The continuing uncertainty in the economy may also have a short-term affect on the hotel’s business. (For more information, see **“RISK FACTORS”** herein.)

The financial results of the Renaissance Center hotel may also impact the City’s receipt of Hotel Tax and Restaurant Gross Receipts Taxes. These taxes, however, are not the only sources of payment for the Series 2008 Bonds, which are payable from Rentals and Additional Rentals pursuant to annual appropriations of funds legally available for that purpose. Such appropriations are not directly tied to or dependent upon the convention business, Hotel Taxes or Restaurant Gross Receipts Taxes. For more information, see **“SECURITY FOR THE SERIES 2008 BONDS”** and **“SUMMARY OF TAX SOURCES”** herein.

**ESTIMATED SOURCES AND USES OF FUNDS**

Sources of Funds	
Proceeds of Series 2008 Bonds	\$21,850,000.00
Less Original Issue Discount	<u>(525,094.25)</u>
<b>TOTAL SOURCES OF FUNDS</b>	<b><u>\$21,324,905.75</u></b>
Use of Funds:	
Deposit to Series 2008 Project Account	\$15,700,000.00
Deposit to Series 2008 Capitalized Interest Subaccount	2,480,271.33
Deposit to Series 2008 Reserve Account	2,132,490.58
Underwriters’ Discount and Deposit to Series 2008 Costs of Issuance Account <sup>(1)</sup>	<u>1,012,143.84</u>
<b>TOTAL USES OF FUNDS</b>	<b><u>\$21,324,905.75</u></b>

<sup>(1)</sup> Includes permission for bond insurance policy and other costs of issuance associated with the Series 2008 Bonds.

**CONVENTION CENTER COMBINED DEBT SERVICE REQUIREMENTS\***

Fiscal Year Ending June 30	Parity Bonds				Subordinate Bonds	Junior Lien Bonds	Combined Total Debt Service
	Series 1993 Bonds	Series 2003 Bonds	Series 2005A Bonds	Series 2008 Bonds	Series 2000 Bonds	Series 2005B Bonds	
2009		\$15,363,143		\$ 162,111			\$15,525,254
2010		\$16,008,773		\$1,167,200			\$17,175,973
2011		\$16,463,120		\$1,167,200			\$17,630,320
2012		\$11,758,503		\$1,167,200	\$3,525,000		\$16,450,703
2013		\$12,592,880		\$1,167,200	\$2,700,000		\$16,460,080
2014		\$13,007,331		\$1,167,200	\$2,285,000		\$16,459,531
2015	9,615,000	\$ 7,701,650		\$1,167,200			\$18,483,850
2016				\$1,167,200	\$15,295,000		\$16,462,200
2017				\$1,167,200	\$15,295,000		\$16,462,200
2018				\$1,167,200	\$15,295,000		\$16,462,200
2019				\$1,167,200	\$15,295,000		\$16,462,200
2020				\$1,167,200	\$15,295,000		\$16,462,200
2021				\$1,167,200	\$15,295,000		\$16,462,200
2022			\$3,395,000	\$4,896,575		\$3,880,000	\$12,171,575
2023			\$5,625,000	\$2,535,150		\$6,505,000	\$14,665,150
2024			\$5,625,000	\$2,549,725		\$6,500,000	\$14,674,725
2025			\$5,630,000	\$2,533,063		\$6,505,000	\$14,668,063
2026			\$5,630,000	\$2,535,634		\$6,510,000	\$14,675,634
2027			\$5,630,000	\$2,531,919		\$6,505,000	\$14,666,919
2028			\$5,630,000	\$2,521,531		\$6,510,000	\$14,661,531
2029			\$5,625,000	\$2,553,281		\$6,505,000	\$14,683,281
2030			\$5,630,000	\$2,528,156		\$6,505,000	\$14,663,156
2031			\$5,630,000	\$2,544,609		\$6,505,000	\$14,679,609
Totals	<u>\$9,615,000</u>	<u>\$92,895,399</u>	<u>\$54,050,000</u>	<u>\$41,898,154</u>	<u>\$100,280,000</u>	<u>\$62,430,000</u>	<u>\$361,168,554</u>

\*Columns may not add to totals due to rounding.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS

### General

The Series 2008 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 2008 Bond proceeds deposited in the Bond Fund and the Bond Reserve 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 and premium, if any, and interest on the Series 2008 Bonds. **THE CITY IS ONLY OBLIGATED TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT DESCRIBED BELOW 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 2008 BONDS.**

### The Lease Purchase Agreement

The Corporation owns certain real property and improvements, fixtures and other personal property located thereon (the **“Convention Center Property”**) which it leases to the City under a Lease Purchase Agreement originally entered into as of June 15, 1993 and subsequently amended and restated from time to time, including most recently by the Fifth Supplemental and Restated Lease Purchase Agreement dated as of November 1, 2008.

The Lease Purchase Agreement, subject to earlier termination pursuant to its provisions, has an original term that commenced as of June 15, 1993 and will terminate as described below under the subheading **“Term of the 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 2008 Bonds and the other Parity Bonds as well as the Series 2000 Bonds and the Series 2005B Bonds, which are subordinate to the Parity Bonds.

Pursuant to the Lease Purchase Agreement, the City has agreed, subject to annual appropriation, to make payments of Rentals and Additional Rentals and other revenues payable under the Lease Purchase Agreement (except for certain indemnification rights and other rights to receive payments) to the Corporation. The Rentals and Additional Rentals received from the City have been assigned by the Corporation to the Trustee for the benefit of the Bondholders. For so long as the Series 2008 Bonds are outstanding, the City is required to pay, as Rentals, subject to annual appropriation, to the Trustee, as assignee of the Corporation, amounts corresponding to payments of principal, premium, if any, and interest on the Series 2008 Bonds as they become due, in immediately available funds, not fewer than five (5) business days before any payment is due. The City covenants that it will pay the Rentals at such times and in such amounts as to assure that no default in the payment of principal of premium, if any, and interest on the Series 2008 Bonds will occur. Additional Rentals include, among other things, payments sufficient to maintain the Series 2008 Reserve Account, if required.

If at the time any payment is due the balance in the Bond Fund (not subject to the lien of the Trustee for fees and expenses) is less than the sum required to be on deposit in such Fund in order to pay the principal of, premium, if any, and interest then payable on the Series 2008 Bonds in accordance with the provisions of the Lease Purchase Agreement, the City shall forthwith pay as Rentals any such deficiency to the Trustee for deposit in the Bond Fund in immediately available funds, and such payment will constitute Rentals and any Additional Rentals under the Lease Purchase Agreement. Any amount at any time held by the Trustee in the Bond 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 2008 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 the principal of, premium, if any, and interest on (i) any Series 2008 Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Series 2008 Bonds or interest checks have not been presented for payment; and provided, further, that if the amount held by the Trustee in the Bond 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 2008 Bonds then remaining unpaid, the City will not be obligated to pay Rentals and certain Additional Rentals.

### **Term of the Lease Purchase Agreement**

The term of the Lease Purchase Agreement commenced as of June 15, 1993, and shall terminate on the earliest of the occurrence of any of the following events: (i) an Event of Non-Appropriation with respect to the City; (ii) an Event of Default with respect to the City under the Lease Purchase Agreement if the Corporation or the Trustee has elected, either subject to the prior written consent of the Credit Facility Provider or at the prior written direction of the Credit Facility Provider, such remedy pursuant to the Lease Purchase Agreement; or (iii) the discharge of the Indenture pursuant to the terms thereof and the provision by the City for the payment of Additional Rentals. 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 of the City (a **“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) that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for such 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. (See **“SUMMARY OF TAX SOURCES—Budget Process”** herein.)

### **The Deed of Trust**

To secure the payment of the principal of, premium, if any, and interest on the Series 2008 Bonds, the Corporation has granted a deed of trust (the **“Deed of Trust”**) on and a security interest in the Convention Center Property to a deed of trust trustee named therein for the benefit of the Trustee.

In the Deed of Trust, the Corporation covenants to pay certain taxes and assessments on the Convention Center Property, and to maintain the Convention Center Property in good condition and repair, free from liens and encumbrances and insured as provided in the Deed of Trust.

### **Bond Reserve Fund**

The Original Indenture establishes a Bond Reserve Fund to secure Bonds issued pursuant to the Indenture. The Sixth Supplemental Indenture creates and establishes, within the Bond Reserve Fund, a Series 2008 Reserve Account (the **“Series 2008 Reserve Account”**) to secure the Series 2008 Bonds. The Series 2008 Reserve Account will be funded upon the issuance of the Series 2008 Bonds in an amount equal to the Series 2008 Reserve Account Requirement pursuant to the Indenture. The Corporation has reserved the right to satisfy the Series 2008 Reserve Account Requirement with a surety bond or similar financial instrument in the future, but has no present intention to do so.

## SUMMARY OF TAX SOURCES

The City has various sources of revenue, including earnings tax, ad valorem property taxes, sales and use taxes, gross receipts taxes, license fees and other revenue sources (see **Appendix A** and **Appendix B** herein). It is anticipated that the funds required to pay the Rentals, Additional Rentals, and other amounts payable by the City under the Lease Purchase Agreement will be derived principally from the Hotel Tax and Restaurant Gross Receipts Tax described below, although the receipts from such taxes are not pledged as security for the Bonds. Any additional sums required for such payments are expected to be made from the City's General Fund. All amounts required for such payments are subject to annual appropriation.

### Hotel Tax Overview

Section 67.657(8) RSMo., as amended, authorizes the City to levy a tax, not to exceed three and one-half percent (3-1/2%), on the amount of sales or charges for all sleeping rooms paid by the transient guests of hotels and motels situated within and doing business within the City subject to approval by a majority of voters at an election to approve the imposition of such tax. On April 6, 1993, the voters of the City approved the tax (the "**Hotel Tax**"). All funds collected, less an allowance for costs of collection, are deposited in a special trust fund known as the "**City Convention and Sports Facility Trust Fund**" (the "**Trust Fund**").

### Restrictions on Application of Hotel Tax Revenues

All funds deposited in the Trust Fund shall, subject to annual appropriation, be disbursed by the City only for first, debt service, lease payments or other expenses related to the Convention Center, second to pay the City's share of any rent, fees or charges payable pursuant to any lease in respect of facilities which the Regional Convention and Sports Complex Authority is authorized to construct, own, operate, improve or develop (such as the Edward Jones Dome), and third, the remainder, if any, annually to the CVC if it is then providing management and operation services for a facility of the Regional Convention and Sports Complex Authority as to which facility the State, the City and St. Louis County are lessees or sublessees. **THE HOTEL TAX REVENUES ARE NOT PLEDGED AS SECURITY FOR THE SERIES 2008 BONDS AND THE EXPENDITURE OF THE HOTEL TAX REVENUES IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY.** Hotel Tax revenues are limited to the uses described above. However, all expenditures of the Trust Fund are subject to annual appropriation by the St. Louis Board of Aldermen. Pursuant to the Ordinance, the City has agreed that during each Fiscal Year or portion thereof in which the Series 2008 Bonds remain outstanding, the City will not use Hotel Tax revenues in the then-current fiscal year for any purpose other than making payments of Rentals and Additional Rentals with respect to the Series 2008 Bonds (and any Parity Bonds) during such then-current Fiscal Year, unless such rental payments have been provided for.

The following table shows the number of nights for which hotel and motel rooms were booked through the CVC since 2002.

<b>Booked Room Nights</b>		
<u>Fiscal Year</u>	<u>Number of Rooms</u>	<u>Percentage Increase</u>
2002	348,375	
2003	423,919	21.7%
2004	407,112	-4.0%
2005	415,134	2.0%
2006	429,841	3.5%
2007	524,830	22.1%
2008	554,031	5.6%

Source: St. Louis Convention and Visitors Commission.

Large conventions need to make their arrangements well in advance and the CVC actively promotes the City as an attractive location for large meetings. It has established as its booking goal for fiscal year 2009 a minimum of 575,000 room nights. As of October 1, 2008, it has committed bookings for the years 2009 through 2015 for 89 events which will use 2,000 or more room nights, as follows:

<u>Year</u>	<u>No. of Events</u>	<u>Committed Room Nights</u>	<u>Expected Attendance</u>
2009	34	221,378	352,440
2010	21	162,703	288,940
2011	17	128,357	101,700
2012	9	83,283	147,700
2013	5	48,826	33,250
2014	2	21,980	8,500
2015	<u>1</u>	<u>14,148</u>	<u>9,000</u>
	<u>89</u>	<u>680,675</u>	<u>941,530</u>

The largest of these, in terms of committed room nights, include:

<u>Event or Sponsor</u>	<u>Year</u>	<u>Committed Room Nights</u>
InterVarsity Christian Fellowship/USA	2009	30,010
Alpha Kappa Alpha Sorority	2010	22,640
National Baptist Convention USA, Inc.	2012	21,610
NCAA Women's Final Four	2009	21,395
Christian Booksellers Association	2010	18,869
Major League Baseball All Star Game	2009	18,690

The following table shows the Hotel Tax revenues collected for each of the City's Fiscal Years since 1998. These figures show the total Hotel Tax revenues collected for all rooms in the City, not just those booked through the CVC.

#### **Hotel Tax Revenues**

<u>Fiscal Year</u>	<u>Amount</u>	<u>Percentage Increase</u>
1999	\$4,456,208	
2000	\$4,456,693	0.01%
2001	\$5,152,949	15.62%
2002	\$4,743,157	-7.95%
2003	\$5,207,520	9.79%
2004	\$5,103,777	-1.99%
2005	\$5,278,020	3.41%
2006	\$5,388,007	2.08%
2007	\$5,767,311	7.05%
2008*	\$5,616,156	-2.62%

\*Unaudited

Source: Office of the Comptroller, City of St. Louis, Missouri.

#### **Restaurant Gross Receipts Taxes**

Under an ordinance adopted in 1973, the City imposes a one percent (1%) license tax based on the gross receipts due from or paid by patrons of all restaurants and itinerant restaurants doing business within the City, excluding gross receipts from the sale of any alcoholic beverage. Subsequently, by ordinance adopted in 1987, the City imposed an additional gross receipts tax on such receipts of one-half of one percent (1/2 of 1%). Together, such one percent tax and one-half of one percent tax are referred to

herein as the “**Restaurant Gross Receipts Taxes.**” The following table shows the amount of Restaurant Gross Receipts Taxes collected for the City’s General Fund for each Fiscal Year of the City beginning in 1999:

<u>Fiscal Year</u>	<u>1% Rate</u>	<u>½ of 1% Rate</u>	<u>Total Amount</u>
1999	\$3,524,926	\$1,807,665	\$5,332,591
2000	\$3,776,986	\$1,955,959	\$5,732,935
2001	\$3,877,203	\$2,012,807	\$5,890,010
2002	\$3,818,539	\$1,986,694	\$5,805,233
2003	\$3,963,109	\$2,000,968	\$5,964,077
2004	\$3,939,803	\$2,051,792	\$5,991,595
2005	\$4,054,939	\$2,115,487	\$6,170,426
2006	\$4,177,810	\$2,181,536	\$6,359,346
2007	\$4,427,787	\$2,274,803	\$6,702,590
2008*	\$4,313,402	\$2,252,623	\$6,566,025

\*Unaudited

Source: Office of the Comptroller, City of St. Louis, Missouri.

### **Projected Receipts from Hotel and Restaurant Taxes**

The following table shows the projected receipts from the Hotel Tax and Restaurant Gross Receipts Taxes for the City’s Fiscal Years through the Fiscal Year ending June 30, 2038. These projections assume an annual rate of growth of 1 and ½%.

<u>Fiscal Year</u>	<u>Restaurant Gross Receipts Taxes</u>			
	<u>Hotel Tax</u>	<u>1% Rate</u>	<u>½ of 1% Rate</u>	<u>Total Taxes</u>
2009	\$5,700,000	\$4,380,000	\$2,190,000	\$12,270,000
2010	\$5,785,500	\$4,445,700	\$2,222,850	\$12,454,050
2011	\$5,872,283	\$4,512,386	\$2,256,193	\$12,640,861
2012	\$5,960,367	\$4,580,071	\$2,290,036	\$12,830,474
2013	\$6,048,772	\$4,648,772	\$2,324,386	\$13,022,931
2014	\$6,140,519	\$4,718,504	\$2,359,252	\$13,218,275
2015	\$6,232,627	\$4,789,281	\$2,394,641	\$13,416,549
2016	\$6,326,116	\$4,861,121	\$2,430,560	\$13,617,797
2017	\$6,421,008	\$4,934,038	\$2,467,019	\$13,822,064
2018	\$6,517,323	\$5,008,048	\$2,504,024	\$14,029,395
2019	\$6,615,083	\$5,083,169	\$2,541,584	\$14,239,836
2020	\$6,714,309	\$5,159,416	\$2,579,708	\$14,453,433
2021	\$6,815,024	\$5,236,808	\$2,618,404	\$14,670,235
2022	\$6,917,249	\$5,315,360	\$2,657,680	\$14,890,288
2023	\$7,021,008	\$5,395,090	\$2,697,545	\$15,113,643
2024	\$7,126,323	\$5,476,016	\$2,738,008	\$15,340,347
2025	\$7,233,216	\$5,558,157	\$2,779,078	\$15,570,453
2026	\$7,341,716	\$5,641,529	\$2,820,765	\$15,804,009
2027	\$7,451,842	\$5,726,152	\$2,863,076	\$16,041,070
2028	\$7,563,619	\$5,812,044	\$2,906,022	\$16,281,686
2029	\$7,677,074	\$5,899,225	\$2,949,612	\$16,525,911
2030	\$7,792,230	\$5,987,713	\$2,993,857	\$16,773,800
2031	\$7,909,113	\$6,077,529	\$3,038,765	\$17,025,407
2032	\$8,027,750	\$6,168,692	\$3,084,346	\$17,280,788
2033	\$8,148,166	\$6,261,222	\$3,130,611	\$17,540,000
2034	\$8,270,389	\$6,355,141	\$3,177,570	\$17,803,099
2035	\$8,394,444	\$6,450,468	\$3,225,234	\$18,070,146
2036	\$8,520,361	\$6,547,225	\$3,273,612	\$18,341,198
2037	\$8,648,166	\$6,645,433	\$3,322,717	\$18,616,316
2038	\$8,777,889	\$6,745,115	\$3,372,557	\$18,895,561

Source: Office of the Comptroller, City of St. Louis, Missouri.

## **Restrictions on Application of Restaurant Gross Receipts Taxes**

Revenues derived from the one percent (1%) portion of the restaurant gross receipts tax are required to be deposited into the City's Convention and Tourism Fund (the "**C&T Fund**") and are used, subject to annual appropriation, to support various tourism activities. These tourism activities are supervised by the Convention and Tourism Bureau composed of the City's Mayor, Comptroller and President of the Board of Aldermen. For the fiscal year ending June 30, 2009, \$235,000 has been appropriated from the C&T Fund for various tourism-related activities. The balance is available, subject to annual appropriation, to pay the amounts payable by the City under the Lease Purchase Agreement. The one-half of one percent ( $\frac{1}{2}$  of 1%) portion of the restaurant gross receipts tax is not subject to this requirement. **THE RESTAURANT GROSS RECEIPTS TAX REVENUES ARE NOT PLEDGED AS SECURITY FOR THE SERIES 2008 BONDS AND THE EXPENDITURE OF THE RESTAURANT GROSS RECEIPTS TAX REVENUES IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY.** Pursuant to the Ordinance, the City has agreed that during each Fiscal Year or portion thereof in which the Parity Bonds remain outstanding, the City will not use the one percent (1%) Restaurant Gross Receipts Tax revenues in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals with respect to the Parity Bonds during such then-current Fiscal Year, unless such payments of Rentals and Additional Rentals with respect to the Parity Bonds have been provided for.

## **Collection**

**Hotel Tax.** The Hotel Tax is remitted monthly directly to the City's License Collector pursuant to rules and regulations promulgated by the Board of Aldermen. The tax collections, less an amount which may be retained for costs of collection, are then remitted to the City and deposited in the Trust Fund not later than thirty days following the end of each month.

**Restaurant Gross Receipts Taxes.** Every restaurant that operates in the City is required to file a Gross Receipts Taxes Report (the "**Gross Receipts Taxes Report**") with the City's License Collector for each calendar quarter. The Gross Receipts Tax Report sets forth the total gross receipts for such restaurant exclusive of sales tax collected from customers, the amount of tax-exempt sales and alcoholic beverage sales, which are not subject to this tax, and, after subtracting the \$2,500 exemption provided by ordinance, net taxable receipts. The Gross Receipts Taxes Report must be filed by, and any Restaurant Gross Receipts Taxes paid at the combined rate of one and one-half percent (1-1/2%) of net taxable receipts by, the last day of the month following the end of each quarter. Failure to file such report and pay any Restaurant Gross Receipts Taxes when due results in the imposition of a penalty which may eventually equal forty-five percent (45%) of the amount due.

## **Budget Process**

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

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

previous Fiscal Year, is approved by the Board of Estimate and Apportionment and submitted to the Board of Aldermen.

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

The Board of Aldermen may reduce the amount of any item in a budget bill, except amounts fixed by statute or for the payment of principal, premium, if any and 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. The budget is funded from various revenue sources, including real property taxes. For fiscal year 2007, real property taxes produced approximately 8.72% of the City's General Fund revenue. Under the City Charter, the Board of Estimate and Apportionment submits and recommends to the Board of Aldermen a bill establishing the City's real property tax rates. Increasing the level of existing taxes or imposing new taxes requires voter approval in accordance with the Missouri Constitution. See **"GENERAL REVENUE RECEIPTS -- The Hancock Amendment"** set forth in **Appendix A** hereto.

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

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

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

## **Appropriation**

THE CITY CANNOT BE LEGALLY OBLIGATED TO APPROPRIATE FUNDS TO PAY RENTALS AND ADDITIONAL RENTALS UNDER THE LEASE PURCHASE AGREEMENT AND NEITHER THE REVENUES FROM THE HOTEL TAX NOR THE RESTAURANT GROSS RECEIPTS TAXES ARE PLEDGED OR OTHERWISE COMMITTED TO PAY DEBT SERVICE ON THE SERIES 2008 BONDS. See **"SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS"** herein. These tax collections may be expended only by appropriations by the City's Board of Aldermen. It is anticipated that the Board of Aldermen will appropriate each Fiscal Year, from these tax sources and other funds legally available for such purpose, the amounts required to pay all

Rentals and Additional Rentals required by the Lease Purchase Agreement. Pursuant to the Ordinance, the City has agreed that during each Fiscal Year or portion thereof in which the Series 2008 Bonds remain outstanding, the City will not use any revenues from the Hotel Tax or the one-percent (1%) portion of the Restaurant Gross Receipts Taxes in the then-current Fiscal Year for any purpose other than making payments of Rentals and Additional Rentals with respect to the Series 2008 Bonds and any other Parity Bonds during such then-current Fiscal Year, unless such Rentals have been provided for. The Hotel Tax revenues are required by law (subject to annual appropriation) to be first applied to debt service and other expenses of the Convention Center Property before they may be used for any other purpose (see **“SUMMARY OF TAX SOURCES – Restrictions on Application of Hotel Tax Revenues”** herein). The revenues from the one percent (1%) restaurant gross receipts tax are also limited as described above (see **“SUMMARY OF TAX SOURCES – Restrictions on Application of Restaurant Gross Receipts Taxes”** herein). There are no limitations on the use of the additional one-half of one percent (1/2 of 1%) restaurant gross receipts tax. **If funds derived from these tax sources are insufficient to pay debt service on the Series 2008 Bonds, the deficiency may be made up from the City’s General Fund.**

### **Effect of Non-Appropriation**

In the event that the Board of Aldermen does 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 in each consecutive month, 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 AND 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 ACCRUED DURING SUCH TIME WHEN THE CITY CONTINUES TO OCCUPY THE CONVENTION CENTER PROPERTY. 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 BONDS AND THE CREDIT FACILITY 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 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 BONDS AS SET FORTH IN THE INDENTURE UNTIL THE 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 Corporation or the Bond Trustee shall have the right, at its option and without any further demand or notice, to take any one or more of the following remedial steps: (i) declare all Rentals and Additional Rentals for the Fiscal Year in which such failure occurred to be immediately due and payable, (ii) give the City written notice of its intention to terminate the Lease Purchase Agreement, and if all such failures have not then been cured, on the date so specified, the City's rights to possession of the Convention Center Property shall cease, the Lease Purchase Agreement shall be terminated, and the Corporation may reenter and take possession of the Convention Center Property, (iii) without terminating the Lease Purchase Agreement, relet the Convention Center Property, 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, and (iv) take whatever action at law or in equity that may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due. 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 Convention Center Property.

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 Convention Center Property 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 Convention Center Property in an amount sufficient to pay the Rentals and reasonably estimated Additional Rentals.

## Total Indebtedness Outstanding Under the Indenture

The following table shows the total indebtedness outstanding under the Indenture as of April 30, 2008:

<u>PARITY BONDS:</u> <u>Current Interest Bonds</u>	<u>Original</u> <u>Principal Amount</u>	<u>Outstanding</u>	<u>Final</u> <u>Maturity Date</u>
Leasehold Revenue Refunding Bonds, Series 2003	\$118,575,000	\$68,045,000	July 15, 2014
<u>PARITY BONDS:</u> <u>Compound Interest Bonds</u>	<u>Original Principal</u> <u>Amount</u>	<u>Amount Due</u> <u>at Maturity</u>	<u>Final</u> <u>Maturity Date</u>
Compound Interest Leasehold Revenue Refunding Bonds, Series 1993A	\$ 2,567,205	\$ 9,615,000	July 15, 2014
Compound Interest Leasehold Revenue Bonds, Series 2005A	\$20,882,005	\$54,050,000	July 15, 2030
<u>JUNIOR LIEN AND SUBORDINATE BONDS:</u> <u>Compound Interest Bonds</u>	<u>Original Principal</u> <u>Amount</u>	<u>Amount Due</u> <u>at Maturity</u>	<u>Final</u> <u>Maturity Date</u>
Compound Interest Leasehold Revenue Bonds, Series 2000	\$39,999,579	\$100,280,000	July 15, 2020
Compound Interest Leasehold Revenue Bonds, Series 2005B	\$24,115,886	\$62,430,000	July 15, 2030

## BOND INSURANCE

The following information is not complete and reference is made to **Appendix G** for a specimen of the financial guaranty insurance policy (the “Policy”) of Assured Guaranty Corp. (“Assured Guaranty” or the “Insurer”).

### The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Series 2008 Bonds, effective as of the date of issuance of such Series 2008 Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Series 2008 Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the “Insured Payments”). Insured Payments shall not include any additional amounts owing by the Corporation solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

“Due for Payment” means, when referring to the principal of the Series 2008 Bonds, the stated maturity date thereof, or the date on which such Series 2008 Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Series 2008 Bonds, means the stated dates for payment of interest.

“Nonpayment” means the failure of the Corporation to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Series 2008 Bonds. It is further understood that the term Nonpayment in respect of a Series 2008 Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Series 2008 Bond in respect of any Insured Payment by or on behalf of the Corporation, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Series 2008 Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

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

### **The Insurer**

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty’s business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty’s financial strength is rated “AAA” (stable) by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc. (“S&P”), “AAA” (stable) by Fitch, Inc. (“Fitch”) and “Aaa” (under review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect

on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

### *Recent Developments*

#### Agreement to Acquire FSA

On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

#### Ratings

On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of Assured Guaranty. Subsequently, in a Special Comment dated August 2008 entitled "Moody's Financial Guaranty Update: Frequently Asked Questions," Moody's stated: "As to the likely timing for reaching a conclusion, we currently expect to complete the review process by early September." On November 14, 2008, Moody's issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of Assured Guaranty and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Moody's further stated that it intends to publish further commentary in the coming days on the changing business dynamics of the financial guaranty industry, and the implications of those changes for ratings. Reference is made to the press releases and the Special Comment for the complete text of Moody's comments; copies of such documents are available at [www.moodys.com](http://www.moodys.com). Moody's could complete its review at any time, but Assured Guaranty cannot give any assurance as to the timing or outcome of the review, or the impact, if any, of the proposed acquisition on such review.

Assured Guaranty's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on Assured Guaranty's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at [www.fitchratings.com](http://www.fitchratings.com). On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for Assured Guaranty. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at [www.ratingsdirect.com](http://www.ratingsdirect.com). There can be no assurance as to what impact, if any, Moody's review for possible downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding Assured Guaranty's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

### *Capitalization of Assured Guaranty Corp.*

As of September 30, 2008, Assured Guaranty had total admitted assets of \$1,767,134,629 (unaudited), total liabilities of \$1,341,373,221 (unaudited), total surplus of \$425,761,408 (unaudited) and

total statutory capital (surplus plus contingency reserves) of \$1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, Assured Guaranty had total admitted assets of \$1,361,538,502 (audited), total liabilities of \$961,967,238 (audited), total surplus of \$399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of \$982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States in making such determinations.

#### *Incorporation of Certain Documents by Reference*

The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the SEC on February 29, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2008 Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading “**BOND INSURANCE – The Insurer**” shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition,

the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at <http://www.sec.gov> and at AGL's web site at <http://www.assuredguaranty.com>, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Series 2008 Bonds or the advisability of investing in the Series 2008 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "**BOND INSURANCE.**"

## **BONDHOLDERS' RISKS**

### **General**

The Series 2008 Bonds involve certain risks, and the discussion below should be reviewed in evaluating these risks. The Series 2008 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 2008 Bonds and should confer with their own legal and financial advisors. The following discussion of risk factors is not intended to be exhaustive.

The Series 2008 Bonds are special obligations of the Corporation, payable from Rentals and certain Additional Rentals received pursuant to the Lease Purchase Agreement. The Series 2008 Bonds do not constitute an indebtedness of the City or the State of Missouri, and neither the City nor the State is liable thereon. The Series 2008 Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. The Corporation has no taxing power.

### **Lease Purchase Agreement 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, 2009. Neither the Rentals nor Additional Rentals under the Lease Purchase Agreement nor any payments on the Series 2008 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 Fiscal 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 Convention Center Property 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 2008 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 Convention Center Property, (ii) the demographic conditions within the City, and (iii) the ability of the City to generate sufficient funds from the Convention Center Property, 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.

## **Realization of the Full Value of the Convention Center Property**

Because the payment of the principal of and the interest on the Series 2008 Bonds, excluding premiums, if any, is insured by a financial guaranty insurance policy issued by the Credit Facility Provider, risk factors relating to the risk of non-appropriation or the income from or value of the Convention Center Property should not, under ordinary circumstances, adversely affect payment of the Series 2008 Bonds. The primary risk affecting timely payment of the Series 2008 Bonds is the inability or refusal of the Credit Facility Provider to honor the financial guaranty insurance policy. In such an event, assuming that the City has elected not to renew the Lease Purchase Agreement, the Trustee is authorized to foreclose on the Deed of Trust which encumbers the Convention Center Property on behalf of the Bondholders.

The moneys derived from a sublease or sale of the Convention Center Property 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 2008 Bonds, the other Parity Bonds, the Series 2000 Bonds, the Series 2005B 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 2008 Bonds.

### **Additional Bonds**

Additional Bonds may be issued for the purposes and subject to the conditions described under the heading “**THE SERIES 2008 BONDS – Additional Bonds**” herein. Such Additional Bonds will also be secured by the Convention Center Property encumbered by the Deed of Trust and could reduce the amount of money received from the sublease or sale of such property that could be available to pay the Series 2008 Bonds.

It is expected that Additional Bonds will be issued by the Corporation to finance the costs of additional improvements to the Convention Center Property when conditions in the financial markets are favorable. See “**THE SERIES 2008 PROJECTS—Capital Improvements—Additional Improvements.**”

### **Cross Default**

The Series 2008 Bonds, the Series 1993A Bonds, the Series 2003 Bonds, the Series 2005A Bonds and any Additional Bonds are parity obligations under the Indenture. In addition, the Series 2000 Bonds and the Series 2005B Bonds are secured by and entitled, on a subordinated basis, to the protection of the Indenture. A default with respect to any such series of Bonds may result in a default with respect to the Series 2008 Bonds. Such a default could lead to the early maturity or redemption of all the Bonds. See “**THE SERIES 2008 BONDS – Cross-Default**” herein.

All Bonds presently outstanding under the Indenture are insured by financial guaranty policies (each 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 2008 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 2008 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.

### **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, the owners or secured lenders of 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, sublease, purchase or participation in the management of the Convention Center Property by the Bond Trustee or the Bondholders, the Bond 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 Convention Center Property on a strict liability basis and such costs might exceed the value of such property.

### **Risks and Security Associated with the Convention and Tourism Industry**

A significant portion of the economic activity in the City is dependent upon the convention and tourism industry. The generation of tax revenues from these industries is affected by a number of factors, many of which are beyond the control of the City. The convention and tourism industries can be adversely affected by changes in the economy, travel costs, outbreak of war or escalations of hostilities (including without limitation, current matters pending in Iraq, Afghanistan and other portions of the Middle East), competition, safety considerations, seasonality and changes in travel patterns. These factors potentially impact occupancy rates of overnight accommodations, consumption of food and beverages and sales of tickets to events. Fluctuations in these factors may adversely affect the amount and timing of funds and revenues available for appropriation by the City which are necessary to make payments under the Lease Purchase Agreement.

### **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 Convention Center Property, the Corporation has the right to possession of the Convention Center Property for the remainder of the Term of the Lease Purchase Agreement and may sublease the Convention Center Property or sell its interest in the Lease Purchase Agreement or the Convention Center Property upon whatever terms and conditions it deems prudent. If the Corporation assigns or sells its interest in the Property under these circumstances, no assurances can be given that interest on the Series 2008 Bonds would continue to be exempt from federal or State income taxation. See **"TAX MATTERS"** herein.

### **Certain Matters Relating to Enforceability**

Remedies provided for in the Lease Purchase Agreement, the 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 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 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 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 2008 Bonds will be expressly subject to the qualification that the enforceability of the Indenture, the Lease Purchase Agreement and the 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.

## **FINANCIAL STATEMENTS**

The audited financial statements of the City and the related report of the City's independent certified public accountants for the fiscal year ended June 30, 2007, are included in **Appendix B** hereto. The City's independent public accountants have not audited any financial statements of the City for any period subsequent to June 30, 2007 and have not conducted any procedures with respect to the Fiscal Year 2007 financial statements subsequent to their audit.

## **RATINGS**

Moody's and S&P are expected to assign ratings of "Aaa" and "AAA," respectively to the Series 2008 Bonds, with the understanding that upon delivery of the Series 2008 Bonds, a financial guaranty insurance policy will be issued by the Credit Facility Provider. No application has been made to any other rating agency in order to obtain additional ratings on the Series 2008 Bonds. In addition, Moody's & S&P have assigned ratings of "Baa1" and "A," respectively, to the Bonds based on the Credit of the City. Such ratings reflect only the view of the rating agencies and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, and Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008 Bonds.

## **LITIGATION**

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

Except as disclosed in this Official Statement, there is no litigation, proceedings or investigations pending or, to the knowledge of the City, threatened against the City or its officers or property, except litigation, proceedings or investigations being defended by or on behalf of the City in which the probable ultimate recoveries and the ultimate costs and expenses of defense, in the opinion of the City Counselor, will not have a material adverse effect on the operations or condition, financial or otherwise, of the City.

No litigation, investigation or proceeding is now pending or, to the knowledge of the City, threatened against the City which would in any manner challenge or adversely affect the corporate existence or powers of the City to enter into and carry out the transactions described in or contemplated by, the execution, delivery, validity or performance by the City of the Lease Purchase Agreement. See **“Appendix A - INFORMATION CONCERNING THE CITY OF ST. LOUIS, MISSOURI”** for a more detailed discussion.

## **APPROVAL OF LEGAL PROCEEDINGS**

Legal matters incident to the authorization, issuance and sale of the Series 2008 Bonds and with regard to the tax-exempt status of the Series 2008 Bonds are subject to the approving legal opinions of Armstrong Teasdale LLP and Saulsbury & Associates, LLC, Co-Bond Counsel, whose approving opinions will be delivered with the Series 2008 Bonds. The expected form of the opinions of Co-Bond Counsel is attached as **Appendix E** hereto. Certain legal matters will be passed upon for the Corporation and for the City by the Office of the City Counselor. Certain legal matters will be passed upon for the Underwriters by their co-counsel, The Stolar Partnership LLP and Worsham N. Caldwell, Jr. & Associates, LLC.

Co-Bond Counsel have not assisted in the preparation of this Official Statement except those portions of this Official Statement under the captions **“THE SERIES 2008 BONDS”** (excluding information concerning DTC and its book entry system), **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2008 BONDS,”** **“APPROVAL OF LEGAL PROCEEDINGS,”** **“TAX MATTERS,”** and **Appendixes C, D and E** to this Official Statement and, therefore, express no opinion as to the sufficiency or accuracy of any other material or information, including financial and statistical information, included herein.

## **TAX MATTERS**

### **General**

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

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

### **Federal Income Tax Consequences of Owning Series 2008 Bonds**

The Internal Revenue Code of 1986, as amended (the **“Code”**), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Series 2008 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2008 Bonds. The Corporation has covenanted in the Indenture, the Corporation and the City have covenanted in the Lease Purchase

Agreement, and the Corporation, the City and the Trustee have covenanted in the Tax Compliance Agreement to comply with the applicable requirements of the Code in order to maintain the exclusion of interest on the Series 2008 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the Corporation has made certain representations and certifications in the Indenture, the Corporation and the City have made certain representations and certifications in the Lease Purchase Agreement, and the Corporation, the City and the Trustee have made certain representations and certifications in the Tax Compliance Agreement. Co-Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Co-Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of the aforementioned representations and certifications of the Corporation and the City, interest on the Series 2008 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes under Section 103 of the Code. Co-Bond Counsel are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

### **State Taxes**

Co-Bond Counsel are of the opinion that, under existing law and assuming that interest on the Series 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code, interest on the Series 2008 Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from Missouri taxable income for purposes of the personal income tax and corporate income tax imposed by the State of Missouri. Co-Bond Counsel express no opinion as to whether the interest on the Series 2008 Bonds (including any original issue discount properly allocable to an owner thereof) is exempt from the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri, as amended.

### **Original Issue Discount**

Co-Bond Counsel are of the opinion that, subject to the conditions set forth above, any original issue discount (as described below) in the selling price of any Series 2008 Bond sold in the initial offering to the public at a price less than the par amount thereof (hereinafter referred to as the “**OID Bonds**”), to the extent properly allocable to each owner of such Series 2008 Bond, is excluded from gross income for federal income tax purposes with respect to such owner. Original issue discount is the excess of the stated redemption price at maturity of an OID Bond over the initial offering price to the public (excluding Underwriters and intermediaries) at which price a substantial amount of the OID Bonds were sold. Under Section 1288 of the Code, original issue discount on the Series 2008 Bonds accrues on a compound basis. For an owner who acquires an OID Bond in this offering, the amount of original issue discount that accrues during any accrual period generally equals: (1) the issue price of such OID Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on such OID Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (3) any interest payable on such OID Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such OID Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of an OID Bond would be treated as gain from the sale or exchange of such OID Bond. Owners of OID Bonds should consult with their individual tax advisors to determine whether the application of the original issue discount rules and regulations for federal tax purposes require inclusion for state and local income tax purposes of an amount

of interest on the OID Bonds as income, even though no corresponding cash interest payment is actually received during the tax year.

### **Other Federal Tax Matters**

Ownership of the Series 2008 Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2008 Bonds.

Commencing with interest paid in 2009, interest paid on tax-exempt obligations such as the Series 2008 Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2008 Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Co-Bond Counsel are not rendering any opinion as to any federal tax matters other than those described under the caption "**Tax Matters.**" Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2008 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Federal Tax Law and Post Issuance Events**

From time to time proposals are introduced in Congress that, if enacted into law, could have an adverse impact on the potential benefits of the exclusion from gross income for federal income tax purposes of the interest on the Series 2008 Bonds, and thus on the economic value of the Series 2008 Bonds. This could result from reductions in federal income tax rates, changes in the structure of the federal income tax rates, changes in the structure of the federal income tax or its replacement with another type of tax, repeal of the exclusion of the interest on the Series 2008 Bonds from gross income for such purposes, or otherwise. It is not possible to predict whether any legislation having an adverse impact on the tax treatment of owners of the Series 2008 Bonds may be proposed or enacted.

Co-Bond Counsel have not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2008 Bonds may affect the tax status of interest on the Series 2008 Bonds. Co-Bond Counsel express no opinion as to any federal, state or local tax law consequences with respect to the Series 2008 Bonds, or the interest thereon, if any action is taken with respect to the Series 2008 Bonds or the proceeds thereof upon the advice or approval of other counsel.

## **FINANCIAL ADVISOR**

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

## INVESTMENT ADVISOR

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

## UNDERWRITING

Stifel, Nicolaus & Company, Inc. and the other underwriters listed on the cover of this Official Statement (collectively, the “**Underwriters**”), have agreed to purchase the Series 2008 Bonds from the Corporation at the respective offering prices or yields set forth on the second page of this Official Statement, less an aggregate Underwriters’ discount of \$283,222.50, pursuant to a Bond Purchase Agreement among the Corporation, the City and Stifel, Nicolaus & Company, Incorporated, as representative of the underwriters (the “**Bond Purchase Agreement**”). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2008 Bonds if any are purchased.

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

J.P. Morgan Securities Inc., one of the underwriters of the Bonds, has entered into an agreement (the “**Distribution Agreement**”) with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc.

## TRUSTEE

The Bank of New York Mellon Trust Company, N.A. is serving as Trustee with respect to the trusts imposed upon it by the Indenture.

## CERTAIN RELATIONSHIPS

Armstrong Teasdale LLP and Saulsbury & Associates, LLC are serving as Co-Bond Counsel with respect to the issuance of the Series 2008 Bonds, and each firm also represents the City, certain of the Underwriters and the Trustee from time to time on other transactions or matters. The Stolar Partnership LLP and Worsham N. Caldwell, Jr. & Associates, LLC, are serving as co-counsel to the Underwriters in connection with the issuance of the Series 2008 Bonds, and each firm also represents the City from time to time on other transactions or matters.

## CONTINUING DISCLOSURE

All references herein to the Continuing Disclosure Agreement (the “**Continuing Disclosure Agreement**”) are qualified in their entirety by reference to such document. The definitive form of the Continuing Disclosure Agreement may be reviewed prior to the delivery of the Series 2008 Bonds at the offices of the City’s Comptroller, Room 212, City Hall, 1200 Market Street, St. Louis Missouri 63103, and following delivery of the Series 2008 Bonds at the office of the Trustee, The Bank of New York Mellon Trust Company, N.A., 911 Washington Avenue, Suite 300, St. Louis, Missouri 63101, or will be

provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of any cost of complying with such request.

Pursuant to the Continuing Disclosure Agreement, the City has covenanted for the benefit of Holders and Beneficial Owners of the Series 2008 Bonds to provide (i) certain financial information and operating data relating to the City and the Corporation by not later than 210 days following the end of the City's Fiscal Year (which currently ends on June 30 of each year) (the "**Annual Report**"), commencing with the report for the 2008 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be provided by or on behalf of the City to any person who requests it and to each Nationally Recognized Municipal Securities Information Repository (each a "**National Repository**") and the repository for the State of Missouri (the "**State Repository**"), if any. The notices of material events will be filed by or on behalf of the City with the Municipal Securities Rulemaking Board or to each National Repository) and the State Repository, if any.

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

Any notice that is required to be given to Holders of the Series 2008 Bonds, nationally recognized municipal securities information repositories, or State information depositories pursuant to the Rule or to the Trustee pursuant to the Indenture shall also be provided to the Credit Facility Provider simultaneously with the sending of such notices. In addition, all information furnished pursuant to the Continuing Disclosure Agreement shall also be provided to the Credit Facility Provider simultaneously with the furnishing of such information.

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

The Annual Report will contain or include by reference:

(1) The audited financial statements of the City for the most recently ended Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report will contain unaudited financial statements and the audited financial statements will be filed in the same manner as the Annual Report when they become available.

(2) Financial information and operating data of the City updated for the prior Fiscal Year in substantially the scope and form contained in **Appendix A** to the final Official Statement in tables under the sections captioned:

(a) "**ECONOMIC AND DEMOGRAPHIC DATA: Population and Other Statistics,**" "**Employment,**" "**Major Employers,**" "**Economic Development,**" and "**Budget and Construction Data;**"

(b) "**EMPLOYEE RELATIONS,**" and

(c) "**RETIREMENT SYSTEMS.**"

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

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

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

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

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Underwriter, the Credit Facility Provider or the owners of at least 25% aggregate principal amount of outstanding Series 2008 Bonds, shall), or any owner or Beneficial Owner of Series 2008 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, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

## **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, the City and the purchasers or holders of any of the Series 2008 Bonds. Any statement made in this Official Statement involving matters of opinion are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create



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**APPENDIX A**

**Information Concerning the City of St. Louis**

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## **APPENDIX A**

### **INFORMATION REGARDING THE CITY OF ST. LOUIS, MISSOURI**

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

#### **ORGANIZATION AND GOVERNMENT**

##### **General**

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

The City is popularly known as the “Gateway to the West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630-foot stainless steel Gateway Arch, the 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, elected at large for a four-year term, is the chief executive officer of the City. The Mayor appoints most department heads, municipal court judges and various members of the City’s boards and commissions. The Mayor possesses the executive powers of the City, which are exercised by the boards, commissions, officers and departments of the City under his general supervision and control.

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

The legislative body of the City is the Board of Aldermen. The Board of Aldermen is comprised of 28 Aldermen and a President. One Alderman is elected from each of the City’s 28 wards to serve a four-year term, one-half of which wards elects Aldermen bi-annually. The President of the Board of Aldermen is elected at large to serve a four-year term. The President is the presiding officer of the Board of Aldermen.

The Board of Aldermen may adopt bills or ordinances which the Mayor may either approve or veto. Ordinances may be enacted by the Board of Aldermen over the Mayor’s veto by a two-thirds vote.

The Board of Estimate and Apportionment is primarily responsible for the finances of the City. The Board of Estimate and Apportionment is comprised of the Mayor, the Comptroller and the President of the Board of Aldermen. For more detailed information regarding the responsibilities of the Board of Estimate and Apportionment, see “FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS—Budget Process” herein.

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

## **MUNICIPAL SERVICES**

### **General**

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

### **Water and Sewer/Transportation**

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

### **Fire Protection**

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

### **Education**

The public school systems within the City are operated under the administration and control of The School District of the City of St. Louis (the “School District”) and The Junior College District of St. Louis and St. Louis County (the “Junior College District”). The School District and the Junior College District are independent of the City and have their own elected or appointed officials, budgets and administrators. Each of the School District and the Junior College District is empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of its respective public school system within 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 voted to remove the accreditation of the School District effective June 15, 2007. As a result, The Special Administrative Board of the Transitional School District of the City of St. Louis (the “Special Board”) was created. The School Board appealed the State Board’s decision to the Cole County Circuit Court. On January 23, 2008, the Cole County Circuit Court entered its final judgment and order upholding the State Board’s decision and denied multiple constitutional and other challenges to the section of State law under which the State Board transferred control of the School District to the Special Board. The School Board has appealed the Cole County Circuit Court’s decision to the Supreme Court of Missouri. The Special Board will continue to operate the St. Louis Public Schools while the appeal is pending.

## **Medical**

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

## **Local Governmental Commissions and Agencies**

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

## **Police**

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

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

## **Transit**

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

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

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

## **Development**

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

## Other

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

## ECONOMIC AND DEMOGRAPHIC DATA

### Population Statistics

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

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

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

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

### Industry

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

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

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

## **Tourism**

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

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

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

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

## **Transportation**

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

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

## **Employment**

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

On July 13, 2008 in St. Louis, Missouri and July 14, 2008 in Leuven, Belgium, Anheuser-Busch, one of the top 20 employers in the City and the leading American brewer, and InBev, the leading global brewer, announced an agreement to combine the two companies, pending shareholder and regulatory approval. The new company will make St. Louis, Missouri the headquarters for the North American region and the global home of the flagship Budweiser brand. The combination became effective November 18, 2008, and the combined enterprise is now named Anheuser-Busch InBev. Anheuser-Busch has owned subsidiary of Anheuser-Busch InBev upon completion of this transaction.

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

### **CITY EMPLOYMENT BY INDUSTRY GROUP (TOTAL NON FARM)**

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

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

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

## Employment Rates

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

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

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Source: Missouri Department of Economic Development.

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## Major Employers

The following table lists the top 20 employers in the City based on the average of the fourth quarter payroll tax reports of 2007.

### TOP 20 EMPLOYERS BY NUMBER OF EMPLOYEES CALENDAR YEAR 2007

<u>Name</u>	<u>Employees</u>
BJC Health System	16,447
Washington University	13,381
St. Louis University	9,399
City of St. Louis	8,682
AT&T	5,917
St. Louis Board of Education	5,811
Anheuser Busch♣	5,164
United States Postal Service	5,109
State of Missouri	5,052
A.G. Edwards & Sons, Inc.~	4,811
National Finance Center*	3,883
Defense Finance and Accounting Services*	3,191
Schnucks Markets Inc.	2,600
Veterans Administration	2,552
Ameren Corporation	2,523
Express Personnel Services	2,485
Bi State Development	2,408
Macy's†	2,347
St. Louis Junior College District	2,319
St. Louis County Government	2,266

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♣InBev and Anheuser-Busch announced on July 13-14, 2008, that the companies reached an agreement to merge the two companies. The merger was effective November 18, 2008, and the name became Anheuser-Busch InBev.

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

†Previously Federated Retail Holdings.

\*Federal payroll agency.

Source: City Collector of Revenue.

## Major Taxpayers

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

### TOP 20 TAXPAYERS - EARNINGS TAX CALENDAR YEAR 2007

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

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Source: City Collector of Revenue.

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

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

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Source: City Collector of Revenue.

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

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

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Source: City Collector of Revenue.

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

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

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Source: City Collector of Revenue.

## Building and Construction Data

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

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

Source: City Building Division.

## Sports Related Economic Development

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

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

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

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

## **Business Development**

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

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

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

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

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

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

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

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

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

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

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

## **Economic Development**

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

## **FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS**

### **Introduction**

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

### **Accounting and Reporting Practices**

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

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

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

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

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

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

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

*Enterprise Funds*—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or

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

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

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

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

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

### **Budget Process**

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

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

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

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

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

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

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

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

### **Financing Controls**

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

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

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

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

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

### **Cash Management**

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

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

### **General Revenue Fund**

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

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## General Revenue Fund Expenditures

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

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

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

Source: Audited Financial Statements.

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

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

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

<sup>1</sup>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 2005 through 2007.

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

Source: City Comptroller's Office.

### Earnings Tax

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

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

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

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

Source: City Comptroller's Office.

## Franchise Tax

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

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

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

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Source: City Comptroller's Office.

## Sales and Use Tax

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

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

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

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

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Source: City Comptroller's Office.

## Gross Receipts Tax

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

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

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Source: City Comptroller's Office.

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

## Motor Vehicle Sales Tax

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

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

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

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Source: City Comptroller's Office.

## Real and Personal Property Taxes

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

<b>Calendar Year</b>	<b><u>Real Property</u><sup>1</sup></b>		<b><u>Personal Property</u><sup>1</sup></b>		<b>Manufacturers<sup>1</sup> Inventory Value</b>	<b>Total Assessed Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>		
2003	\$2,277,100,961	\$9,611,957,762	\$789,866,491	\$2,371,971,444	\$296,768,056	\$3,363,735,508
2004	2,310,268,668	9,741,401,301	770,103,724	2,312,623,796	285,352,828	3,365,725,220
2005	2,802,683,651	12,127,086,889	789,536,333	2,370,979,979	290,522,619	3,882,742,603
2006	2,839,458,315	12,323,639,135	767,274,268	2,304,126,931	286,014,328	3,892,746,911
2007	3,459,513,734	15,105,666,861	805,297,902	2,418,312,018	292,370,530	4,557,182,166

<sup>1</sup> Source: City Assessor's Office.

<sup>1</sup> 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:

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

Source: City Assessor's Office.

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

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

Source: City Comptroller's Office.

## Payroll Tax

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

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

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Source: City Comptroller's Office.

## Other Taxes

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

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

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Source: City Comptroller's Office.

## License Fees

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

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

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Source: City Comptroller's Office.

## Departmental Receipts

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

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

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Source: City Comptroller's Office.

## Operating Transfers

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

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

<u>Fiscal Year</u>	<u>Operating Transfers<sup>1</sup></u>
2003	\$24,793,323
2004	18,664,916
2005	21,460,749
2006	16,443,308
2007	23,298,344

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<sup>1</sup> Figures do not include transfers related to certain employment reserves.

Source: City Comptroller's Office.

## The Hancock Amendment

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

governmental units does not apply to taxes imposed for the payment of principal of and interest on general obligation bonds approved by the requisite percentage of voters.

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

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

## INSURANCE

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

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

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Source: City Comptroller’s Office.

During Fiscal Year 1992, the City turned the administration of all workers’ compensation responsibilities over to the Public Facilities Protection Corporation. A third-party administrator was contracted to process all claims and make recommendations regarding workers’ compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers’ compensation claims. This also has enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data.

In June 2002, the City became self-insured for its employees’ health insurance. An internal service fund was established to account for payment of health insurance claims for participants. During

Fiscal Year 2005, the City ceased the self-insurance program and again contracted out the health insurance due to favorable rates available at that time.

## **DEBT OF THE CITY**

### **General**

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

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

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

Likewise, in January 2007, the City issued its Taxable Tax Increment Revenue Notes (600 Washington Redevelopment Project 1 – One City Centre Component) Series 2007. The City has agreed that the appropriate officer of the City shall include in each budget proposal submitted to the Board of Aldermen for each fiscal year that the TIF Notes are outstanding a request for an appropriation of a sum equal to (a) certain moneys on deposit in the Special Allocation Fund (Payments in Lieu of Taxes, Economic Activity Tax Revenues), (b) Municipal Revenues; and (c) City Revenues which constitute other legally available funds of the City in an amount equal to pay the principal of and interest on the TIF Notes. The obligation of the City of St. Louis to appropriate funds for deposit in the City Revenue Fund is

not limited to incremental receipts generated by the Redevelopment Project and constitutes a moral obligation to appropriate from any other legally available funds of the City.

### **Tax Increment Financing Projects**

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

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

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

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

The remaining TIF projects are financed with developer-held TIF revenue notes or third-party notes. All TIF revenue notes are special, limited obligations of the City payable solely from and secured by available TIF revenues. The general revenues of the City are not pledged to the payment of the TIF revenue notes and the TIF revenue notes do not constitute a general obligation of the City.

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

Source: City Comptroller's Office.

## Short-Term Borrowing

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

<u>Fiscal Year</u>	<u>TRANs Issued During Fiscal Year</u>	<u>As a Percent of General Fund Revenues<sup>1</sup></u>
2005	\$47,000,000	11.77%
2006	45,000,000	10.59%
2007	36,000,000	8.54%
2008	32,000,000	7.35%
2009	50,000,000	10.85% <sup>2</sup>

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

<sup>2</sup> 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 October 31, 2008:

<u>Bonds</u>	<u>Amount Outstanding</u>
General Obligation Bonds	\$50,874,742
Water Revenue Bonds	23,025,000
Parking Revenue Bonds	81,350,000
Airport Revenue Bonds	<u>797,105,000</u>
Total	<u>\$952,354,742</u>

Source: City Comptroller’s Office.

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## Capital Leases

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

<u>Description</u>	<u>Amount Outstanding October 31, 2008</u>	<u>Remaining Term in Years</u>	<u>Issue Date</u>
Convention Center Bonds, Series 1993A	\$ 2,567,205	6	June 1993
Justice Center Bonds, Series 1996B	13,365,000	6	Aug. 1996
Convention and Sports Facility Project and Refunding Bonds, Series 2007	61,028,864	13	May 2007
Justice Center Leasehold Improvement Bonds, Series 2000A	1,980,000	2	Feb. 2000
Convention Center Hotel Compound Leasehold Revenue Bonds, Series 2000	39,999,579	12	July 2000
Justice Center Leasehold Revenue Bonds, Series 2001	61,190,000	13	Sept. 2001
Carnahan Courthouse Leasehold Revenue Refunding Bonds, Series 2006A	23,725,000	19	Oct. 2006
Convention Center Leasehold Refunding Bonds, Series 2003	68,045,000	7	Apr. 1998
Civil Courts Revenue Refunding Bonds, Series 2003A	14,500,000	5	May 2003
Forest Park Revenue Improvement Bonds, Series 2004	14,185,000	14	Dec. 2004
Convention Center Compound Interest Leasehold Revenue Bonds, Series 2005	44,997,891	23	May 2005
Justice Center Leasehold Revenue Bonds, Series 2005	15,125,000	12	Aug. 2005
Rolling Stock	9,290,581	12	Sept. 2006
Abram Building Leasehold Revenue Bonds, Series 2007	3,659,446	10	June 2007
Recreation Sales Tax Leasehold Revenue Bonds, Series 2007	50,300,000	29	July 2007
Taxable Leasehold Revenue Bonds, Series 2007 (Pension Funding Project)	140,030,000	29	Sept. 2007
Police Capital Improvements Sales Tax Leasehold Revenue Bonds, Series 2007	23,880,000	29	Dec. 2007
Taxable Public Safety Sales Tax Leasehold Revenue Bonds (Pension Funding Project) Series, 2008A	19,445,000	1	June 2008
Tax-Exempt Juvenile Detention Center Leasehold Revenue Bonds Series, 2008B	25,555,000	29	June 2008
Lease Certificates of Participation, Series 2008	<u>9,100,000</u>	13	Sept. 2008
Total	\$641,968,566		

Source: City Comptroller's Office.

### Other Long-Term Debt Obligations

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

<u>Description</u>	<u>Amount Outstanding October 31, 2008</u>	<u>Remaining Term in Years</u>
MDNR Energy Efficiency Program	\$ 730,363	5
MTFC Multimodal Direct Loan	4,500,000	10
	<u>\$5,477,631</u>	

Source: City Comptroller's Office

### Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of October 31, 2008, is set forth below.

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

Source: City Comptroller's Office.

### Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of October 31, 2008. These figures do not include lease agreements.

	<u>Amount</u>	<u>Per Capita<sup>1</sup></u>	<u>Ratio to Assessed Value</u>
Total Direct Debt	\$ 50,874,742	\$146.11	1.52%
Total Direct and Overlapping Debt	\$261,630,466	\$751.49	6.12%

<sup>1</sup> 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 October 31, 2008.

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

Source: City Comptroller's Office.

## EMPLOYEES AND EMPLOYEE RELATIONS

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

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

## RETIREMENT SYSTEMS

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

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

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

Source: City Comptroller's Office.

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

## **OTHER POST EMPLOYMENT BENEFITS GASB**

### **Statement No. 45**

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

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

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

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

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

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

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

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

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

**Status of Compliance with GASB Statement No. 45**

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

**LITIGATION**

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

ZOOLOGICAL SUBDISTRICT, etc. v. EMPLOYEES RETIREMENT SYSTEM

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

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

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**APPENDIX B**

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

**NOTE**

**KPMG LLP, THE CITY'S INDEPENDENT AUDITOR, HAS NOT BEEN ENGAGED TO PERFORM AND HAS NOT PERFORMED, SINCE THE DATE OF ITS REPORT INCLUDED HEREIN, ANY PROCEDURES ON THE FINANCIAL STATEMENTS ADDRESSED IN THAT REPORT, KPMG LLP ALSO HAS NOT PERFORMED ANY PROCEDURES RELATING TO THIS OFFICIAL STATEMENT.**

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

## Independent Auditors' Report

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Louis, Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2007, on our consideration of the City of St. Louis, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

KPMG LLP

St. Louis, Missouri  
December 27, 2007

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

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

**FINANCIAL HIGHLIGHTS (excluding discretely presented component units)**

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Combining Statements**

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

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

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

### ANALYSIS OF NET ASSETS

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

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

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

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

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

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

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

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

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

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

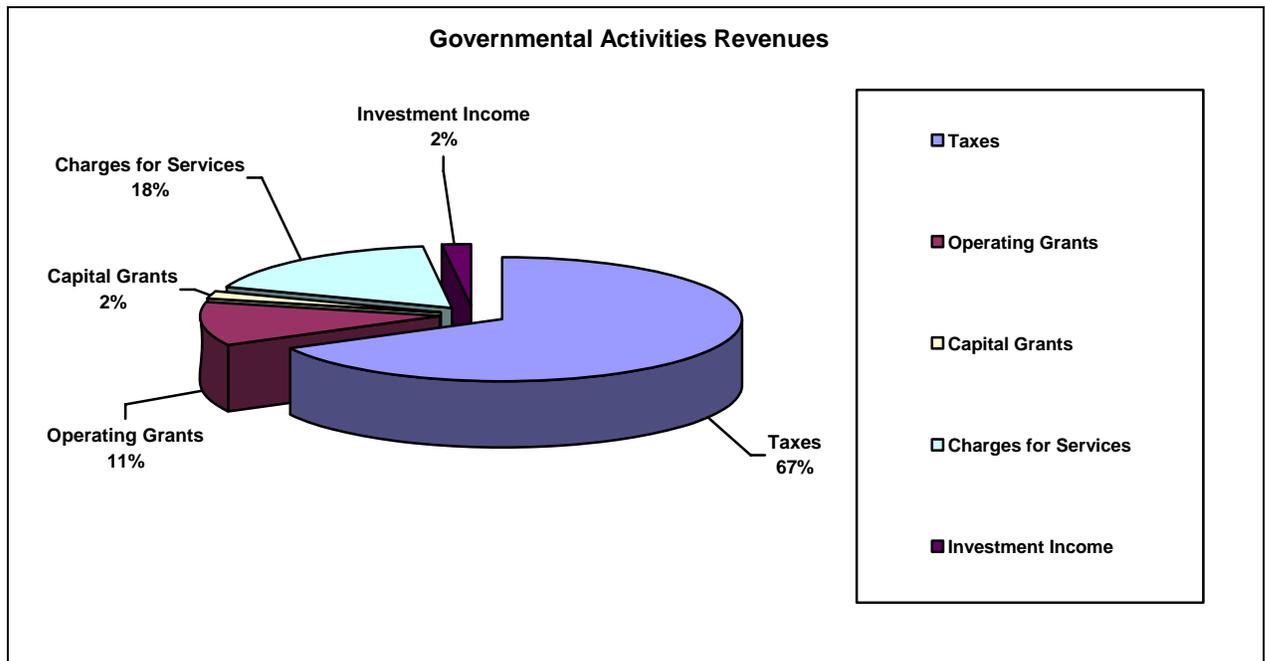
The total cost of all programs and services was \$951.6 million, an increase from \$899.2 million last year. The City’s expenses cover a range of typical City/county services. The largest program was the Airport. The program with the largest burden on general revenues was public safety.

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

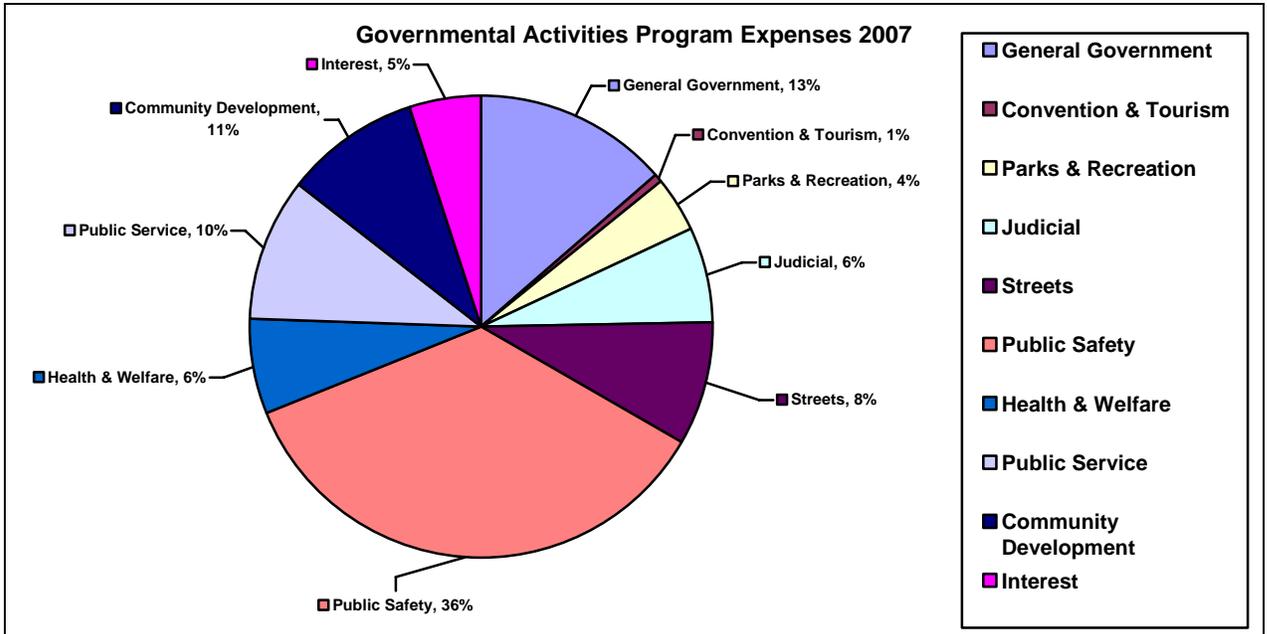
In the General Fund, several revenue sources exceeded final budget estimates. Of the budgeted revenue, taxes had a positive variance of \$4.6 million or 1.4%. This can be attributed to the increase in earnings tax due to a healthy growth in the economy. License and permits had a negative variance of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

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

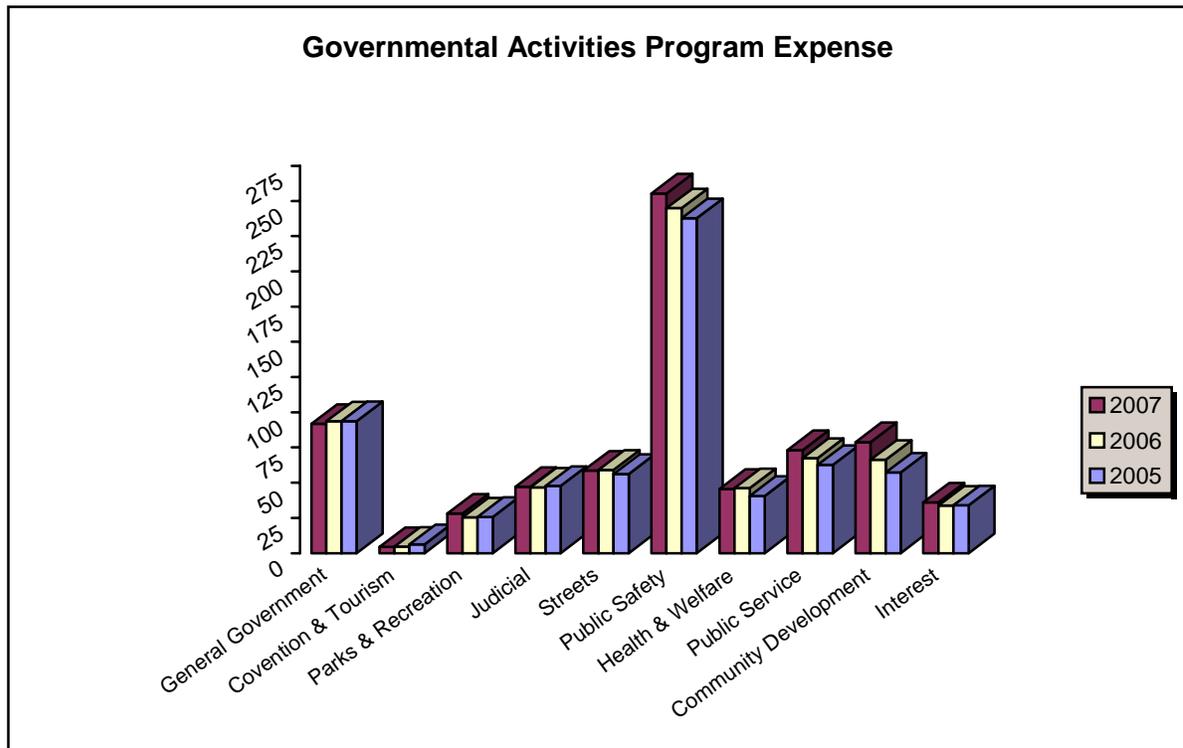
The following chart reflects the revenues by type as a percentage of total revenues for governmental activities for fiscal year 2007.



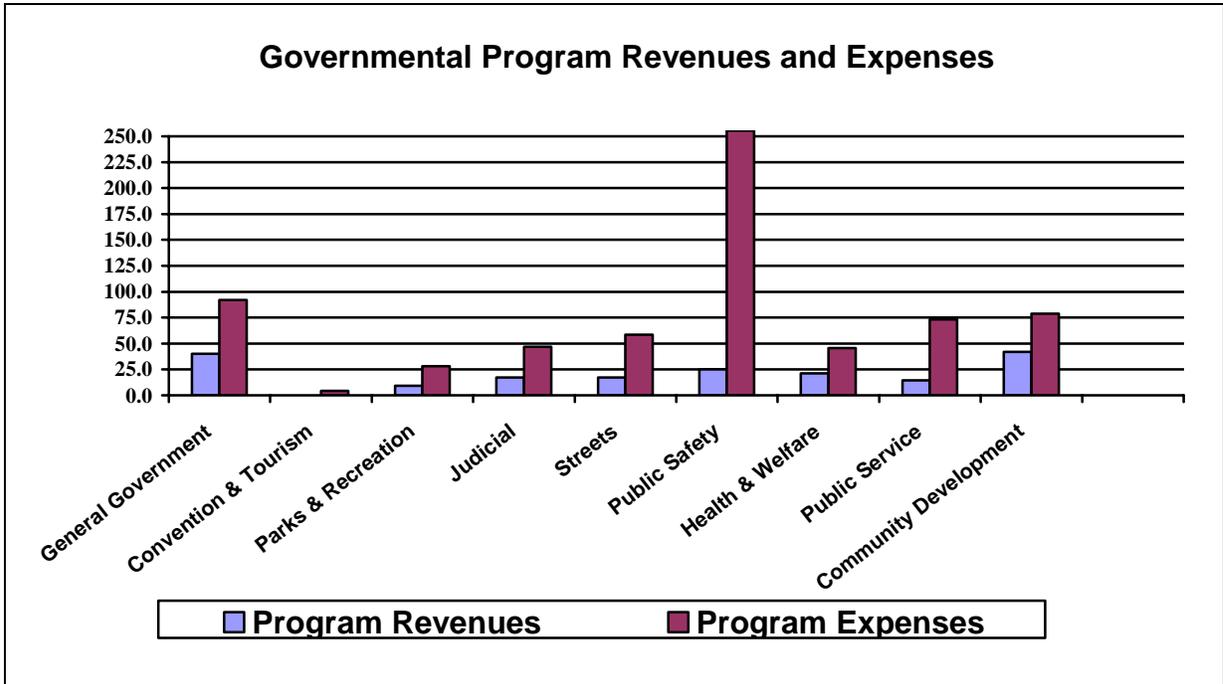
The following chart illustrates the City's governmental activities expenses by program. Total cost of governmental activities was \$718.8 million, an increase of \$31.0 million or 4.5% over the prior year. As shown, public safety is the largest function in expense (36%). The majority of the spending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



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



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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

***Governmental Funds***

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

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

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

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

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

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

### ***Proprietary Funds***

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

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

### ***Fiduciary Funds***

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

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

### **General Fund Budgetary Highlights**

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

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

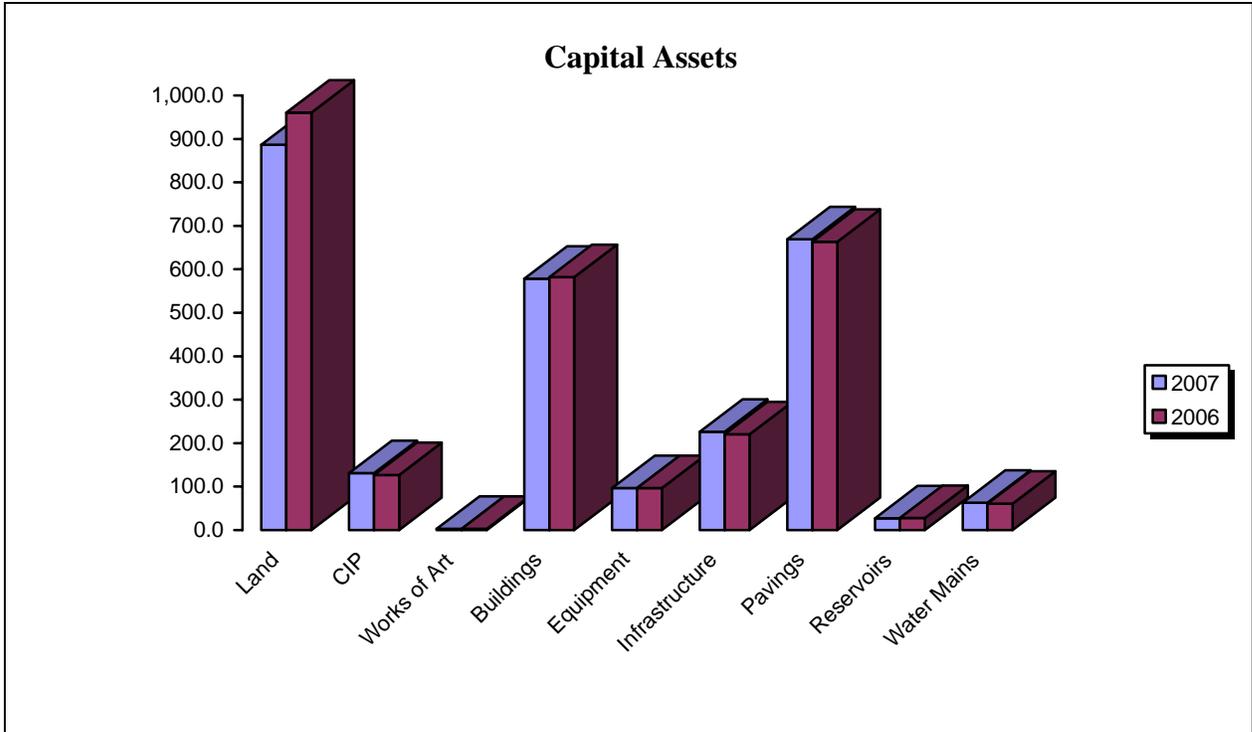
The City had invested \$2.7 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways and water systems. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$60.4 million, or 2.2%, over last year.

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

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

This year's major capital asset changes included:

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



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

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

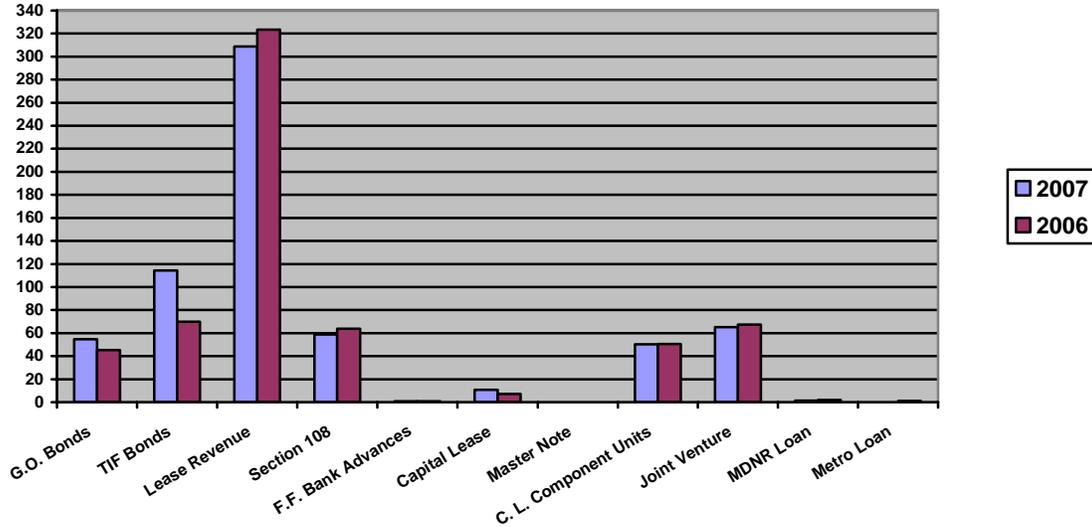
## Long-Term Debt

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

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

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

### Outstanding Long-Term Debt Obligations 2007 and 2006



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

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

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

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

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

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

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

### **Economic Factors and Next Year's Budget**

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

### **Requests for Information**

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

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





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

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

See accompanying notes to basic financial statements.

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Component Units	
	Expenses			Total	SLDC	SLPD	SWMDC
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 91,822	39,757	376	(51,689)	—	—	—
Convention and tourism	4,352	16	—	(4,336)	—	—	—
Parks and recreation	28,130	9,126	126	(18,878)	—	—	—
Judicial	46,990	14,855	2,203	(29,932)	—	—	—
Streets	58,606	17,184	154	(41,268)	—	—	—
Public safety:							
Fire	56,405	7,416	—	(48,989)	—	—	—
Police— Payment to SLPD	138,871	—	—	(138,871)	—	—	—
Other	59,984	22,797	1,570	(35,617)	—	—	—
Health and welfare	45,630	418	20,714	(24,498)	—	—	—
Public service	73,145	5,530	14,232	(44,486)	—	—	—
Community development	78,788	—	—	(36,834)	—	—	—
Interest and fiscal charges	36,024	—	—	(36,024)	—	—	—
Total governmental activities	718,747	117,099	14,232	(511,422)	—	—	—
Business-type activities:							
Airport	178,110	155,295	2,643	—	23,587	—	—
Water Division	42,395	44,130	874	—	2,609	—	—
Parking Division	12,423	14,155	—	—	1,732	—	—
Total business-type activities	232,928	213,580	2,643	—	27,928	—	—
Total primary government	\$ 951,675	\$ 330,679	\$ 78,637	\$ (511,422)	\$ 27,928	\$ (483,494)	\$ —
<b>Component Units:</b>							
SLDC	\$ 19,744	9,561	10,826	—	—	643	—
SLPD	157,663	2,142	3,477	—	—	(144,369)	—
SWMDC	274	348	—	—	—	—	74
Total component units	\$ 19,745	\$ 12,051	\$ 18,501	\$ —	\$ 643	\$ (144,369)	\$ 74
General revenues:							
Taxes:							
Property taxes, levied for general purpose				\$ 62,333	—	—	—
Property taxes, levied for debt service				6,197	—	—	—
Sales taxes				127,664	—	—	—
Earnings/payroll taxes				169,822	—	—	—
Gross receipts taxes (includes franchise tax)				75,378	—	—	—
Miscellaneous taxes				6,237	—	—	—
Unrestricted investment earnings				12,094	12,522	603	301
Support provided by City of St. Louis, Missouri				—	—	138,871	—
On-behalf payment for pension contribution from the City of St. Louis, Missouri				—	—	—	8,093
Gain/loss on sale of capital assets				7,885	(78,105)	(59)	—
Transfers				467,286	(73,468)	147,206	55
Total general revenues and transfers				\$ 393,818	\$ 603	\$ 2,837	\$ 129
Change in net assets				(44,136)	1,246	(41,329)	7,161
Net assets—beginning of year				305,295	1,590,723	20,242	7,161
Net assets—end of year				\$ 261,159	\$ 1,591,969	\$ 21,488	\$ 7,290

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

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

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

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

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

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

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

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

Balances as of June 30, 2007 are:

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

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

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

See accompanying notes to basic financial statements.

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

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

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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

See accompanying notes to basic financial statements.

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

a. Reporting Entity

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

1) Blended Component Units

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

Public Facilities Protection Corporation (PFPC)

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

St. Louis Municipal Finance Corporation (SLMFC)

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

St. Louis Parking Commission Finance Corporation (SLPCFC)

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

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

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

2) Discretely Presented Component Units

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

St. Louis Development Corporation (SLDC)

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

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

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

Solid Waste Management and Development Corporation (SWMDC)

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

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

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

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

3) Related Organizations

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

4) Joint Venture

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

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

b. Government-wide and Fund Financial Statements

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

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

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

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

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

1) Governmental Fund Types

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

The following are the City's governmental major funds:

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

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

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

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

2) Proprietary Fund Types

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

The following are the City’s proprietary fund types:

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

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

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

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

3) Fiduciary Fund Types

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

c. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

d. Property Taxes

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

e. Cash and Investments

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

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

f. Inventories

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

g. Capital Assets

1) Governmental Activities Capital Assets

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

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

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

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

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

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

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

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

City management has evaluated prominent events or changes in circumstances affecting capital assets to determine whether any impairments of capital assets have occurred. Such events or changes in circumstances that were considered by the City management to be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage.

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2) Business-type Activities Capital Assets

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

3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost which, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	<b>Years</b>
Pavings	18 to 30
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

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

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

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

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

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5) Parking Division

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

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

6) Mailroom

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

7) Component Unit—SLDC

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

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

8) Component Unit—SLPD

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

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

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

9) Component Unit—SWMDC

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

h. Long-term Liabilities

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

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$0.11 (in dollars) per ticket operating fee retained by the airlines. PFCs represent an exchange-like transaction and are recognized as nonoperating revenue based upon passenger enplanements.

j. Capital Contributions

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

k. Capitalization of Interest

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

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l. Amortization

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

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

m. Compensated Absences

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

Non-uniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

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

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

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

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

n. Encumbrances

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

o. Interfund Transactions

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

1) Transfers

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

2) Interfund Services Provided/Used

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

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

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

p. Reserved Fund Balance

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

1) General Fund

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

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2) Capital Projects Fund

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

3) Other Governmental Funds

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

q. Net Assets

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

1) Invested in Capital Assets, Net of Related Debt

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

2) Restricted

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

3) Unrestricted

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

r. Statement of Cash Flows

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

s. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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t. Individual Fund Deficit

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

2. DEPOSITS AND INVESTMENTS

a. Primary Government

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

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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1) Primary Government Excluding Pension Trust Funds

Investments are recorded at fair value. Fair value for investments is determined by closing market prices at year-end, as reported by the respective investment custodian.

Certificates of deposit are defined as investments for statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes; for custodial risk disclosure; however, they are described below as cash deposits. In addition, money market mutual funds are classified as cash on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

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

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

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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trustees, are not permitted by the Investment Policy for the City of St. Louis, Missouri (Investment Policy).

**Interest Rate Risk**

The City seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Investment Policy for the City of St. Louis, Missouri (Investment Policy). The Investment Policy provides that, to the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the City for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

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

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

**Credit Risk**

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

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

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

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All City securities and securities pledged as collateral must be held in a segregated account on behalf of the City by an independent third party with whom the City has a current custodial agreement and has been designated by the Treasurer and Funds Committee as eligible to serve in such a capacity.

At June 30, 2007, the following City investments are held by the counterparty's trust department or agent, and are not in the City's name: \$2,225 of Federal National Mortgage Association securities, \$6,011 of Federal Home Loan Mortgage Corporation securities, \$20,842 of U.S. Treasury securities, \$1,490 of State and Local Fixed Income securities, and the \$10,986 guaranteed investment contract. All remaining City investments and collateral securities pledged against City deposits are held by the counterparty's trust department or agent in the City's name.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2007  
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The following schedule provides a summary of the investment maturities by investment type, which helps demonstrate the current level of interest rate risk assumed by the Police System as of September 30, 2006:

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

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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(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, 2006:

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

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

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

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

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Credit Risk of Debt Securities

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

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

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

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

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Notes to Basic Financial Statements, Continued  
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Interest Rate Risk

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

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

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

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

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Notes to Basic Financial Statements, Continued  
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Concentration of Credit Risk

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

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

b. Component Unit—SLDC

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

c. Component Unit—SLPD

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

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

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

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

Interest Rate Risk

The SLPD seeks to minimize its exposure to fair value losses arising from changes in interest rates by selecting investments in adherence to the Board of Police Commissioner's (Investment Policy). The Investment Policy provides that, to the extent possible, the SLPD shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the SLPD will not directly invest in securities or make a time deposit with a stated maturity or more than five years from the date of purchase. The average maturity for collateral provided to the SLPD for deposits in connection with a repurchase agreement shall not exceed five years without the written approval of the Treasurer. In connection with any outstanding bond issue, debt service reserve funds may be invested to a maximum maturity of 15 years, and up to 30 years with the approval of the Treasurer.

The SLPD had investments in Federal Home Loan bank and Federal Farm Credit Bank securities had maturities of one year or less as of June 30, 2007.

Credit Risk

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the SLPD will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty.

The Investment Policy requires that all cash deposits, time certificates of deposit, deposits with listed institutions, and repurchase agreements be covered by adequate pledged collateral. Acceptable collateral includes U.S. Treasury obligations, other interest-bearing securities guaranteed as to principal and interest by the U.S. or an agency or instrumentality of the U.S., bonds of the State, or bonds of the City. The market value of the principal and accrued interest of the collateral must equal 103% of the deposits secured, less any amount subject to federal deposit insurance. All SLPD securities and securities pledged as collateral must be held in a segregated account on behalf of the SLPD by an independent third-party with whom the SLPD has a current custodial agreement and has been designated by the Board of Police Commissioners to serve in such capacity.

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

Concentration of Credit Risk

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

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

d. Component Unit—SWMDC

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

3. RECEIVABLES, NET

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

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

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Notes to Basic Financial Statements, Continued  
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4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

**Governmental activities:**

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

**Business-type activities:**

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

5. COMPONENT UNIT—SLDC RECEIVABLES

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

6. RESTRICTED ASSETS

a. Airport

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

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

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

- 1) *Unrestricted Airport Operation and Maintenance Fund*: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) *Airport Bond Fund*: for credit to the Debt Service Account, if and to the extent required, so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) *Airport Bond Fund*: for credit to the Debt Service Reserve Account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the Debt Service Account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the Debt Service Account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) *Arbitrage Rebate Fund*: an amount necessary to fund the Arbitrage Rebate in order to pay the Rebate Amount when due and payable.
- 5) *Subordinated Indebtedness*: an amount sufficient to pay Subordinated Indebtedness in accordance with the authorizing and implementing documents for such Subordinated Indebtedness.
- 6) *Airport Renewal and Replacement Fund*: an amount equal to \$57, provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted moneys in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.
- 7) *A sub-account in the Airport Revenue Fund*: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such sub-account shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this sub-account may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport Bond Fund Trustee.
- 8) *Airport Debt Service Stabilization Fund and the Airport Development Fund*: various amounts for Airport Fiscal Years 2006 through 2011, achieving a balance of Thirty Eight Million Two Hundred Eleven Thousand Dollars (\$38,211) at the end of Fiscal Year 2011. Beginning in Airport Fiscal Year 2012, the Airport will allocate an amount sufficient to bring the amount on

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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deposit in the Debt Stabilization Fund equal to the Debt Stabilization Fund Requirement (or such lesser amount as is available in the Revenue Fund for such transfer).

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

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

b. Water Division

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

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

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

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

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

2) Construction Funds

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

3) Customer Deposits

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

4) Service Line Maintenance

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

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Notes to Basic Financial Statements, Continued  
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c. Parking Division

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

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

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

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

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

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

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

d. Component Unit—SLDC

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

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

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

e. Component Unit—SLPD

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

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Notes to Basic Financial Statements, Continued  
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7. CAPITAL ASSETS

a. Primary Government

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

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

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

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

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

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

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

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

**Governmental activities:**

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

**Business-type activities:**

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2007  
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b. Component Unit—SLDC

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2007  
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c. Component Unit—SLPD

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

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

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

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

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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10. RETIREMENT PLANS

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

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

a. Firemen's Retirement System of St. Louis

1) System Description

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

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

The Firemen's System provided retirement benefits as well as death and disability benefits. Members can voluntarily retire after a minimum of 20 years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation. Such benefits are authorized by State statues and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP option is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member, and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

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

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

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

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

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

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

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

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

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

4) Lawsuit

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

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

b. Police Retirement System of St. Louis

1) System Description

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

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

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

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

2) Funding Policy

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

3) Annual Pension Cost and Net Pension Obligation

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

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

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

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

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

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

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

4) Lawsuit

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

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

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

1) System Description

All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

The Employees System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest with employees covered by the Employees System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service; age 55 with at least 20 years of creditable service; or at any age with 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, Authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30 for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

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

Employees who became members of the Employees System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the Employees System equal to 3% of their compensation until the employee's compensation equals the maximum

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

3) Annual Pension Cost and Net Pension Obligation

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

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

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

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

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

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

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2006
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar amount for unfunded liability, open
Remaining amortization period	30 years as of October 1, 2006
Actuarial value of assets	The market value of assets less unrecognized returns in each of the last five years, but no earlier than October 1, 2005. Initial unrecognized return is equal to the difference between the actual market return and expected market return, and is recognized over a five-year period. The actuarial asset value is further adjusted, if necessary, to be within 20% of the market value. The actuarial asset value was initialized at the market value as of October 1, 2005.
Investment rate of return	8.00%
Projected salary increases	varies by age, ranging from 3.825% to 7.226%
Projected postretirement benefit increases	5.00% per year, maximum cumulative increase of 25%.

4) Lawsuit

Due to the Supreme Court's ruling in the lawsuits filed by the Firemen's and Police Retirement System, the Employees' System declared notice of its intent to seek similar court judgments for alleged shortfalls in the City's funding of the Employees System for fiscal years 2004 through 2007.

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

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2007 contributions of \$274, which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2007, SLDC's current covered payroll was \$3,046 and total payroll amounted to \$3,255. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5 ½ % of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

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Notes to Basic Financial Statements, Continued  
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11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,309 retirees, while 1,399 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 12.6 cents for every \$1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was \$4,272 (in dollars) per retiree for healthcare and \$10 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2007.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2007:

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	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2007</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 45,220	13,000	(3,400)	54,820	3,945
Section 108 Loan Guarantee					
Assistance Programs	63,670	—	(4,850)	58,820	2,740
Federal Financing Bank advances	725	—	(45)	680	50
Tax increment financing bonds and notes payable	69,786	55,158	(10,693)	114,251	4,079
Master note purchase agreement	81	—	(15)	66	—
Loan agreement with Missouri					
Department of Natural Resources	1,917	—	(459)	1,458	481
Loan agreement with Metro	1,000	—	(1,000)	—	—
Capital lease—rolling stock	7,206	6,014	(2,325)	10,895	2,046
Capital leases—obligations with component units	50,595	—	(440)	50,155	465
Leasehold revenue improvement and refunding bonds	323,469	27,725	(42,370)	308,824	25,381
Joint venture financing agreement	67,323	65,116	(67,323)	65,116	4,088
Unamortized discounts, premiums, and deferred amounts on refunding	(986)	(15)	(152)	(1,153)	—
Net pension obligation	62,711	29,589	—	92,300	—
Accrued vacation, compensatory, and sick time benefits	25,843	18,719	(17,073)	27,489	18,142
Landfill closure	228	7	(115)	120	120
Firemen's overtime payable	—	1,148	—	1,148	—
Claims and judgments payable	17,019	12,942	(13,617)	16,344	10,730
Governmental activities long-term liabilities	<u>\$ 735,807</u>	<u>229,403</u>	<u>(163,877)</u>	<u>801,333</u>	<u>72,267</u>

Effective January 1, 2007, Missouri State Statutes, Section 290 revised the method in which overtime compensation is paid. Currently there is question as to how overtime earned by personnel of the fire department are effected by the change. Until the issue is solved by the court system, a long-term liability has been established.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, and landfill closure costs are generally liquidated by the general fund.

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	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2007</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Airport:					
Revenue bonds payable	\$ 861,085	336,010	(353,175)	843,920	25,090
Net pension obligation	6,244	1,340	—	7,584	—
Other	1,650	—	(615)	1,035	—
Accrued vacation, compensatory, and sick time benefits	5,173	3,813	(3,325)	5,661	5,661
Unamortized discounts, premiums, and deferred amounts on refunding	15,769	6,365	(308)	21,826	—
Total Airport	<u>889,921</u>	<u>347,528</u>	<u>(357,423)</u>	<u>880,026</u>	<u>30,751</u>
Water Division:					
Revenue bonds payable	31,820	—	(2,645)	29,175	2,850
Customer deposits	1,904	484	—	2,388	—
Net pension obligation	4,070	827	—	4,897	—
Other	343	—	(53)	290	—
Accrued vacation, compensatory, and sick time benefits	3,195	1,740	(1,561)	3,374	3,374
Unamortized discounts, premiums, and deferred amounts on refunding	(1,117)	—	233	(884)	—
Total Water Division	<u>40,215</u>	<u>3,051</u>	<u>(4,026)</u>	<u>39,240</u>	<u>6,224</u>
Parking Division:					
Revenue bonds payable	64,537	57,900	(52,317)	70,120	1,475
Net pension obligation	1,290	265	—	1,555	—
Accrued vacation, compensatory, and sick time benefits	195	275	(299)	171	171
Unamortized discounts, premiums, and deferred amounts on refunding	(2,376)	(6,348)	2,498	(6,226)	—
Total Parking Division	<u>63,646</u>	<u>52,092</u>	<u>(50,118)</u>	<u>65,620</u>	<u>1,646</u>
Business-type activities long-term liabilities	<u>\$ 993,782</u>	<u>402,671</u>	<u>(411,567)</u>	<u>984,886</u>	<u>38,621</u>

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the Series 1999 bonds). The proceeds of the Series 1999 bonds were to be used as follows: (i) \$44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or

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amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

On June 15, 2005, the City issued \$37,555 in General Obligation Refunding Bonds, Series 2005, with an average interest rate of 4.48% to refund \$37,710 in outstanding Series 1999 General Obligation Bonds with an average interest rate of 5.09%. The net proceeds of \$39,621 (after the addition of a \$2,645 premium and less a payment of \$550 in issuance costs and a \$29 discount), along with \$642 of City funds, were deposited with the Escrow Agent to be applied on June 16, 2005 to the redemption of the Series 1999 bonds. After the refunding transaction, \$10,215 in current interest Series 1999 bonds and \$695 in capital appreciation Series 1999 bonds remained outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,911. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through year 2019 using the straight-line method, which approximates the effective interest method.

In November 2006, the City issued \$13,000 General Obligation Bonds, Series 2006. The series consists of current interest serial bonds due 2008 through 2026 with rates ranging from 3.75% to 4.2%. The Series 2006 bonds were issued for the purpose of providing funds to (i) replace, improve, and maintain the City's radio system used by the Police Department, Fire Department, Emergency Medical Services, and other City departments; (ii) reconstruct, repair, and improve major streets, bridges, and the City's flood wall where federal funding is available and local funding is required. The City shall levy an ad valorem tax on all taxable, tangible property in the City, without limit as to rate or amount, for the payment of the principal of and interest on the Series 2006 bonds. The principal and interest on the Series 2006 bonds is guaranteed under a municipal bond new issue insurance policy issued by MBIA Insurance Corporation. Principal payments are made from other governmental funds.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 3,945	2,376	6,321
2009	1,085	5,146	6,231
2010	3,490	2,171	5,661
2011	3,615	2,056	5,671
2012	3,730	1,940	5,670
2013 – 2017	21,475	6,985	28,460
2018 – 2022	13,050	2,098	15,148
2023 – 2026	4,430	475	4,905
	<u>\$ 54,820</u>	<u>23,247</u>	<u>78,067</u>

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c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project
- \$10,000 for neighborhood projects

During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the \$10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

The five-year, \$10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment was made during fiscal 2007.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 2,740	3,557	6,297
2009	2,920	3,402	6,322
2010	3,110	3,234	6,344
2011	3,300	3,051	6,351
2012	3,500	2,855	6,355
2013 – 2017	21,090	10,701	31,791
2018 – 2021	22,160	3,023	25,183
	<u>\$ 58,820</u>	<u>29,823</u>	<u>88,643</u>

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway

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transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2008	\$ 50	45	95
2009	50	42	92
2010	55	38	93
2011	60	35	95
2012	65	30	95
2013 – 2017	400	74	474
	\$ 680	264	944

e. Tax Increment Financing Bond and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing (TIF) bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any moneys legally available in the City's general fund. During 2006, \$620 of payments in lieu of taxes and \$679 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

In 2007, the City issued \$16,961 Taxable Tax Increment Financing Revenue Notes (600 Washington Redevelopment Project 1 One City Centre Component) Series 2007 (Series 2007 TIF Notes). The Series 2007 TIF Notes constitute special obligations of the City, and are payable from (a) certain moneys on deposit in the Special Allocation Fund (payments in lieu of taxes, economic activity tax revenue), (b) Municipal Revenues and (c) City Revenues, which constitute other legally available funds of the City's general fund in the amount equal to pay the principal and interest on the TIF note. Payments commence on March 1, 2008. The Series 2007 TIF Notes bear interest at the rate of 6.75% per year, mature on September 1, 2029, and are subject to mandatory redemption prior to maturity.

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Additionally, from time to time, the City issues tax increment financing bonds and notes payable to developers in conjunction with various redevelopment projects throughout the City. These are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City moneys are pledged to repay these bonds and notes and, should these financing sources be insufficient to repay the bonds and notes prior to their stated maturity dates, the City's obligation under the bonds and notes will cease. As of June 30, 2007, the City had \$114,251 in TIF bonds and notes payable outstanding, at interest rates ranging from 5.5% to 10.0%, payable in various installments through 2029. The City issued \$55,158 in TIF bonds and notes payable during fiscal year 2007.

Principal and interest requirements for the tax increment financing debt issues are as follows:

	<b>General Fund Backed TIF Bonds and Notes</b>		<b>Additional TIF Bonds and Notes</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2008	\$ 1,275	1,835	2,804	6,288
2009	1,405	1,536	2,995	6,097
2010	1,545	1,389	3,200	5,893
2011	1,665	1,228	3,419	5,674
2012	—	1,145	3,653	5,440
2013 – 2017	—	5,724	20,236	23,286
2018 – 2022	221	5,724	26,772	15,558
2023 – 2027	1,893	5,439	26,561	5,936
2028 – 2029	14,847	2,420	1,760	133
	<u>\$ 22,851</u>	<u>26,440</u>	<u>91,400</u>	<u>74,305</u>

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the moneys in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve

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account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. As of June 30, 2007, the balance of the note outstanding is \$66.

g. Loan Agreement with Missouri Department of Natural Resources (DNR)

In July 2001, the City agreed to enter into a loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. During fiscal year 2004, the City made draws of \$1,953 against the loan agreement. The purpose of this funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs.

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR.

In December 2005, the City entered into another agreement with the Missouri DNR (pursuant to the Energy Efficiency Leverage Loan Program) for the amount of \$782 of which \$9 was loan origination fee and the remaining \$773 was the actual proceeds. The proceeds will be utilized for the purchase and installation of signal and walk lights throughout various locations in the City. The payments are due in semi-annual installments from 2007 to 2013 with an annual interest rate of 2.85%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 481	47	528
2009	499	28	527
2010	158	13	171
2011	125	8	133
2012	127	5	132
2013	68	1	69
	<u>\$ 1,458</u>	<u>102</u>	<u>1,560</u>

h. Loan Agreement With Metro

In July 2004, the City entered into an agreement with Bi-State Development Agency of Missouri-Illinois Metropolitan District doing business as Metro. The agreement provided for Metro to advance the City \$1,000, interest free, for the replacement of the Landowne Bridge over River Des Peres. The City repaid Metro on December 31, 2006 by appropriating funds in fiscal years 2005 and 2006.

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i. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2007:

	<b>Balance June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2007</b>	<b>Due Within One Year</b>
Due to other governmental agencies	\$ 8,785	3,991	2,363	10,413	3,785
Notes payable	2,073	2,364	—	4,437	—
Other liabilities	3,743	4,182	2,106	5,819	1,587
Revenue bonds	12,775	—	310	12,465	335
	<u>\$ 27,376</u>	<u>10,537</u>	<u>4,779</u>	<u>33,134</u>	<u>5,707</u>

Maturities on notes payable are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2008	\$ —	138	138
2009	2,736	127	2,863
2010	960	82	1,042
2011	741	31	772
	<u>\$ 4,437</u>	<u>378</u>	<u>4,815</u>

Revenue bonds outstanding at June 30, 2007 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%.

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East Parking Garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds were to repay an LCRA note payable and construct a parking lot on property in the St. Louis Centre Development Area. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a

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determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

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

	<b>Series 1999A</b>		<b>Series 1999B</b>		<b>Series 1999C</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending						
June 30:						
2008	\$ 335	86	—	569	—	214
2009	365	55	—	569	—	214
2010	425	19	220	562	—	214
2011	—	—	430	541	—	214
2012	—	—	455	512	—	215
2013 – 2017	—	—	2,745	2,050	—	1,072
2018 – 2022	—	—	4,450	635	615	1,050
2023 – 2025	—	—	—	—	2,425	285
	<u>\$ 1,125</u>	<u>160</u>	<u>8,300</u>	<u>5,438</u>	<u>3,040</u>	<u>3,478</u>

j. Component Unit— SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Due within One Year</u>
Accrued banked overtime, vacation, and sick time leave	\$ 28,037	10,457	10,361	28,133	8,003
Capital lease obligation	3,189	—	1,249	1,940	1,940
Workers' compensation	40,786	3,918	4,347	40,357	5,103
Net pension obligation	5,942	1,175	—	7,117	—
	<u>\$ 77,954</u>	<u>15,550</u>	<u>15,957</u>	<u>77,547</u>	<u>15,046</u>

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*Police Patrol Buildings*

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). In February 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued \$6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds). Proceeds from the Series 2003 bonds were used to defease the previously issued Series 1994 Bonds.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2008	\$ 1,945	21	1,966
	1,945	21	1,966
Unamortized premium	8		
Unamortized deferred amount on refunding	(39)		
	\$ 1,914		

*Automotive Equipment*

In September 2005, the SLPD entered into a lease-purchase agreement for the purchase of automotive equipment. Upon conclusion of the lease, the SLPD will attain title to the equipment. The SLPD's future lease payments under this lease-purchase are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2008	\$ 26	1	27
	\$ 26	1	27

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14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%.

In June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

On July 7, 2004, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$851 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2005 through 2007 with an annual interest rate of 3.19%.

In September 2005, the City amended its capital lease agreement with Chase Equipment Leasing Inc. resulting in new debt of \$942. This capital lease agreement is included as part of the capital lease agreement entered into in March of 2000. The proceeds of the lease are to be used to purchase computer equipment. The lease agreement payments are due in semi annual installments from 2006 through 2009 with an annual interest rate of 3.9%.

In February 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$1,048. The proceeds of the lease are to be used to purchase equipment for a new 911 emergency system. The lease agreement payments are due in semi annual installments from 2007 to 2011 with an annual interest rate of 4.88%.

In September 2006, the City amended its lease agreement with Chase Equipment Leasing Corporation resulting in new debt of \$6,014. The proceeds of the lease are to be used to purchase additional rolling stock. This portion of the capital lease is due in semi annual installments from 2007 through 2012 with an annual interest rate of 4.0534%.

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Principal payments of \$2,325 were made on these lease agreements in fiscal year 2007. The following is a schedule of future minimum lease payments as of June 30, 2007.

Year ending June 30:	
2008	\$ 2,499
2009	2,181
2010	1,889
2011	1,766
2012	1,527
2013 – 2017	2,508
2018	<u>388</u>
Total future minimum lease payments	12,758
Amount representing interest	<u>(1,863)</u>
Present value of net minimum lease payments	<u>\$ 10,895</u>

Capital assets (equipment) of \$16,763 are recorded by the City on its statement of net assets in conjunction with these capital leases.

b. Capital Lease—Kiel Site Project—Obligation with Component Unit

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Stadium East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund.

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The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2007.

Year ending June 30:		
2008	\$	973
2009		970
2010		944
2011		996
2012		966
2013 – 2017		4,834
2018 – 2022		<u>4,896</u>
Total future minimum lease payments		14,579
Amount representing interest		<u>(4,424)</u>
Present value of net minimum lease payments	\$	<u><u>10,155</u></u>

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

c. Capital Lease—Convention Center Hotel—Obligation with Component Unit

The City is subject to a Third Supplemental and Restated Lease Purchase Agreement (the Agreement) between the City, SLMFC, and SLDC, whereby SLMFC leases the Convention Center to the City. In 2000, SLDC issued Series 2000 Compound Interest Leasehold Revenue Bonds (Series 2000 Bonds) in the amount of \$40,000 for the purpose of providing funding for the construction of a convention center hotel within the vicinity of the Convention Center. Under the Agreement, SLMFC has assigned its rights under the lease relative to the Series 2000 Bonds to SLDC. The City is required, beginning on July 15, 2011, to make lease payments to SLDC to fund the annual debt service payments for the Series 2000 Bonds. The City's obligation to make these lease payments to SLDC is subordinate to the City's obligation to meet the debt service requirements of the Series 1993A and Series 2003 Convention Center Leasehold Revenue Bonds (see note 15).

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The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the capital projects fund. The following is a schedule, by years, of the future minimum lease payments together with the present value of the net minimum payments for the capital lease as of June 30, 2007.

Year ending June 30:		
2008	\$	—
2009		—
2010		—
2011		—
2012		3,525
2013 – 2017		50,870
2018 – 2020		<u>45,885</u>
Total future minimum lease payments		100,280
Amount representing interest		<u>(60,280)</u>
Present value of net minimum lease payments	\$	<u><u>40,000</u></u>

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

**15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS**

a. Civil Courts

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, were applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds.

b. Convention Center

On July 15, 1993, SLMFC issued \$144,362 in Leasehold Revenue Refunding Bonds (Series 1993A Bonds). The Series 1993A Bonds were issued to refund bonds previously issued by SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A Bonds are paid for in the City's general fund.

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On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund the current interest bonds portion of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement, and were applied on July 15, 2003 to the redemption of the \$119,960 of Series 1993A current interest leasehold revenue bonds. Thus, as of June 30, 2007, only the compound interest bonds of the Series 1993A Bonds remain outstanding.

On May 26, 2005, the SLMFC issued Series 2005A and B Compound Interest Leasehold Revenue Bonds in the amount of \$44,997 for the purpose of providing funding for the construction of the Convention Center Hotel, in addition to making debt service payments for other ongoing projects, within the vicinity of the Convention Center. Principal payments plus compounded interest (4.66%) will be made July 15, 2021 through 2030. The final maturity amounts on bonds are \$54,050 and \$62,430 for the Series 2005A and 2005B, respectively.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC Financial Group, Inc. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

Proceeds from the Series 1996A Bonds were used to construct the City Justice Center, which replaced the former municipal jail that has been demolished and will house a total of 732 prisoners. The facility is a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment

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prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time, in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A Bonds with an average interest rate of 5.93%. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

On September 1, 2005, the SLMFC issued \$15,485 in Justice Center Leasehold Revenue Refunding Bonds, Series 2005 with an average interest rate of 4.56% to advance refund \$14,360 in Series 2000A Leasehold Revenue Bonds with an average interest rate of 6.09%.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund.

d. Forest Park

On December 1, 2004, the SLMFC issued \$16,400 in Leasehold Revenue Refunding Bonds (Series 2004) with an average interest rate of 4.23% to advance refund \$16,120 of outstanding Series 1997 Forest Park Leasehold Revenue Improvement Bonds with an average interest rate of 5.45%. As a result, the Series 1997 bonds are considered defeased, and the liability for those bonds have been removed from the financial statements.

e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds were used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

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f. Carnahan Courthouse

On October 1, 2006, the SLMFC issued \$23,725 Leasehold Revenue Refunding Bonds, Series 2006A (Series 2006A) with an average interest rate of 4.23% to refund the \$21,750 Carnahan Courthouse Leasehold Revenue Bonds Series 2002A (series 2002A) with an average interest rate of 5.37%. The net proceeds of \$22,830 (after deduction of \$321 discount and less payment of \$560 in issuance costs) were used to purchase investments that mature at the same times and in such amounts as will be sufficient to pay the principal of the redemption premium, if any and the accrued interest on all of the Series 2002A Bonds being redeemed.

The City's payments are secured by a pledge agreement between the City and the Series 2006A Bonds trustee. The City's payments are further insured by the AMBAC Assurance Corporation.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,080. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2027 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 2002A bonds to reduce its total debt service payments over the next 10 years by approximately \$742 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$687.

g. Abram Building

In June 2007, the SLMFC issued \$4,000 in Abram Building Leasehold Revenue Bonds Series 2007 with an interest rate of 4.15%. The proceeds of the bonds are being used to fund the cash portion needed to purchase the Abram Federal Building.

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h. Principal and Interest Requirements

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

	<u>Civil Courts</u>		<u>Firemen's System</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2008	\$ 2,075	677	\$ 2,475	629
2009	2,155	589	2,635	465
2010	2,255	493	2,805	288
2011	2,360	381	2,990	98
2012	2,465	270	—	—
2013 – 2015	5,265	196	—	—
	<u>\$ 16,575</u>	<u>2,606</u>	<u>\$ 10,905</u>	<u>1,480</u>
	<u>Justice Center</u>		<u>Forest Park</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2008	\$ 6,285	4,836	\$ 760	610
2009	6,620	4,507	785	587
2010	6,925	4,202	805	563
2011	7,250	3,875	835	533
2012	11,025	3,528	865	508
2013 – 2017	34,285	10,420	4,850	2,001
2018 – 2022	25,555	1,027	6,045	803
	<u>\$ 97,945</u>	<u>32,395</u>	<u>\$ 14,945</u>	<u>5,605</u>

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	<b>Carnahan Courthouse</b>		<b>Convention Center</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
Year ending June 30:				
2008	\$ —	974	\$ 13,445	4,277
2009	—	974	11,675	3,688
2010	15	974	12,915	3,094
2011	160	974	14,035	2,428
2012	170	968	9,940	1,818
2013 – 2017	5,405	4,471	33,722	9,194
2018 – 2022	7,790	3,124	8,967	10,437
2023 – 2027	10,185	1,386	24,047	36,627
2028 – 2030	—	—	11,983	24,418
	<u>\$ 23,725</u>	<u>13,845</u>	<u>\$ 140,729</u>	<u>95,981</u>

	<b>Abram Building</b>	
	<b>Principal</b>	<b>Interest</b>
Year ending June 30:		
2008	\$ 341	151
2009	343	148
2010	358	134
2011	372	119
2012	388	103
2013 – 2017	2,198	259
	<u>\$ 4,000</u>	<u>914</u>

16. JOINT VENTURE FINANCING AGREEMENT

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

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase, or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 2007 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's

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\$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project).

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds.

In May 2007, the Authority issued Convention and Sports Facility Project Refunding Bonds Series C 2007 (Series C 2007 Bonds) in the amount of \$49,585. The proceeds were issued for the purpose of (i) providing funds to refund all of the Authority's \$61,285 original principal amount of Series C 1997 Bonds, and (ii) for the City to make various project improvements to the Cervantes Convention Center in the amount of \$2,421.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,054. This difference, reported in the accompanying financial statements as an increase of bonds payable, is being charged to operations through 2022 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series C 1997 bonds to reduce its total debt service payments over the next 10 years by approximately \$2,084 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$906.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2007, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

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	<b>Principal</b>	<b>Interest</b>	<b>Preservation Payments</b>	<b>Total</b>
Year ending June 30:				
2008	\$ 970	1,912	3,118	6,000
2009	2,440	2,488	1,072	6,000
2010	2,565	2,357	1,078	6,000
2011	2,700	2,219	1,081	6,000
2012	2,840	2,073	1,087	6,000
2013 – 2017	16,610	7,903	5,487	30,000
2018 – 2022	21,460	2,932	2,608	27,000
	\$ 49,585	21,884	15,531	87,000

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

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17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2007 are summarized as follows:

Bond Series 1996, interest rate of 5.35%, payable in varying amounts through 2008	\$ 4,275
Bond Series 1997, interest rates ranging from 5.25% to 6.00%, payable in varying amounts through 2015	39,575
Bond Series 1998, interest rates ranging from 4.00% to 5.13%, payable in varying amounts through 2016	54,330
Bond Series 2001A, interest rates ranging from 4.13% to 5.50%, payable in varying amounts through 2012	30,810
Bond Series 2002, Series A, B, and C, interest rates ranging from 3.00% to 5.50%, payable in varying amounts through 2033	44,885
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2005, interest rate ranging from 4.00% to 5.50%, payable in varying amounts through 2032	263,695
Bond Series 2007A, interest rate ranging from 4.00% to 5.25%, payable in varying amounts through 2033	231,275
Bond Series 2007B, interest rate ranging of 5.00%, payable in varying amounts through 2028	104,735
	843,920
 Less:	
Current maturities	(25,090)
Unamortized discounts and premiums	60,906
Deferred amounts on refunding	(39,080)
	\$ 840,656

Interest payments on the above issues are due semiannually on January 1 and July 1.

On January 23, 2007, the Airport issued \$231,275 in Series 2007A Revenue Refunding Bonds with an average interest rate of 4.88 percent to advance refund \$178,395 of outstanding 2001A Series Revenue Refunding bonds, and \$54,670 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.07 percent. The net proceeds of \$241,933 (after the addition of a net issue premium of \$15,798 and payment of \$5,140 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$178,395 of 2001A Series Revenue Refunding bonds, and \$54,670 of 2002A Series Revenue Refunding bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007A Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$11,455. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is

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being charged to operations through the year 2032 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by \$8,641 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$7,238.

On April 3, 2007, the Airport issued \$104,735 in Series 2007B Revenue Refunding Bonds with an average interest rate of 4.93 percent to advance refund \$106,150 of outstanding 1997B Series Revenue Refunding bonds with an average interest rate of 5.25 percent. The net proceeds of \$108,766 (after the addition of a net issue premium of \$6,324 and payment of \$2,294 in underwriting fees, insurance, and other issuance costs) were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. At June 30, 2007, \$106,150 of 1997B Series Revenue Refunding bonds is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding with the Series 2007B Revenue Refunding Bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,399. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 20 years by \$8,018 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,754.

On July 7, 2005, the Airport issued \$263,695 in Series 2005 Revenue Refunding Bonds with an average interest rate of 5.47 percent to advance refund \$37,575 of outstanding 1997A Series Revenue Refunding bonds, \$225,980 of outstanding 2001A Series Revenue Refunding bonds, and \$10,400 of outstanding 2002A Series Revenue Refunding bonds with an average interest rate of 5.31 percent. The net proceeds of \$293,331 (after the addition of a net issue premium of \$39,522 and payment of \$9,886 in underwriting fees, insurance, and other issuance costs) plus an additional \$6,095 of 1997A and 2001A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the refunded debt service payments. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,812. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2031 using the bonds outstanding method. The Airport completed the advance refunding to reduce its total debt service payments over the next 25 years by \$16,536 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,432.

The deferred amounts on refunding of \$39,080 at June 30, 2007, relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1997A, Bond Series 1997B, Bond Series 2000, Bond Series 2001A, Bond Series 2002A, Bond Series 2003A, and Bond Series 2003B and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

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Notes to Basic Financial Statements, Continued  
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Management of the Airport is not aware of any violations of significant bond covenants with respect to the above issues at June 30, 2007.

As of June 30, 2007, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 25,090	40,841	65,931
2009	21,725	41,731	63,456
2010	21,670	40,594	62,264
2011	24,015	39,380	63,395
2012	25,965	38,061	64,026
2013 – 2017	178,150	165,378	343,528
2018 – 2022	182,485	116,889	299,374
2023 – 2027	180,710	71,700	252,410
2028 – 2032	177,510	24,919	202,429
2033	6,600	148	6,748
	<u>\$ 843,920</u>	<u>579,641</u>	<u>1,423,561</u>

In the current and prior years, the Airport advance refunded various Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2007, \$664,875 of outstanding revenue bonds are considered defeased.

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b. Water Division

Water revenue bonds outstanding at June 30, 2007 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1998 Water Revenue Bonds, 4.10% to 4.75%		
Payable in varying amounts through July 1, 2014	\$	29,175
Less:		
Current maturities		(2,850)
Deferred amount on refunding		(828)
Unamortized discounts		(56)
	\$	<u>25,441</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 2,850	1,169	4,019
2009	3,300	1,032	4,332
2010	3,440	887	4,327
2011	3,585	732	4,317
2012	3,740	567	4,307
2013 – 2015	12,260	595	12,855
	<u>\$ 29,175</u>	<u>4,982</u>	<u>34,157</u>

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c. Parking Division

Revenue bonds outstanding at June 30, 2007 are as follows:

SLPCFC Series 2003A tax-exempt revenue bonds interest rates variable not to exceed 12% payable in varying amounts through 2028	\$ 5,560
SLPCFC Series 2003B taxable revenue bonds interest rates variable not to exceed 5% payable in varying amounts through 2038	6,660
Series 2006 revenue bonds interest ranging from 3.75% to 5.14% payable in varying amounts through 2031	57,900
	70,120
Less:	
Current maturities	(1,475)
Unamortized discount and deferred loss on refunding	(6,226)
	\$ 62,419

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending June 30:			
2008	\$ 1,475	3,209	4,684
2009	1,546	3,136	4,682
2010	1,624	3,060	4,684
2011	1,708	2,981	4,689
2012	1,794	2,897	4,691
2013 – 2017	10,476	13,100	23,576
2018 – 2022	13,183	10,582	23,765
2023 – 2027	16,388	7,274	23,662
2028 – 2032	19,389	3,137	22,526
2033 – 2037	2,129	423	2,552
2028	408	20	428
	\$ 70,120	49,819	119,939

On December 14, 2006, the Parking Division issued \$46,250 in Series 2006A Parking Revenue Tax-Exempt Bonds and \$11,650 in Series 2006B Parking Revenue Taxable Bonds. The bonds

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were issued for the purpose of current refunding the outstanding Series 1996 and Series 1999 parking revenue bonds, and advance refunding the outstanding Series 2002 parking revenue bonds to achieve present value savings, provide debt service relief, modernize and streamline the issuance of future revenue bonds, fund the construction of the Euclid/Buckingham Garage, fund the Series 2006A and Series 2006B debt service reserves, and to fund the bond insurance premium and other costs of issuance of the Series 2006A and 2006B bonds. The bond series refunded and the amount outstanding were:

- 1) Parking Revenue Refunding Bonds, Series 1996 – \$22,085
- 2) Parking Revenue Bonds (Argyle Project), Series 1999 – \$9,805
- 3) Subordinated Parking Revenue Bonds (Downtown Parking Facilities), Series 2002 – \$20,170

A portion of the net proceeds from the Series 2006A and Series 2006B issuance in the amount of \$53,685, plus an additional \$924 from the Series 2002 Revenue Bonds debt service reserve monies, \$312 from the Series 2002 Revenue Bonds debt service reserve fund, and \$275 from the Series 1999 Revenue Bonds debt service reserve funds were deposited into an irrevocable trust with an escrow agent to current refund the Series 1996 and Series 1999 Bond issuances on December 15, 2006, and to advance refund the Series 2002 Bond issuance on February 1, 2012. Therefore, as of June 30, 2007, the Series 1996, Series 1999, and Series 2002 bonds are considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of June 30, 2007, \$19,270 and \$0, respectively, of defeased Series 2002 Bonds remain outstanding.

The current and advance refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7,029. This difference is reported as a deduction from bonds payable and is being charged to operations over the life of the new bond issue using the straight-line method, which approximates the effective interest method.

The current and advance refunding increases total debt service payments over the life of the Series 2006A and Series 2006B bond issuances by \$5,745, and results in an economic gain (difference between the present values of the old and new debt service payments) of \$2,102.

On November 20, 2003, the SLPCFC issued \$6,730 in Series 2003A Tax-Exempt Parking Revenue Bonds at a variable interest rate not to exceed 12% and \$6,882 in Series B Taxable Parking Revenue Bonds at a variable interest rate not to exceed 5% for the purpose of purchasing the Cupples Garage located in downtown St. Louis. The net proceeds of the bonds were \$13,127, after the deduction of \$485 in underwriting fees and issuance costs. The Series 2003 A and Series 2002B bonds are secured solely by the net revenues of the Cupples Garage and do not constitute a general obligation of the Parking Division or the City.

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18. SHORT-TERM DEBT

a. City

Short-term debt activity for the year ended June 30, 2007 was as follows:

	<b>Balance June 30, 2006</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2007</b>
Tax revenue anticipation notes	\$ —	36,000	(36,000)	—

b. Airport

On May 1, 2004, the City's Board of Alderman authorized the Airport to issue Commercial Paper Notes, 2004 Program, in an aggregate principal amount not to exceed \$125,000 outstanding at any one time. As of June 30, 2007, commercial paper of \$1,000 was outstanding. This commercial paper bore interest at rate of 3.85% and was due on September 5, 2007.

Following is a summary of the changes in commercial paper payable for the Airport for the year ended June 30, 2007:

	<b>Balance June 30, 2006</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Balance June 30, 2007</b>
Commerical paper payable	\$ 1,000	7,000	(7,000)	1,000

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport and Water Division have entered into 10 forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport and Water Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates. During the year ended June 30, 2007, the Parking Division terminated the forward purchase agreement it had entered into in association with the Series 1996 bonds due to the bond's defeasance.

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b. Terms

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

	Airport I	Airport II	Airport III	Airport IV	Airport V	Airport VI
Date of origin	June 1995	September 1997	October 2000	December 2003, as amended July 2005	December 2003, as amended January 2007	December 2003, as amended July 2005 and January 2007
Underlying bond account(s)	Series 1996, Series 2002C, Series 2003B debt service	Series 1997 debt service reserve	Series 2003A debt service reserve	Series 1997 A, Series 2005 debt service reserve	Series 1997B, Series 2007B, debt service	Series 2001A, Series 2005, Series 2007A debt service
Guaranteed interest rate	6.34%	6.18%	6.47%	5.34%	5.35%	Series 2001: 5.432% Series 2005: 5.432% Series 2007A: 5.440%
Lump-sum payment received at beginning of agreement	\$7,209	N/A	N/A	N/A	N/A	N/A
Date of termination (upon maturity of bond series)	2015	2007	2008	2027	2014	2031
Notional amount (representing balance in applicable accounts)	\$5,514	N/A	\$7,034	\$1,015	\$2,284	\$13,751
Obligation (representing the unamortized portion of lump- sum payment) recorded on the statement of fund net assets at June 30, 2007	\$840	N/A	N/A	N/A	N/A	N/A

**City of St. Louis, Missouri**  
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The terms of Airport forward purchase agreements VII – IX and the Water Division forward purchase agreement are as follows:

	Airport VII	Airport VIII	Airport IX	Water Division
Date of origin	December 2003, as amended July 2005 and January 2007	December 2003	December 2003	February 1996
Underlying bond account(s)	Series 2002A, Series 2005 debt services	Series 2002B debt service	Series 2003A debt service	Series 1994 and Series 1998 debt service
Guaranteed interest rate	5.473%	5.332%	5.579%	6.200%
Lump-sum payment received at beginning of agreement	N/A	N/A	N/A	\$941
Date of termination (upon maturity of bond series)	2020	2032	2018	2014
Notional amount (representing balance in applicable accounts)	\$706	\$1,393	\$6,165	\$3,559
Obligation (representing the unamortized portion of the initial lump-sum payment) recorded on the statement of fund net assets at June 30, 2007	N/A	N/A	N/A	\$290

In January 2007, the Airport's forward purchase agreement VI and VII were amended to replace the defeased portions of Bond Series 2001A and Bond Series 2002B with Bond Series 2007A. No payments were made in consideration of this amendment.

In April 2007, the Airport's forward purchase agreement V was amended to replace Bond Series 1997B with Bond Series 2007B. No payments were made in consideration of this amendment.

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Notes to Basic Financial Statements, Continued  
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In April 2007, forward purchase agreement II was terminated with the issuance of the Series 2007B Bonds. No payments were made in consideration of this amendment.

In July 2005, the Airport's forward purchase agreements IV, VI, and VII were amended to replace Bond Series 1997A, Bond Series 2001A, and Bond Series 2002A, respectively, with Bond Series 2005 bonds. No payments were made in consideration of this amendment.

For the Airport forward purchase agreement I and the Water Division forward purchase agreement, in exchange for the lump-sum payment received, the City has contracted to buy qualified eligible securities from financial institutions every month until the bonds mature, are called, or are refinanced. These institutions receive the actual interest earned on the securities purchased every month. The difference between the fixed interest rate earned by the City and the variable interest rate paid to the financial institution is recorded as a net adjustment to net interest expense.

For the Airport forward purchase agreements III through IX, the City has contracted to buy qualified eligible securities from a financial institution on a semiannual basis and the financial institution has guaranteed that the securities will earn a stated rate. To the extent the securities earn a greater rate of return, the City is required to refund the differential to the financial institution, if a lesser rate is earned, the financial institution absorbs the loss.

c. Fair Value

As disclosed above, the City's obligations associated with Airport forward purchase agreement I and the Water Division forward purchase agreement are recorded on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump-sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is not recorded on the financial statements. As of June 30, 2007, these fair values are as follows:

Agreement	Fair Value
Airport III	\$ 186
Airport IV	85
Airport V	78
Airport VI	1,548
Airport VII	34
Airport VIII	68
Airport IX	254

These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed, and multiplied by the securities

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2007 for a U.S. Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport and the Water Division to the financial institutions as of June 30, 2007. Should the financial institutions fail to perform according to the terms of the agreement, the Airport and the Water face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

The forward purchase agreement exposes the Airport and the Water Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, the Water Division would realize this increase in investment earnings.

f. Termination Risk

Should the Airport or the Water Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination. During the fiscal year 2007, the Parking Division terminated a forward purchase agreement when the 1996 bonds were refunded. When the termination took place, the fair value of the forward purchase agreement was negative. The Parking Division was required to pay a termination payment in the amount of \$360 to the financial institution, which is recorded as part of nonoperating expenses.

20. OPERATING LEASES

- a. At June 30, 2007, the City was committed under miscellaneous operating leases for office space and equipment. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2008	\$ 1,342
2009	923
2010	486
2011	440
2012	441
2013 – 2017	2,274
2018 – 2022	250
2023 – 2027	250
2028 – 2032	38
	<u>\$ 6,444</u>

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

Effective January 1, 2006, the Airport entered into new long-term use and lease agreements with signatory air carriers that expires on June 30, 2011. The previous long-term use and lease agreements with signatory air carriers expired on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue—airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue—terminal and concourses, hangars and other buildings, or cargo buildings, respectively.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2007, revenues from signatory air carriers accounted for 59% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2007:

	<u>Signatory</u>	<u>Non-signatory</u>	<u>Total</u>
Airfield	\$ 52,721	9,857	62,578
Terminal and concourses	19,491	2,446	21,937
Hangars and other buildings	764	29	793
Cargo buildings	673	68	741
	<u>\$ 73,649</u>	<u>12,400</u>	<u>86,049</u>

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

Year ending June 30:	
2008	\$ 19,770
2009	14,473
2010	8,966
2011	7,484
2012	7,000
2013 – 2017	12,900
2018 – 2022	7,859
2023 – 2027	3,562
2028 – 2032	3,562
2033 – 2037	<u>1,781</u>
Total minimum future rentals	<u>\$ 87,357</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$5,895 for the year ended June 30, 2007.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2010. Expenses for operating leases and service agreements were \$3,592 for the year ended June 30, 2007. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2008	\$ 126
2009	71
2010	42
2011	<u>7</u>
Total minimum future rentals	<u>\$ 246</u>

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

In December 1996, SLDC signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017.

Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2008	\$ 255
2009	255
2010	255
2011	255
2012	270
2013 – 2017	<u>1,405</u>
	<u>\$ 2,695</u>

Rent expenditures, net rents received of \$443, were \$306 during the year ended June 30, 2007.

Additionally, at June 30, 2007, SLDC was committed through February 2012 under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

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21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2007 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special revenue—grants fund	\$ 9,667
	Capital projects fund	6,067
	Other governmental nonmajor funds	2,362
	Enterprise:	
	Airport	1,648
	Water Division	793
	Parking Division	1,232
	Internal service funds	627
		<u>22,396</u>
	Other governmental nonmajor funds	General fund
Special revenue—grants fund		5,051
Capital projects fund		225
Other governmental nonmajor funds		557
		<u>7,023</u>
Internal service funds	General fund	82
	Enterprise:	
	Airport	2,122
	Water Division	1,539
	Parking Division	190
	<u>3,933</u>	
	<u>\$ 33,352</u>	

All of these interfund balances are due to either timing differences or due to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2008.

Advances to/from other funds as of June 30, 2007 are as follows:

General fund (Advance to internal service fund)	<u>\$12,121</u>
Internal Service fund (Advance from General fund)	<u>\$12,121</u>

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22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

		<b>Transfer To</b>					
		<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Govern- mental Funds</b>	<b>Water Division</b>	<b>Parking Division</b>	<b>Total</b>
	General fund	\$ —	13,143	1,550	—	—	14,693
	Capital Projects fund	80	—	—	—	—	80
	Other Governmental Funds	10,510	7,152	—	235	1,058	18,955
<b>Transfer</b>							
<b>From</b>	Airport	5,553	—	—	—	—	5,553
	Water Division	2,625	—	—	—	—	2,625
	Parking Division	1,000	—	—	—	—	1,000
		<u>\$ 19,768</u>	<u>20,295</u>	<u>1,550</u>	<u>235</u>	<u>1,058</u>	<u>42,906</u>

Interfund transfers were used to: (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant moneys in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program moneys. Through June 30, 2007, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

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Notes to Basic Financial Statements, Continued  
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b. Landfill Closure

Pursuant to the original agreement between the DNR and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with DNR as the beneficiary. DNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2007, no amounts had been drawn against the letter of credit by DNR. At June 30, 2007, \$120 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. In April 2007, the City notified DNR of completion of the project and is awaiting final acceptance by the state.

c. Commitments

At June 30, 2007, the City had outstanding commitments amounting to approximately \$60,072, resulting primarily from service agreements.

Additionally, at June 30, 2007, the Airport had outstanding commitments amounting to approximately \$49,528 resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines and Southwest Airlines

American Airlines (American) and Southwest Airlines (Southwest) represent the major air carriers providing air passenger service at the Airport.

American provided 22% of the Airport's total operating revenues and 36% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of \$2,859 relating to amounts owed to the Airport by American. These amounts include \$1,525 of unbilled aviation revenues at June 30, 2007.

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property, leasehold interest in a hangar and office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. In addition, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

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Lease revenue under the agreement was \$0 for the years ended June 30, 2007. The agreement expired on December 31, 2005.

Southwest provided 20% of the Airport's total operating revenues and 30% of total revenues from signatory air carriers for the fiscal year ended June 30, 2007. Accounts receivable at June 30, 2007 contained of \$2,937 relating to amounts owed to the Airport by Southwest. These amounts include \$1,564 of unbilled aviation revenues at June 30, 2007.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the FAA for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21<sup>st</sup> century, including one additional 9,000 foot parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction of this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 LOI Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 LOI Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport. As of June 30, 2007, land acquisition activities relative to the W-1W expansion project are complete.

f. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

g. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

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SLDC has entered into various cooperative agreements with the CDA as a subrecipient/administrator of the Community Development Block Grant Programs. The purpose of these grants and contracts is to provide support for economic development in the City.

SLDC has been awarded federal tax credits through the U.S. Department of Treasury's New Markets Tax Credit Program to support \$52,000 in private investments in low-income areas. The entire \$52,000 of tax credits had been allocated to seven entities of which six of the transactions has closed as of June 30, 2007. SLDC has received administrative and sponsor fees totaling \$2,325 as of June 30, 2007. SLDC has incurred \$786 of related legal, accounting, and financial start-up expenses and recorded \$786 of revenue as of June 30, 2007. SLDC is holding the remaining amount of \$1,538 in cash and investments with a corresponding liability recorded to be recognized as revenue when expenses or program initiatives to the NMTC are incurred.

h. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state, and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the contract and grant agreements and are subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2007.

24. RISK MANAGEMENT

a. Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and prescription drug coverage. Effective February 1, 2003, the City became self-insured for property damage caused by garbage and refuse trucks. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$15,765 at June 30, 2007, relating to these matters is recorded in the self-insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

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The City was also self-insured for healthcare coverage for its employees and retirees through June 12, 2004 and June 30, 2004, respectively. The City was self-insured for healthcare coverage for employees of Harry S. Truman Restorative Center (HSTRC) and Tower Grove Park through June 30, 2004. Effective June 13, 2004, for employees of the City and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park, the City elected to purchase commercial insurance for its previously self-insured health insurance program. The City remains self-insured for the prescription drug coverage provided to employees and retirees. Additionally, the City is still self-insured for any healthcare claims that arise from incidents occurring prior to June 13, 2004 for employees and July 1, 2004 for retirees and employees of HSTRC and Tower Grove Park.

For the period the City was self-insured for healthcare coverage, it paid the cost of the lowest available coverage for all City employees. Employees were required to pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for coverage of a spouse and/or dependents. Retirees and employees of HSTRC and Tower Grove Park had to contribute a monthly amount to cover the cost of their healthcare if participating in the plan. During the self-insured period, all funding levels were actuarially determined at the start of the plan and reevaluated at the beginning of each fiscal year.

For healthcare coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$579 at June 30, 2007 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2007 and, for the years ended June 30, 2007, 2006, and 2005 settlements did not exceed coverage.

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Changes in the self-insurance claims liability for the years ended June 30, 2007 and 2006 are as follows:

		<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2007	\$	17,019	12,942	(13,617)	16,344
2006		17,404	14,161	(14,546)	17,019

Additionally, there is an estimate of general liability claims outstanding of \$6,657 to \$6,682, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not both probable and estimate able.

b. Component Unit—SLPD

SLPD is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. A number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty.

During fiscal year 2005, the Court of Appeals for the State of Missouri affirmed that under Missouri State Statutes, Chapter 84, the SLPD is an agency of the state. As an agency of the state, the SLPD was covered by the State of Missouri's legal expense fund for most general liability and various other claims and legal actions occurring prior to August 28, 2005. On August 28, 2005, Missouri legislations became effective modifying the coverage provided to the SLPD by the State of Missouri for general liability and various other claims and legal actions. State of Missouri Bill No. 420 provides that the State of Missouri is liable annually for funding general liability claims on an equal share basis per claim with the Public Facilities Protection Corporation (PFPC), an internal service fund of the City of St. Louis, up to a maximum of \$1,000. The SLPD is covered by PFPC for most self-insured risks, including general liability and various other claims and legal actions, exceeding the limitations set forth by the enacted legislation. Accounting for and funding of these self-insured risks is generally covered by the City. As of June 30, 2007, \$200 of claims with a reasonable possibility of adverse outcome were not covered by the City. No amounts have been accrued within the accompanying financial statements for these claims.

SLPD has established a risk management program and retains the risk related to workers' compensation. At June 30, 2007, these liabilities amounted to \$40,357 for workers' compensation. Of SLPD's total worker's compensation liability, \$32,985 has been accrued for benefits to be paid for long-term medical care for two officers seriously injured in the line of duty. Benefit payments for these two cases amounted to approximately \$1,202 for the year ended June 30, 2007.

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Changes in the balances of workers' compensation claims liabilities for the years ended June 30, 2007 and 2006 are as follows:

	<u>Beginning Balance</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2007	\$ 40,786	3,918	(4,347)	40,357
2006	45,968	(388)	(4,794)	40,786

The SLPD obtains periodic funding valuations from a third-party administrator who manages workers' compensation claims to maintain the appropriate level of estimated claims liability. The SLPD also purchases excess liability coverage for workers' compensation claims.

**25. GRANT LOAN PROGRAMS**

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low- and moderate-income families. These loans typically are noninterest bearing, due in 25 years, and secured by a second deed of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured, and accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if moneys have not been spent) in the year of receipt.

**26. COMPONENT UNIT—SLDC CONDUIT DEBT**

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements. The amount of tax-exempt bonds outstanding at June 30, 2007 could not be determined; however, the original issue amounts totaled approximately \$2 billion (in dollars).

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
June 30, 2007  
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27. TRANSPORTATION DEVELOPMENT DISTRICT

In August 2003, the City and a hotel developer entered into an agreement for the creation of a transportation development district (TDD). The TDD is a separate political subdivision of the State. Its boundaries coincide with the property upon which the hotel developer is constructing a new 206-room hotel and 415-car garage. During 2005, the TDD issued \$6,350 in TDD obligations to finance this construction. The TDD has the authority to levy a 1% sales tax within the district in order to repay this debt, which the City collects on behalf of the TDD and remits to the TDD. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax that will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements. Additionally, the City has agreed to pledge 75% of the City tax revenues generated within the district to the TDD in exchange for the TDD's pledge to leave at least 200 of the spaces in the parking garage available for public use.

On April 5, 2007, the City and the Highlands TDD entered into an Intergovernmental Cooperation Access and Parking Agreement in which the district has pledged an annual appropriation of the TDD Revenues to pay TDD notes. A TDD Revenue Note Series 2007B was issued in the amount of \$605 at an interest rate of 6%. Since the TDD obligations were issued in the name of the TDD, and the 1% sales tax which will finance these obligations is levied under the authority of the TDD, these TDD obligations are not recorded as a liability within the accompanying financial statements.

28. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2007, the City issued \$32,000 in Tax and Revenue Anticipation Notes payable from the general fund. The notes mature on June 30, 2008 and bear interest at a rate of 4.50% per year.

b. Issuance of the Recreation Sales Tax Leasehold Revenue Bonds Series 2007

On July 12, 2007, the SLMFC issued the Recreation Sales Tax Leasehold Revenue Bonds Series 2007 in the amount of \$51,965. The Series 2007 Bonds will be used to pay the costs of designing and constructing two new recreational center facilities. The Series 2007 Bonds are due in installments through February 2024 and bear an interest rate ranging from 4.0% to 5.0%.

c. Airport Commercial Paper

On September 5, 2007, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due November 13, 2007, at an annual interest rate of 3.85% for the purpose of financing the cost of extension, improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

On November 13, 2007, the Airport issued \$1,000 in Series 2004A Commercial Paper Notes, due March 10, 2008, at an annual interest rate of 3.40% for the purpose of financing the cost of extension,

**City of St. Louis, Missouri**  
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improvement, purchase, acquisition, construction, or enlargement of facilities, appurtenances, and equipment at the Airport.

d. Issuance of the Taxable Leasehold Revenue and Refunding Bonds (Pension Funding Project)

On September 27, 2007, the SLMFC issued the Taxable Leasehold Revenue and Refunding Bonds Series (Pension Funding Project) in the amount of \$140,030. The proceeds of the Series 2007 Bonds were issued for the purpose of paying certain judgments and other amounts in connection with the City's three defined retirement plans. The Series 2007 Bonds are 6.5% term bonds due June 1, 2037 at 95.891% to yield 6.663%.

e. Tax Increment Revenue Notes

Subsequent to June 30, 2007, the City issued tax increment revenue notes totaling \$6,508 with interest rates ranging from 5.50% to 7.0%.

f. Tax Increment and Community Improvement District Refunding Revenue Bonds

On November 27, 2007, the City issued tax increment refunding revenue bonds for the Loughborough Commons Redevelopment Project totaling \$18,430. The bonds will be used to refund Tax Increment Financing Notes and the Community Improvement District Notes issued for the Loughborough Redevelopment Projects. The bonds mature on November 1, 2027 and bear interest ranging from 5.05% to 5.75%.

g. Parking Revenue Bonds Series 2007

On December 13, 2007, the Parking Division issued \$12,705 Parking Revenue Bonds Series 2007 to fund the construction of the Downtown Justice Center Garage, a 538-car parking garage. The garage will be immediately adjacent to the City's new Justice Center and the Parking Division's Chouteau Building. The Series 2007 Bonds are due in installments through June 2034 and bear an interest rate ranging from 4.125% to 6.0%.

h. Police Capital Improvements Sales Tax Leasehold Revenue Bonds

On December 13, 2007, the SLMFC issued \$25,000 in Police Capital Improvements Sales Tax Leasehold Revenue Bonds Series 2007. The bonds will be used for capital improvements to three area command stations and other buildings owned by the Police Board, including the headquarters for the Police Department and the Police Academy. Certain interoperable communications equipment will be purchased to be used by the City police, fire, and EMS personnel. A portion of the Series 2007 Bonds are due in installments through February 2021 and bear an interest rate ranging from 3.625% to 4.1%. The remainder are term Bonds due between 2023 and 2037 and bear an interest rate ranging from 4.25% to 5.0%.

i. Rolling Stock

On November 29, 2007, the City amended its capital lease agreement to increase the capital lease by \$825 in order to finance the acquisition computer hardware and software. This portion of the capital

**City of St. Louis, Missouri**  
Notes to Basic Financial Statements, Continued  
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lease is due in semi-annual installments from 2008 through 2010 with an annual interest rate of 4.0238%.

**29. FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local government employers. GASB Statement No. 45 will be effective for the City for the fiscal year ending June 30, 2008. Management of the City has not yet completed its assessment of the statements.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, establishes criteria that will be used to determine whether certain transactions should be regarded as a sale or a collateralized borrowing. This statement also includes a provision that entities should not revalue assets that are transferred between the financial reporting entity components. GASB Statement No. 48 will be effective for the City for the fiscal year ending June 30, 2008. The City has not yet determined the effect that adoption of GASB Statement No. 48 may have on the financial statements.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement will be effective for the City for the fiscal year ending June 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets. GASB Statement No. 51 also requires that an intangible asset be recognized only if it is considered identifiable. GASB Statement No. 51 will be effective for the City for the fiscal year ending June 30, 2010, if applicable. Management of the City has not yet completed its assessment of the statement.

## **APPENDIX C**

### **Definitions of Words and Terms**

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## APPENDIX C

### Definitions of Words and Terms

In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of words and terms used in the Indenture, the Lease Purchase Agreement, and the Deed of Trust.

*“Accreted Value”* means, with respect to Compound Interest Bonds, the amount to which, as of any specified time, the principal of any such Bond has been increased by accretion, all as may be provided in an applicable Supplemental Indenture. The term *“Accreted Value”* includes Series 1993A Accreted Value, Series 2000 Accreted Value, Series 2005A Accreted Value, and Series 2005B Accreted Value.

*“Accretion Date”* means each Series 1993A Accretion Date, each Series 2000 Accretion Date, and each Series 2005 Accretion Date.

*“Additional Bonds”* means any additional Bonds, including Refunding Bonds, issued by the Corporation pursuant to Section 209 of the Indenture. The term *“Additional Bonds”* includes Series 1993 Bonds, Series 2003 Bonds, the Series 2005A Bonds, and the Series 2008 Bonds.

*“Additional Project”* means (i) any additional improvements, extensions, remodeling, renovating or altering of the Convention Center Property, (ii) additional repairs, improvements, remodeling, alterations, extensions, or equipping of the Convention Center Property; or (iii) any additional equipment or rolling stock to be used by the City in connection with the Convention Center Property which are in addition to the Series 1990 Project, each to be financed out of the proceeds of Additional Bonds.

*“Additional Rentals”* means the payments payable pursuant to Section 4.2 of the Lease Purchase Agreement.

*“Alternate Security”* means any instrument, including, but not limited to, a letter of credit, line of credit, guaranty, standby loan commitment, bond insurance policy, or surety bond or any similar credit or liquidity facility, or any combination thereof, (i) approved by the Corporation and delivered to the Trustee for the benefit of the owners of any Series of Bonds to which such instrument relates, (ii) replacing any such existing facility, (iii) dated as of a date prior to the expiration date of the facility for which the same is to be substituted, (iv) which, in the case of a letter of credit, shall expire not earlier than a date which is 15 days after an Interest Payment Date for the Series of Bonds to which such instrument relates, and (v) issued on substantially similar terms and conditions with respect to the rights of the owners of such Series of Bonds as the then existing facility, provided that the stated amount of the Alternate Security shall equal the sum of the aggregate principal amount of the Series of Bonds to which such instrument relates at the time Outstanding and such Alternate Security shall be rated not lower than “Baa” by Moody’s and “BBB” by S&P.

*“Ambac”* means Ambac Assurance Corporation, a Wisconsin stock insurance company, as issuer of the Series 1993 Bond Insurance Policy, the Series 2000 Bond Insurance Policy, the Series 2003 Bond Insurance Policy, the Series 2005 Bond Insurance Policies, the Series 1993 and 2000 Surety Bond, the Series 2003 Surety Bond, and the Series 2005 Surety Bonds, and any successors or assigns.

*“Ambac Guaranty Agreements”* means, collectively, the Series 1993 and 2000 Guaranty Agreement, the Series 2003 Guaranty Agreement, and the Series 2005 Guaranty Agreements.

“*Ambac Surety Bonds*” means, collectively, the Series 1993 and 2000 Surety Bond, the Series 2003 Surety Bond, and the Series 2005 Surety Bonds.

“*Assured Guaranty*” means Assured Guaranty Corp., a Maryland-domiciled insurance company.

“*Authority*” means The Industrial Development Authority of the City of St. Louis, Missouri, an industrial development corporation duly organized under Chapter 349 of the Revised Statutes of Missouri, as amended, and its successors and assigns.

“*Authority Representative*” means the person or persons at the time designated to act on behalf of the Authority in matters not requiring corporate authorization relating to the Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Authority by its Executive Director. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Authority Representative.

“*Authorized Denominations*” means \$5,000 or any integral multiple thereof.

“*Bank Notice*” means, with respect to a Credit Facility that is a letter of credit, a notice from the Credit Facility Provider delivered to the Trustee, pursuant to the Credit Facility, declaring that an “event of default” has occurred thereunder, and stating that such Credit Facility will terminate 15 days from the date such notice is received by the Trustee.

“*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. The term “Bond” shall include Variable Rate Debt, any short term note or other debt obligation of an Issuer issued under the Indenture.

“*Bond Counsel*” means an attorney or firm of attorneys with nationally recognized standing in the field of municipal bond financing approved by the Corporation and, so long as the City is lessee of the Convention Center Property, the City.

“*Bond Fund*” means the St. Louis Municipal Finance Corporation Leasehold Revenue Bond Fund ratified in Section 501 of the Indenture and which may contain separate accounts or subaccounts as created by any Supplemental Indenture authorizing a Series of Bonds.

“*Bond Register*” means the register and all accompanying records kept by the Bond Registrar evidencing the registration, transfer, and exchange of Bonds. A separate Bond Register shall be maintained by the Bond Registrar for the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, and any other subsequently issued Series of Bonds.

“*Bond Registrar*” means the Bond Trustee when acting in such capacity under the Indenture.

“*Bond Reserve Fund*” means the St. Louis Municipal Corporation Leasehold Revenue Bonds Bond Reserve Fund ratified in Section 501 of the Indenture and which may contain separate accounts or subaccounts as created by any Supplemental Indenture authorizing a Series of Bonds.

“*Bond Reserve Fund Deposits*” means with respect to any Series of Bonds the deposits into the Bond Reserve Fund, if any, required by the Supplemental Indenture authorizing such Series of Bonds.

*“Bond Reserve Fund Requirement”* means with respect to any Series of Bonds the amount, if any, required to be deposited in a Bond Reserve Fund by the Supplemental Indenture authorizing such Series of Bonds. The Bond Reserve Fund Requirement with respect to any Series of Bonds may be satisfied by Bond Reserve Fund Deposits in cash or upon the prior written approval of the Credit Facility Provider for such Series of Bonds, if any, by an insurance policy, letter of credit, or surety bond guaranteeing payments into the Bond Reserve Fund in the amount of the Bond Reserve Fund Requirement as shall be determined in the Supplemental Indenture in which the Bond Reserve Fund is established. With respect to the Series 2008 Bonds, the Bond Reserve Fund Requirement is equal to the Series 2008 Reserve Account Requirement.

*“Bond Trustee”* or *“Trustee”* means The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., successor to BNY Trust Company of Missouri, successor to Mark Twain Bank, and any successors or assigns.

*“Business Day”* means any day except Saturday, Sunday, a legal holiday, a day on which banking institutions located in the States of Missouri or New York are authorized by law to close or a day on which the New York Stock Exchange is closed.

*“Cervantes Convention Center”* means the convention center located at Washington Avenue, between 7th and 8th Streets, in the City of St. Louis, Missouri.

*“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 Equipment Lease Obligations”* means the obligations due and payable on October 4, 2005, and April 4, 2006, under that certain Lease Schedule No. 1000115015 dated as of September 26, 2002, to Master Lease-Purchase Agreement dated as of February 3, 2000, by and between the City and Bank One, N.A., as assignee of Banc One Leasing Corporation.

*“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 Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the City by its Mayor and its Comptroller. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative. For the purpose of investing the Bond proceeds, the authorized City Representative shall be the City Treasurer or his designee.

*“Civil Courts Bonds”* means the St. Louis Municipal Finance Corporation Leasehold Revenue Refunding Bonds Series 2003A (Civil Courts Building Project).

*“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 thereunder.

*“Compound Interest Bonds”* means any Bonds issued pursuant to the Indenture which do not pay interest either until Maturity or until a specified date prior to Maturity, but whose amount increases periodically by accretion to a final principal amount. The term “Compound Interest Bonds” includes the Series 1993A Compound Interest Bonds, the Series 2000 Bonds, and the Series 2005 Bonds.

*“Continuing Disclosure Agreement”* means the Continuing Disclosure Agreement executed by and between the City and The Bank of New York Mellon Trust Company, N.A., as dissemination agent, with respect to the Series 2008 Bonds.

*“Convention Center Equipment”* means the items of machinery, equipment, or other personal property installed or acquired or to be acquired for installation in or which constitute Convention Center Property, and all replacements thereof and substitutions thereof made pursuant to the Lease Purchase Agreement.

*“Convention Center Equipment Lease Obligations”* means the obligations due and payable on June 30, 2005, and June 30, 2006, under that certain Lease Schedule No. 093-1000715-018 dated as of June 30, 2003, to Master Lease-Purchase Agreement dated as of February 3, 2000, by and between the City and Bank One, N.A., as assignee of Banc One Leasing Corporation, as further assigned to ORIX Public Finance LLC, as further assigned to Fifth Third Holdings, LLC.

*“Convention Center Property”* means the Cervantes Convention Center (including the attendant real estate as well as real estate acquired from time to time pursuant to the terms of the documents under which the Prior Bonds were issued, as further described in Exhibit B to the Indenture), the maintenance, repairs, improvements, and renovation of the same, the machinery, the equipment, or other personal property installed or acquired or to be installed or acquired thereon, the replacement or substitution thereof, and all buildings, structures, improvements, and fixtures located on or to be purchased, constructed, and otherwise improved on the site of the convention center in whole or in part from the proceeds of Prior Bonds, and all additions, alterations, modifications, and improvements thereof pursuant to the bond documents under which the Prior Bonds were issued.

*“Corporation”* means the St. Louis Municipal Finance Corporation, a corporation organized under the General Nonprofit Corporation Law of the State, as amended, and its successors and assigns and any surviving, resulting or transferee corporation as provided in Section 16.1 of the Lease Purchase Agreement.

*“Corporation Representative”* means the person or persons at the time designated to act on behalf of the Corporation in matters not requiring corporate authorization relating to the Lease Purchase Agreement and the Indenture as evidenced by a written certificate furnished to the Bond Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the Corporation Representative.

*“Costs of Issuance”* means all costs incurred in connection with the issuance of the Bonds, including without limitation (i) fees of the Bond Trustee, the Corporation, and the Authority, (ii) financial advisor, placement agent, or other consultant fees and expenses, (iii) fees and expenses of Bond Counsels and of counsel to the Corporation, the Authority, the City, the Bond Trustee, and the original purchaser of the Bonds, (iv) fees and expenses of special counsel to the Corporation, the Authority, and the City, (v) accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, (vi) fees of independent certified public accounts or consultants for verification services, and (vii) initial fees for the Credit Facilities, (viii) all printing expenses in connection with the Indenture, the Lease Purchase Agreement, and the Bonds.

*“Costs of Issuance Fund”* means the St. Louis Municipal Corporation Leasehold Revenue Bonds Costs of Issuance Fund ratified by Section 501 of the Indenture and which may contain separate accounts or subaccounts as created by any Supplemental Indenture authorizing a Series of Bonds.

*“Costs of the Series 2003 Project”* means the costs of refunding the current interest bonds issued pursuant to the Original Indenture and the First Supplemental Indenture; the costs and expenses of the City, the Corporation, the Authority, and their affiliated agencies related thereto, including the Costs of Issuance of the Series 2003 Bonds; and any other related costs permitted under applicable law.

“*Costs of the Series 2008 Projects*” means the portion of the reasonable and necessary expenses of or incidental to the Series 2008 Projects directly or indirectly payable or reimbursable by the Corporation or the City from the proceeds of the Series 2008 Bonds.

“*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 Facility*” means any Alternate Security, letter of credit, surety bond, or municipal bond insurance policy or policies, if any, issued by the Credit Facility Provider guaranteeing, providing for, or insuring the payment when due of the principal of and all or a portion of the interest on one or more Series of Bonds as provided therein and any agreement pursuant to which such Alternate Security, letter of credit, surety bond, or municipal bond insurance policy or policies, if any is issued, as such agreement may be amended, modified, or supplemented from time to time, and shall include a particular Credit Facility or all of them, as the context requires.

“*Credit Facility Provider*” means, as of the date of the Indenture, (i) with respect to the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, and the Series 2005 Bonds, Ambac, (ii) with respect to the Series 2008 Bonds, Assured Guaranty, and (iii) at any time thereafter the issuer of any Alternate Security then in effect, and shall include a particular Credit Facility Provider or all of them, as the context requires.

“*Current Interest Bonds*” means any Bonds issued pursuant to the Indenture the interest on which is paid semiannually. The term “Current Interest Bonds” includes the Series 2003 Bonds and the Series 2008 Bonds.

“*Deed of Trust*” means the Fifth Supplemental Deed of Trust, as the same may from time to time be amended or supplemented in accordance with the provisions thereof.

“*Defeasance Obligations*” means direct obligations of the Department of the Treasury of the United States of America or, during any moratorium on the issuance of such obligations of the Department of the Treasury, any obligation listed in subsection (a) of the definition of “Permitted Investments,” all of which are non-callable and non-prepayable. The value of Defeasance Obligations shall be determined as provided in the definition of “Permitted Investments” in the Indenture.

“*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, as amended, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Security Exchange Act of 1934, as amended, and its successors and assigns.

“*Escrow Deposit Agreement*” means any escrow deposit agreement entered into in connection with any Series by and among the Corporation, the City, and the Escrow Agent.

“*Escrow Agent*” means any escrow agent named in any Escrow Deposit Agreement, and any successors or assigns.

“*Event of Bankruptcy*” means, as to the Corporation, the Authority, or the City, any of the following: (a) the commencement by the Corporation, the Authority, or the City of a voluntary case under

the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, or similar laws; (b) the filing of a petition with a court having jurisdiction over the Corporation, the Authority, or the City to commence an involuntary case against the Corporation, the Authority, or the City under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency, or similar laws; (c) the Corporation, the Authority, or the City shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, or liquidator of the Corporation, the Authority, or the City shall be appointed in any proceeding brought against the Corporation, the Authority, or the City, (e) assignment by the Corporation, the Authority, or the City for the benefit of its creditors; or (f) the entry by the Corporation, the Authority, or the City into an agreement of composition with its creditors.

“*Event of Default*” or “*Default*” means (a) with respect to the Lease Purchase Agreement any Event of Default as defined in Section 12.1 of the Lease Purchase Agreement, and (b) with respect to the Indenture any Event of Default as defined in Section 501 of the Indenture.

“*Event of Nonappropriation*” means the failure of the City to appropriate sufficient funds for the payment of Rentals and Additional Rentals as described in Section 11.4 of the Lease Purchase Agreement.

“*Fifth Supplemental Deed of Trust*” means the Fifth Supplemental and Restated Deed of Trust, Security Agreement and Assignment dated as of the date of the Sixth Supplemental Indenture, from the Corporation, as grantor, to the therein-named mortgage trustee, the Bond Trustee, and Ambac, for the benefit of the Bondholders.

“*Fifth Supplemental Indenture*” means the Fifth Supplemental and Restated Indenture of Trust dated as of May 1, 2005 by and among The Bank of New York Trust Company, N.A., as bond trustee, the Authority, and the Corporation.

“*Fifth Supplemental Lease Purchase Agreement*” means the Fifth Supplemental and Restated Lease Purchase Agreement dated as of the date of the Sixth Supplemental Indenture among the Corporation, the Authority, and the City.

“*First Supplemental Deed of Trust*” means the First Supplemental Deed of Trust, Security Agreement and Assignment dated as of August 1, 1999, among the Corporation, the therein-named trustee, BNY Trust Company of Missouri, as bond trustee, Sanwa, and Ambac Assurance Corporation.

“*First Supplemental Indenture*” means the First Supplemental Indenture of Trust dated as of June 15, 1993, between the Corporation and Mark Twain Bank, as bond trustee.

“*First Supplemental Lease Purchase Agreement*” means the First Supplemental Lease Purchase Agreement dated as of August 1, 1999, between the Corporation and the City.

“*Fiscal Year*” means the fiscal year now or hereafter adopted by the Corporation or the Authority, as the case may be, and, with respect to the City, its fiscal year currently beginning on July 1 of each calendar year (or any other date later adopted by the City).

“*Fourth Supplemental Deed of Trust*” means the Fourth Supplemental and Restated Deed of Trust, Security Agreement and Assignment dated as of May 1, 2005, from the Corporation, as grantor, to the therein-named mortgage trustee, The Bank of New York Trust Company, N.A., as bond trustee, and Ambac for the benefit of the Bondholders.

“*Fourth Supplemental Indenture*” means the Fourth Supplemental and Restated Indenture of Trust dated as of April 15, 2003, among the Bond Trustee, the Authority, and the Corporation.

“*Fourth Supplemental Lease Purchase Agreement*” means the Fourth Supplemental and Restated Lease Purchase Agreement dated as of May 1, 2005 among the Corporation, the Authority, and the City.

“*Global Bond Certificates*” means one or more bond certificates of the Corporation or of the Authority, as the case may be, each such certificate representing the entire principal amount of the respective Series of Bonds due on a particular Stated Maturity, immobilized from general circulation in the Depository.

“*Government Obligations*” means (i) direct obligations of, or obligations the full and timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America, and (ii) obligations of state or local government bond issuers rated “Aaa” by Moody’s, and rated “AAA” by S&P, provision for the payment of the principal of and interest on which shall have been made by deposit with an escrow agent or trustee of obligations described in clause (i) the principal of and interest on which when due will be sufficient to pay the principal of and interest on such state or local government obligations when due.

“*Holder*”, “*Bondholder*”, “*Owner*” or “*Registered Owner*” means the registered owner of any Bond as shown on the registration books of the Issuer maintained by the Bond Trustee or Paying Agent.

“*Hotel Tax Revenues*” means revenues derived by the City from the tax imposed on gross receipts from hotel and motel rooms as authorized under Section 67.657.8, RSMo.

“*Indenture*” means the Sixth Supplemental Indenture as from time to time supplemented or amended in accordance with Article XI of the Indenture.

“*Interest*” or “*interest*”, when used in connection with any Compound Interest Bond, includes the Accreted Value of such Compound Interest Bond, unless the context clearly requires otherwise.

“*Interest Payment Date*” means, with respect to the Series 2003 Bonds, January 15 and July 15 of each year as long as any Series 2003 Bonds remain Outstanding, beginning July 15, 2003 and, with respect to the Series 2008 Bonds, January 15 and July 15 of each year as long as any Series 2008 Bonds remain Outstanding, beginning January 15, 2009.

“*Issuer*” means, with respect to the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds, the Corporation or, with respect to the Series 2000 Bonds, the Authority, and with respect to any subsequent series of bonds issued under the Indenture, the issuer thereof.

“*Kiel Bonds*” means the Land Clearance and Redevelopment Authority of the City of St. Louis Kiel Site Lease Revenue Refunding Bonds, Series 1997A and 1997B.

“*Lease Purchase Agreement*” means the Fifth Supplemental Lease Purchase Agreement as from time to time supplemented or amended in accordance with Article XIV of the Lease Purchase Agreement and Article XII of the Indenture.

“*Maturity*” means, with respect to any Bond, the date on which the principal or Accreted Value of such Bond becomes due and payable as therein provided, whether at the Stated Maturity or by declaration or acceleration or call for redemption or otherwise.

“*Maximum Annual Debt Service*” means the largest payment of principal of and interest on all Outstanding Bonds of a Series for the then-current or any future Fiscal Year over the remaining scheduled maturities of such Series.

“*Moody’s*” means 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 Issuer, with the approval of the City, by notice to the Trustee and the City.

“*Net Proceeds*” means, with respect to the any Series of Bonds, the initial principal amount (which includes the present value of any Compound Interest Bonds) of such Series plus premium, if any, less discount, if any, and underwriter’s discount.

“*Non-Arbitrage Certificate*” means the non-arbitrage certificate and any exhibit attached thereto relating to the Series 1993 Bonds executed by the Corporation on the date of closing of such Series of Bonds.

“*Original Deed of Trust*” means the First Deed of Trust and Security Agreement dated as of June 15, 1993, by and among the Corporation, Mark Twain Bank, as bond trustee, the therein-named mortgage trustee, and Sanwa.

“*Original Indenture*” means the Indenture of Trust dated as of June 15, 1993, between the Corporation and Mark Twain Bank, as bond trustee.

“*Original Lease Purchase Agreement*” means the Lease Purchase Agreement dated as of June 15, 1993 by and between the City and the Corporation.

“*Outstanding*” means, when used with reference to Bonds, as of a particular date, all Bonds theretofore authenticated and delivered, including all Bonds of which the interest and/or principal due have been paid by the Credit Facility Provider, except:

- (a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for canceling;
- (b) Bonds which are deemed paid under Section 1302 of 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 Authority, the City, or any person controlling, controlled by or under common control with any 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 Purchase Agreement, or the Lease Purchase Agreement.

“*Participants*” means those financial institutions for which the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“*Paying Agent*” means the Bond Trustee when acting in such capacity under the Indenture.

*“Permitted Encumbrances”* means, as of any particular time (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) the Indenture, (iii) the Lease Purchase Agreement, (iv) the Deed of Trust, (v) utility, access, and other easements and rights-of-way, mineral rights, restrictions, exceptions, and encumbrances that will not materially interfere with or impair the operations being conducted on the Convention Center Site or easements granted to the Corporation, (vi) the Master Reciprocal Easement and License Agreement by and between LCRA and the Regional Convention and Sports Complex Authority (*“RCSA”*) dated July 28, 1993 and recorded on July 29, 1993 in Book 1001M, Page 1851 and Assignment thereof recorded in Book 1001M, Page 2107, (vii) the Operating Lease by and among the RCSA, the Regional Convention and Visitors Commission (*“RCVC”*), the City and St. Louis County, Missouri, dated as of August 28, 1991, (viii) the Amended and Restated Convention Center Operating Lease by and between the City and the RCVC, (ix) the Amended and Restated Management Agreement by and between the City and RCVC, (x) liens securing non-recourse indebtedness, and which non-recourse indebtedness is secured solely by machinery, equipment, or other personal property installment on or acquired for the Convention Center Property acquired in connection with the incurrence of such indebtedness, (xi) any lien on machinery, equipment, or other personal property installed on or acquired for the Convention Center Property (collectively the *“Property”*) (other than real estate) in the nature of a purchase money security interest resulting from installment sale agreements or borrowings, financing leases, or similar agreements relating to the acquisition of Property; or liens of a lessee or a vendee on the Property being leased or sold under a lease, installment sale or similar agreement, and (xii) such minor defects, irregularities, encumbrances, easements, mechanics’ liens, rights-of-way, and clouds on title as normally exist with respect to properties similar in character to the Convention Center Property and as do not in the aggregate materially impair the property affected thereby for the purpose for which it was acquired or is held by the Corporation or for which it is leased by the City.

*“Permitted Investments”* means:

- (a) For all purposes including defeasance investments in refunding escrow accounts:
  - 1. Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in clause 2 below);
  - 2. Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America; and
  - 3. Senior debt obligations of other Government Sponsored Agencies approved by the Credit Facility Provider; provided that such approval of the Credit Facility Provider shall be required only with respect to investments of funds in connection with any Series of Bonds for which a Credit Facility is in effect.
  
- (b) For all purposes other than defeasance investments in refunding escrow accounts:
  - 1. Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America, including:
    - (i) Export-Import Bank,
    - (ii) Rural Economic Community Development Administration (formerly the Farmers Home Administration),
    - (iii) United States Maritime Administration,
    - (iv) Small Business Administration,

- (v) United States Department of Housing and Urban Development (PHAs),
- (vi) Federal Housing Administration, and
- (vii) Federal Financing Bank,

2. Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- (i) Senior debt obligations rated “Aaa” by Moody’s and “AAA” by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC),
- (ii) Obligations of the Resolution Funding Corporation (REFCORP),
- (iii) Senior debt obligations of the Federal Home Loan Bank System, and
- (iv) Senior debt obligations of other Government Sponsored Agencies approved by the Credit Facility Provider; provided that such approval of the Credit Facility Provider shall be required only with respect to investments of funds in connection with any Series of Bonds for which a Credit Facility is in effect,

3. United States dollar denominated deposit accounts, federal funds, and bankers’ acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by S&P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.);

4. Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S&P and “P-1” by Moody’s, and which matures not more than 270 days after the date of purchase;

5. Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P;

6. “Pre-refunded Municipal Obligations” defined as follows: any bonds or other obligations of any state of the United States or of any agency, instrumentality, or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (i) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S&P and Moody’s or any successors thereto, or

- (ii) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (a)2 above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate,

7. Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of at least “A2/A” or higher by both Moody’s and S&P;

8. Investment agreements approved in writing by the Credit Facility Provider supported by appropriate opinions of counsel; provided that such approval of the Credit Facility Provider shall be required only with respect to investments of funds in connection with any Series of Bonds for which a Credit Facility is in effect; and

9. With respect to investments of funds in connection with any Series of Bonds for which a Credit Facility is in effect, other forms of investments (including repurchase agreements) approved in writing by the Credit Facility Provider.

(c) The value of the above investments shall be determined by the Bond Trustee as follows: “Value” means the value of any investments calculated as follows:

1. For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Bond Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Bank of America, N.A., JP Morgan & Chase, Co., Smith Barney, or such other pricing service providers selected by the Bond Trustee,

2. As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest, and

3. As to any investment not specified above: the value thereof established by prior agreement among the Issuers and the Bond Trustee, and, in the case of funds relating to any Series of Bonds for which a Credit Facility is in effect, the Credit Facility Provider.

“*Prior Bonds*” means the Land Clearance for Redevelopment Authority of the City of St. Louis’ Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1986 (The City of St. Louis, Missouri Lessee) originally issued in the amount of \$29,110,000, Capital Improvement Leasehold Revenue Bonds, Series 1988 (The City of St. Louis, Missouri, Lessee) originally issued in the amount of \$79,883,297.05, and Capital Improvement Leasehold Revenue Bonds, Series 1990 (The City of St. Louis, Missouri, Lessee) originally issued in the amount of \$24,999,791.80.

“*Project Fund*” means the St. Louis Municipal Corporation Leasehold Revenue Bonds Project Fund ratified in Section 501 of the Indenture and which may contain separate accounts or subaccounts as created by any Supplemental Indenture authorizing a Series of Bonds.

“*Purchase Agreement*” means the Quitclaim Deed and Bill of Sale between the City and the Corporation dated as of June 15, 1993 conveying the Convention Center Property to the Corporation.

“*Rebate Fund*” means the St. Louis Municipal Finance Corporation Rebate Fund ratified in Section 501 of the Indenture and which may contain separate accounts or subaccounts as created by any Supplemental Indenture authorizing a Series of Bonds.

“*Record Date*” shall, with respect to any Series of Bonds, have the meaning specified in the Supplemental Indenture authorizing such Series of Bonds but in no event shall be less than ten (10) days prior to the following Interest Payment Date or Maturity.

“*Redemption Date*,” when used with respect to any Bond to be redeemed, means the date fixed for redemption pursuant to the Indenture or the Supplemental Indenture applicable thereto.

“*Refunding Bonds*” means bonds issued 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 Section 4.1 of the Lease Purchase Agreement.

“*Replacement Bonds*” means the Bonds authenticated and delivered by the Bond Registrar pursuant to Section 206 of the Indenture.

“*S&P*” means Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, its Trustee 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.

“*Sanwa*” means The Sanwa Bank, Limited.

“*Second Supplemental Deed of Trust*” means the Second Supplemental and Restated First Deed of Trust and Security Agreement dated as of November 15, 2000, among the Corporation, BNY Trust Company of Missouri, as bond trustee, Ambac, and the therein-named mortgage trustee.

“*Second Supplemental Indenture*” means the Second Supplemental Indenture of Trust dated as of August 1, 1999, between BNY Trust Company of Missouri, as bond trustee, and the Corporation.

“*Second Supplemental Lease Purchase Agreement*” means the Second Supplemental and Restated Lease Purchase Agreement dated as of November 15, 2000 among the Authority, the Corporation, and the City.

“*Series*” means all of the Bonds delivered on original issuances in a simultaneous transaction and identified pursuant to the Sixth Supplemental 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 1990 Project*” means the (i) maintenance, repair, improvement, and renovation of the Cervantes Convention Center and the acquisition of land for the expansion thereof (the “*Series 1986 Project*”), (ii) construction, improvement, and equipping of an expansion of the Cervantes Convention Center and acquisition of land for the expansion thereof, collectively with the Series 1986 Project and related street and other infrastructure improvements, and (iii) construction, improvement, and equipping of the Cervantes Convention Center and related street and other infrastructure improvements, all as funded by the proceeds of the Prior Bonds.

“*Series 1993 and 2000 Guaranty Agreement*” means the First Amended and Restated Guaranty Agreement dated as of November 15, 2000 by and between the City and Ambac.

“*Series 1993 and 2000 Surety Bond*” means the surety bond issued by Ambac in the amount of \$17,722,728 which guarantees payment of the Series 1993 Bonds and the Series 2000 Bonds, the value of which surety bond will be reduced as provided and subject to the limitations set forth therein.

“*Series 1993 Bond Insurance Policy*” means the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 1993 Bonds.

“*Series 1993 Bonds*” means the Series 1993A Bonds and the Series 1993B Bonds issued by the Corporation pursuant to the Original Indenture and the First Supplemental Indenture.

“*Series 1993 Project*” means, with respect to the Series 1993 Bonds, the refunding of the then-Outstanding Prior Bonds and the payment of certain issuance costs.

“*Series 1993A Accreted Value*” means the Accreted Value of the Series 1993A Compound Interest Bonds as set forth on Exhibit C to the Indenture.

“*Series 1993A Accretion Date*” means, as long as any Series 1993A Compound Interest Bonds remain Outstanding, each January 15 and July 15, beginning January 15, 1994.

“*Series 1993A Bond Account*” means the account by that name within the Bond Fund ratified by Section 501 of the Indenture.

“*Series 1993A Bonds*” means the Leasehold Revenue Refunding Bonds, Series 1993A, authorized by the Original Indenture and the First Supplemental Indenture.

“*Series 1993A Compound Interest Bonds*” means the compound interest bonds issued pursuant to the Original Indenture and the First Supplemental Indenture.

“*Series 2000 Accreted Value*” means the original principal amount of the Series 2000 Bonds plus accretions in value, compounded on each Series 2000 Accretion Date, as set forth in Exhibit D to the Indenture. Upon the redemption, maturity by acceleration, or delivery for cancellation pursuant to the Indenture of the Series 2000 Bonds on a date other than a Series 2000 Accretion Date, the Series 2000 Accreted Value shall also include accrued interest from the next preceding Series 2000 Accretion Date computed as follows: (i) the quotient of the number of days elapsed, computed on the basis of a 360-day year of twelve 30-day months, from and including the next preceding Series 2000 Accretion Date to but not including the redemption or maturity date divided by 180, multiplied by (ii) the Series 2000 Accreted Value on the next succeeding Series 2000 Accretion Date minus the Series 2000 Accreted Value on the immediately preceding Series 2000 Accretion Date.

“*Series 2000 Accretion Date*” means, as long as any Series 2000 Bonds remain Outstanding, each January 15 and July 15, beginning January 15, 2001.

“*Series 2000 Bond Account*” means the account by that name within the Bond Fund ratified by Section 501 of the Indenture.

“*Series 2000 Bond Insurance Policy*” means the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 2000 Bonds.

“*Series 2000 Bonds*” means the \$39,999,578.60 Compound Interest Leasehold Revenue Bonds, Series 2000 (St. Louis Convention Center Headquarters Hotel Project) issued by the Authority pursuant to the Third Supplemental Indenture.

“*Series 2000 Project*” means the acquisition, rehabilitation, construction, improving, and equipping of the new convention center headquarters hotel in downtown St. Louis and public improvements related thereto.

“*Series 2000 Tax Compliance Agreement*” means the Tax Compliance Agreement dated as of November 15, 2000 by and among the City, the Authority, and the Bond Trustee.

“*Series 2003 Bond Account*” means the account by that name within the Bond Fund ratified by Section 501 of the Indenture.

“*Series 2003 Bond Insurance Policy*” means the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 2003 Bonds.

“*Series 2003 Bonds*” means the \$118,575,000 Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project) issued by the Corporation pursuant to the Fourth Supplemental Indenture.

“*Series 2003 Guaranty Agreement*” means the Guaranty Agreement dated as of April 15, 2003 by and between the City and Ambac.

“*Series 2003 Surety Bond*” means the surety bond issued by Ambac in the amount of \$11,857,500 which guarantees payment of the Series 2003 Bonds, the value of which surety bond will be reduced as provided and subject to the limitations set forth therein.

“*Series 2003 Tax Compliance Agreement*” means the Tax Compliance Agreement dated as of April 15, 2003 by and among the City, the Corporation, and the Bond Trustee.

“*Series 2005 Accretion Date*” means, as long as any Series 2005 Bonds remain Outstanding, each January 15 and July 15, beginning July 15, 2005.

“*Series 2005 Bond Account*” means the account by that name within the Bond Fund ratified pursuant to Section 501 of the Indenture.

“*Series 2005 Bond Insurance Policies*” means the Series 2005A Bond Insurance Policy and the Series 2005B Bond Insurance Policy.

“*Series 2005 Bonds*” means, collectively, the Series 2005A Bonds and the Series 2005B Bonds.

“*Series 2005 Guaranty Agreement*” means the Guaranty Agreement dated as of May 1, 2005 by and between the City and Ambac.

“*Series 2005 Projects*” means, collectively, the Series 2005A Projects and the Series 2005B Projects.

“*Series 2005 Surety Bonds*” means the Series 2005A Surety Bond and the Series 2005B Surety Bond.

“*Series 2005A Accreted Value*” means the original principal amount of the Series 2005A Bonds plus accretions in value, compounded on each Series 2005 Accretion Date, as set forth in Exhibit F to the

Indenture. Upon the redemption, maturity by acceleration, or delivery for cancellation pursuant to the Indenture of the Series 2005A Bonds on a date other than a Series 2005 Accretion Date, the Series 2005A Accreted Value shall also include accrued interest from the next preceding Series 2005 Accretion Date computed as follows: (i) the quotient of the number of days elapsed, computed on the basis of a 360-day year of twelve 30-day months, from and including the next preceding Series 2005 Accretion Date to but not including the redemption or maturity date divided by 180, multiplied by (ii) the Series 2005A Accreted Value on the next succeeding Series 2005 Accretion Date minus the Series 2005A Accreted Value on the immediately preceding Series 2005 Accretion Date.

“*Series 2005A Bond Insurance Policy*” means the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 2005A Bonds.

“*Series 2005A Bonds*” means the Compound Interest Leasehold Revenue Bonds, Series 2005A (Convention Center Refunding and Improvement Projects) issued by the Corporation pursuant to the Fifth Supplemental Indenture in the aggregate principal amount of \$20,882,005.05.

“*Series 2005A Capital Projects*” means the capital projects designated as such in Exhibit H to the Fifth Supplemental Indenture.

“*Series 2005A Projects*” means (i) refunding the Series 2003 Bonds maturing July 15, 2005, (ii) refunding and prepaying the Convention Center Equipment Lease Obligations, and (iii) financing a portion of the costs of the Series 2005A Capital Projects.

“*Series 2005A Surety Bond*” means the surety bond issued by Ambac in the amount of \$2,088,200.51 which guarantees payment of the Series 2005A Bonds, the value of which surety bond will be reduced as provided and subject to the limitations set forth therein.

“*Series 2005B Accreted Value*” means the original principal amount of the Series 2005B Bonds plus accretions in value, compounded on each Series 2005 Accretion Date, as set forth in Exhibit F to the Indenture. Upon the redemption, maturity by acceleration, or delivery for cancellation pursuant to the Indenture of the Series 2005B Bonds on a date other than a Series 2005 Accretion Date, the Series 2005B Accreted Value shall also include accrued interest from the next preceding Series 2005 Accretion Date computed as follows: (i) the quotient of the number of days elapsed, computed on the basis of a 360-day year of twelve 30-day months, from and including the next preceding Series 2005 Accretion Date to but not including the redemption or maturity date divided by 180, multiplied by (ii) the Series 2005B Accreted Value on the next succeeding Series 2005 Accretion Date minus the Series 2005B Accreted Value on the immediately preceding Series 2005 Accretion Date.

“*Series 2005B Bond Insurance Policy*” means the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Series 2005B Bonds.

“*Series 2005B Bonds*” means the Compound Interest Junior Lien Leasehold Revenue Bonds, Series 2005B (Refunding and Capital Improvement Projects) issued by the Corporation pursuant to the Fifth Supplemental Indenture in the aggregate principal amount of \$24,115,886.00.

“*Series 2005B Capital Projects*” means the capital projects designated as such in Exhibit H to the Fifth Supplemental Indenture.

“*Series 2005B Projects*” means (i) refunding the Sports Authority Bonds maturing August 15, 2005, (ii) refunding and prepaying the City Equipment Lease Obligations, (iii) refunding the Civil Courts Bonds maturing

August 1, 2005, (iv) refunding the Kiel Bonds maturing July 1, 2005, and (ii) financing a portion of the costs of the Series 2005B Capital Projects.

“*Series 2005B Surety Bond*” means the surety bond issued by Ambac in the amount of \$2,411,588.60 which guarantees payment of the Series 2005B Bonds, the value of which surety bond will be reduced as provided and subject to the limitations set forth therein.

“*Series 2008 Bond Account*” means the account by that name created within the Bond Fund pursuant to Section 501 of the Indenture.

“*Series 2008 Bond Insurance Policy*” means the municipal bond insurance policy issued by Assured Guaranty insuring the payment when due of the principal of and interest on the Series 2008 Bonds.

“*Series 2008 Costs of Issuance Account*” means the account by that name created within the Costs of Issuance Fund pursuant to Section 501 of the Indenture.

“*Series 2008 Projects*” means the acquisition, construction, repair, improvement, and renovation of the Convention Center Project, as described further on Exhibit K to the Indenture.

“*Series 2008 Rebate Account*” means the account by that name created within the Rebate Fund pursuant to Section 501 of the Indenture.

“*Series 2008 Reserve Account*” means the account by that name within the Bond Reserve Fund ratified pursuant to Section 501 of the Indenture.

“*Series 2008 Reserve Account Requirement*” means, with respect to the Series 2008 Bonds, an amount of money or securities in the Series 2008 Reserve Account which has a Value (as provided in the definition of Permitted Investments) equal to the least of (a) the Maximum Annual Debt Service on the Series 2008 Bonds, (b) 10% of the Net Proceeds of the Series 2008 Bonds, and (c) 125% of the average annual debt service requirements of the Series 2008 Bonds; provided, further, that if the Trustee shall receive an opinion of Bond Counsel to the effect that the Series 2008 Reserve Account Requirement must be reduced in order that the amounts on deposit in the Series 2008 Reserve Account may continue to be invested without yield restriction under the Code, the amounts held in the Series 2008 Reserve Account shall be reduced in conformity with such opinion and, if there is in effect a Credit Facility for the Series 2008 Bonds, with the approval of the Credit Facility Provider.

“*Series 2008 Tax Compliance Agreement*” means the Tax Compliance Agreement dated as of November 1, 2008 by and among the City, the Corporation, and the Bond Trustee.

“*Series 2008 Bonds*” means the Leasehold Revenue Bonds, Series 2008 (Convention Center Capital Improvement Projects) issued by the Corporation pursuant to the Sixth Supplemental Indenture in the aggregate principal amount of \$21,850,000.

“*Sixth Supplemental Indenture*” means the Sixth Supplemental and Restated Indenture of Trust dated as of November 1, 2008 by and among the Bond Trustee, the Authority, and the Corporation.

“*Sports Authority Bonds*” means the Regional Convention and Sports Complex Authority Convention and Sports Facility Project and Refunding Bonds, Series C 1997 (The City of St. Louis, Missouri, Sponsor).

“*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 Indenture*” means any indenture supplemental or amendatory to the Original Indenture entered into pursuant to Article XI of the Indenture.

“*Supplemental Lease Purchase Agreement*” means any lease purchase agreement supplemental or amendatory to the Lease Purchase Agreement entered into by the Corporation and the City pursuant to Article XIV of the Original Lease Purchase Agreement and Article XII of the Indenture.

“*Tax Agreements*” means, collectively, the Non-Arbitrage Certificate, the Series 2000 Tax Compliance Agreement, the Series 2003 Tax Compliance Agreement, the Series 2005 Tax Compliance Agreement, and the Series 2008 Tax Compliance Agreement, and any amendment or supplement thereto.

“*Term*” or “*Lease Term*” means the term of the Lease Purchase Agreement beginning as of June 15, 1993, and terminating on the earliest of the occurrence of any of the following events: (i) an Event of Nonappropriation with respect to the City; (ii) an Event of Default with respect to the City under the Lease Purchase Agreement if the Corporation or the Bond Trustee has elected, either subject to the prior written consent of the Credit Facility Provider, if any, or at the prior written direction of the Credit Facility Provider, if any, such remedies as are provided in Section 12.2 thereof, or (iii) discharge of the Indenture as provided in Article XIII of the Indenture and provision by the City for the payment of Additional Rentals.

“*Third Supplemental Deed of Trust*” means the Third Supplemental and Restated First Deed of Trust, Security Agreement and Assignment dated as of April 15, 2003, among the Corporation, BNY Trust Company of Missouri, as bond trustee, the therein-named mortgage trustee, and Ambac.

“*Third Supplemental Indenture*” means the Third Supplemental and Restated Indenture of Trust dated as of November 15, 2000, among the Corporation, BNY Trust Company of Missouri, as bond trustee, and the Authority.

“*Third Supplemental Lease Purchase Agreement*” means the Third Supplemental and Restated Lease Purchase Agreement dated as of April 15, 2003, among the Authority, the Corporation, and the City.

“*Trust Estate*” means the Trust Estate described in the Granting Clauses of the Indenture.

“*Trustee*” shall have the meaning specified in the definition of “Bond Trustee” in the Indenture.

“*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.

“*Underwriter*” when used with respect to any Series of Bonds, means the underwriter(s) or placement agent(s) for such Series of Bonds.

*“Variable Rate Debt”* means obligations of the Corporation, other than commercial paper, bearing interest at a variable rate and specifying a maximum rate of interest permitted by law.

## **APPENDIX D**

### **Summaries of Legal Documents**

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## APPENDIX D

### Summaries of Legal Documents

The following is a summary of certain provisions of the Lease Purchase Agreement and is qualified in its entirety by reference thereto.

**Conveyance; Granting of Leasehold.** The Corporation, pursuant to the Lease Purchase Agreement, rents and leases the Convention Center Property, subject to Permitted Encumbrances, unto the City and the City rents and leases the Convention Center Property from the Corporation for the Rentals and Additional Rentals and subject to the terms and conditions set forth in the Lease Purchase Agreement.

Upon the acquisition of any other land by the Corporation (to the extent that such land relates solely to the Convention Center Property) the same shall become a part of the premises leased under the Lease Purchase Agreement together with all the improvements and installations at that time or thereafter acquired, constructed, or installed by the City, subject to all terms, covenants, and provisions in the Lease Purchase Agreement contained, without further action on the part of either party; provided, however, that each party to the Lease Purchase Agreement shall, upon the request of any other party to the Lease Purchase Agreement or of the Bond Trustee, execute such documents and take such actions as shall be deemed necessary by such other party or the Bond Trustee to further evidence or confirm the lease of the premises under the Lease Purchase Agreement. The Corporation shall have taken all necessary steps to provide the Bond Trustee and the Credit Facility Provider with a valid and binding first lien upon the Convention Center Property subject to Permitted Encumbrances and shall have provided the Bond Trustee and the Credit Facility Provider with an opinion of counsel to the Corporation that all actions necessary to perfect the liens and security interests created by the Deed of Trust in favor of the Bond Trustee and the Credit Facility Provider shall have been duly taken.

The Corporation shall take all necessary steps on or prior to the date of closing of the Series 2008 Bonds to provide the Bond Trustee with a valid and binding lien upon the Convention Center Property with respect to the Series 2008 Bonds, subject only to Permitted Encumbrances, and shall provide the Bond Trustee with an opinion of counsel to the Corporation that all actions necessary to perfect the liens and security interests created by the Deed of Trust in favor of the Bond Trustee have been duly taken.

**Term of Lease Purchase Agreement; Annual Appropriation Required.** The Term of the Lease Purchase Agreement shall have commenced as of June 15, 1993, and shall terminate on the earliest of the occurrence of any of the following events: (i) an Event of Nonappropriation with respect to the City; (ii) an Event of Default with respect to the City under the Lease Purchase Agreement if the Corporation or the Bond Trustee has elected, either subject to the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, or at the prior written direction of such Credit Facility Provider, such remedies as are provided in Section 12.2 of the Lease Purchase Agreement or (iii) discharge of the Indenture as provided in Article XIII of the Indenture and provision by the City for the payment of Additional Rentals. The expiration or termination of the term of the Lease Purchase Agreement shall terminate the City's rights of use of the Convention Center Property and the City shall immediately quit and vacate the Convention Center Property; provided, however, that all other terms of the Lease Purchase Agreement and the Indenture, including the continuation of City's purchase right under Section 10.1 of the Lease Purchase Agreement and all obligations of the Bond Trustee with respect to the Bondholders and the receipt and disbursement of funds shall continue until the lien of the Indenture is discharged, as provided therein, except that all obligations of the City to pay any amounts to the Bondholders and the Bond Trustee under the Lease

Purchase Agreement shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of the Lease Purchase 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 Purchase 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 Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds, for payments due under any Credit Facility, and for all other amounts required under the Indenture.

Nothing in the Lease Purchase Agreement shall be construed to require the Board of Aldermen to appropriate any money to pay any Rentals or Additional Rentals (except as theretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Lease Purchase Agreement, the City, upon the request of the Bond Trustee, the Corporation, or the Authority, shall immediately quit and vacate the Convention Center Property 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 among the parties that the City shall not be obligated to pay any Rentals or Additional Rentals to the Corporation under the Lease Purchase Agreement except as provided in the Lease Purchase Agreement. Should the City fail to pay any portion of the required Rentals and Additional Rentals, the Bond Trustee in accordance with the Indenture may immediately bring legal action to evict the City from the Convention Center Property. 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 Convention Center Property.

The Rentals and Additional Rentals constitute current expenses of the City and the City's obligations under the Lease Purchase 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 Purchase 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 Purchase Agreement nor the issuance of the Bonds directly, indirectly, or contingently obligates the City to make any payments under the Lease Purchase Agreement beyond those appropriated for the City's then current Fiscal Year; provided, however, that nothing in the Lease Purchase Agreement shall be construed to limit the rights of the Bondholders or the Bond Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

Under the Lease Purchase Agreement, 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 Convention Center Property pursuant to the Lease Purchase 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 Series 1993 Bonds, the

Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds. 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 Purchase Agreement (i) upon such appropriation or (ii) upon failure to appropriate by June 30 (or such future date as the City shall adopt as the end of its Fiscal Year) pursuant to Section 11.4(b) of the Lease Purchase Agreement.

As early as practicable, and in any case no later than three (3) Business Days following the date on which the budget for any Fiscal Year is finally approved by the Board of Aldermen of the City, the City shall forward to the Corporation and the Authority, with a copy to the Bond Trustee, either (i) notice of the termination of the Lease Purchase Agreement or (ii) confirmation that sufficient funds have been budgeted and appropriated to make all payments of Rentals and Additional Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for such 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 Purchase Agreement. If the Bond Trustee does not receive such notice prior to June 30 (or such future date the City shall adopt as the end of its Fiscal Year) of such Fiscal Year, the Bond Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest, and obligations under the Lease Purchase Agreement shall terminate without penalty on the day of receipt by the Bond Trustee of such notice. Subject to Section 11.4 of the Lease Purchase Agreement, failure of the City to budget and appropriate prior to June 30 (or such future date as the City shall adopt as the end of its Fiscal Year) of each year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals during such Fiscal Year, shall constitute an Event of Nonappropriation.

The City intends, subject to the provisions above with respect to the failure of the City to budget or appropriate funds to pay Rentals and a reasonable estimate of Additional Rentals, to continue the Lease Term and to pay the Rentals and Additional Rentals under the Lease Purchase 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. 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 Lease Purchase Agreement provisions regarding the term of lease purchase agreement and requirement for annual appropriation, has agreed to pay or cause to be paid the amounts required by the Lease Purchase Agreement as follows:

Until the principal of, premium, if any, and interest on the Series 1993 Bonds, Series 2000 Bonds, Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 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 Bond Trustee as assignee of the Corporation as to the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds, and to the Bond Trustee as the assignee of the Authority as to the Series 2000 Bonds, in funds which will be immediately available to the Bond Trustee not less than five (5) Business Days before the date any payment is due, as Rentals in respect of the Convention Center Property, 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 as provided in Section 213 of the Indenture (said amounts being in the Lease Purchase Agreement defined as "*Rentals*").

The City has covenanted and agreed that it shall 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 Bond Fund (not subject to the lien of the Bond 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, the City shall forthwith pay as Rentals any such deficiency to the Bond Trustee for deposit in the Bond Fund in immediately available funds and the Bond Trustee shall deposit such sum accordingly; provided that any amount at any time held by the Bond Trustee in the Bond Fund (not subject to the lien of the Bond 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 Bond Trustee in the Bond Fund (not subject to the lien of the Bond 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.

Notwithstanding the foregoing, the aggregate amount of moneys paid to the Trustee by the City from Hotel Tax Revenues in payment of the principal of and interest and premium, if any, on the Series 2008 Bonds shall not exceed \$41,898,154.91 (such amount equals the aggregate principal of and interest and premium, if any on the Series 2008 Bonds). Principal of and interest and premium, if any, due on the Series 2008 Bonds on any Redemption Date which is not an Interest Payment Date, in excess of the amounts provided in the preceding sentence shall be paid by the City from any funds legally available for such purposes other than Hotel Tax Revenues.

**Additional Rentals.** Pursuant to Section 4.2 of the Lease Purchase Agreement, the City shall pay or cause to be paid, subject to the Lease Purchase Agreement provisions regarding the term of lease purchase agreement and requirement for annual appropriation, as Additional Rentals: (a) to the Bond Trustee amounts equal to the amounts to be paid to the Bond Trustee pursuant to Section 1002 of the Indenture; (b) all Impositions (as defined in Article VI of the Lease Purchase Agreement); (c) all amounts required under Section 15.1(c) of the Lease Purchase Agreement which amounts shall be deposited by the Bond Trustee in the Bond Fund pursuant to Section 502 of the Indenture; (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; (e) the payments, if any, which the City shall be required under the Lease Purchase Agreement to pay to any Credit Facility Provider pursuant to Section 507 of the Indenture and the payments, if any, which the City shall be required under the Lease Purchase Agreement to deposit into the Bond Reserve Fund pursuant to the procedure set forth in Section 506 of the Indenture; (f) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Lease Purchase Agreement or the Indenture by the Corporation or the Bond Trustee and any reasonable expenses incurred by the Corporation to enable it to comply with the provisions of the Purchase Agreement, the Indenture, the Deed of Trust, or the Lease Purchase Agreement; (g) all reasonable and necessary fees and expenses due the Corporation incurred in connection with the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, or the establishment and maintenance of the Corporation's status as a Missouri nonprofit corporation or a qualified 501(c)(3) corporation; (h) all reasonable and necessary fees and expenses due the Authority incurred in connection with the Series 2000 Bonds; (i) all amounts required to be rebated to the United States as provided in the Indenture; (j) any reasonable amount due and owing by the Corporation as a consequence of complying with the Purchase Agreement, the Indenture, the Deed of Trust, and the Lease Purchase Agreement; (k) any reasonable amount due and owing by the Authority as a consequence of complying with the Deed of Trust, the Indenture or the Lease Purchase Agreement; (l) all sums required to be paid by the Corporation as successor in interest to the LCRA under a certain Parking Agreement by and among the LCRA, Lennox

Associates, and the United States Department of Housing and Urban Development dated as of May 24, 1991 and recorded at Book 851M, page 565 in the Office of the St. Louis City Recorder of Deeds, as assigned by instrument recorded in Book 1001M, Page 2097; and (m) any and all additional amounts owed by the City in connection with the Lease Purchase Agreement.

The obligation of the City to pay Rentals and Additional Rentals is subject to the Lease Purchase Agreement provisions regarding the term of lease purchase agreement and requirement for annual appropriation and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory, or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year plus any unencumbered balances from previous years.

**Impositions.** The City shall, subject to Lease Purchase Agreement provisions regarding the term of lease purchase agreement and requirement for annual appropriation, during the Lease Term, bear, pay, and discharge, before the delinquency thereof, as Additional Rentals, all taxes and assessments, general and special, if any, which may be lawfully taxed, charged, levied, assessed, or imposed upon or against or be payable for or in respect of the Convention Center Property or the Corporation's or the City's interest in the Convention Center Property or the income therefrom or Rentals and other amounts payable under the Lease Purchase Agreement, including any new taxes and assessments not of the kind enumerated above to the extent that the same are lawfully made, levied, or assessed in lieu of or in addition to taxes or assessments now customarily levied against real or personal property, and further including all water and sewer charges, assessments, and other general governmental charges and impositions whatsoever, foreseen or unforeseen, which if not paid when due would impair the security of the Bonds or any Credit Facility Provider or encumber the Corporation's title to the Convention Center Property (all of the foregoing being in the Lease Purchase Agreement referred to as "*Impositions*").

**Liability Insurance: Indemnification.** The City shall obtain and maintain or shall cause to be obtained and maintained in force at all times during the Lease Term commercial insurance coverage 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 Convention Center Property or any part thereof, such insurance coverage to be in an amount not less than \$1,000,000 combined single limit for bodily injury (including death) and property damage or loss, with excess liability coverage in an amount not less than \$20,000,000, subject to reasonable loss deductible clauses. The policies of said insurance shall contain a provision that such insurance may not be canceled without at least 30 days' advance written notice to the Corporation, the Bond Trustee, any Credit Facility Provider, and the City. Such policies or copies or certificates thereof shall be furnished to the Corporation, the Bond Trustee, any Credit Facility Provider, and the City. The proceeds of all such insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds may be paid. The Corporation, the Bond Trustee, the Credit Facility Provider, and the City shall each be named as additional insureds in any such insurance policy. The City further agrees to indemnify the Corporation, the Bond Trustee, and the Credit Facility Provider, as applicable, 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 fullest extent permitted by applicable State law.

**Property Insurance.** The City shall obtain and maintain or shall cause to be obtained and maintained in force at all times during the Lease Term commercial property insurance coverage insuring against loss or damage by fire, lightning, earthquake, and all other risks covered by the extended coverage insurance endorsement then in use in the State for the Convention Center Property in an amount not less than the full replacement value of Convention Center Property less the standard exclusions

(which amount shall be as approved by the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder). Any such insurance may be subject to reasonable deductibles. The Corporation, the Bond Trustee, such Credit Facility Provider, and the City shall each be named as loss payees in any such insurance policy.

**Workers' Compensation Insurance.** The City has agreed to maintain throughout the Lease Term, in connection with the Convention Center Property, its status as a qualified self-insurer under Chapter 287 of the Missouri Revised Statutes, as amended, with regard to Workers' Compensation Insurance or, with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, similar reasonable and customary insurance.

**Assignment, Etc., by the Corporation and the Authority.** Pursuant to the Granting Clauses of the Indenture, the Corporation has concurrently assigned the Lease Purchase Agreement and all the rights and interests of the Corporation under the Lease Purchase Agreement, including pledging and granting a security interest in all moneys receivable under the Lease Purchase Agreement (except for its rights to receive payments under Section 4.2 of the Lease Purchase Agreement and its rights to indemnification under the Lease Purchase Agreement) and in the Convention Center Property in connection with the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds to the Bond Trustee as security for payment of the principal of, premium, if any, and interest on the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, and any Additional Bonds. The City has consented to such assignments of the Lease Purchase Agreement and the Rentals and such Additional Rentals receivable under the Lease Purchase Agreement and agreed that, subject to the Lease Purchase Agreement provisions regarding the term of lease purchase agreement and requirement for annual appropriation, as to the Bond Trustee, its obligation to make such payments shall be absolute and unconditional and without any defense or right of abatement, diminution, counterclaim, or set-off arising out of any breach by the Corporation, the Authority, or the Bond Trustee of any obligation to the City.

**Assignment, Subleasing, Management Contracts, and Licensing by the City.** The Lease Purchase Agreement may not be assigned by the City without the prior written consent of the Corporation, the Authority, and any Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder. However, the Convention Center Property may be subleased by the City, in whole or in part, including a long-term contract for the use of or provision of services at the Convention Center Property (a "*Sublease*") and the City may enter into a contract for operation and/or management of the Convention Center Property (a "*Management Contract*") with the consent of the Corporation and the Bond Trustee, subject, however, to the prior written consent of such Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder. In addition to the receipt of the above consents, each such assignment (the "*Assignment*"), Sublease, and Management Contract must meet certain conditions set forth in the Lease Purchase Agreement. Such conditions need not be satisfied with regard to a short-term lease or other agreement for short-term use of the Convention Center Property for trade shows, conventions, or other purposes in the ordinary course of its operation as a municipal convention center. The City, subject to the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, may grant licenses to use all or any portion of the Convention Center Property in the normal course of business without the consent of the Corporation.

**Purchase or Sale of Certain Portions of the Convention Center Property other than Pursuant to Section 10.1 of the Lease Purchase Agreement.** So long as the City is not in Default under the Lease Purchase Agreement and upon the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, the City has reserved the right at any time to either (i) purchase from the Corporation title to any portion of the Convention Center Property or (ii) surrender possession of any portion of such Convention Center Property and direct the Corporation to sell or dispose of any portion of such Convention Center Property, either by negotiated sale or by public sale, as the City shall direct. The proceeds of sale shall be deposited by the Corporation with the Bond Trustee at the option of the City for credit (i) to the Series 1993A Bond Account, the Series 2003 Bond Account, the Series 2005 Hotel Tax Subaccount of the Series 2005 Bond Account, and the Series 2008 Hotel Tax Subaccount of the Series 2008 Bond Account, in proportion to the Outstanding Bonds of each such series to the total outstanding principal amount of each such series, or (ii) upon defeasance of the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005A Bonds, and the Series 2008 Bonds, to the Series 2000 Bond Account, or (iii) upon defeasance of the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005A Bonds, the Series 2008 Bonds, and the Series 2000 Bonds, to the Series 2005 Non-restricted Subaccount of the Series 2005 Bond Account and the Series 2008 Non-restricted Subaccount of the Series 2008 Bond Account, and used to redeem such Bonds of the respective series at the earliest opportunity pursuant to Article III of the Indenture. No such sale or disposition of a portion of the Convention Center Property as described above shall entitle the City to any reimbursement of any Rentals or Additional Rentals from the Corporation, the Authority, the Bond Trustee, the Bondholders, or any Credit Facility Provider, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Rentals under the Lease Purchase Agreement, except such diminution as results from redemption of the Series 1993 Bonds, the Series 2003 Bonds, the Series 2000 Bonds, the Series 2005 Bonds, or the Series 2008 Bonds, as the case may be, from the proceeds of such disposition. Such option granted to the City shall remain prior and superior to the Indenture but subordinate to the Deed of Trust provided that all options in the Lease Purchase Agreement granted shall terminate 90 days following the termination of the Lease Purchase Agreement.

**Release of Certain Land from and Addition of Certain Land to the Lease Purchase Agreement.** Notwithstanding any other provisions of the Lease Purchase Agreement, the parties to the Lease Purchase Agreement reserve the right at any time and from time to time upon mutual consent and upon the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, to amend the Lease Purchase Agreement, without the consent of Bondholders, for the purpose of effecting the release of and removal from the Lease Purchase Agreement and the leasehold estate created by the Lease Purchase Agreement and/or the Deed of Trust of any part or parts of the real estate which has not been improved pursuant to the provisions of the Lease Purchase Agreement or for the purpose of effecting the addition to the Lease Purchase Agreement and the leasehold estate created by the Lease Purchase Agreement and the deed of trust of any additional real estate; provided, that if at the time any such amendment is made any of the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, Series 2005 Bonds, or Series 2008 Bonds are outstanding and unpaid, there shall be deposited with the Bond Trustee certain documents as set forth in the Lease Purchase Agreement. No such release or addition shall entitle the City to any abatement or diminution of the Rentals payable under Section 4.1 or the Additional Rentals payable under Section 4.2 of the Lease Purchase Agreement, nor shall any such release in any other way whatsoever affect the Lease Purchase Agreement or the Indenture with respect to the remaining parts of the Convention Center Property, and all the terms and provisions of the Lease Purchase Agreement and the Indenture shall remain in full force and effect with respect to the remaining part of the Convention Center Property as though no such release had been effected.

**Removal of Convention Center Equipment.** The City shall have the right, provided the City is not in Default in making Rentals or Additional Rentals under the Lease Purchase Agreement, to remove from the Convention Center Property and (on behalf of the Corporation) sell, exchange, or otherwise dispose of, without responsibility or accountability to the Corporation or the Bond Trustee with respect thereto, any items of machinery and equipment which constitute a part of the Convention Center Equipment and which have become inadequate, obsolete, worn out, unsuitable, undesirable, or unnecessary or which, in the sound discretion of the City, are otherwise no longer useful to the City in its operations conducted on or in the Convention Center Property, provided that, if the original cost of any single item of Convention Center Equipment to be sold, exchanged, or disposed of exceeds \$25,000 or if the aggregate original cost of such Convention Center Equipment to be sold, exchanged, or disposed of in any Fiscal Year exceeds \$200,000, then with respect to the proposed removal of such items of Convention Center Equipment the City shall obtain the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall meet certain other conditions provided in the Lease Purchase Agreement. In all cases, the City shall pay all of the costs and expenses of any such removal and shall immediately repair at its expense all damage to the Convention Center Property caused thereby. The City's rights to remove from the Convention Center Property machinery and equipment constituting a part of the Convention Center Equipment is intended only to permit the City to maintain an efficient operation by the removal of machinery and equipment which is no longer suitable to the City's use of the Convention Center Property for any of the reasons described above, and such right is not to be construed to permit a removal under any other circumstances and specifically is not to be construed to permit the City to make a wholesale removal of the Convention Center Equipment.

**Maintenance, Repairs, and Modifications.** The City shall, at its own expense, maintain, preserve and keep the Convention Center Property in good repair and condition, and shall from time to time make all repairs, replacements, and improvements necessary to keep the Convention Center Property in such condition. Neither the Corporation nor the Authority shall have any responsibility for any of these repairs, replacements, or improvements. In addition, the City shall, at its own expense, have the right, with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, to make additions, modifications, and improvements to the Convention Center Property or any part thereof as the City from time to time may deem necessary or desirable for its municipal purposes; provided, however, the City shall not make any additions, modifications, or improvements which will adversely affect the operation of the Convention Center Property. Such additions, modifications, and improvements shall not in any way damage the Convention Center Property nor cause it to be used for purposes other than those authorized under the provisions of municipal, state, and federal law; and the Convention Center Property upon completion of any such additions, modifications, and improvements, shall be of a value which is not substantially less than the value thereof immediately prior to the making of such additions, modifications and improvements. No such addition, modification, or improvement to the Convention Center Property shall entitle the City to any reimbursement of any Rentals or Additional Rentals from the Corporation, the Bond Trustee, or the Bondholders, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Rentals under the Lease Purchase Agreement, except such diminution as results from redemption of Bonds pursuant to Article III of the Indenture.

**Liens.** The City shall not, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, pledge, lien, charge, encumbrance, or claim on or with respect to the Convention Center Property (except for Permitted Encumbrances), other than the respective rights of the Corporation and the City as provided in the Lease Purchase Agreement and in the Purchase Agreement provided if any such lien is established the City shall notify the Corporation, the Bond Trustee, and any Credit Facility Provider of the City's intention to do so.

**City's Option to Purchase Corporation's Interest.** The City shall have the option to purchase the Corporation's fee interest in the Convention Center Property and to demand that the Corporation convey to the City title to all of the Convention Center Property, subject to Permitted Encumbrances and to terminate the Lease Purchase Agreement at any time during the Lease Term (subject to the requirements of the following provisions) upon payment of the purchase price pursuant to Section 10.2 of the Lease Purchase Agreement. Except as otherwise provided in the Lease Purchase Agreement, the City shall give at least sixty (60) days written notice to the Corporation, the Authority, any Credit Facility Provider, and to the Bond Trustee of its intent to exercise the option and so terminate the Lease Purchase Agreement. Payment of the final Rentals and Additional Rentals shall constitute exercise of the option granted under the Lease Purchase Agreement without further action by the City.

If the City receives notice of an Event of Default pursuant to subsection (a) or (b) of Section 901 of the Indenture or if an Event of Nonappropriation under Section 11.4 of the Lease Purchase Agreement has occurred, the City shall also have the option to purchase the Corporation's fee interest in the Convention Center Property and to terminate the Lease Purchase Agreement upon payment of the purchase price pursuant to Section 10.2 of the Lease Purchase Agreement. The City shall give notice of its intent to exercise the option provided described above by giving notice thereof to the Corporation, the Authority, any Credit Facility Provider, and the Bond Trustee not later than 90 days after receipt of notice of any such Event of Default or Event of Nonappropriation. The City shall make such payment not later than 90 days after it has given notice of its intent to exercise such option to the Corporation, the Authority, any Credit Facility Provider, and the Bond Trustee.

**Purchase Price.** The purchase price payable by the City in the event of its exercise of either of the options described above shall be the sum of the following: (a) an amount of money which, when added to the amounts on deposit in the Bond Fund and the Bond 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 Bond Trustee's and Paying Agents' fees and expenses under the Indenture and the Escrow Agent's fees and expenses under the Escrow Deposit Agreement, if any, 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 or the Authority, as applicable, under the Tax Compliance Agreements; plus (d) reasonable costs incident to the redemption of the Bonds; plus (e) the sum of \$10.00.

**Relative Position of Option and Indenture; No Obligation to Purchase.** The option granted to the City and described above shall remain prior and superior to the Indenture but subordinate to the Deed of Trust and may be exercised whether or not the City is in Default under the Lease Purchase Agreement, provided that such Default will not result in non-fulfillment of any condition to the exercise of any such option and further provided that all options in the Lease Purchase Agreement granted shall terminate 90 days following the termination of the Lease Purchase Agreement. The City shall be under no obligation whatsoever to exercise its option to purchase the Convention Center Property.

**Damage, Destruction, and Condemnation.** Unless the City shall have exercised its option to purchase the Corporation's interest under the Lease Purchase Agreement and terminate the Lease Purchase Agreement as provided in Article X of the Lease Purchase Agreement, if (i) all the Convention Center Property is destroyed or is damaged by fire or other casualty or (ii) title to or the temporary use of the Convention Center Property or the interest of the City or the Corporation in the Convention Center Property 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 and with the consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, cause the net proceeds of any insurance or

condemnation award to be deposited into the Project Fund to be applied to the prompt repair, restoration, modification, or improvement of the Convention Center Property 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 Convention Center Property shall be transferred to the Bond Fund and used in accordance with Section 507 of the Indenture.

If the City determines, with the consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, that the repair, restoration, modification, or improvement of the Convention Center Property 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, and such net proceeds (i) shall be deposited into the Bond 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 Bond Trustee, together with all other amounts due under the Indenture and under the Lease Purchase Agreement as provided in Section 4.2 of the Lease Purchase 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 Agreements.

**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 Convention Center Property in accordance with any damage, destruction, or condemnation thereof, 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 has agreed that if by reason of any such insufficiency of the net proceeds, the City shall make any such payments, the City shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable under the Lease Purchase Agreement.

**Event of Nonappropriation.** In the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Lease Purchase 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 Nonappropriation shall be deemed to have occurred. Notwithstanding the above, no Event of Nonappropriation shall be deemed to have occurred under the Lease Purchase Agreement if, during the Fiscal Year subsequent to that in which such an event occurs, Rentals and Additional Rentals are timely paid under 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 Nonappropriation shall occur and be continuing, upon receipt of a certificate from a City Representative which states that the City has not appropriated the funds required to be appropriated by the City, or upon receipt of other notice of the occurrence of any Event of Nonappropriation with respect to the City, the Bond Trustee shall immediately notify the Corporation of such occurrence.

If an Event of Nonappropriation 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 Convention Center Property. The Bond Trustee shall, upon the occurrence of an Event of Nonappropriation, have all

rights and remedies granted to it under the Indenture and as a secured creditor under Missouri law, as Bond Trustee for the benefit of Bondholders and any Credit Facility 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 Bond 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 Nonappropriation as provided in the Lease Purchase Agreement shall be held by the Bond Trustee under the Indenture for the benefit of the Bondholders and any Credit Facility Provider as set forth in the Indenture until the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, the Series 2008 Bonds, and such Credit Facility Provider are paid in full.

Upon the occurrence and continuance of any Event of Nonappropriation, the Bond Trustee may, subject to the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, or shall, at the prior written direction of such Credit Facility Provider, give notice to the City to vacate the Convention Center Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the Lessee has paid or appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and shall, without any further demand or notice, (i) terminate the Lease Purchase Agreement, re-enter the Convention Center Property, eject all parties in possession thereof therefrom, and sublease the Convention Center Property or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Convention Center Property.

**Remedies Regarding City Defaults.** Notwithstanding anything in the Lease Purchase Agreement to the contrary, the Bond Trustee shall be entitled to sublease the Convention Center Property to any entity, public or private, for such period as is necessary for the Bond Trustee to obtain sufficient monies to pay in full the principal of, redemption premium if any, and interest on the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds, and the obligations of the Bond Trustee with respect to the Bondholders and the receipt and disbursement of funds shall be continuing until the lien of the Indenture is discharged as provided in the Indenture.

**Events of Default Defined.** The following shall be "Events of Default" under the Lease Purchase Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Purchase 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 Purchase Agreement; (b) failure by the City to observe or perform any covenant, condition, or agreement on its part to be observed or performed, other than as referred to in subsection (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Corporation or the Bond Trustee, unless the Bond Trustee, subject to the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Bond Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the Default is corrected; (c) the filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment, or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted; (d) failure by the City to immediately vacate the Convention

Center Property upon request pursuant to Section 11.4 of the Lease Purchase Agreement after an Event of Nonappropriation occurs; (e) the City shall vacate or abandon the Convention Center Property, and the same shall remain uncared for and unoccupied for a period of 60 consecutive days; (f) the Bond Trustee shall receive written notice from the Credit Facility Provider stating that an “Event of Default” has occurred under any Credit Facility, provided that the Credit Facility Provider has not failed, has not ceased or is not otherwise unable to act under, or has not wrongfully dishonored a claim against or failed to make a payment under the applicable Credit Facility.

**Remedies on Default.** Whenever any Event of Default shall have happened and be continuing, the Corporation or the Bond Trustee shall have the right, at its option and subject to prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and without any further demand or notice, to take and shall take upon the prior written direction of such Credit Facility Provider, 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 Purchase 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 Convention Center Property shall cease and the Lease Purchase Agreement shall thereupon be terminated, and the Corporation may reenter and take possession of the Convention Center Property; or

(c) Without terminating the Lease Purchase Agreement, reenter the Convention Center Property 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 Convention Center Property without terminating the Lease Purchase Agreement, the Corporation shall use reasonable diligence to relet the Convention Center Property, 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 Convention Center Property, and no such reentry or taking of possession of the Convention Center Property by the Corporation shall be construed as an election on the Corporation’s part to terminate the Lease Purchase 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 Purchase Agreement), or of any of its other obligations under the Lease Purchase 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 Purchase Agreement until the end of the Lease Term, whether or not the Convention Center Property shall have been relet, less the net proceeds, if any, of any reletting of the Convention Center Property 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 Bond Fund and shall be applied as provided in the Indenture.

Having elected to reenter or take possession of the Convention Center Property without terminating the Lease Purchase Agreement, the Corporation may, with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder (subject, however, to any restrictions in the Indenture against termination of the Lease Purchase Agreement), and shall at the written direction of such Credit Facility Provider, 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 Purchase Agreement, elect to terminate the Lease Purchase 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 Purchase Agreement shall thereupon be terminated. If in accordance with any of the foregoing provisions the Corporation shall have the right to elect to reenter and take possession of the Convention Center Property the Corporation may, with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall at the written direction of such Credit Facility Provider, 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 Purchase Agreement, or any right of the Corporation.

(d) Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall at the written direction of such Credit Facility Provider, by notice in writing to the City and such Credit Facility Provider, terminate the City's right of possession under the Lease Purchase Agreement as to any one or more items of the Convention Center Equipment, whereupon all right and interest of the City to or in the use of such items shall terminate, and the Corporation may, with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall at the written direction of such Credit Facility Provider, cause the City, upon the written demand of the Corporation, at the City's expense, to promptly return any and all such items of the Convention Center Equipment to the Corporation at a site designated by the Corporation and in good condition, and whether or not the Lease Purchase Agreement has been terminated, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall at the written direction of such Credit Facility Provider, enter upon the premises where any such items of Convention Center Equipment are located and take immediate possession and remove such items of the Convention Center Equipment by summary proceedings or otherwise, or may with the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and shall at the prior written direction of such Credit Facility Provider, cause the City, at the City's expense, to store, maintain, surrender, and deliver possession of such items of the Convention Center Equipment to the Corporation at the site specified by such Credit Facility Provider, all without liability to the City for or by reason of such entry or taking of possession, whether for the restoration of damage to property caused by such taking or otherwise.

(e) Take whatever action at law or in equity that 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 Purchase Agreement, or enforce performance and observance of any obligation, agreement, or covenant of the City under the Lease Purchase Agreement.

**Limitations on Remedies.** Notwithstanding any provision of the Lease Purchase Agreement to the contrary, a judgment requiring a payment of money may be entered against the City by reason of an Event of Default under the Lease Purchase Agreement only as to the following liabilities: (a) the portion of Rentals and Additional Rentals which would otherwise have been payable under the Lease Purchase Agreement, allocable to any period in which the City continues to occupy the Convention Center Property; and (b) Rentals, Additional Rentals, or other obligations under the Lease Purchase Agreement which would otherwise have been payable by the City under the Lease Purchase Agreement subsequent to termination of the Lease Purchase Agreement. A judgment requiring a payment of money may be entered against the City by reason of an Event of Nonappropriation only to the extent that the City fails to vacate the Convention Center Property as required by the Lease Purchase Agreement and only as to the liabilities described in the Lease Purchase Agreement.

**Performance of the City's Obligations.** If the City shall fail to make any payment or to keep or perform any of its obligations as provided in the Lease Purchase Agreement, then the Corporation, any Credit Facility Provider in the Corporation's name, or the Bond Trustee, may (but shall not be obligated so to do) upon the continuance of such failure on the City's part for 60 days after notice of such failure is given the City by the Corporation, such Credit Facility Provider, or the Bond Trustee, and without waiving or releasing the City from any obligation under the Lease Purchase Agreement, as an additional but not exclusive remedy, make any such payment or perform any such obligation, and all sums so paid by the Corporation, such Credit Facility Provider or the Bond Trustee, or and all necessary incidental costs and expenses incurred by the Corporation, such Credit Facility Provider, or the Bond Trustee in performing such obligations shall be deemed Additional Rentals and shall be paid by the City to the Corporation, such Credit Facility Provider, or the Bond Trustee, as applicable, on demand, and if not so paid by the City, the Corporation, or the Bond Trustee shall have the same rights and remedies provided for in Section 12.2 of the Lease Purchase Agreement in the case of Default by the City in the payment of Rentals.

**Rights and Remedies Cumulative.** The rights and remedies reserved by the Corporation and the City under the Lease Purchase Agreement and those provided by law shall be construed as cumulative and continuing rights. No one of them shall be exhausted by the exercise thereof on one or more occasions. The Corporation and the City shall each be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions of the Lease Purchase Agreement, notwithstanding availability of an adequate remedy at law, and each party by the Lease Purchase Agreement waives the right to raise such defense in any proceeding in equity.

**No Remedy Exclusive.** No remedy in the Lease Purchase Agreement conferred upon or reserved to the Corporation or the Bond Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Purchase Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation or the Bond Trustee to exercise any remedy reserved to it in the Lease Purchase Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Purchase Agreement or by law.

**Amendments.** Except as otherwise provided in the Lease Purchase Agreement, the Deed of Trust, or the Indenture, subsequent to the issuance of Bonds and prior to all of the Bonds being paid in accordance with the Indenture and provision being made for the payment of all sums payable under the Indenture in accordance with Article XIII thereof, the Lease Purchase Agreement may not be effectively amended, changed, modified, altered, or terminated without the concurring written consent of the Bond Trustee and the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit

Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, given in accordance with the provisions of the Indenture except as provided in Article XII of the Indenture. In addition, as long as any Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligations thereunder, any provision of the Deed of Trust expressly recognizing or granting rights in or to the Credit Facility Provider may not be amended in any manner which affects the rights of the Credit Facility Provider thereunder without the prior written consent of the Credit Facility Provider. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The Credit Facility Provider shall be provided with a full transcript of all proceedings relating to the execution of any supplement or amendment.

**Merger, Consolidation, Transfer of Assets, etc.** As long as any of the Bonds remain Outstanding and unpaid, or until provision for the payment thereof has been made as provided in Article XIII of the Indenture, the Corporation and the Authority shall maintain their respective corporate existences and shall not dissolve or otherwise dispose of all or a major portion of their assets without the approval of the City, the Bond Trustee, and the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder.

**Maintenance of Tax Exemption.** The City, the Corporation, and the Authority shall not take any action or fail to take any action which action or failure would cause the interest on the Series 1993A Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, or the Series 2008 Bonds to be includable in gross income for federal or State income tax purposes. The Corporation and Authority further covenant that, so long as the Bonds remain Outstanding, they will, to the best of their ability, maintain their status as organizations exempt from taxation.

**City's Financial Reports; Additional Covenants of the City.** So long as any of the Bonds are Outstanding, the City shall deliver to the Bond Trustee, as soon as available, a copy of the City's annual audited financial statements. Such audited financial statements will include the financial transactions of the Corporation and the Authority in accordance with generally accepted accounting principles.

**Rights of the Credit Facility Provider.** Notwithstanding anything to the contrary in the Lease Purchase Agreement no event, except an event described in Sections 901(a) or 901(b) of the Indenture, shall constitute an Event of Default under the Lease Purchase Agreement until such event is declared by the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, to be an Event of Default. In addition, the Bond Trustee and the Corporation shall exercise their remedies, and their rights to give waivers and rescind acts provided for in the Lease Purchase Agreement solely at the direction of such Credit Facility Provider and only if and as directed in writing by such Credit Facility Provider; and provided, further, that such direction shall not be otherwise than in accordance with the provisions of law and of the Lease Purchase Agreement, and provided, further, that the Bond Trustee shall have the right to decline to follow any such direction if the Bond Trustee in good faith shall determine that such direction would materially prejudice the rights of the Bondholders. The Credit Facility Provider shall only be entitled to its rights under the Lease Purchase Agreement and the Indenture, including without limitation its rights of consent, so long as any Credit Facility shall be in effect and the Credit Facility Provider is not in Default under such Credit Facility, and has not failed, has not ceased or is otherwise unable to act under, or has not wrongfully dishonored a claim against such Credit Facility. References in the Lease Purchase Agreement to the Credit Facility Provider shall have no application when the Credit Facility is not in effect.

**Subordination of Agreement to Deed of Trust.** The Lease Purchase Agreement is and shall continue to be subject and subordinate to the lien of the 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 Bond Trustee and any Credit Facility Provider or either of them to secure the payment of the principal of and interest on the Bonds.

**Assignment of Revenues.** Pursuant to the Indenture, the Corporation shall assign and pledge any rents, revenues, and receipts receivable by it under the Lease Purchase Agreement, to the Bond Trustee as security for payment of the principal of, interest and premium, if any, on the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005A Bonds, and the Series 2008 Bonds and the City by the Lease Purchase Agreement consents to such pledge and assignment.

### **Summary of Certain Provisions of the Indenture**

The following is a summary of certain provisions of the Indenture and is qualified in its entirety by reference thereto.

**Authorization, Principal Amount and Series Designation.** The following Bonds have been or are by the Indenture authorized and issued pursuant to the Indenture:

“St. Louis Municipal Finance Corporation Leasehold Revenue Refunding Bonds, Series 1993A” (the “*Series 1993A Bonds*”). The Series 1993A Bonds shall have been issued in the aggregate principal amount of \$144,362,205, including bonds the interest on which is payable solely at maturity or upon earlier redemption at the initial offering price of \$2,567,205 (the “*Series 1993A Compound Interest Bonds*”), and the proceeds from such Series 1993A Bonds shall have been used to pay the costs of the Series 1993 Project. The Series 1993A Compound Interest Bonds consist of Bonds, the principal of and interest on which are payable solely at maturity, or earlier redemption or acceleration.

“The Industrial Development Authority of the City of St. Louis, Missouri, Compound Interest Leasehold Revenue Bonds, Series 2000 (St. Louis Convention Center Headquarters Hotel Project)” (the “*Series 2000 Bonds*”). The Series 2000 Bonds shall have been issued in the aggregate principal amount of \$39,999,578.60, and the proceeds therefrom shall have been used to pay the costs of the Series 2000 Project. The Series 2000 Bonds consist of Bonds, the principal of and interest on which are payable solely at maturity, or earlier redemption or acceleration.

“St. Louis Municipal Finance Corporation, Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project)” (the “*Series 2003 Bonds*”). The Series 2003 Bonds shall have been issued in the aggregate principal amount of \$118,575,000, and the proceeds therefrom shall have been used to pay the Costs of the Series 2003 Project. The Series 2003 Bonds consist of Bonds, the principal of which are payable solely at maturity, or earlier redemption or acceleration.

“St. Louis Municipal Finance Corporation, Compound Interest Leasehold Revenue Bonds, Series 2005A (Convention Center Refunding and Improvement Projects)” (the “*Series 2005A Bonds*”) and “St. Louis Municipal Finance Corporation, Compound Interest Junior Lien Leasehold Revenue Bonds, Series 2005B (Refunding and Capital Improvement Projects)” (the “*Series 2005B Bonds*” and, together with the Series 2005A Bonds, the “*Series 2005 Bonds*”). The Series 2005A Bonds shall have been issued in the aggregate principal amount of \$20,882,005.05, and the Series 2005B Bonds shall have been issued in the aggregate principal amount of \$24,115,886.00. The proceeds from the Series 2005 Bonds shall have been used to finance the costs of the Series 2005 Projects and to pay the Costs of Issuance in connection with the issuance and sale of the Series 2005 Bonds. The Series 2005 Bonds consist of

Bonds, the principal of and interest on which are payable solely at maturity, or earlier redemption or acceleration.

“St. Louis Municipal Finance Corporation, Leasehold Revenue Bonds, Series 2008 (Convention Center Capital Improvement Projects) (the “*Series 2008 Bonds*”)”. The Series 2008 Bonds shall be issued in the aggregate principal amount of \$21,850,000. The proceeds from the Series 2008 Bonds shall be used (a) to pay the Costs of the Series 2008 Projects, (b) to fund capitalized interest on the Series 2008 Bonds, (c) to fund a debt service reserve fund for the Series 2008 Bonds, and (d) to pay the Costs of Issuance in connection with the issuance and sale of the Series 2008 Bonds. The Series 2008 Bonds consist of Bonds, the principal of which are payable solely at maturity, or earlier redemption or acceleration. The form of the Series 2008 Bonds and the Certificate of Authentication thereon shall be in substantively the form set out in Exhibit A-2 to the Indenture.

**Nature of Obligations.** Each Series of Bonds and the interest thereon shall be special obligations of the Issuer payable solely out of any Credit Facility in effect with respect to such Series, and out of the Rentals and certain Additional Rentals, 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 and no incorporator, member, agent, employee, director, or officer of the Issuer or the City shall at any time or under any circumstances be individually or personally liable under the Indenture or the Lease Purchase Agreement for anything done or omitted to be done by the Issuer or the City 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 lien on and security interest in the Convention Center Property pursuant to the Deed of Trust. Under certain Events of Default described in Section 901 of the Indenture, the therein-named mortgage trustee shall, if directed by the Trustee, foreclose on the Deed of Trust and apply the proceeds therefrom in accordance with Article IX of the Indenture. The Bonds of such Series may be issuable as Compound Interest Bonds or Current Interest Bonds or a combination of both, the terms to be provided in the Supplemental Indenture applicable to such Series.

**Method and Place of Payment of the Bonds; Interest Rights Preserved.** The principal of and redemption premium, if any, and interest (computed on the basis of a 360-day year consisting of twelve 30-day months) or Accreted Value of and redemption premium, if any, on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Payment of the principal of and redemption premium, if any, or Accreted Value of and redemption premium, if any, shall be made to the persons in whose names such Bonds are registered upon the presentation and surrender of such Bonds at their respective Maturities or Redemption Dates at the principal corporate trust 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 by check or draft mailed to such Bondholder at his address as it appears on the Bond Register. Upon written request to the Paying Agent by the Holder, as of the Record Date, of at least \$1,000,000 principal amount of the Bonds, principal of and interest on the Bonds payable subsequent to the Record Date on or after which such notice is received shall be made by wire transfer to an account designated by such Holder or in such other manner as such Bondholder and the Paying Agent may determine.

**Registration, Transfer, and Exchange of Bonds.** Pursuant to the Indenture, the Trustee is appointed Bond Registrar for the purpose of registering and transferring Bonds and as such shall keep the Bond Register as provided in the Indenture. All of the Bonds and all transfers and all exchanges thereof shall be fully registered as to principal and interest in the Bond Register.

Subject to any restrictions imposed by any Supplemental Indenture relating to global bond certificates in the event Bonds are issued in book-entry only form, Bonds may be transferred in the Bond Register only upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the Registered Owner thereof or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Issuer shall execute and the Trustee shall authenticate and deliver in exchange for such Bond, a new Bond or Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture or by the Supplemental Indenture authorizing such Bonds in an aggregate principal amount equal to the principal amount of such Bond, of the same Series and Stated Maturity and bearing interest at the same rate.

Bonds, 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 thereof 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 Bonds of the same Series and Stated Maturity, of any denomination or denominations authorized by the Indenture, and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or transferred as provided in the Indenture, the Issuer shall execute and the Trustee shall authenticate and deliver at the earliest practicable time Bonds in accordance with the Indenture. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. No service charge shall be made to any Bondholder for registration, transfer, or exchange of Bonds, but the Issuer or the Trustee may make a charge for every such exchange or transfer of 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 transfer or exchange shall be completed.

Neither the Issuer nor the Trustee shall be required (i) to issue, transfer, or exchange any Bond during a period beginning at the opening of business 15 days preceding the date of mailing a notice of redemption for Bonds selected for redemption under Section 301 of the Indenture and ending at the close of business on the day of such mailing or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

**Persons Deemed Owners of Bonds.** The person in whose name any Bond shall be registered as shown in the Bond Register shall be deemed and regarded by the Issuer, the Trustee, and the Paying Agent as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment thereof or on account thereof and for all purposes, and none of the Issuer, the Trustee, or the Paying Agent shall be affected by notice to the contrary. Payment of or on account of the principal of, and redemption premium, if any, and interest on any 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 effective to satisfy and discharge the liability upon such Bond, including the redemption premium, if any, and interest thereon, to the extent of the sum or sums so paid and to that extent only.

**Additional Bonds.** So long as no event has occurred and is continuing which, with the passage of time or otherwise, would become an Event of Default under the Indenture or the Lease Purchase 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 1993 Bonds, the Series 2003 Bonds, the Series 2005A Bonds, the Series 2008 Bonds, and any other outstanding Additional Bonds, at any time and from time to time with prior written consent of the Credit Facility Provider, if any, upon compliance with the conditions relating to Additional Bonds, for the purpose of providing funds (i) to pay the cost of completing the Series 1990 Project or an Additional

Project, such cost to be evidenced by a certificate signed by a City Representative and a Corporation Representative or an Authority Representative, as the case may be, (ii) to pay all or any part of the cost of the acquisition, purchase, construction, installation, or equipping of additions to or expansions of or remodeling or modification or rehabilitation of the Convention Center Property and to pay the costs of acquisition and installation of additional equipment and the costs of acquisition of additional rolling stock related to the Convention Center Property and (iii) for refunding all or any part of the Outstanding Series 1993 Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds, or Additional Bonds issued for the purpose of refunding such Series 1993 Bonds, Series 2003 Bonds, Series 2005A Bonds, or Series 2008 Bonds, 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.

Before any Additional Bonds shall be issued, the Issuer 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 Issuer to enter into a Supplemental Indenture for the purpose of issuing such Additional Bonds, and, if necessary, authorizing the Issuer to enter into a Supplemental Lease Purchase 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 (including the Additional Bonds to be issued) as the same become due, for the inclusion of any such addition, expansion, or modification as a part of the Convention Center Property, and for such other matters as are appropriate because of the issuance of such Additional Bonds that, in the judgment of the Trustee, is not to the prejudice of the Issuer or the Registered Owners of the Bonds previously issued.

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 on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 1993 Bonds, the Series 2003 Bonds, the Series 2005A Bonds, the Series 2008 Bonds, and any other Additional 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 and the debt service due in any year shall be no greater than such debt service would have been without the refunding of such Outstanding Bonds.

Nothing in the Indenture shall prohibit the Issuer from issuing bonds for any purpose other than pursuant to the provisions of the Indenture and payable from sources other than the Trust Estate. Except as described above, the Issuer shall not otherwise issue any obligations on a parity with the Bonds secured by the Indenture, but the Issuer may, with prior written consent of the Credit Facility Provider, if there shall be in effect a Credit Facility, issue other obligations specifically subordinate and junior to the Series 1993 Bonds, Series 2000 Bonds, Series 2003 Bonds, Series 2005 Bonds, Series 2008 Bonds, and Additional Bonds.

**Description of the Series 2008 Bonds.** The Series 2008 Bonds shall have Stated Maturities in the respective principal amounts (subject to prior redemption as provided in the Indenture) and shall bear interest at the rates per annum as follows:

<u>Maturity</u>	<u>Maturity Value</u>	<u>Interest Rate</u>	<u>Price</u>
7/15/2021	\$3,825,000.00	5.0000%	97.434%
7/15/2022	1,600,000.00	5.1000	97.500
7/15/2023	1,700,000.00	5.2500	98.191
7/15/2024	1,775,000.00	5.3000	97.912
7/15/2025	1,875,000.00	5.3750	97.895
7/15/2026	1,975,000.00	5.4000	97.441
7/15/2027	2,075,000.00	5.5000	97.938
7/15/2028	2,225,000.00	5.5000	97.416
7/15/2029	2,325,000.00	5.5000	96.876
7/15/2030	2,475,000.00	5.6250	97.729

The Series 2008 Bonds bear interest (computed on the basis of a 360-day year of twelve 30-day months) from their date or from the most recent Interest Payment Date to which interest has been paid or duly provided for, payable on January 15 and July 15 in each year, beginning January 15, 2009. Payments shall be applied first to interest due and the remainder to principal. The debt service schedule with respect to the Series 2008 Bonds is attached to the Indenture as Exhibit I.

The Bond Trustee is designated as the Corporation's Paying Agent for the redemption premium and interest on, if any, the Series 2008 Bonds. After delivery of the Series 2008 Bonds, the Bond Trustee shall file with the Corporation a record of the numbers assigned to such Series 2008 Bonds upon the initial delivery thereof. The Series 2008 Bonds shall be executed substantially in the form and manner as provided in the Indenture and delivered to the Bond Trustee for authentication.

When the Series 2008 Bonds shall have been executed, authenticated, and registered as required by the Indenture, the Bond Trustee shall deliver the Series 2008 Bonds to or upon the order of the purchasers thereof upon payment to the Bond Trustee of the purchase price of the Series 2008 Bonds. The proceeds of the sale of the Series 2008 Bonds, including accrued interest and premium thereon, if any, shall be immediately paid over to the Bond Trustee, and the Bond Trustee shall deposit and apply such proceeds as provided in Section 403 of the Indenture.

**Immobilization of Bonds by the Depository.** Except as otherwise provided with respect to the Series 2005 Bonds in Section 206, pursuant to the contracts for the sale of the Bonds to the original purchasers, immediately upon delivery of the Bonds, the original purchasers of the Bonds shall deposit the Global Bond Certificates representing all of the Bonds with DTC. The Global Bond Certificates may be in printed or typewritten form or otherwise, as shall be acceptable to DTC and shall be registered in the name of Cede & Co., or such other name as may be requested by an authorized representative of DTC, and held immobilized from circulation at the offices of DTC on behalf of the original purchasers and subsequent Bondholders. DTC will be the sole Holder of record of such Global Bond Certificates and no investor or other party purchasing, selling, or otherwise transferring ownership of any Bonds, or any interest therein is to receive, hold, or deliver any bond certificates as long as DTC holds such Bonds immobilized from circulation.

**Redemption of Bonds Generally.** The Bonds of each Series shall be subject to redemption prior to their Stated Maturity as described below and in accordance with the provisions of the Supplemental Indenture authorizing such Series of Bonds.

**Optional and Mandatory Redemption of the Series 2008 Bonds.** The Series 2008 Bonds are not subject to mandatory redemption. The Series 2008 Bonds are subject to optional redemption and payment prior to their Stated Maturity at the election of the Corporation upon the direction and instruction by the City, on January 15, 2017 as a whole at any time thereafter, or in part on any Interest Payment Date thereafter, at the redemption price of 100% of the principal thereof, plus accrued interest thereon to the redemption date.

The Bond Trustee shall pay the Bonds directly from moneys received by the Issuer from the City and deposited into the Bond Fund pursuant to the Lease Purchase Agreement. Any provision in the Indenture to the contrary notwithstanding, in the event that there is a Credit Facility in effect that is a letter of credit, no Bond may be optionally redeemed Section unless (x) moneys in an amount equal to the premium, if any, payable thereon are available and have been irrevocably deposited with the Bond Trustee for deposit in the respective Redemption Subaccount prior to the mailing of any notice in accordance with Section 307 of the Indenture, which moneys shall be held invested or uninvested in the respective Redemption Subaccount and, if invested, shall be invested in Government Obligations maturing in the lesser of (a) thirty days and (b) in a timely manner such that funds will be available when needed and (y) the Bond Trustee shall have received an opinion of nationally recognized counsel experienced in bankruptcy matters acceptable to Moody's that the application of such moneys to make payments with regard to the Bonds will not constitute a voidable preference under Section 547 of Title 11 of the United States Code, as amended, in the event of the bankruptcy of the City or the Issuer.

**Redemption in Event of Condemnation, Deficiency of Title, Fire or Other Casualty, or Change in Law or Circumstances.** The Bonds shall be subject to extraordinary optional redemption and payment prior to their Stated Maturities by the Issuer, upon instructions from the City, with the consent of the Credit Facility Provider so long as there shall be in effect a Credit Facility, on any date (except as provided in the following paragraph) upon the occurrence of any of the following conditions or events, provided the Bonds so redeemed are redeemed and paid according to their terms: (1) if title to, or the use of, substantially all of the Convention Center Property is condemned by any authority having the power of eminent domain; (2) if the Corporation's interest in substantially all of the Convention Center Property is found to be deficient or nonexistent to the extent that the Convention Center Property is untenable or the efficient utilization of the Convention Center Property by the City is impaired; (3) if substantially all of the Convention Center Property 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.

In the event that the City, with the consent of any Credit Facility Provider (so long as the Credit Facility Provider is not in default in its payment obligations under the Credit Facility), exercises its option to prepay all or a portion of the amounts payable pursuant to casualty, condemnation, changes in law, or other circumstances as described above from amounts available under the Indenture, the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds, the Series 2005 Bonds, and the Series 2008 Bonds shall be subject to extraordinary optional redemption in whole at any time or in part on any Series 1993A Accretion Date, Series 2000 Accretion Date, Interest Payment Date, or Series 2005 Accretion Date, respectively, at the written direction of the City given to the Issuer and the Bond Trustee not less than 35 days nor more than 60 days prior to the Redemption Date.

Any Current Interest Bond extraordinarily optionally redeemed shall be redeemed at a redemption price of 100% of the principal amount thereof and interest accrued as of the Redemption Date. Any Compound Interest Bond extraordinarily optionally redeemed shall be redeemed at a redemption price of

100% of the Accreted Value of such Bond as of the Redemption Date plus accrued interest from the next preceding applicable Accretion Date computed as follows: (i) the quotient of the number of days elapsed, computed on the basis of a 360-day year of twelve 30-day months, from and including the next preceding applicable Accretion Date to but not including the redemption or maturity date divided by 180, multiplied by (ii) the Accreted Value on the next succeeding applicable Accretion Date minus the Accreted Value on the immediately preceding applicable Accretion Date.

Notwithstanding any provision in the Indenture contained, no Series 2000 Bond may be extraordinarily optionally redeemed unless provision for payment of all Outstanding Series 1993 Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds, and Additional Bonds, if any, has been made. Notwithstanding any provision in the Indenture contained, no Series 2005B Bond may be extraordinarily optionally redeemed unless provision for payment of all Outstanding Series 1993 Bonds, Series 2000 Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds, and Additional Bonds, if any, has been made.

**Selection of Bonds to Be Redeemed.** When less than all of the Outstanding Bonds of any series are to be redeemed and paid prior to Maturity pursuant to Article III of the Indenture, such Bonds shall be redeemed in such order of Maturity as directed by the Issuer (upon the direction of the City) in its written request to redeem as provided in Section 306 by lot or 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 such denomination as provided in the Indenture. Compound Interest Bonds shall be redeemed only in denominations of \$5,000 of Accreted Value or any integral multiple thereof on the date of such redemption and Current Interest Bonds shall be redeemed only in \$5,000 principal amount and or integral multiple thereof on the date of such redemption. Each \$5,000 of Accreted Value of Compound Interest Bonds and each \$5,000 principal amount of Current Interest Bonds shall be referred to as a “\$5,000 Unit.” Bonds of less than a full Maturity are to be selected by the Bond Trustee in \$5,000 Units in such equitable manner as the Bond Trustee may determine.

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 or Accreted Value of a Bond so called for redemption and accrued interest thereon, if any (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 among the Issuer, the Trustee, and the Depository.

In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than \$5,000 are then Outstanding, for all purposes in connection with such redemption each \$5,000 Unit shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all of the \$5,000 Units represented by any Bond is selected for redemption, then upon notice of intention to redeem such \$5,000 Unit or Units, the Holder of such Bond or his duly authorized agent shall forthwith present and surrender such Bond to the Bond Trustee (i) for payment of the redemption price (including the premium, if any, and interest to the date fixed for redemption) of the \$5,000 Unit or Units called for redemption, and (ii) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any Bond of a denomination greater than \$5,000 shall fail to present a Bond called for redemption such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 Unit or Units called for redemption (and to that extent only).

**Trustee's Duty to Redeem Bonds.** The Trustee shall call Bonds for redemption and payment as in the Indenture provided upon receipt by the Trustee at least 45 days prior to the Redemption Date of a written request of the Issuer (upon the direction of the City) and, if a Credit Facility shall then be in effect with respect to such Bonds and if such Credit Facility is a letter of credit, written confirmation from the Credit Facility Provider that any amounts required to be deposited with the Credit Facility Provider pursuant to the provisions of the Credit Facility relating to such Bonds have been so deposited. Such request shall specify the principal amount and Stated Maturities of Bonds to be called for redemption, the applicable redemption price or prices, and the provision or provisions of the Supplemental Indenture authorizing Additional Bonds pursuant to which such Bonds are to be called for redemption. The foregoing provisions shall not apply in the case of any mandatory redemption of Bonds pursuant to the mandatory redemption requirements of a Supplemental Indenture authorizing Additional Bonds, if any, and Bonds shall be called by the Trustee for redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Issuer or the City and whether or not the Trustee shall hold in the Bond Fund or any other Bond Fund 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 the Credit Facility Provider, if applicable, and to each Holder of Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall include the following information: (a) the Redemption Date; (b) the redemption price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (d) that on the Redemption Date, the redemption prices shall become due and payable upon each such Bond, and that interest thereon shall cease to accrue from and after said date; and (e) the place where such Bonds are to be surrendered for payment of the redemption price (which shall be the principal corporate trust office of the Trustee as Paying Agent). The failure of the Holder of any Bond to be so redeemed to receive written notice mailed as in the Indenture provided shall not affect or invalidate the redemption of such Bond. The Bond Registrar is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond to be redeemed.

**Effect of Call for Redemption.** Prior to any date fixed for redemption pursuant to the Indenture, 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 Current Interest Bonds to be called for redemption and accrued interest thereon or, to pay the Accreted Value of Compound Interest Bonds, and interest thereon, if any, 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 extraordinary optional 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 described above, the Bonds 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, 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.

Notwithstanding any provision in the Indenture contained, no Series 2000 Bond may be redeemed as described in above unless provision for payment of all Outstanding Series 1993 Bonds, Series 2003

Bonds, Series 2005A Bonds, Series 2008 Bonds, and Additional Bonds, if any, has been made as provided in Section 308 of the Indenture. Notwithstanding any provision in the Indenture contained, no Series 2005B Bond may be redeemed as described above unless provision for payment of all Outstanding Series 1993 Bonds, Series 2000 Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds, and Additional Bonds, if any, has been made as provided in Section 308 of the Indenture.

**Application of Proceeds of Series 2008 Bonds.** From the proceeds of the sale of the Series 2008 Bonds, the Underwriter shall retain its underwriter's discount of \$283,222.50 and shall pay to Assured Guaranty a premium in the amount of \$377,083.39 with respect to the issuance of the Series 2008 Bond Insurance Policy. The remainder of the proceeds of the Series 2008 Bonds shall be deposited with the Bond Trustee as follows: (a) the sum of \$15,700,000.00 of the proceeds of the Series 2008 Bonds shall be deposited to the Series 2008 Project Account in the Project Fund to pay a portion of the Costs of the Series 2008 Projects, (b) the sum of \$351,837.95 of the proceeds of the Series 2008 Bonds shall be deposited to the Series 2008 Costs of Issuance Account in the Costs of Issuance Fund to pay a portion of the Costs of Issuance of the Series 2008 Bonds, (c) the sum of \$2,480,271.33 of the proceeds of the Series 2008 Bonds shall be deposited to the Series 2008 Capitalized Interest Subaccount in the Bond Fund to pay a portion of the interest due on the Series 2008 Bonds, and (d) the sum of \$2,132,490.58 of the proceeds of the Series 2008 Bonds shall be deposited to the Series 2008 Reserve Account in the Bond Reserve Fund.

**Creation of Funds and Accounts with respect to Series 2008 Bonds.** In the Indenture, there are created and ordered to be established in the custody of the Bond Trustee: (a) Series 2008 Costs of Issuance Account created within the Costs of Issuance Fund; (b) Series 2008 Project Account created within the Project Fund; (c) Series 2008 Bond Account created within the Bond Fund and within such account separate and distinct subaccounts designated: Capitalized Interest Subaccount, Series 2008 Hotel Tax Subaccount, and Series 2008 Non-restricted Subaccount; (d) Series 2008 Reserve Account created within the Bond Reserve Fund; and (e) Series 2008 Rebate Account created within the Rebate Fund.

The foregoing funds, accounts and subaccounts are to be administered as provided in the Indenture. Additional accounts and subaccounts may be created in such funds and accounts by one or more Supplemental Indentures.

#### **Application of Funds – Series 2008 Bonds.**

*Series 2008 Bond Account - Series 2008 Hotel Tax Subaccount.* The Bond Trustee shall deposit into the Series 2008 Hotel Tax Subaccount (i) all accrued interest received in connection with the sale of the Series 2008 Bonds, if any; (ii) all Hotel Tax Revenues to be deposited in the Series 2008 Hotel Tax Subaccount pursuant to Section 4.1 and Section 4.2 of the Lease Purchase Agreement; and (iii) all interest and other income derived from investments of funds on deposit in the Series 2008 Hotel Tax Subaccount.

*Series 2008 Bond Account - Series 2008 Non-restricted Subaccount.* The Bond Trustee shall deposit into the Series 2008 Non-restricted Subaccount (i) all amounts to be deposited in the Series 2008 Non-restricted Subaccount pursuant to Section 4.1 and Section 4.2 of the Lease Purchase Agreement derived from any funds of the City other than Hotel Tax Revenues; (ii) all interest and other income derived from investments of funds on deposit in the Series 2008 Non-restricted Subaccount; and (iii) all other moneys received by the Bond Trustee which the Bond Trustee is directed by the City or the Corporation to deposit in the Series 2008 Non-restricted Subaccount.

*Series 2008 Bond Account - Capitalized Interest Subaccount.* The Bond Trustee shall deposit into the Series 2008 Capitalized Interest Subaccount (i) all amounts to be deposited in the Series 2008

Capitalized Interest Subaccount pursuant to Section 403; and (ii) all interest and other income derived from investments of funds on deposit in the Series 2008 Capitalized Interest Subaccount. So long as any money remains in the Series 2008 Capitalized Interest Subaccount, the Bond Trustee shall disburse money from such subaccount to pay the interest on the Series 2008 Bonds as the same becomes due and payable and to make said moneys so withdrawn available to the Paying Agent for the purpose of paying said interest on the Series 2008 Bonds.

*Series 2008 Bond Account.* On each Interest Payment Date of the Series 2008 Bonds, the Bond Trustee shall pay the interest on such Series 2008 Bonds: first, from moneys on deposit in the Series 2008 Capitalized Interest Subaccount, second, from moneys on deposit in the Series 2008 Hotel Tax Subaccount, and third, from moneys on deposit in the Series 2008 Non-restricted Subaccount. On the date of Maturity, redemption, or acceleration of any Series 2008 Bonds as provided in the Indenture, the Bond Trustee shall pay the Series 2008 Bonds: first, from moneys on deposit in the Series 2008 Hotel Tax Subaccount, and second, from moneys on deposit in the Series 2008 Non-restricted Subaccount.

Moneys on deposit in the Series 2008 Hotel Tax Subaccount and the Series 2008 Non-restricted Subaccount may be used to purchase Series 2008 Bonds in the open market prior to their Stated Maturity, provided all Series 2008 Bonds at the time Outstanding are called for redemption or so purchased and sufficient funds are available therefore. Moneys on deposit in the Series 2008 Hotel Tax Subaccount and the Series 2008 Non-restricted Subaccount shall be used to pay and retire the Series 2008 Bonds last becoming due unless such Series 2008 Bonds and all interest thereon are otherwise paid.

Notwithstanding the foregoing, the aggregate amount of moneys paid to the Trustee by the City from Hotel Tax Revenues in payment of the principal of and interest and premium, if any, on the Series 2008 Bonds shall not exceed \$41,898,154.91 (such amount equals the aggregate principal of and interest and premium, if any, on the Series 2008 Bonds). Principal of and interest and premium, if any, due on the Series 2008 Bonds on any Redemption Date which is not an Interest Payment Date, in excess of the amounts described in the preceding sentence shall be paid by the City from any funds legally available for such purposes other than Hotel Tax Revenues.

*Series 2008 Costs of Issuance Account.* The funds deposited in the Series 2008 Costs of Issuance Account as set forth in Section 403 of the Indenture shall be disbursed by the Bond Trustee to pay the Costs of Issuance of the Series 2008 Bonds, upon receipt by the Bond Trustee of requisition certificates in substantially the form attached to the Indenture as Exhibit J signed by a City Representative. Upon the earlier of the Bond Trustee's receipt of a written request by the City or six (6) months after the date of the delivery of the Series 2008 Bonds, any amount remaining in Series 2008 Costs of Issuance Account shall be transferred by the Bond Trustee to the Series 2008 Project Account, without further authorization.

In paying any requisition as described above, the Bond Trustee may rely as to the completeness and accuracy of all statements in such requisition certificate and shall not be required to make any independent investigation in connection therewith and the execution of such requisition certificate by such City Representative shall be deemed an irrevocable determination that all conditions precedent to the payment of the amount designated in such requisition certificate from the Series 2008 Costs of Issuance Account have been satisfied.

*Series 2008 Project Account.* Funds on deposit in the Series 2008 Project Account shall be used to pay the Costs of the Series 2008 Projects upon receipt by the Bond Trustee of requisition certificates in substantially the form attached to the Indenture as Exhibit J signed by a City Representative. Following all such disbursements, any amounts remaining in the Series 2008 Project Account shall be either (i) subject to the approval of Bond Counsel, transferred to the City to be used to pay for any capital

improvement projects of the City, or (ii) transferred to the Series 2008 Bond Account to be used to make payments on the Series 2008 Bonds, as may be directed by the City in a written request to the Bond Trustee.

In paying any requisition under as described above, the Bond Trustee may rely as to the completeness and accuracy of all statements in such requisition certificate and shall not be required to make any independent investigation in connection therewith, and the execution of such requisition certificate by such City Representative shall be deemed an irrevocable determination that all conditions precedent to the payment of the amount designated in such requisition certificate from the Series 2008 Project Account have been satisfied.

*Series 2008 Rebate Account.* There shall be deposited in the Series 2008 Rebate Account such amounts as are required to be deposited therein pursuant to the Series 2008 Tax Compliance Agreement. All amounts on deposit at any time in the Series 2008 Rebate Account shall be held by the Bond Trustee in trust to the extent required to pay rebatable arbitrage to the United States of America, and the Corporation, the City, and any owners of the Series 2008 Bonds shall have no rights in or claim to such money. All amounts held in the Series 2008 Rebate Account shall be governed by the Indenture and by the Series 2008 Tax Compliance Agreement.

Pursuant to the Series 2008 Tax Compliance Agreement, the Bond Trustee shall remit all required rebate installments and a final rebate payment to the United States. Neither the Bond Trustee nor the Corporation shall have any obligation to pay any amounts required to be rebated pursuant to the Indenture and the Series 2008 Tax Compliance Agreement other than from moneys held in the Series 2008 Rebate Account created under the Indenture or from other moneys provided by the City. Any moneys remaining in the Series 2008 Rebate Account after redemption and payment of all of the Series 2008 Bonds and payment and satisfaction of any rebatable arbitrage shall be paid to the City. The obligation to pay arbitrage rebate to the United States and to comply with all other such requirements of the Indenture and the Series 2008 Tax Compliance Agreement shall survive the defeasance or payment in full of the Series 2008 Bonds until all rebatable arbitrage shall have been paid.

*Series 2008 Reserve Account.* The Bond Trustee shall deposit into the Series 2008 Reserve Account (i) all amounts to be deposited in the Series 2008 Reserve Account pursuant to Section 403; (ii) all amounts to be deposited in the Series 2008 Reserve Account pursuant to Section 4.1 and Section 4.2 of the Lease Purchase Agreement derived from any funds of the City other than Hotel Tax Revenues; (iii) all interest and other income derived from investments of funds on deposit in the Series 2008 Reserve Account; and (iv) all other moneys received by the Bond Trustee which the Bond Trustee is directed by the City or the Corporation to deposit in the Series 2008 Reserve Account. Funds on deposit in the Series 2008 Reserve Account shall be applied as follows:

Funds on deposit in the Bond Reserve Fund shall be used and applied by the Trustee solely, *first*, to prevent a default in the event moneys on deposit in the Bond Fund shall be insufficient to pay the principal of and interest on the Bonds as the same become due, and *second*, if there shall be in effect a Credit Facility, to reimburse the Credit Facility Provider for payments made pursuant to such Credit Facility as required therein. The Trustee may disburse and expend moneys from the Bond Reserve Fund for such purpose whether or not the amount in the Bond Reserve Fund at that time equals the Bond Reserve Fund Requirement. Moneys on deposit in the Bond 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 all Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Bond Reserve Fund shall be used to pay and retire the Bonds last becoming due unless such Bonds and all interest thereon are otherwise paid.

So long as the sum on deposit in the Bond Reserve Fund shall aggregate an amount equal to the Bond Reserve Fund Requirement, no further deposits to said Bond Reserve Fund shall be required. If, however, the Trustee is ever required to withdraw funds from the Bond Reserve Fund to prevent a default as provided in the Indenture and the withdrawal of such funds reduces the amount on deposit in the Bond Reserve Fund to less than the Bond Reserve Fund Requirement, the City shall in accordance with Section 4.2 of the Lease Purchase Agreement, make up such deficiency by making monthly payments of Additional Rent, commencing on the 15th day of the calendar month following the date of such withdrawal and continuing on the 15th day of each month thereafter, in an amount equal to one-twelfth (1/12) of the maximum amount of such deficiency until the amount on deposit in the Bond Reserve Fund again aggregates a sum equal to the Bond Reserve Fund Requirement.

Permitted Investments in the Bond Reserve Fund shall be evaluated by the Trustee quarterly at the market value thereof, exclusive of accrued interest, on January 15, April 15, July 15, and October 15 of each year and the amount on deposit therein determined accordingly. In the event that on any such date of evaluation the amount on deposit in the Bond Reserve Fund shall aggregate an amount less than the Bond Reserve Fund Requirement (by reason of such evaluation and not by reason of any withdrawal) the City shall make up such deficiency as Additional Rental no later than the next evaluation date.

In the event that the amount on deposit in the Bond Reserve Fund is less than the Bond Reserve Fund Requirement, investment earnings on funds on deposit in the Bond Reserve Fund shall remain on deposit in the Bond Reserve Fund. At such time as the sum on deposit in the Bond Reserve Fund shall aggregate an amount equal to the Bond Reserve Fund Requirement, investment earnings on funds on deposit in the Bond Reserve Fund shall be deposited into the Bond Fund.

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), 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 Purchase Agreement, and the Credit Facility, if any, all amounts remaining in the Bond Reserve Fund shall be paid to the City.

**Payments Due on Saturdays, Sundays, and Holidays.** In any case where the Maturity of principal of or Accreted Value, or redemption premium, if any, or interest on, any Bonds or the days fixed for redemption of any Bonds shall be a Saturday, a Sunday, a legal holiday, a day on which banking institutions in the States of Missouri or New York are authorized by law to close or a day on which the New York Stock Exchange is closed, then payment of principal, redemption premium, if any, or interest need not be made on such date but may be made on the next succeeding day not a Saturday, a Sunday, a legal holiday, a day upon which such banking institutions are authorized by law to close or a day on which the New York Stock Exchange is closed with the same force and effect as if made on the date of Maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

**Nonpresentment of 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 Issuer 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 five years following the date when such Bond becomes due, whether by Maturity or otherwise, the Trustee shall 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.

**Consent of Credit Facility Provider and Bondholders.** Except as otherwise provided in the Indenture, as long as any Credit Facility shall be in effect and the applicable Credit Facility Provider shall be in compliance with any payment obligations thereunder, (i) the consent of Ambac shall be required (in addition to Bondholder consent, when required) for the execution and delivery of any Supplemental Indenture or any amendment, supplement, or change to or modification of the Lease Purchase Agreement or the Deed of Trust; (ii) the consent of the Credit Facility Providers shall be required for the removal of the Bond Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) the consent of the Credit Facility Providers shall be required for the initiation or approval of any action not described in clauses (i) or (ii) above which requires Bondholder consent. In addition, any reorganization or liquidation plan with respect to the Corporation, the Authority, or the City must be acceptable to such Credit Facility Provider, and in the event of any reorganization or liquidation, such Credit Facility Provider shall have the right to vote on behalf of all Bondholders who hold insured bonds insured by the Credit Facility Provider absent any default by such Credit Facility Provider under the applicable Credit Facility.

**Consent of Credit Facility Provider Upon Default.** Anything in the Indenture to the contrary notwithstanding, as long as any Credit Facility shall be in effect and the applicable Credit Facility Provider shall be in compliance with any payment obligation thereunder, upon the occurrence and continuance of an Event of Default under the Indenture, such Credit Facility Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Bond Trustee for the benefit of the Bondholders under the Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds as provided in the Indenture, (ii) the right to annul any declaration of acceleration, and (iii) the right to approve all waivers of Events of Default.

**Acceleration Rights.** Upon the occurrence of an Event of Default and as long as any Credit Facility shall be in effect and the applicable Credit Facility Provider shall be in compliance with any payment obligation thereunder, the Bond Trustee may, with the prior written consent of such Credit Facility Provider, and shall, at the direction of such Credit Facility Provider or no less than 25% of the Bondholders with the consent of such Credit Facility Provider, by written notice to the Issuers and such Credit Facility Provider, declare the principal of the Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in such Bonds to the contrary notwithstanding.

**Provisions Relating to the Bond Trustee.** The Bond Trustee (or Paying Agent) may be removed at any time by the Corporation at the direction of the City and with the consent of each Credit Facility Provider as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and may be removed at the request of such Credit Facility Providers for any breach of the trust set forth in the Indenture. Notwithstanding any provision in the Indenture to the contrary, upon any removal or resignation of the Bond Trustee, a successor Bond Trustee (or Paying Agent) shall be appointed by the Corporation, at the direction of and with the consent of the City and the Credit Facility Providers, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder.

Any entity into which the Bond Trustee may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion, or consolidation to which it shall be a

party or any entity to which the Bond Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible as described in the following paragraph, shall be the successor to such Bond Trustee, without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

Every successor Bond Trustee so appointed shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Missouri, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Credit Facility Providers, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder. Any successor Paying Agent, if applicable, shall not be appointed unless such Credit Facility Providers approve such successor in writing.

Notwithstanding any other provision of the Indenture, no removal, resignation, or termination of the Bond Trustee (or Paying Agent) shall take effect until a successor, acceptable to the Credit Facility Providers, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, shall be appointed.

**Control Rights of Assured Guaranty.** Subject only to the rights of Ambac as provided in Article VI and in Section 915 of the Indenture, Assured Guaranty shall be deemed to be the Holder of all of the Series 2008 Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction, or approval or taking any action permitted by or required under the Indenture, to be granted or taken by the Holders of the Series 2008 Bonds. Subject only to the rights of Ambac as provided in Article VI and in Section 915 of the Indenture, upon the occurrence and continuance of an Event of Default, Assured Guaranty shall be entitled (a) to control and direct the enforcement of all rights and remedies granted to the Holders of the Series 2008 Bonds or the Trustee for the benefit of the Holders of the Series 2008 Bonds under the Indenture, including, without limitation, (i) the right to accelerate the principal of the Bonds as described in the Indenture, (ii) the right to annul any declaration of acceleration, and (b) to approve all waivers of Events of Default.

**Moneys to be Held in Trust.** Except as otherwise specifically provided in the Indenture, all moneys deposited with or paid to the Trustee pursuant to the provisions of the Indenture, and all moneys deposited with or paid to any Paying Agent under the Indenture, shall be held by the Trustee or Paying Agent in trust and shall be applied only in accordance with the Indenture and any applicable Supplemental Indenture and the Lease Purchase Agreement, and, until used or applied as provided in the Indenture, shall constitute part of the Trust Estate and be subject to the lien thereof. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received thereunder except such as may be agreed upon.

**Investment of Moneys.** Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund, and the Bond Reserve Fund, if any, or any subaccount created by the Indenture shall, pursuant to written direction signed by the City Treasurer or his designee and in accordance with the Tax Agreements, as applicable, 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 provided, however, that, amounts in the Bond Fund shall be invested in direct noncallable obligations of the United States of America or non-callable obligations the timely payment of the principal of and interest in which is fully and unconditionally guaranteed by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to such direct obligations or guarantee. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such moneys are originally held, and the interest accruing thereon

and any profit realized from such Permitted Investments shall be credited to such fund or account or as otherwise provided by a Supplemental Indenture, and any loss resulting from such Permitted Investments shall be charged to such fund or account. The Trustee shall sell and reduce to cash a sufficient amount of such Permitted Investments whenever the cash balance in such fund or account is insufficient for the purposes of such fund or account and the Trustee shall transfer excess monies in the Bond Reserve Fund to the Bond Fund after each quarterly valuation. The Trustee may make any and all such investments through its own bond department or short-term investment department at the direction of the City Representative.

**Rebate.** The Issuer, at the expense of the City, shall annually employ or cause to be employed an individual or firm having the requisite expertise to make, the calculation(s) required by the Tax Agreements, as applicable, and the Issuer shall (i) pay to the United States the amount, if any, required to be rebated by such Tax Agreements, and (ii) invest proceeds of the Bonds only as provided therein. Anything in the Indenture to the contrary notwithstanding, the Tax Agreements may be amended or superseded by a new Tax Agreement accompanied by an opinion of Bond Counsel addressed to the Corporation to the effect that the use of said new Tax Agreement will not cause the interest on the Bonds to become includable in gross income for federal income tax purposes of the recipient thereof.

**Events of Default.** If any one or more of the following events occur, it is defined as and declared to be and to constitute an “Event of Default”: (a) default by the Issuer in the due and punctual payment of any interest on any Bond; or (b) default by the Issuer 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; or (c) default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Issuer 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 60 days after written notice given to the Issuer, any Credit Facility Provider, and the City by the Trustee or to the Issuer, the City, and the Trustee by any Credit Facility Provider (so long as such Credit Facility Provider is not in default in its payment obligations under the applicable Credit Facility), or to the Trustee, the City, such Credit Facility Provider, and the Issuer 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 said 60-day period, the Trustee may, with the prior written consent of such Credit Facility Provider, and shall at the prior written direction of such Credit Facility Provider, consent in writing to an extension of such time prior to its expiration. Upon receipt of notice of any Event of Default as described in this clause (c) the City shall have the rights specified in Section 914(b) of the Indenture; or (d) an Event of Default under Section 12.1 of the Lease Purchase Agreement; or (e) an Event of Default under Article III of the Deed of Trust; or (f) the filing by the City or the Issuer of a voluntary petition in bankruptcy, or failure by the City or the Issuer to promptly lift any execution, garnishment, or attachment of such consequence as would impair the ability of the City or the Issuer to carry on its operations, or adjudication of the City as a bankrupt, or assignment by the City or the Issuer for the benefit of creditors, or the entry by the City or Issuer into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City or the Issuer in any proceedings instituted under the provisions of the Federal Bankruptcy Law, or under any similar acts which may hereafter be enacted.

The Trustee shall give notice of any Event of Default to the Issuer, the City, and any Credit Facility Provider within thirty (30) days of the Trustee’s knowledge thereof (provided immediate notice shall be given to any Credit Facility Provider for a payment default) or to the Trustee, the City, the Credit Facility Provider, and the Issuer by the Registered Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding, and the Issuer and the City, upon receipt of such notice, shall have the rights specified in Section 914(a) of the Indenture.

**Acceleration of Maturity in Event of Default.** Subject to Section 915 of the Indenture, 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 25% in aggregate principal amount of Bonds then Outstanding, shall, by notice in writing delivered to the Issuer and the City, declare the principal of all Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable and the Trustee shall immediately demand payment pursuant to the applicable Credit Facility, if any, in an amount equal to the principal of and accrued interest (or Accreted Value of any Compound Interest Bonds) on the Bonds on the payment date established by the Trustee for acceleration. If the payment of the Bonds is so accelerated, each Bond shall be payable in the principal amount thereof and accrued interest thereon (or Accreted Value if there shall be issued Compound Interest Bonds).

**Foreclosure under Deed of Trust in Event of Default.** Subject to Section 915 of the Indenture, if an Event of Default shall have occurred and if the Maturity of the Bonds shall have been accelerated pursuant to Section 902 of the Indenture, the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, or Trustee with the prior written consent of such Credit Facility Provider may, and upon the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then Outstanding the Trustee shall, direct the mortgage trustee named in the Deed of Trust to foreclose the lien on the Convention Center Property created and vested by the Deed of Trust either by sale at public auction or by proceedings in equity, and the Trustee, such Credit Facility Provider, or the Holder or Holders of any of the Bonds then Outstanding may become the purchaser at any foreclosure sale of the highest bidder. The Trustee shall receive the proceeds of any sale and shall pay the same in accordance with the provisions of Section 909 of the Indenture.

In the event of a foreclosure by public sale, the Trustee shall or shall cause the mortgage trustee named in the Deed of Trust to execute and deliver a deed or deeds of conveyance of the Convention Center Property to the purchaser or purchasers thereof, and any statement or recital of fact in such deed in relation to the nonpayment of the Bonds, default, existence of the Bonds, notice of advertisement, sale, receipt of money, and the happening of any event whereby a successor trustee may be appointed as in the Indenture provided, shall be prima facie evidence of the truth of such statement or recital. The Trustee shall receive the proceeds of sale and pay the same in accordance with the provisions of Section 909 of the Indenture.

**Surrender of Possession of Trust Estate, Rights and Duties of Trustee in Possession.** If an Event of Default shall have occurred and be continuing, the Issuer, upon demand of the Trustee, shall forthwith surrender the possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all or any part of the Trust Estate, together with the books, papers, and accounts of the Issuer pertaining thereto, and including the rights and the position of the Issuer under the Lease Purchase Agreement and to collect, receive, and sequester the Rentals and other revenues, moneys, and receipts derived under the Lease Purchase 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 of the Trustee under the Indenture, and the Trustee shall apply the remainder of the moneys so received in accordance with Section 909 of 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 Issuer, its successors or assigns, the same rights, however, to exist upon any subsequent Event of Default.

The City shall give notice to the Issuer with a copy to 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 Alderman of the City of either (i) the termination of the Lease Purchase Agreement or (ii) that sufficient funds have been budgeted and appropriated to make all payments of Rentals for such Fiscal Year. Notice that sufficient funds have been appropriated for such Fiscal Year shall be accompanied by evidence satisfactory to the Issuer that sufficient funds have been budgeted and appropriated to make all Rentals for the Fiscal Year to which such notice pertains and to make such payments of Additional Rentals as shall be required for such Fiscal Year by the terms of the Lease Purchase Agreement. If the Trustee does not receive such notice prior to June 30 (or such future date as the City may adopt as the end of its Fiscal Year) of such Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If notice of termination has been duly given, all of the City's right, title, interest, and obligations under the Lease Purchase Agreement shall terminate without penalty on the day of receipt by the Trustee of such notice. Subject to Section 11.4 of the Lease Purchase Agreement, failure of the City to budget and appropriate prior to June 30 (or such future date as the City may adopt as the end of its Fiscal Year) of any Fiscal Year funds in the minimum amount equal to the Rentals and a reasonable estimate of Additional Rentals for the next succeeding Fiscal Year, shall constitute an Event of Nonappropriation.

Upon the occurrence and continuance of any Event of Non-Appropriation, the Trustee may, subject to the prior written consent of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, or shall, at the prior written direction of such Credit Facility Provider, give notice to the City to vacate the Convention Center Property immediately (but in no event earlier than the expiration of the then current Fiscal Year for which the City has appropriated monies sufficient to pay all Rentals and Additional Rentals due for such Fiscal Year) and shall, without any further demand or notice, (i) terminate the Lease Purchase Agreement, re-enter the Convention Center Property and eject all parties in possession thereof therefrom, and sublease the Convention Center Property or (ii) take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Convention Center Property and the Convention Center Equipment.

**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 pursue any available remedy at law or in 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 Issuer as in the Indenture set forth 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 Issuer to assemble any collateral covered and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to such parties.

**Exercise of Rights and Powers.** Subject to Section 915 of the Indenture, 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 of Section 1001(l) the Trustee shall be obligated to exercise such one or more of the rights and powers described in the

Indenture as the Trustee, being advised by counsel, shall deem 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 Section 909 of 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 under the Indenture unless (and further subject to Section 915 of the Indenture): (a) a default has occurred of which the Trustee has been notified as provided in Section 1001(h) of the Indenture or of which by said subsection the Trustee is deemed to have notice; (b) such default shall have become an Event of Default; (c) 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 granted in the Indenture or to institute such action, suit, or proceeding in its own name, and shall have provided to the Trustee indemnity as provided in Section 1001(l); and (d) the Trustee shall thereafter fail or refuse to exercise the powers in the Indenture granted or to institute such action, suit or proceeding in its own name; and such notification, request, and provision of indemnity are declared in every case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture, 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 under the Indenture except in the manner in the Indenture provided, and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner in the Indenture provided and for the equal benefit of the Registered Owners of all Bonds then Outstanding. Nothing in the Indenture contained shall, however, affect or impair the right of any Bondholder to payment of the principal of, and redemption premium, if any, and interest on any Bond at and after its Maturity or the obligation of the Issuer to pay the principal of, and redemption 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.

**Application of Moneys in Event of Default.** Upon an Event of Default, all moneys received by the Trustee pursuant to the Lease Purchase Agreement or pursuant to any right given or action taken under Article IX of the Indenture or any other provisions of the Indenture or pursuant to the Deed of Trust, shall, after payment of the (i) cost and expenses of the proceedings resulting in the collection of such moneys and (ii) of the expenses, liabilities, and advances incurred or made by the Trustee, be deposited in the Bond Fund and any other bond fund created for the payment of Bonds and all moneys so deposited in the Bond Fund or such other bond 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 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 then, subject to the provisions described in 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 the provisions described in subparagraph (a) above.

(d) If there shall be in effect a Credit Facility, to the Credit Facility Provider any amounts due and owing thereunder.

Whenever moneys are to be applied as described above, 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. Whenever all of the Bonds and interest thereon have been paid as described above, and all expenses and charges of the Trustee have been paid, any balance remaining in the Bond Fund shall be paid to the City as provided in Section 510.

Notwithstanding any provision in the Indenture contained, no Series 2000 Bond may be redeemed as described above unless provision for payment of all Outstanding Series 1993 Bonds, Series 2003 Bonds, Series 2005A Bonds, and Additional Bonds, if any, has been made. Notwithstanding any provision in the Indenture contained, no Series 2005B Bond may be redeemed as described above unless provision for payment of all Outstanding Series 1993 Bonds, Series 2000 Bonds, Series 2003 Bonds, Series 2005A Bonds, Series 2008 Bonds, and Additional Bonds, if any, has been made.

**Remedies Cumulative.** No remedy conferred by the Indenture upon or reserved to the Trustee, to any Credit Facility Provider, or to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee, to such Credit Facility Provider, or to the Bondholders under the Indenture or now or hereafter existing at law or in equity or by statute.

**Delay or Omission Not Waiver.** No delay or omission to exercise any right, power, or remedy accruing upon any Event of Default shall impair any such right, power, or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein; and every such right, power, or remedy may be exercised from time to time and as often as may be deemed expedient.

**Opportunity of City to Purchase Corporation's Interest and to Cure Defaults.** Upon receipt of notice by the City of an Event of Default pursuant to Section 901(a) or Section 901(b) of the Indenture, the Corporation has, by Section 10.1(b) of the Lease Purchase Agreement, granted the City an option to purchase the Corporation's interest in the Convention Center Property under the Lease Purchase Agreement. Upon receipt of notice by the City of an Event of Default pursuant to Section 901(c) of the Indenture, the Corporation has granted the City full authority for account of the Corporation to perform any covenant, agreement, or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Corporation, with full power to do any and all things and acts to the same extent that the Corporation could do and perform any such things and acts in order to remedy such default.

**Rights of Credit Facility Provider.** Notwithstanding anything to the contrary in the Indenture, if there shall be in effect a Credit Facility, no event, except for an event described in Section 901(a) or Section 901(b) of the Indenture shall constitute an Event of Default under the Indenture until such event is used by the Credit Facility Provider as the basis for the declaration of an Event of Default under the applicable Credit Facility and, if the Credit Facility is a Letter of Credit, delivery of a Bank Notice to the Trustee occurs. In addition, the Trustee shall exercise its remedies and its right to give waivers and rescind acts provided for in the Indenture solely at the direction of the Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, and not at the direction of the Bondholders, only if and as directed in writing by such Credit Facility Provider; and provided, further, 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 such direction would materially prejudice the rights of the Bondholders. Notwithstanding anything to the contrary in the Indenture, any Credit Facility Provider shall only be entitled to its rights under the Indenture and the Lease Purchase Agreement, including without limitation its rights of consent, so long as such Credit Facility Provider has not failed to satisfy its obligations under the applicable Credit Facility. References in the Indenture to the Credit Facility Provider shall have no application when no Credit Facility is in effect.

**Notice to Bondholders if Default Occurs.** If a default occurs of which the Trustee is by Section 1001(h) of the Indenture required to take notice or if notice of default be given, then the Trustee shall give written notice thereof by first class mail, postage prepaid, to (a) the Holders of all Bonds then Outstanding at their respective addresses appearing on the Bond Register and (b) within 30 days of the Trustee's knowledge thereof, to any Credit Facility Provider.

**Intervention by the Trustee.** In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its Counsel, has a substantial bearing on the interests of the Bondholders, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by any Credit Facility Provider, as long as any Credit Facility shall be in effect and such Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, or the Registered Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, provided that the Trustee shall first have been provided such reasonable indemnity as it may require against the costs, expenses, and liabilities which it may incur in or by reason of such proceeding.

**Supplemental Indentures Not Requiring Consent of Bondholders.** Subject to Section 1103 of the Indenture, the Corporation, the Authority, and the Trustee may from time to time, with the approval of the City and Ambac (as long as any Ambac Bond Insurance Policy or Ambac Surety Bond shall be in effect and Ambac shall be in compliance with any payment obligation thereunder) 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 in the Indenture which may be inconsistent with any other provision in the Indenture; (b) to grant to or confer upon the Trustee for the benefit of the 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 more precisely identify the Convention Center Property or to substitute or add property thereto or release property therefrom; (d) to subject to the Indenture additional revenues, properties, or collateral; (e) to issue the initial Series of Bonds; (f) to issue Additional Bonds provided in Section 209 of the Indenture; (g) to make any other change, which in the sole determination of the Bond Trustee, does not materially adversely affect the Bondholders, including, without limitation, to facilitate the use of any Alternate Security, including any insurance policy, letter of credit, or surety bond; in making such determination the Trustee may rely on the opinion of such Counsel as it may select; and (h) to evidence the appointment of a separate trustee or a co-trustee or the succession of a new Trustee.

**Supplemental Indentures Requiring Consent of Bondholders.** Exclusive of Supplemental Indentures described by the preceding paragraph, and subject to Section 1103 of the Indenture, the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding, the City, and any Credit Facility Provider (so long as there shall be in effect a Credit Facility and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder) shall have the right, from time to time, to consent to and approve the execution by the Corporation, the Authority, and the Trustee of such other Supplemental Indenture or Supplemental Indentures as shall be deemed necessary and desirable by the Corporation, the Authority, and the City for the purpose of modifying, amending, adding to, or rescinding any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided that the consent of all the Holders of Bonds then Outstanding and the Credit Facility Provider, if there shall be in effect a Credit Facility, shall be 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) a reduction in the aggregate principal amount of Bonds the Holders of which are required to consent to any such Supplemental Indenture.

If at any time the Issuer shall request, with the consent of the City, the Trustee, and any Credit Facility Provider, if there shall be in effect a Credit Facility, to enter into any such Supplemental Indenture for any of the purposes described above, the Trustee shall cause notice of the proposed execution of such Supplemental Indenture to be mailed to each Bondholder at his or her address as shown by 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 Issuer following the mailing of such notice, the Holders of not less than the requisite aggregate principal amount of the Bonds and Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as in the Indenture provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, of the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee of the Issuer 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 Purchase 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. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture (other than a Supplemental Indenture proposed to be executed and delivered in connection with the issuance of Additional Bonds) together with a copy of the proposed Supplemental Indenture to be mailed to the City at least 90 days prior to the proposed date of execution and delivery of any such Supplemental Indenture. Notwithstanding the provisions of the immediately preceding sentence, the City's right to consent to a Supplemental Indenture shall terminate for so long as an Event of Default has occurred and is continuing under the Lease Purchase Agreement.

**Supplemental Lease Purchase Agreements Not Requiring Consent of Bondholders.** The Issuer and the Trustee shall, without the consent of or notice to the Bondholders but with the prior written consent of Ambac (as long as any Ambac Bond Insurance Policy or Ambac Surety Bond shall be in effect and Ambac shall be in compliance with any payment obligation thereunder), consent to the execution of any Supplemental Lease Purchase Agreement, as may be required (i) by the Lease Purchase Agreement 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 Bond Trustee, does not materially adversely affect the interests of the Bond Trustee or the Bondholders, including, without limitation, to facilitate the use of any Alternate Security, including any insurance policy, letter of credit, or surety bond; in making such determination the Bond Trustee may rely on the opinion of such Counsel as it may select.

**Supplemental Lease Purchase Agreements Requiring Consent of Bondholders.** Except for Supplemental Lease Purchase Agreements described in the preceding paragraph, neither the Issuer nor the Trustee shall consent to the execution of any Supplemental Lease Purchase Agreement without the mailing of notice and the obtaining of the written approval or consent of (i) the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding and (ii) any Credit Facility Provider (so long as there shall be in effect a Credit Facility and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder), given and obtained as provided in Section 1201 of the Indenture provided that the consent of all the Holders of Bonds and such Credit Facility Provider 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 Bonds the Holders of which are required to consent to any Supplemental Lease Purchase Agreement. If at any time the Issuer and the City shall request the consent of the Trustee to any such proposed Supplemental Lease Purchase Agreement, the Trustee shall cause notice of such proposed Supplemental Lease Purchase Agreement to be mailed in the same manner as provided by Section 1102 with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed Supplemental Purchase Agreement or Supplemental Lease Purchase Agreement and shall state that copies of the same are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders.

**Satisfaction and Discharge of the Indenture.** When all Bonds are deemed to be paid as described in the following paragraph, and provision shall also be made for paying all other sums payable under the Indenture, including the fees and expenses of the Trustee and the Paying Agent and any amounts due and owing to any Credit Facility Provider under the applicable Credit Facility, and such Credit Facility shall have been returned to such Credit Facility Provider for cancellation in its entirety, if required by the terms of such Credit Facility, then the right, title, and interest of the Trustee in respect of the Indenture shall thereupon cease, terminate, and be void, and thereupon the Trustee shall cancel,

discharge, and release the lien of the Indenture and shall execute, acknowledge, and deliver to the Issuer such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and the satisfaction and discharge of the lien of the Indenture, and shall assign and deliver to the Corporation any property and revenues at the time subject to the Indenture that may then be in its possession, except amounts in the Bond Fund required to be paid to the City and except funds or securities in which such funds are invested by the Trustee for the payment of the principal of, and redemption premium, if any, and interest on, the Bonds.

**Bonds Deemed to be Paid.** Bonds shall be deemed to be paid within the meaning of the Indenture when payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of Maturity or upon redemption as provided in the Indenture, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (a) moneys sufficient to make such payment or (b) Defeasance Obligations maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, provided, however, with respect to any deposit referred to in this clause (ii), the Trustee shall have received (x) a verification report of a nationally recognized independent certified public accounting firm as to the adequacy of the escrow to fully pay the Bonds deemed to be paid and (y) with respect to moneys used as described in this paragraph which moneys are not paid to the Trustee pursuant to a Credit Facility, an opinion of nationally recognized counsel experienced in bankruptcy matters, acceptable to Moody's, that the application of such moneys to make payments with regard to the Bonds will not constitute a voidable preference under Section 547 of Title 11 of the United States Code in the Event of Bankruptcy of the City or the Issuer. At such time as a Bond shall be deemed to be paid under the Indenture, as aforesaid, it shall no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Defeasance Obligations.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to the Stated Maturities thereof, no deposit under clause (ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until, as to all such Bonds which are to be redeemed prior to their respective stated maturities, proper notice of such redemption shall have been given in accordance with Article III or irrevocable instructions shall have been given to the Trustee to give such notice.

Notwithstanding any other provision of the Indenture, (a) all moneys or Defeasance Obligations so set aside and held in trust for the payment of Bonds (including redemption premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including redemption premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust and (b) in the event that the principal and/or interest due on the Bonds shall be paid by any Credit Facility Provider pursuant to the applicable Credit Facility, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the Trust Estate and all covenants, agreements, and other obligations of the Issuer to the Registered Owners shall continue to exist and shall run to the benefit of the Credit Facility Provider, and the Credit Facility Provider shall be subrogated to the rights of such Registered Owners until the Bonds are paid by the Issuer in accordance with the Indenture.

**Consents and Other Instruments by Bondholders.** Any consent, request, direction, approval, objection, or other instrument required by the Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner,

shall be sufficient for any of the purposes of the Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken, suffered, or omitted under any such instrument, namely: (a) the fact and date of the execution by any person of any such instrument may be proved by the certificate of an officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and (b) the fact of ownership of Bonds and the amount or amounts, numbers, and other identification of such Bonds, and the date of holding the same shall be proved by the Bond Register. Any action taken by the Trustee pursuant to the Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent is the Holder of any Bond, shall be conclusive and binding upon all future Holders of the same Bond and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

### **Summary of Certain Provisions of the Deed of Trust**

The following is a summary of certain provisions of the Deed of Trust and is qualified in its entirety by reference thereto.

**Title to Mortgaged Property and Lien; Truth of Recitals.** The St. Louis Municipal Finance Corporation (the “*Grantor*”), in the Deed of Trust, represents and warrants that it is the lawful owner and is now lawfully seized and possessed of a good and indefeasible title and estate in fee simple to that portion of the Mortgaged Property which constitutes real property as described in Exhibit A to the Deed of Trust free and clear of all liens, charges, or encumbrances whatever, except Permitted Encumbrances, that it will forever warrant and defend the title to the Mortgaged Property and every part thereof unto Mortgage Trustee against the claims and demands of all persons whomsoever, except the claims and demands provided for in the Permitted Encumbrances, and that it has full power and lawful authority to execute and deliver the Deed of Trust. Grantor is well and truly seized of the property (other than real property) that constitutes Mortgaged Property free and clear of any liens and encumbrances except for Permitted Encumbrances or as is expressly set forth in the Deed of Trust.

**Payment of Amounts Payable Under the Indenture.** Grantor will duly and punctually pay or cause to be paid all amounts payable under the Indenture at the dates and the places and in the manner mentioned in the Indenture and in the Deed of Trust, according to the true intent and meaning thereof and of the Deed of Trust.

**Maintenance of Lien.** Grantor will, at its expense, take all necessary action to maintain and preserve or will cause to be maintained and preserved the lien and security interest of the Deed of Trust so long as the Indenture is in effect. Grantor irrevocably authorizes Bond Trustee at any time and from time to time to file financing or continuation statements and/or amendments thereto, without the signature of Grantor, and Grantor shall execute and deliver such other instruments and documents as may be requested by Mortgage Trustee to perfect, confirm, and further evidence the security interest and assignments granted and shall pay the fees incurred in filing all such financing statements or other instruments or documents. In addition to all other rights and remedies granted under the Deed of Trust, Mortgage Trustee shall have the remedies of a secured party under the Uniform Commercial Code as adopted in Missouri (the “*UCC*”) with respect to any of the items specified above as part of the Mortgaged Property which constitute property within the purview of the UCC.

**Further Assurances; After-Acquired Property.** All right, title, and interest of Grantor in and to all improvements, betterments, renewals, substitutions, and replacements of the Mortgaged Property or any part thereof hereafter constructed or acquired by Grantor, which shall become a part of the Mortgaged Property, immediately upon such construction or acquisition, and without any further mortgaging, conveyance, or assignment, shall become and be part of the Mortgaged Property and shall be subject to

the lien of the Deed of Trust as fully and completely and with the same effect as though now owned by Grantor, but at any and all times Grantor will execute and deliver to Ambac Assurance Corporation, a Wisconsin stock insurance company and the Bond Trustee (together, the “Beneficiaries”) and Mortgage Trustee any and all such further assurances, mortgages, conveyances, or assignments therefor and other instruments with respect thereto as either Beneficiary or the Mortgage Trustee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of the Deed of Trust.

**Compliance with Environmental Laws Generally.** In the Deed of Trust, Grantor represents and warrants that, to the best of Grantor’s knowledge, after due inquiry, the Mortgaged Property complies in all material respects with all applicable federal, state, regional, county, or local laws, statutes, rules, regulations, or ordinances.

**Taxes, Charges, Assessments, and Liens.** In the Deed of Trust, Grantor covenants and agrees, subject to the provisions of the Deed of Trust relating to permitted contests, to pay or cause to be paid (when the same shall become due or payable): (a) all taxes and charges on account of the use, occupancy, or operation of the Mortgaged Property; and (b) all taxes, tax equivalents, assessments, and impositions general and special, ordinary and extraordinary, of every name and kind, which shall be taxed, levied, imposed, or assessed upon all or any part of the Mortgaged Property, or the interest of Grantor or the Beneficiaries or Mortgage Trustee or any of them in and to the Mortgaged Property. Subject to the provisions of Section 2.9 of the Deed of Trust, Grantor will not create or permit to be created or remain and Grantor will, at its cost and expense, promptly discharge or cause to be discharged all liens, encumbrances, and charges of which Grantor has notice on the Mortgaged Property or any part thereof other than Permitted Encumbrances.

**Compliance with Orders, Ordinances, Etc.** Subject to the provisions of Section 2.9 of the Deed of Trust, Grantor will, at its sole cost and expense, comply or cause the City to comply with all present and future laws, ordinances, orders, decrees, rules, regulations, and requirements of every duly constituted governmental authority, commission, and court and the officers thereof of which it has notice, and the failure to comply with which would materially and adversely affect the Mortgaged Property or the use, occupancy, or condition thereof. Grantor will not use or permit to be used the Mortgaged Property or any part thereof in any manner inconsistent with the rights of Mortgage Trustee or Beneficiaries, or in violation of the provisions of the Indenture, the Lease Purchase Agreement, any insurance policy, or any rules or a regulations of insurance underwriters.

**Permitted Contests.** Grantor shall not be required to pay any tax, charge, assessment, imposition, or encumbrance or other matter required to be removed as described above, nor to comply with any law, ordinance, rule, decree, order, regulation, or requirement or other matter as described above, so long as Grantor shall contest or cause to be contested or take or cause to be taken other appropriate action, in good faith and at its sole cost and expense, to dispute the amount or validity thereof, in an appropriate manner or by appropriate proceedings which shall operate during the pendency thereof to prevent the collection of or other realization upon the tax, assessment, levy, fee, rent, charge, lien, or encumbrance or other matter so contested, and the sale, forfeiture, or loss of the Mortgaged Property or any part thereof to satisfy the same; provided, that no such contest or action shall be significantly contrary to the interests of the Beneficiaries or Mortgage Trustee or, in the opinion of any of the Beneficiaries result in the forfeiture or loss of the Mortgaged Property by the Grantor or jeopardize the lien or priority of the lien of the Deed of Trust, or subject the Beneficiaries or the Mortgage Trustee to any liability unless Grantor properly indemnifies the Beneficiaries and Mortgage Trustee to their satisfaction.

**Repairs, Maintenance, and Alterations.** Grantor will at its own cost and expense keep or cause to be kept the Mortgaged Property in good condition, repair, and working order, reasonable wear and tear excepted, and in as reasonably safe condition as its operation will permit and will make all necessary

repairs thereto, interior and exterior, structural and non-structural, ordinary as well as extraordinary, and foreseen as well as unforeseen, including any repairs required by any law, ordinance, or regulation, and all necessary replacements or renewals. Grantor will not commit or cause or permit to be committed any waste with respect to the Mortgaged Property. Grantor agrees to keep and maintain or cause to be kept and maintained all grounds, sidewalks, roads, parking, and landscape areas which are part of the Mortgaged Property in good and neat order and repair and not to commit, suffer, or permit any act to be done in or upon the Mortgaged Property in violation of any law, ordinance, or regulation. Grantor shall have the right from time to time at its sole cost and expense to make additions, alterations, and changes, whether structural or nonstructural (hereinafter collectively referred to as “alterations”) in or to the Mortgaged Property, subject, however, in all cases to certain conditions set forth in the Deed of Trust. With respect to any repairs, construction, restoration, replacement, or alterations performed upon the Mortgaged Property by Grantor during the term of the Deed of Trust, in accordance with or as required by any provisions of the Deed of Trust, Grantor agrees to at all times comply with the provisions of the Indenture.

**Property and Casualty Insurance.** The Grantor agrees to at all times comply or cause the City to comply with the provisions of the Lease Purchase 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 Deed of Trust or shall fail to keep the Mortgaged Property in good repair and operating condition, Mortgage Trustee or either of the Beneficiaries 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 Bond Trustee 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.

**Third Party’s Right to Perform Grantor’s Covenants.** In the event Grantor shall fail to (i) perform or cause to be performed any covenant contained in Section 2.6 of the Deed of Trust, (ii) remove or cause to be removed any lien, encumbrance, or charge pursuant to Section 2.7 of the Deed of Trust, (iii) maintain or cause to be maintained the Mortgaged Property in good repair pursuant to Section 2.10 of the Deed of Trust, (iv) procure the insurance required by Section 2.11 of the Deed of Trust, or (v) fail to make or cause to be made any other payment or perform or cause to be performed any other act required to be performed under the Deed of Trust, then and in each such case (unless the same is being contested or other appropriate action is being taken with respect thereto pursuant to Section 2.9 of the Deed of Trust) any of the Beneficiaries or the Mortgage Trustee, upon not less than 10 days prior written notice to Grantor (except in the case of an emergency, in which case no advance notice shall be required), may (but shall not be obligated to) remedy such default for the account of Grantor and make advances for that purpose. No such performance or advance shall operate to release Grantor from any such default and any sums so advanced by such Beneficiary or Mortgage Trustee shall be repayable by Grantor on demand and shall bear interest at the rate of 2% per annum over and above the interest rate announced from time to time by the Bond Trustee as its “prime rate” on commercial loans (or such lower maximum amount as may be required by law), from the date of the advance until repaid.

**No Sale of Mortgaged Property.** Except for Permitted Encumbrances and as in the Deed of Trust or in the Indenture or the Lease Purchase Agreement specifically provided, Grantor will not sell, encumber, lease, transfer, or assign or otherwise dispose of the Mortgaged Property or any interest therein, including the rents, income, or profits from the Mortgaged Property without the prior written consent of (i) Credit Facility Provider, as long as any Credit Facility shall be in effect and so long as Credit Facility Provider has not failed, has not ceased, or is not otherwise unable to act under, or has not wrongfully dishonored a claim against or failed to make a payment under the Credit Facility, or (ii) the

Bond Trustee if there is no Credit Facility in effect or if Credit Facility Provider has failed, has ceased, or is otherwise unable to act under, or has wrongfully dishonored a claim against or failed to make a payment under the Credit Facility.

**Liability of a Third Party.** In the event any part of the Mortgaged Property shall be destroyed or damaged by any party or by any cause whereby Grantor becomes entitled to indemnity therefor from any third person or persons, Grantor, for the considerations named, has sold, assigned, and transferred to Mortgage Trustee all of such sum or sums so due from any such third person or persons, and Mortgage Trustee has been authorized to receive, collect, and sue for the same and Grantor has authorized and directed that such sum or sums be paid to Mortgage Trustee. Any and all sums received by Mortgage Trustee under the Deed of Trust, after deducting therefrom the reasonable charge or expenses paid or incurred in connection with the collection and disbursement of said moneys, may be used and applied at the option of Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, either for the purpose of paying the cost of repair, restoration, or replacement of the Mortgaged Property damaged or destroyed, or applied to the prepayment, or partial prepayment, of the Bonds secured by the Deed of Trust.

**Title Insurance.** Concurrently with the execution of the Deed of Trust, the Grantor shall deliver to the Bond Trustee an endorsement to the A.L.T.A. Loan Title Insurance Policy (Revised 1992) previously issued to the Bond Trustee and Ambac with respect to the Mortgaged Property written by an insurance company acceptable to and in a form and an amount approved by the Mortgage Trustee and the Beneficiaries, containing as exceptions only Permitted Encumbrances, and eliminating all standard exceptions, except for certain exceptions described in the Deed of Trust.

**Events of Default.** An "event of default" under the Deed of Trust shall be: (a) the occurrence of any event of default under the Indenture or the Lease Purchase Agreement; or (b) other than a default under subsection (a) above, the failure of Grantor to do, perform, or observe or cause to be done, performed, or observed any term, covenant, condition, or provision of the Deed of Trust which Grantor is to perform, within 30 days after written notice thereof to Grantor by the Mortgage Trustee or either Beneficiary, or the breach by Grantor of any covenant set forth in the Deed of Trust, or any representation or warranty of the Grantor in the Deed of Trust proves to be untrue.

**Mortgage Trustee's Powers.** During the continuance of any such event of default, the Mortgage Trustee with or without entry, personally or by attorney, may proceed to protect and enforce his or her rights and the rights of the Beneficiaries by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained in the Deed of Trust, or in aid of the execution of any power in the Deed of Trust granted, or for any foreclosure under the Deed of Trust, or for the enforcement of any other appropriate legal or equitable remedy, as the Mortgage Trustee shall deem most effectual to protect and enforce any of the rights or duties under the Deed of Trust.

**Mortgage Trustee May Enter and Take Possession, Operate, and Apply Income.** During the continuance of any such event of default under the Deed of Trust, the Mortgage Trustee personally or by his or her agents or attorneys, may enter into and upon all or any part of the Mortgaged Property and each and every part thereof, and may exclude Grantor, its agents, and servants wholly therefrom; and having and holding the same, may use, operate, manage, and control the Mortgaged Property for any lawful purpose and upon every such entry, the Mortgage Trustee at the expense of Grantor from time to time, either by purchase, repairs, or construction, may maintain and restore the Mortgaged Property whereof it shall become possessed as aforesaid, and may insure and reinsure the same as may seem to him or to her to be judicious; and likewise, from time to time at the expense of Grantor, the Mortgage Trustee may make all necessary or proper repairs, renewals, replacements, alterations, additions, betterments, and

improvements thereto and thereon as to him or her may seem judicious; and the Mortgage Trustee shall be entitled to collect and receive all earnings, revenues, rents, issues, profits, and income of the same and every part thereof; and after deducting the expenses of operations, maintenance, repairs, renewals, replacements, alterations, additions, betterments, and improvements, and all payments which may be made for taxes, assessments, insurance, and prior or other proper charges upon the Mortgaged Property or any part thereof, as well as all advances by the Mortgage Trustee and reasonable compensation for the services of the Mortgage Trustee and for all counsel and agents and clerks and other employees by him or her or her properly engaged and employed, the Mortgage Trustee shall caused to be deposited the moneys arising as aforesaid as provided in the Indenture.

**Foreclosure and Sale of Mortgaged Property.** Upon the occurrence of any event of default under the Deed of Trust, the Mortgage Trustee, at the request of either Beneficiary (except that the Bond Trustee may not make such request absent the prior written consent of the Credit Facility Provider, so long as there is a Credit Facility in effect and so long as the Credit Facility Provider has not failed, has not ceased, or is not otherwise unable to act under, or has not wrongfully dishonored a claim against or failed to make a payment under such Credit Facility,) shall proceed to sell, either by himself or herself or by agent or attorney, the Mortgaged Property and every part thereof at public sale at auction or outcry at the customary time and place of sale then used for such purposes in the City of St. Louis, State of Missouri, to the highest bidder for cash after first giving notice as required by law. Upon such sale or sales made by Mortgage Trustee under the power in the Deed of Trust granted or upon any sale or sales under or by virtue of any judicial proceedings: (i) the whole of the Mortgaged Property, real, personal and mixed, may be sold in one parcel as an entirety, or the Mortgaged Property may be sold in separate parcels as may be determined by Mortgage Trustee in his or her discretion; and (ii) Mortgage Trustee shall receive the proceeds of such sale or sales and shall execute and deliver deed or deeds or other appropriate instruments of conveyance, assignment, or transfer of the property sold to the purchaser or purchasers thereof.

**Sale to Accelerate Amounts Payable Under the Indenture.** In the event of any such sale, the amounts payable under the Indenture, if not previously due, immediately thereupon shall become due and payable, anything in the Indenture and the Deed of Trust or any other document to the contrary notwithstanding.

**Application of Proceeds of Sale.** The purchase money, proceeds, or avails of any such sale, together with any other sums which then may be held by the Mortgage Trustee under the Deed of Trust as part of the Mortgaged Property or the proceeds thereof, whether under the provisions of this Article or otherwise, shall be applied pursuant to the terms of the Indenture.

**Purchase of Mortgaged Property.** Upon any sale of all or of any portion of the Mortgaged Property pursuant to judicial proceedings, either Beneficiary, the City, or any Bondholder may bid for and purchase the property being sold, and upon compliance with the terms of sale, such Beneficiary, the City, or Bondholder may hold, retain, possess, and dispose of such property in its own absolute right without further accountability. Either Beneficiary may make payment for such Mortgaged Property by presenting to the Mortgage Trustee the Indenture or Credit Facility secured by the Deed of Trust so that there may be endorsed as paid thereon the amount of such bid which is to be applied to the payment of such Indenture or Credit Facility, as the case may be.

**Mortgage Trustee Entitled to Appointment of Receiver.** Grantor further agrees that upon the happening of any event of default and thereafter during the continuance of such event of default unless the same shall have been waived as provided in the Deed of Trust, the Mortgage Trustee shall be entitled as a matter of right, if the Bond Trustee shall so elect, (i) forthwith and without declaring the amounts payable under the Indenture to be due and payable, or (ii) after declaring the same to be due and payable, or (iii) upon the filing of any suit to foreclose the Deed of Trust or to enforce the specific performance of

the Deed of Trust or in aid thereof or upon the commencement of any other judicial proceeding to enforce any right of the Beneficiaries or the Mortgage Trustee to the appointment of a receiver or receivers of the Mortgaged Property and of all the earnings, revenues, rents, issues, profits, and income thereof, with such powers as the court making such appointment shall confer, which may comprise any or all of the powers which the Mortgage Trustee is authorized to exercise by the provisions of the Deed of Trust.

**Rights of Credit Facility Provider.** Notwithstanding anything to the contrary in the Deed of Trust, no event, except an event described in Sections 901(a) or 901(b) of the Indenture, shall constitute an event of default under the Deed of Trust until such event is declared by Credit Facility Provider to be an event of default under the Deed of Trust, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder. In addition, the Mortgage Trustee and the Bond Trustee shall exercise their remedies and their rights to give waivers and rescind acts provided for in the Deed of Trust solely at the direction of Credit Facility Provider and only if and as directed in writing by Credit Facility Provider; and provided, further, that such direction shall not be otherwise than in accordance with the provisions of law and of the Deed of Trust, and provided, further, that the Bond Trustee shall have the right to decline to follow any such direction if the Bond Trustee in good faith shall determine that such direction would materially prejudice the rights of the Bondholders. Credit Facility Provider shall only be entitled to its rights under the Deed of Trust and the Indenture, including without limitation its rights of consent, so long as there is a Credit Facility in effect and so long as such party has not failed, has not ceased or is not otherwise unable to act under, or has not wrongfully dishonored a claim against or failed to make a payment under such Credit Facility.

**Amendments.** Grantor, Mortgage Trustee, and the Beneficiaries may from time to time enter into amendments, changes, and modifications of the Deed of Trust as shall be mutually agreeable, but only with the consent of the Bond Trustee, Credit Facility Provider, as long as any Credit Facility shall be in effect and the Credit Facility Provider associated with such Credit Facility shall be in compliance with any payment obligation thereunder, 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. As long as a Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligation thereunder, any provision of the Deed of Trust expressly recognizing or granting rights in or to such Credit Facility Provider may not be amended in any manner which affects the rights of such party under the Deed of Trust without the prior written consent of such Credit Facility Provider.

**Defeasance.** If Grantor shall pay and discharge or provide, in a manner satisfactory to the Beneficiaries, for the payment and discharge of the whole amount of all sums payable under the Deed of Trust, including all sums owing and other obligations under the Indenture, or shall make arrangements satisfactory to the Beneficiaries 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 by the Deed of Trust, assigned, or pledged shall revert to Grantor, and the estate, right, title, and interest of the Mortgage Trustee and Beneficiaries therein shall thereupon cease, terminate, and become void; and the Deed of Trust, and the covenants of Grantor contained in the Deed of Trust, shall be discharged and the Beneficiaries 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 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 Beneficiaries under the Deed of Trust, to be applied by Grantor as provided in the Indenture.

**Personal Property.** The Deed of Trust is intended to be a security agreement under Article 9 of the UCC in effect in the State of Missouri. Without limiting the generality of the forgoing, Grantor grants

and transfers to Beneficiaries a security interest in the Personal Property to secure the Obligations. Upon a default by Grantor, either Beneficiary shall, at its option and without notice or demand, be entitled to enter upon the Mortgaged Property to take immediate possession of the Personal Property. Upon request of either Beneficiary, Grantor shall assemble and make the Personal Property available to Beneficiaries at a place designated by Beneficiaries that is reasonably convenient to such parties. Beneficiaries may propose to retain the Personal Property in partial satisfaction of the indebtedness secured by the Deed of Trust or sell all or any portion of the Personal Property at public or private sale in accordance with the UCC or in accordance with the foreclosure advertisement and sale provisions under the Deed of Trust. Grantor agrees that a commercially reasonable manner of disposition of the Personal Property upon a default shall include, without limitation and at the option of Beneficiaries, the sale of the Personal Property, in whole or in part, concurrently with a foreclosure sale of the Mortgaged Property in accordance with the provisions of the Deed of Trust. In the further event Beneficiaries shall dispose of any or all of the Personal Property after default, the proceeds of disposition shall be applied pursuant to the terms of the Indenture. The Deed of Trust is intended to be a security agreement pursuant to the UCC covering any part of the items or types of Personal Property that may be subject to a security interest pursuant to the UCC and Grantor grants the Beneficiaries a security interest in such items or types of Property.

**Deed of Trust Constitutes Construction Mortgage.** To the extent applicable, the Deed of Trust, with respect to the proceeds of the Series 2008 Bonds, secures an obligation for the construction of improvements on the Mortgaged Property, constitutes a construction mortgage for the purpose of Article Nine of the UCC and is entitled to all of the benefits afforded construction mortgages thereunder.

**Nonrecourse.** Notwithstanding anything in the Deed of Trust to the contrary, neither the Grantor nor its directors, officers, agents, or employees shall be personally liable to pay the obligations of the Grantor under the Deed of Trust but rather the Mortgage Trustee and the Beneficiaries shall recover any unpaid liability under the Deed of Trust out of the rents and revenues of the Mortgaged Property and pursuant to the collateral under the Deed of Trust, the Indenture, and the Credit Facility; provided, however, that nothing in the foregoing provisions shall be or be deemed to be a release or impairment of the obligations under the Indenture or of the lien of the Deed of Trust or shall preclude the Mortgage Trustee or either Beneficiary from foreclosing on or proceeding with respect to the Deed of Trust in case of any default, or from enforcing any and all rights under or by virtue thereof.

**Indenture to Control.** Nothing in the Deed of Trust contained shall be construed to limit or impair a right or remedy granted the Bond Trustee, Mortgage Trustee, or Credit Facility Provider under the Indenture, and in the event such right or remedy granted in the Deed of Trust is more restrictive (as determined by Credit Facility Provider in its sole discretion) than that contained in the Indenture, then the related provision of such Indenture shall be determining and shall control.

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## **APPENDIX E**

### **Book-Entry Only System**

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## APPENDIX E

### Book-Entry Only System

DTC will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered securities registered in the name of the Nominee. Initially, one fully-registered certificate will be issued for each maturity of the Series 2008 Bonds, in the aggregate principal amount of each maturity of the Series 2008 Bonds, and will be deposited with DTC.

**So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2008 Bonds, the Beneficial Owners of the Series 2008 Bonds will not receive or have the right to receive physical delivery of the Series 2008 Bonds, and references herein to the Bondholders or registered owners of the Series 2008 Bonds mean the Nominee and not the Beneficial Owners of the Series 2008 Bonds.**

*DTC and its Participants.* DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing over 2.2 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. 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](http://www.dtcc.com) and [www.dtcc.org](http://www.dtcc.org).

*Purchase of Ownership Interests.* Purchases of Series 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2008 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 purchases. 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 2008 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 Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

*Transfers.* To facilitate subsequent transfers, all Series 2008 Bonds deposited by Direct Participants with DTC are registered in the name of the Nominee, or such other name as may be requested

by an authorized representative of DTC. The deposit of Series 2008 Bonds with DTC and their registration in the name of the Nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

**Notices.** 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 2008 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2008 Bond documents. For example, Beneficial Owners of Series 2008 Bonds may wish to ascertain that the Nominee holding the Series 2008 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

**Redemption.** Redemption notices shall be sent to DTC. If less than all of the Series 2008 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2008 Bonds to be redeemed.

**Voting.** Neither DTC nor the Nominee will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation, as issuer, as soon as possible after the record date. The Omnibus Proxy assigns the Nominee's consenting or voting rights to those Direct Participants to whose accounts Series 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**Payments of Principal and Interest.** Payments of principal of, premium, if any, and interest on the Series 2008 Bonds will be made to the Nominee. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2008 Bonds to the Nominee is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

**Discontinuation of Book-Entry System.** DTC may discontinue providing its services as securities depository with respect to the Series 2008 Bonds at any time by giving notice to the Corporation or the Trustee. Bond certificates may be printed and delivered to those persons to whom transfer is requested in written transfer instruction in the event that (a) DTC shall so resign or discontinue its services for the Series 2008 Bonds and the Corporation is unable to locate a qualified successor within two months following such resignation, (b) the Corporation determines that DTC is incapable of discharging its duties and the Corporation is unable to locate a qualified successor within two months following such determination, or (c) upon a determination by the Corporation that the continuation of a book-entry system described herein, which precludes the issuance of certificates to any Holder other than DTC (or its nominee) is no longer in the best interest of the beneficial owners of the Series 2008 Bonds, then the Corporation shall notify the beneficial owners of such resignation or determination and of the availability

of Replacement Bonds to beneficial owners of the Series 2008 Bonds requesting the same and registration, transfer and exchange of such Series 2008 Bonds will be conducted as provided in the Indenture.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters take any responsibility for the accuracy of such information, and the DTC Participants and the Beneficial Owners should not rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

**THE CITY, THE UNDERWRITERS AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008 BONDS; (III) THE DELIVERY BY ANY SUCH DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2008 BONDS; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.**

**DURING THE PERIOD THAT THE NOMINEE IS THE REGISTERED OWNER OF THE SERIES 2008 BONDS, ANY REFERENCES IN THIS OFFICIAL STATEMENT TO NOTICES THAT ARE TO BE GIVEN TO OWNERS BY THE TRUSTEE WILL BE GIVEN ONLY TO THE NOMINEE. DTC WILL BE EXPECTED TO FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICE TO THE DIRECT PARTICIPANTS BY ITS USUAL PROCEDURES SO THAT SUCH PARTICIPANTS MAY FORWARD (OR CAUSE TO BE FORWARDED) THE NOTICES TO THE INDIRECT PARTICIPANTS AND THE BENEFICIAL OWNERS. THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO ASSURE THAT ANY SUCH NOTICE IS FORWARDED BY DTC TO THE DIRECT PARTICIPANTS OR BY THE DIRECT PARTICIPANTS TO THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS. ANY FAILURE BY DTC TO ADVISE ANY DIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT TO NOTIFY ANY INDIRECT PARTICIPANT, OR ANY FAILURE BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY SUCH NOTICE AND ITS CONTENT OR EFFECT SHALL NOT AFFECT THE VALIDITY OF ANY ACTION PREMISED ON SUCH NOTICE.**

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**APPENDIX F**

**Form of Opinion of Co-Bond Counsel**

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## APPENDIX F

### Form of Opinion of Co-Bond Counsel

November 25, 2008

St. Louis Municipal Finance Corporation  
St. Louis, Missouri

Assured Guaranty Corp.  
New York, New York

The City of St. Louis, Missouri  
St. Louis, Missouri

Stifel, Nicolaus & Company, Incorporated  
as Representative of the Underwriters  
St. Louis, Missouri

The Industrial Development Authority of the  
City of St. Louis, Missouri  
St. Louis, Missouri

The Bank of New York Mellon Trust Company,  
N.A., as Trustee  
St. Louis, Missouri

**Re: \$21,850,000 Leasehold Revenue Bonds, Series 2008 (Convention Center Capital Improvement Projects)**

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the St. Louis Municipal Finance Corporation (the “*Corporation*”) of the above-referenced bonds (the “*Series 2008 Bonds*”) pursuant to a Resolution adopted by the Corporation on November 17, 2008 (the “*Resolution*”). In such capacity, we have examined such laws and such certified proceedings and other documents and materials as we have deemed necessary to enable us to render this opinion, including the following documents (collectively, the “*Transaction Documents*”):

- a. Sixth Supplemental and Restated Indenture of Trust (the “*Indenture*”), dated as of the November 1, 2008, among the Corporation, The Industrial Development Authority of the City of St. Louis, Missouri (the “*Authority*”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “*Trustee*”);
- b. Fifth Supplemental and Restated Lease Purchase Agreement (the “*Lease*”), dated as of November 1, 2008, among the Corporation, the Authority and The City of St. Louis, Missouri (the “*City*”);
- c. Fifth Supplemental and Restated First Deed of Trust, Security Agreement and Assignment, dated as of November 1, 2008, by the Corporation for the benefit of the Trustee, Ambac Assurance Corporation and the deed of trust trustee named therein;
- d. Bond Purchase Agreement, dated November 18, 2008, by and among the Corporation, the City, and Stifel, Nicolaus & Company, Incorporated, as representative of the Underwriters named therein;
- e. Continuing Disclosure Agreement, dated as of November 1, 2008, by and between the City and The Bank of New York Mellon Trust Company of St. Louis, N.A., as Dissemination Agent;

- f. Financial Guaranty Insurance Policy (the “*Bond Insurance Policy*”) issued by Assured Guaranty Corp. (the “*Credit Facility Provider*”); and
- g. Tax Compliance Agreement (the “*Tax Compliance Agreement*”), dated as of November 1, 2008, among the City, the Corporation, and the Trustee.

As to questions of fact material to this opinion, we have relied upon representations of the Corporation contained in the Resolution 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 (i) various issues with respect to the Bond Insurance Policy are addressed in the opinion of the counsel to the Credit Facility Provider; (ii) various issues with respect to the City in connection with the Series 2008 Bonds are addressed in the opinion of the St. Louis City Counselor; (iii) various issues with respect to the Authority in connection with the Series 2008 Bonds are addressed in the opinion of the Counsel to the Authority; and (iv) various issues with respect to the Corporation in connection with the Series 2008 Bonds are addressed in the opinion of the Corporation’s Counsel. 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 or the other Transaction Documents.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2008 Bonds have been duly authorized, executed, and delivered by the Corporation and, when duly authenticated and delivered by the Trustee, will be valid and binding limited obligations of the Corporation payable in accordance with the Indenture, will be entitled to the benefits and security of the Indenture, and will evidence proportionate interests in the right to receive Rentals (as defined in the Indenture) from the City pursuant to the Lease. Neither the Lease nor the Series 2008 Bonds constitute an indebtedness of the City or the State of Missouri (the “*State*”) 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 State, the City, or the Corporation is pledged to the payment of the Rentals or any other payments under the Lease or to the payment of the Series 2008 Bonds.
2. Interest on the Series 2008 Bonds (including any original issue discount properly allocable to the owners thereof) is excludable 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 Compliance 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 2008 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 Compliance Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2008 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 2008 Bonds. We express no opinion as to whether the interest on the Series 2008 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. The Series 2008 Bonds are not “qualified tax-exempt obligations” under Section 265(b)(3) of the Code.

Except as stated in paragraph 2 above, we express no opinion regarding any other federal or state tax consequences with respect to the Series 2008 Bonds.

It is to be understood that the rights of the owners of the Series 2008 Bonds and the enforceability of the Series 2008 Bonds, the Resolution, 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 2008 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be relied upon by 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.

By rendering this opinion, we do not undertake to advise you further of any changes in law or fact which may occur or come to our attention after the date hereof.

Very truly yours,

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**APPENDIX G**

**Specimen Financial Guaranty Insurance Policy**

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## Financial Guaranty Insurance Policy

**Issuer:**

**Policy No.:**

**Obligations:**

**Premium:**

**Effective Date:**

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "Fiscal Agent") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

**ASSURED GUARANTY CORP.**

(SEAL)

By: \_\_\_\_\_  
[Insert Authorized Signatory Name]  
[Insert Authorized Signatory Title]

Signature attested to by:

\_\_\_\_\_  
Counsel