

*In the opinion of Bond Counsel, under existing law and assuming continuing compliance with certain covenants described under the caption "Tax Exemption" herein, interest on the Series 2003 Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2003 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations and the federal environmental tax on corporations. However, interest on the Series 2003 Bonds may be included in adjusted current earnings related to the federal corporate alternative minimum tax and environmental tax. Interest on the Series 2003 Bonds is exempt from taxes imposed by the State of Missouri under Chapter 143 of the Revised Statutes of Missouri; provided, however, that no opinion is expressed as to the applicability of the taxes imposed by the State of Missouri on financial institutions under Chapter 148 of the Revised Statutes of Missouri. See "TAX EXEMPTION" herein.*

**\$118,575,000**  
**ST. LOUIS MUNICIPAL FINANCE CORPORATION**  
**Leasehold Revenue Refunding Bonds**  
**Series 2003 (Convention Center Project)**

**Dated:** Date of Delivery

**Due:** as shown on Inside Cover

The Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project) (the "Series 2003 Bonds"), are being issued by the St. Louis Municipal Finance Corporation (the "Corporation"), under the Fourth Supplemental and Restated Indenture of Trust dated as of April 15, 2003 by and among the Corporation, The Industrial Development Authority of the City of St. Louis, Missouri (the "Authority") and BNY Trust Company of Missouri, St. Louis, Missouri, as trustee (the "Trustee") (the "Indenture"). The Series 2003 Bonds are special limited obligations of the Corporation payable solely from rental payments (the "Rentals") to be made by the City of St. Louis, Missouri (the "City") with respect to the Series 2003 Bonds and other moneys derived by the Corporation pursuant to the Lease Purchase Agreement (as hereinafter defined) and from any amounts payable by Ambac Assurance Corporation (the "Credit Facility Provider") in connection with its financial guaranty insurance policy on the Series 2003 Bonds. The Series 2003 Bonds are being issued for the purpose of (i) currently refunding the Series 1993A Current Interest Bonds (as described in the Indenture) and (ii) paying reasonable expenses incurred by the Corporation and the City in connection with the issuance and sale of the Series 2003 Bonds. The Series 2003 Bonds are secured, *pari passu*, along with other outstanding obligations, by a deed of trust and security interest in the Convention Center Property (as defined in the Indenture).

The Series 2003 Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearing house for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2003 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2003 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Series 2003 Bonds. The Series 2003 Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2003 Bonds is payable on each January 15 and July 15, beginning on July 15, 2003.

THE SERIES 2003 BONDS ARE ISSUED BY AND REPRESENT SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION. THE PRINCIPAL OF THE SERIES 2003 BONDS, PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT CONSTITUTE A DEBT OR LIABILITY OF THE CORPORATION, THE CITY, THE STATE OF MISSOURI (THE "STATE") OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION, AND NEITHER THE CORPORATION, THE CITY NOR THE STATE SHALL BE LIABLE THEREON, EXCEPT FROM THE PAYMENTS, REVENUES AND RECEIPTS DERIVED FROM THE THIRD SUPPLEMENTAL AND RESTATED LEASE PURCHASE AGREEMENT DATED AS OF APRIL 15, 2003 BY AND AMONG THE CORPORATION, THE CITY AND THE AUTHORITY (THE "LEASE PURCHASE AGREEMENT").

THE ISSUANCE OF THE SERIES 2003 BONDS SHALL NOT OBLIGATE THE CITY TO LEVY ANY FORM OF TAXATION THEREFOR OR TO MAKE ANY APPROPRIATION TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT IN ANY FISCAL YEAR SUBSEQUENT TO A FISCAL YEAR IN WHICH THE LEASE PURCHASE AGREEMENT IS IN EFFECT. THE CORPORATION HAS NO TAXING POWER. NEITHER THE CORPORATION NOR ITS OFFICERS, DIRECTORS OR EMPLOYEES SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR INTEREST OR REDEMPTION PREMIUM, IF ANY, ON THE SERIES 2003 BONDS, EXCEPT AS PROVIDED IN THE INDENTURE AND LEASE PURCHASE AGREEMENT.

The Series 2003 Bonds are not subject to optional redemption. The Series 2003 Bonds are subject to extraordinary redemption prior to maturity as described herein.

Payment of the principal of and interest on the Series 2003 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2003 Bonds. See "BOND INSURANCE" herein.

### **Ambac**

This cover page contains information for reference only. It is not a complete summary of the Series 2003 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 inside cover page for maturities, principal amounts and yield or price.

The Series 2003 Bonds are offered when, as and if issued by the Corporation and accepted by the Underwriters, subject to the approval of legality of the Series 2003 Bonds by Armstrong Teasdale LLP, St. Louis, Missouri, and The Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel. Certain legal matters will be passed upon by the Office of the City Counselor of the City of St. Louis, Missouri, Counsel to the City and the Corporation, Counsel on behalf of the Authority and by Bryan Cave LLP, St. Louis, Missouri, and Caldwell & Singleton, LLC, St. Louis, Missouri, Co-Counsel to the Underwriters. It is expected that the Series 2003 Bonds in definitive form will be available for delivery on or about April 17, 2003, against payment therefor.

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

**Banc One Capital Markets, Inc.**

**Banc of America Securities LLC Melvin Securities, L.L.C.**

**A.G. Edwards & Sons, Inc.**

**M.R. Beal & Company**

**\$118,575,000 Series 2003 Bonds**

<b><u>Maturity July 15</u></b>	<b><u>Maturity Value</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield or Price</u></b>
2004	\$ 7,065,000	3.000%	1.310%
2005	7,745,000	4.000%	1.620%
2005	1,010,000	2.500%	1.620%
2006	8,590,000	4.000%	2.040%
2006	1,000,000	2.000%	2.040%
2007	8,845,000	5.000%	2.490%
2007	3,600,000	4.000%	2.490%
2007	1,000,000	2.400%	2.490%
2008	10,980,000	5.000%	2.870%
2008	695,000	2.800%	2.870%
2009	1,415,000	3.200%	3.210%
2009	11,500,000	5.000%	3.210%
2010	12,560,000	5.250%	3.520%
2010	1,475,000	3.500%	3.520%
2011	9,060,000	5.250%	3.760%
2011	880,000	3.700%	3.760%
2012	9,190,000	5.250%	3.900%
2012	2,120,000	3.800%	3.900%
2013	720,000	4.000%	100.000%
2013	11,605,000	5.250%	4.000%
2014	2,520,000	4.000%	4.100%
2014	5,000,000	5.250%	4.100%

**NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION, THE CITY, THE CREDIT FACILITY PROVIDER OR THE UNDERWRITERS TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS WITH RESPECT TO THE SERIES 2003 BONDS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 2003 BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. WHILE THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE CORPORATION, THE CITY AND THE CREDIT FACILITY PROVIDER AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, THE INFORMATION CONTAINED HEREIN IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS, AND IS NOT TO BE CONSTRUED TO BE A REPRESENTATION OF THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CORPORATION, THE CITY OR THE CREDIT FACILITY PROVIDER SINCE THE DATE HEREOF.**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2003 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2003 BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.**

**THE SERIES 2003 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER VARIOUS STATE SECURITIES ACTS, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2003 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2003 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 2003 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.**

**ST. LOUIS MUNICIPAL FINANCE CORPORATION**

Ivy Neyland-Pinkston, President

Catherine Kolb, Vice President

Pam Ross, Vice President

Thomas J. Ray, Secretary

Frank Jackson, Treasurer

**THE CITY OF ST. LOUIS, MISSOURI**

Francis G. Slay, Mayor

Darlene Green, Comptroller

James F. Shrewsbury, President, Board of Aldermen

Larry C. Williams, City Treasurer

**BOARD OF ALDERMEN**

Irene J. Smith – Ward 1

Dionne Flowers – Ward 2

Freeman Bosley, Sr. – Ward 3

Peggy Ryan – Ward 4

April Ford-Griffin – Ward 5

Lewis E. Reed – Ward 6

Phyllis Young – Ward 7

Stephen J. Conway – Ward 8

Kenneth Ortmann – Ward 9

Craig N. Schmid – Ward 10

Matt Villa – Ward 11

Fred Heitert – Ward 12

Alfred J. Wessels, Jr. – Ward 13

Stephen Gregali – Ward 14

Jennifer Florida – Ward 15

Vacant – Ward 16

Joseph D. Roddy – Ward 17

Terry Kennedy – Ward 18

Michael McMillan – Ward 19

Sharon Tyus – Ward 20

Vacant – Ward 21

James Ozier – Ward 22

Colleen M. Sondermann – Ward 23

Tom Bauer – Ward 24

Dan E. Kirner – Ward 25

Irving C. Clay, Jr. – Ward 26

Gregory J. Carter – Ward 27

Lyda Krewson – Ward 28

**OTHER CITY OFFICIALS**

Ivy Neyland-Pinkston, Deputy Comptroller

Elaine Harris Spearman, Legal Advisor to the Comptroller

Candice Gordon, Accounting Executive

Patricia Hageman, City Counselor

Thomas J. Ray, Deputy City Counselor

**CO-BOND COUNSEL**

Armstrong Teasdale LLP

St. Louis, Missouri

The Hardwick Law Firm, LLC

Kansas City, Missouri

**FINANCIAL ADVISOR**

P.G. Corbin & Company, Inc.

Philadelphia, Pennsylvania

**TRUSTEE**

BNY Trust Company of Missouri

St. Louis, Missouri

## Table of Contents

	Page
INTRODUCTION .....	1
THE CORPORATION .....	2
Organization, Powers And Purposes.....	2
Board of Directors and Officers.....	3
Outstanding Indebtedness .....	3
THE CITY .....	4
THE REFUNDING PLAN .....	4
The Series 1993A Bonds .....	4
Refinancing Plan.....	4
SOURCES AND USES OF FUNDS .....	5
CONVENTION CENTER COMBINED DEBT SERVICE REQUIREMENTS.....	6
DESCRIPTION OF THE SERIES 2003 BONDS .....	6
General Description .....	6
Security for the Series 2003 Bonds.....	7
Cross Default .....	7
Redemption of Series 2003 Bonds.....	8
Additional Bonds .....	10
Book-Entry-Only System.....	10
Registration, Transfer and Exchange of Series 2003 Bonds.....	11
Persons Deemed Owners of Series 2003 Bonds .....	11
SECURITY FOR THE SERIES 2003 BONDS.....	11
General .....	11
The Lease Purchase Agreement.....	12
Term of Lease Purchase Agreement .....	12
The Deed of Trust .....	14
Ambac Assurance Surety Bond .....	14
Bond Insurance .....	15
Restrictions on Application of Gross Receipts Tax .....	15
BOND INSURANCE .....	15
Ambac Assurance Corporation .....	16
Available Information.....	16
Incorporation of Certain Documents by Reference .....	17
Payment Pursuant to Financial Guaranty Insurance Policy .....	17
THE CONVENTION CENTER .....	18
Management and Operations .....	19
Service Area.....	20
Competition from Other Facilities .....	20
Historical Utilization of the Convention Center .....	20
Risks and Security Associated with the Convention and Tourism Industry .....	21
CONVENTION VISITORS COMMISSION – CONVENTION CENTER ACTIVITY TABLES	
TOP 25 CONVENTIONS BOOKED FOR 2003 .....	22
CONVENTION AND VISITORS COMMISSION BUSINESS OVERVIEW .....	23

CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS.....	24
Lease Payments of City Not a General Obligation .....	24
Early Redemption .....	24
Realization of the Full Value of the Security for the Series 2003 Bonds .....	24
Special Use Facility .....	25
Additional Bonds .....	25
Cross Default .....	25
Insolvency of Credit Facility Provider.....	25
Remedies May be Unenforceable .....	25
Potential Environmental Risks.....	25
Homeland Security .....	26
Risks Associated with the Convention and Tourism Industry .....	26
FINANCIAL STATEMENTS .....	26
THE TRUSTEE .....	26
RATINGS .....	26
LITIGATION.....	27
APPROVAL OF LEGAL PROCEEDINGS.....	27
TAX EXEMPTION .....	27
Federal and State Income Taxation.....	27
Tax-Exempt Original Issue Discount Bonds .....	28
Original Issue Premium Bonds .....	28
FINANCIAL ADVISOR .....	29
INVESTMENT ADVISOR .....	29
UNDERWRITING .....	29
VERIFICATION OF MATHEMATICAL AND ARITHMETICAL CALCULATIONS .....	29
CERTAIN RELATIONSHIPS .....	30
CONTINUING DISCLOSURE.....	30
CERTIFICATION OF OFFICIAL STATEMENT.....	30
MISCELLANEOUS .....	31
APPENDIX A – INFORMATION REGARDING THE CITY OF ST. LOUIS .....	A-1
APPENDIX B – INDEPENDENT AUDITOR’S REPORT AND BASIC FINANCIAL STATEMENTS OF THE CITY OF ST. LOUIS, MISSOURI FOR THE FISCAL YEAR ENDED JUNE 30, 2002 .....	B-1
APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS .....	C-1
APPENDIX D – FORM OF CO-BOND COUNSEL OPINION.....	D-1
APPENDIX E – FORM OF BOND INSURANCE POLICY .....	E-1
APPENDIX F – DTC INFORMATION.....	F-1
APPENDIX G – SUMMARY OF CONTINUING DISCLOSURE AGREEMENT .....	G-1

**OFFICIAL STATEMENT**  
**Relating To**  
**\$118,575,000**  
**ST. LOUIS MUNICIPAL FINANCE CORPORATION**  
**LEASEHOLD REVENUE REFUNDING BONDS**  
**SERIES 2003 (CONVENTION CENTER PROJECT)**

**INTRODUCTION**

This Official Statement, including the cover page, the inside cover page, and the Appendices hereto, is furnished in connection with the offer and sale of \$118,575,000 aggregate principal amount of Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project) (the "Series 2003 Bonds") of the St. Louis Municipal Finance Corporation (the "Corporation").

The Series 2003 Bonds are being issued pursuant to the Fourth Supplemental and Restated Indenture of Trust dated as of April 15, 2003 (the "Indenture") among the Corporation and BNY Trust Company of Missouri, successor to Mark Twain Bank (the "Trustee") and The Industrial Development Authority of the City of St. Louis, Missouri (the "Authority"). The Series 2003 Bonds are being issued for the purpose of (i) currently refunding the Series 1993A Current Interest Bonds (as described in the Indenture) and (ii) paying reasonable expenses incurred by the Corporation and the City in connection with the issuance and sale of the Series 2003 Bonds. See "**THE REFUNDING PLAN**" and "**SOURCES AND USES OF FUNDS**" herein. The Series 1993A Bonds were issued for the purpose of refunding the following series of bonds issued by The Land Clearance for Redevelopment Authority of the City of St. Louis (the "LCRA"): (i) Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1986 (The City of St. Louis, Missouri, Lessee), (ii) Capital Improvement Leasehold Revenue Bonds, Series 1988 (The City of St. Louis, Missouri, Lessee), and (iii) Capital Improvement Leasehold Revenue Bonds, Series 1990 (The City of St. Louis, Missouri, Lessee).

The Series 2003 Bonds will be payable from and secured by a pledge of Rentals and certain Additional Rentals (as defined in the Indenture) and receipts to be received by the Corporation pursuant to the Third Supplemental and Restated Lease Purchase Agreement dated as of April 15, 2003 by and among the Corporation, the City and the Authority (the "Lease Purchase Agreement") pursuant to which the Corporation will lease to the City the Convention Center Property (as hereinafter defined) and by certain amounts under the Indenture (including, under certain circumstances, Series 2003 Bond proceeds and income from the investment thereof and proceeds from insurance and condemnation awards), which are intended to be sufficient to pay, when due, the principal of, premium, if any, and interest on the Series 2003 Bonds. **THE CITY IS ONLY OBLIGATED TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT FROM ANNUAL APPROPRIATIONS MADE BY THE CITY, AND THE FULL FAITH AND CREDIT OF THE CITY HAS NOT BEEN PLEDGED TO THE PAYMENT OF THE SERIES 2003 BONDS.** See "**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS -- THE LEASE PURCHASE AGREEMENT**" herein.

The payment of the principal of and interest on the Series 2003 Bonds, excluding premium, if any, is insured pursuant to a financial guaranty insurance policy of Ambac Assurance Corporation (the "Credit Facility Provider") issued concurrently with the issuance of the Series 2003 Bonds.

The Series 2003 Bonds will be further secured by a deed of trust on and a security interest in the hereinafter defined Convention Center Property mortgaged to the Trustee pursuant to a First Deed of Trust and Security Agreement dated as of June 15, 1993 by and among the Corporation, the Mortgage Trustee provided therein, the Trustee and The Sanwa Bank, Limited, predecessor to Ambac Assurance Corporation, as Credit Facility Provider, as amended and supplemented by the First Supplemental Deed of Trust, Security Agreement and Assignment dated as of August 1, 1999 by and among the Corporation,

the Mortgage Trustee provided therein, the Trustee and Ambac Assurance Corporation (the “First Supplemental Deed of Trust”), as supplemented and restated by the Second Supplemental and Restated First Deed of Trust and Security Agreement dated as of November 1, 2000 by and among the Corporation, the Mortgage Trustee provided therein, the Trustee and Ambac Assurance Corporation (the “Second Supplemental Deed of Trust”), and as supplemented and restated by the Third Supplemental and Restated First Deed of Trust, Security Agreement and Assignment dated as of April 15, 2003 by and among the Corporation, the Mortgage Trustee provided therein, the Trustee and Ambac Assurance Corporation (the “Restated Deed of Trust”) (collectively, the “Deed of Trust”).

In lieu of establishing a Series 2003 Bond Reserve Account, the Trustee will hold a surety bond to be issued by the Credit Facility Provider. See “**SECURITY FOR THE SERIES 2003 BONDS**” and “**SOURCES AND USES OF FUNDS**” herein and the information under the heading “**Surety Bond Provisions**” in “**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS – THE INDENTURE**”.

Pursuant to the Lease Purchase Agreement, the Rentals received with respect to the Series 2003 Bonds are to be deposited in the funds and accounts established with respect to the Series 2003 Bonds in the Indenture. The Indenture requires all moneys in the funds and accounts established and pledged to secure the payment of the principal of and interest on the Bonds to be applied first to the payment of the principal of and interest on the Series 1993A Compound Interest Bonds and the Series 2003 Bonds, on a parity basis, before payment of the principal of and interest on the Series 2000 Bonds (as herein defined).

Brief descriptions of the refunding plan, the Corporation, the City, the Credit Facility Provider, the Convention Center, the estimated sources and uses of funds, certain investment considerations and risk factors, the Series 2003 Bonds, the bond insurance, the Indenture, the Lease Purchase Agreement and the Deed of Trust are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2003 Bonds, the Indenture, the Lease Purchase Agreement, the bond insurance and the Deed of Trust are qualified in their entirety by reference to such documents, and references herein to the Series 2003 Bonds are qualified in their entirety by reference to the respective forms thereof included in the Indenture and the information with respect thereto included in the aforementioned documents, copies of all of which are available for inspection at the principal corporate trust office of the Trustee. During the period of the offering, copies of such documents will also be available at the office of Siebert Brandford Shank & Co., LLC, 660 Woodward Avenue, Suite 2450, Detroit, Michigan, 48226, (313) 496-4500.

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

## **THE CORPORATION**

### **Organization, Powers And Purposes**

The Corporation is a nonprofit corporation duly organized and existing pursuant to the Nonprofit Corporation Act of the State of Missouri (the “State”). The Corporation was incorporated in September 1991 and its purposes and objectives are to lessen the burden of the government of the City of St. Louis by financing or acquiring, leasing or subleasing real property and any improvements thereon, and personal property, to the City. In furtherance of its purposes and objectives, the Corporation may borrow money for its corporate purposes, invest, and disburse funds and issue bonds. Neither the Board of Directors of the Corporation nor any person executing the Series 2003 Bonds is personally liable on such Series 2003 Bonds by reason of the issuance thereof. The Series 2003 Bonds issued by the Corporation 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 Lease Purchase Agreement, the Indenture, the Deed of Trust and the Escrow Deposit Agreement (as defined herein).

The Corporation has corporate power under the Nonprofit Corporation Act to issue the Series 2003 Bonds, to enter into the Lease Purchase Agreement, the Indenture, the Restated Deed of Trust and the Escrow Deposit Agreement and to secure the Series 2003 Bonds under the Indenture. No part of the net earnings, income or property of the Corporation shall inure to the benefit of, or be distributed to, its directors, officers or other private persons or entities. The Corporation has no taxing power.

### **Board of Directors and Officers**

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

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

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

The officers of the Corporation include a president, two vice presidents, a treasurer and a secretary who are chosen by vote of a majority of the directors in office. The officers shall hold office for terms of three years. The Board of Directors may appoint such other officers and agents as it deems necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

The officers of the Corporation are as follows:

<u>Name</u>	<u>Office</u>
Ivy Neyland-Pinkston	President
Catherine Kolb	Vice President
Pam Ross	Vice President
Thomas J. Ray	Secretary
Frank Jackson	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. Without limiting the generality of the foregoing, information under the headings “**THE CITY**”, “**THE CONVENTION CENTER**”, and APPENDICES A, B and E was furnished by the City or the Credit Facility Provider, as the case may be.

### **Outstanding Indebtedness**

The Corporation has previously sold and delivered numerous series of bonds and notes secured by instruments separate and apart from the Indenture and the Lease Purchase Agreement. The owners of such bonds and notes, other than the owners of the Series 1993A Compound Interest Bonds and the Series 2000 Bonds, have no claims on the assets, funds or revenues of the Corporation securing the Series 2003 Bonds and the owners of the Series 2003 Bonds will have no claim on assets, funds or revenues of the

Corporation securing such other bonds and notes, other than the Series 1993A Compound Interest Bonds and the Series 2000 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 Series 1993A Compound Interest Bonds, the Series 2000 Bonds and the Series 2003 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, 2002, 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, 2002.**” A complete copy of the City’s 2002 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002 is available for inspection at the City’s Comptroller’s Office, 1200 Market Street, City Hall, Room 212, St. Louis, Missouri, 63103. 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 REFUNDING PLAN**

### **The Series 1993A Bonds**

The Series 1993A Bonds were issued pursuant to the Indenture for the purpose of refunding the following bonds issued by the LCRA: (i) Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1986 (The City of St. Louis, Missouri, Lessee), (ii) Capital Improvement Leasehold Revenue Bonds, Series 1988 (The City of St. Louis Missouri, Lessee), and (iii) Capital Improvement Leasehold Revenue Bonds, Series 1990 (The City of St. Louis Missouri, Lessee). See “**SOURCES AND USES OF FUNDS**” herein.

Until the redemption date of July 15, 2003, \$119,960,000 aggregate principal amount of the Series 1993A Current Interest Bonds (the “Series 1993A Current Interest Bonds”) remain outstanding and \$2,567,205 original aggregate principal amount of the Series 1993A Compound Interest Bonds are and will continue after July 15, 2003 to remain outstanding.

### **Refinancing Plan**

A portion of the proceeds of the Series 2003 Bonds will be deposited with BNY Trust Company of Missouri, as escrow agent (the “Escrow Agent”) pursuant to an Escrow Deposit Agreement dated as of April 15, 2003 (the “Escrow Deposit Agreement”) by and among the City, the Corporation and the Escrow Agent and applied on July 15, 2003 to the redemption of the Series 1993A Current Interest Bonds at a redemption price of one hundred two percent (102%) of the principal amount thereof, plus interest accrued thereon to the redemption date. The Series 1993A Compound Interest Bonds will remain outstanding.

## SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the issuance of the Series 2003 Bonds and the refunding of the Series 1993A Current Interest Bonds are as follows:

### Sources of Funds:

Par Amount of Series 2003 Bonds	\$ 118,575,000.00
Net Reoffering Premium	<u>9,439,682.25</u>
<b>TOTAL SOURCES</b>	<b>\$ <u>128,014,682.25</u></b>

### Uses of Funds:

Deposit to Net Cash Escrow Fund <sup>1</sup>	\$ 125,373,747.49
Costs of Issuance <sup>2</sup>	<u>2,640,934.76</u>
<b>TOTAL USES</b>	<b>\$ <u>128,014,682.25</u></b>

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<sup>1</sup> \$125,373,747.49 shall be deposited with the Escrow Agent under the Escrow Deposit Agreement to be applied on July 15, 2003 to the redemption of the Series 1993A Current Interest Bonds.

<sup>2</sup> Includes gross bond insurance premium, total Underwriter's discount, debt service reserve surety fee, legal, financial advisory, accounting, printing and other fees and expenses incurred in the issuance of the Series 2003 Bonds.

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## CONVENTION CENTER COMBINED DEBT SERVICE REQUIREMENTS

The following table lists the debt service requirements for the Series 1993A Compound Interest Bonds, the Authority's Series 2000 Bonds and the Series 2003 Bonds.

Fiscal Year Ending June 30	Senior Lien Bonds				Total Debt Service	Subordinate Lien Outstanding Debt Service <sup>2</sup>	Combined Total Debt Service
	Outstanding Debt Service <sup>1</sup>	The 2003 Bonds		Total			
		Principal	Interest				
2003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2004	-	-	1,342,788	1,342,788	1,342,788	-	1,342,788
2005	-	7,065,000	5,493,223	12,558,223	12,558,223	-	12,558,223
2006	-	8,755,000	5,281,273	14,036,273	14,036,273	-	14,036,273
2007	-	9,590,000	4,946,223	14,536,223	14,536,223	-	14,536,223
2008	-	13,445,000	4,582,623	18,027,623	18,027,623	-	18,027,623
2009	-	11,675,000	3,972,373	15,647,373	15,647,373	-	15,647,373
2010	-	12,915,000	3,403,913	16,318,913	16,318,913	-	16,318,913
2011	-	14,035,000	2,783,633	16,818,633	16,818,633	3,525,000	20,343,633
2012	-	9,940,000	2,072,608	12,012,608	12,012,608	2,700,000	14,712,608
2013	-	11,310,000	1,564,398	12,874,398	12,874,398	2,285,000	15,159,398
2014	-	12,325,000	1,001,363	13,326,363	13,326,363	-	13,326,363
2015	9,615,000	7,520,000	363,300	7,883,300	17,498,300	15,295,000	32,793,300
2016	-	-	-	-	-	15,295,000	15,295,000
2017	-	-	-	-	-	15,295,000	15,295,000
2018	-	-	-	-	-	15,295,000	15,295,000
2019	-	-	-	-	-	15,295,000	15,295,000
2020	-	-	-	-	-	15,295,000	15,295,000
	<u>\$ 9,615,000</u>	<u>\$ 118,575,000</u>	<u>\$ 36,807,718</u>	<u>\$ 155,382,718</u>	<u>\$ 164,997,718</u>	<u>\$ 100,280,000</u>	<u>\$ 265,277,718</u>

<sup>1</sup> Does not include debt service or premium on the Series 1993A Current Interest Bonds refunded under the Refinancing Plan.

<sup>2</sup> Series 2000 Bonds.

See also, “DESCRIPTION OF THE SERIES 2003 BONDS – CROSS-DEFAULT” herein.

### DESCRIPTION OF THE SERIES 2003 BONDS

#### General Description

The Series 2003 Bonds will consist of serial maturities due on July 15 in the amounts and in each of the years set forth on the inside cover page hereof. The Series 2003 Bonds will be dated the date of delivery and will bear interest from that date at the rates shown on the inside cover page of this Official Statement, such interest to be payable semiannually on January 15 and July 15 in each year (each an “Interest Payment Date”), commencing on July 15, 2003, and to be computed on the basis of a 360 day year, consisting of twelve 30-day months. The Series 2003 Bonds will mature, subject to prior redemption as hereinafter described, in the amounts set forth on the inside cover page of this Official Statement. The record date for interest on the Series 2003 Bonds shall be the first day of the calendar month in which the applicable Interest Payment Date occurs (whether or not a business day) (the “Record Date”).

The Series 2003 Bonds are issued as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof.

The Series 2003 Bonds will be issued in fully registered book-entry form and, when issued, will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company (“DTC”), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2003 Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2003 Bonds will be made directly to DTC or its nominee, Cede & Co., which will remit such payments to the DTC Participants (as defined herein) for subsequent disbursements to the beneficial owners of the Series 2003 Bonds.

The Series 2003 Bonds will not be a general obligation of the Corporation but will be special limited obligations of the Corporation, payable solely out of the Rentals and certain Additional Rentals under the Lease Purchase Agreement, and other payments, revenues and receipts including, under certain circumstances, Series 2003 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. The Rentals deposited with the Trustee, together with other moneys available to the Trustee, are intended to be sufficient for the prompt payment when due of the principal of, redemption premium, if any, and interest on the Series 2003 Bonds becoming due during any one year term of the Lease Purchase Agreement.

The Series 2003 Bonds will state that the principal of, premium, if any, and the interest on the Series 2003 Bonds are special limited obligations of the Corporation. Neither the Corporation, the City nor the State shall be obligated to pay the principal of, premium, if any, or interest on the Series 2003 Bonds or other costs incident thereto except from the Rentals and receipts received by the Corporation under the Lease Purchase Agreement and pledged by the Corporation therefor. The Series 2003 Bonds shall not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction, and neither the full faith and credit nor the taxing power of the City or the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2003 Bonds or other costs incidental thereto. The Corporation has no taxing power. Neither the directors, officers or employees of the Corporation nor any person executing the Series 2003 Bonds shall be liable personally thereon by reason of the issuance thereof. See **“CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS”** herein.

### **Security for the Series 2003 Bonds**

As security for the payment of the principal of, premium, if any, and interest on the Series 2003 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 2003 Bonds, the Series 1993A Compound Interest Bonds and any Additional Bonds all of its right, title and interest in and to the Lease Purchase Agreement (except the Corporation’s rights to indemnity under the Lease Purchase Agreement) and all Rentals and other payments, revenues and receipts derived by the Corporation under and pursuant to the provisions of the Lease Purchase Agreement (except for the rights of the Corporation to receive moneys for its own accounts under the Lease Purchase Agreement), and all moneys and securities from time to time held by the Trustee under the terms of the Indenture including moneys on deposit in the separate accounts of the Bond Reserve Fund (but excluding any moneys required to be held by the Trustee pursuant to the provisions of the Escrow Deposit Agreement and in the Series 2003 Rebate Account). The Series 2003 Bonds are also secured by a deed of trust and security interest in the Convention Center Property pursuant to the Deed of Trust. See the information contained under the caption **“SECURITY FOR THE SERIES 2003 BONDS.”** The Series 2003 Bonds are also secured by a policy of financial guaranty insurance issued by the Credit Facility Provider, as more fully described herein under the heading **“SECURITY FOR THE SERIES 2003 BONDS - BOND INSURANCE.”**

The Authority’s Compound Interest Leasehold Revenue Bonds, Series 2000 (the “Series 2000 Bonds”) were also issued under and are secured and entitled, on a subordinated basis, to the protection given by the Indenture, but are subordinate to the priority lien of the Series 2003 Bonds, the Series 1993A Compound Interest Bonds and any Additional Bonds subsequently issued pursuant to the Indenture on the Trust Estate (as defined in the Indenture).

### **Cross Default**

The Series 1993A Compound Interest Bonds, the Series 2003 Bonds and any Additional Bonds are parity obligations under the Indenture (the “Parity Bonds”). A default with respect to any Parity Bonds may result in a default with respect to all other Parity Bonds. In addition, the Authority’s Series

2000 Bonds are secured and entitled, on a subordinated basis, to the protection given by the Indenture. A default with respect to the Series 2000 Bonds may result in a default with respect to the Parity Bonds.

If an Event of Default with respect to the Parity Bonds or the Series 2000 Bonds shall have occurred and be continuing, the Trustee may, and upon the written request of the Holders of not less than 25% of all Outstanding Parity Bonds and Series 2000 Bonds 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 the applicable bond insurance policy and/or surety bond in an amount equal to the principal and accrued interest (or accreted value) on the date established by the Trustee for acceleration.

In the event of an acceleration as described above, the Credit Facility Provider or the Trustee with the prior written consent of the Credit Facility Provider may, and upon the written request of the Holders of not less than 25% of all Outstanding Bonds issued pursuant to the Indenture 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 Series 1993A Compound Interest Bonds and all Series 2003 Bonds has been made pursuant to the Indenture. See “**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS – THE INDENTURE**” herein.

### **Redemption of Series 2003 Bonds**

*Optional Redemption.* The Series 2003 Bonds are not subject to optional redemption prior to their Stated Maturities except as set forth below.

*Extraordinary Optional Redemption.* The Series 2003 Bonds shall be subject to optional redemption and payment prior to the Stated Maturity thereof, in whole at any time or in part on any interest payment date, at the option of the City, with the consent of the Credit Facility Provider, at a redemption price of one hundred percent (100%) of the principal amount of the Series 2003 Bonds, plus accrued interest thereon to the redemption date on all Series 2003 Bonds to be redeemed upon the occurrence of any of the following conditions or events, provided all of the Series 2003 Bonds 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 non-existent 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.

*Selection of Series 2003 Bonds to be Redeemed.* Series 2003 Bonds shall be redeemed in their Authorized Denominations. Series 2003 Bonds shall be redeemed in the principal amount of \$5,000 or

any integral amount thereof (each \$5,000 principal payment at maturity shall hereinafter be referred to as a "\$5,000 Unit"). When less than all of the Outstanding Series 2003 Bonds are to be redeemed and paid prior to maturity pursuant to the Indenture, such Series 2003 Bonds shall be redeemed in such order of maturity as directed by the Corporation (with the consent of the City) in its written request to redeem as provided in the Indenture. Series 2003 Bonds of less than a full maturity are to be selected by the Trustee in \$5,000 Units in such equitable manner as the Trustee may determine.

In the case of a partial redemption of Series 2003 Bonds by lot when Series 2003 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 Series 2003 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 Series 2003 Bond is selected for redemption, then upon notice of intention to redeem such \$5,000 Unit or Units, the Holder of such Series 2003 Bond or his duly authorized agent shall forthwith present and surrender such Series 2003 Bond to the 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 Series 2003 Bond or Series 2003 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2003 Bond. If the Owner of any Series 2003 Bond of a denomination greater than \$5,000 shall fail to present a Series 2003 Bond called for redemption such Series 2003 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).

*Notice of Redemption.* If and when any of the Series 2003 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 thirty (30) days nor more than sixty (60) days prior to the redemption date, to the Credit Facility Provider, if applicable, and to each Holder of Series 2003 Bonds to be redeemed, at the address appearing on the Bond Register. All notices of redemption shall include the following information:

- (i) The Redemption Date;
- (ii) The redemption price;
- (iii) If less than all Outstanding Series 2003 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Series 2003 Bonds to be redeemed;
- (iv) That on the Redemption Date, the redemption prices will become due and payable upon each such Series 2003 Bond, and that interest thereon shall cease to accrue from and after said date; and
- (v) The place where such Series 2003 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 2003 Bond to be so redeemed to receive written notice mailed as herein provided shall not affect or invalidate the redemption of such Series 2003 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 Series 2003 Bond to be redeemed.

So long as DTC (or any successor thereto) acts as Securities Depository for the Series 2003 Bonds, notice of redemption shall be sent to such Securities Depository and shall not be sent to the

Beneficial Owner of the Series 2003 Bonds. Any failure of such depository to advise any of its participants or failure of a participant to notify any Beneficial Owner of any notice of redemption shall not affect the validity of the redemption proceedings.

*Effect of Call for Redemption.* Prior to any date fixed for redemption pursuant to the Indenture and prior to the giving of notice of redemption of any Series 2003 Bonds there shall be deposited with the Trustee funds sufficient or United States Government Obligations maturing as to principal and interest at such times and in such amounts as to provide funds sufficient, to pay the principal of Series 2003 Bonds to be called for redemption and accrued interest thereon on the redemption date and the redemption premium, if any, provided; however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or a part of the Series 2003 Bonds to be redeemed. Any redemptions pursuant to the Indenture 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, the Series 2003 Bonds or the portions of the principal amount of Series 2003 Bonds thus called for redemption shall cease to bear interest on their redemption date, provided funds or United States Government Obligations sufficient for the payment of principal of, and redemption premium, if any and accrued interest on, such Series 2003 Bonds are on deposit at the place of payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture.

### **Additional Bonds**

Additional Bonds may be issued under and be equally and ratably secured by the Indenture on a parity with the Bonds and any other Additional Bonds Outstanding, at any time and from time to time, with the prior written consent of the Credit Facility Provider, and upon compliance with the conditions specified in the Indenture, for purposes, upon the conditions and subject to the limitations described in “**APPENDIX C – SUMMARIES OF LEGAL DOCUMENTS -- THE INDENTURE -- *Additional Bonds.***”

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

### **Book-Entry-Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2003 Bond certificate will be issued for each maturity of the 2003 Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC. For additional information regarding DTC and DTC’s book-entry-only system, see “**APPENDIX F – DTC INFORMATION**” hereto.

In reading this Official Statement, it should be understood that while the Series 2003 Bonds are in book-entry-only form, references in other sections of this Official Statement to registered owners should be read to include the person for which a Participant acquires an interest in the Series 2003 Bonds, but (i) all rights of ownership must be exercised through DTC and its book-entry-only system, and (ii) except as described elsewhere in this Official Statement, notices that are to be given to registered owners under the Indenture shall be only given to DTC hereto.

## **Registration, Transfer and Exchange of Series 2003 Bonds**

The Trustee has been appointed the Bond Registrar and as such shall maintain the Bond Register for the registration and transfer of Series 2003 Bonds as provided in the Indenture.

Any Series 2003 Bond may be transferred only upon the books kept for the registration and transfer of Series 2003 Bonds upon surrender thereof to the Trustee duly endorsed for transfer or accompanied by a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such transfer, the Corporation shall execute and the Trustee shall authenticate and deliver in exchange for such Series 2003 Bond a new fully registered Series 2003 Bond or Series 2003 Bonds, registered in the name of the transferee, of any denomination or denominations authorized by the Indenture.

Any Series 2003 Bond, upon surrender thereof at the principal corporate trust office of the Trustee together with a written instrument of transfer duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Series 2003 Bonds the same series and maturity and bearing interest at the same rate.

In all cases in which Series 2003 Bonds shall be exchanged or transferred, the Corporation shall execute and the Trustee shall authenticate and deliver, at the earliest practicable time, Series 2003 Bonds in accordance with the provisions of the Indenture. All Series 2003 Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Trustee. The Corporation or the Trustee may charge the Bondholder requesting the same for every such exchange or transfer of Series 2003 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, and such charge shall be paid before any such new Series 2003 Bond shall be delivered.

## **Persons Deemed Owners of Series 2003 Bonds**

The person in whose name any Series 2003 Bond shall be registered as shown on the Bond Register required to be maintained by the Trustee shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of and redemption premium, if any, and interest on any such Series 2003 Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2003 Bond, including the interest thereon, to the extent of the sum or sums so paid.

## **SECURITY FOR THE SERIES 2003 BONDS**

### **General**

The Series 2003 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 2003 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, premium, if any, and interest on the Series 2003 Bonds. THE CITY IS ONLY OBLIGATED TO MAKE PAYMENTS UNDER THE LEASE PURCHASE AGREEMENT FROM ANNUAL APPROPRIATIONS MADE BY THE CITY, AND THE FULL FAITH AND CREDIT OF THE CITY HAS NOT BEEN PLEDGED TO THE PAYMENT OF THE SERIES 2003 BONDS.

## **The Lease Purchase Agreement**

The Lease Purchase Agreement, subject to earlier termination pursuant to the provisions of the Lease Purchase Agreement, has an original term that commenced as of June 15, 1993 and will terminate as described below under the subheading “**Term of Lease Purchase Agreement.**” The Corporation’s right, title and interest in the Lease Purchase Agreement (except for certain indemnification rights and other rights to receive payments) has been assigned to the Trustee for the benefit of the owners of the Series 2003 Bonds, the Series 1993A Compound Interest Bonds and the Authority’s Series 2000 Bonds.

The City, subject to annual appropriation, will pay or cause to be paid the Rentals to the Corporation required by the Lease Purchase Agreement. The Rentals and any Additional Rentals to be paid by the City under the Lease Purchase Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Series 2003 Bonds, the Series 1993 Compound Interest Bonds, and the Authority’s Series 2000 Bonds until the principal of, premium, if any, and interest on such Bonds will have been fully paid. The City will pay to the Trustee, in funds which will be immediately available not less than five (5) Business Days before the date any payment is due, as Rentals, amounts which correspond to the payments in respect of the principal of, premium, if any, and interest on the Series 2003 Bonds whenever and in whatever manner the same become due, whether at stated maturity, upon redemption or acceleration or otherwise. Additional Rentals shall be paid to the Trustee by the City as the same become due and payable or upon demand therefor.

In the Lease Purchase Agreement, the City covenants and agrees, subject to annual appropriation, that it will pay Rentals and any Additional Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Series 2003 Bonds will at any time occur. If the balance in the Bond Fund (not subject to the lien of the Trustee for fees and expenses) is less than the sum then required to be on deposit therein in order to pay the principal of, premium, if any, and interest then payable on the Series 2003 Bonds in accordance with the provisions of the Lease Purchase Agreement, the City will pay as Rentals and any Additional 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 2003 Bonds will, at the election of the City, be credited against the Rentals and any Additional Rentals next required to be paid by the City, to the extent such amount is in excess of the amount required for payment of (i) any Series 2003 Bonds theretofore matured or called for redemption plus (ii) past due interest, in all cases where such Series 2003 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 2003 Bonds then remaining unpaid, the City will not be obligated to pay Rentals and any Additional Rentals.

## **Term of 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 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.

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

Notwithstanding the preceding paragraph, no Event of Non-Appropriation shall be deemed to have occurred under the Lease Purchase Agreement if 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 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 TRUSTEE SHALL, UPON THE OCCURRENCE OF AN EVENT OF NON-APPROPRIATION, HAVE ALL RIGHTS AND REMEDIES GRANTED TO IT UNDER THE INDENTURE AND AS A SECURED CREDITOR UNDER MISSOURI LAW, AS TRUSTEE FOR THE BENEFIT OF HOLDERS OF THE SERIES 2003 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 SERIES 2003 BONDS, THE SERIES 1993A COMPOUND INTEREST BONDS AND THE AUTHORITY'S SERIES 2000 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 City is required upon the request of the Trustee or the Corporation to immediately quit and vacate the Convention Center Property. 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.

### **The Deed of Trust**

To secure the payment of the principal of, premium, if any, and interest on the Series 2003 Bonds, the Corporation has granted a 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 and the Credit Facility Provider.

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.

### **Ambac Assurance Surety Bond**

The Indenture authorizes the Corporation to obtain a Surety Bond in place of fully funding a bond reserve fund. Accordingly, application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a Surety Bond for the purpose of satisfying the Reserve Account Requirement pursuant to the Indenture (the "Series 2003 Surety Bond"). The Series 2003 Bonds will only be delivered upon the issuance of such Series 2003 Surety Bond. The premium on the Series 2003 Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2003 Bonds. The Series 2003 Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Trustee or Paying Agent certifying that provision for the payment of principal of or interest on the Series 2003 Bonds when due has not been made or (ii) the

interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Series 2003 Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Series 2003 Surety Bond.

Pursuant to the terms of the Series 2003 Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Series 2003 Surety Bond and the Corporation is required to reimburse Ambac Assurance for any draws under the Series 2003 Surety Bond with interest at a market rate. Upon such reimbursement, the Series 2003 Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Corporation is subordinate to the Corporation's obligations with respect to the Series 2003 Bonds.

The Series 2003 Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Trustee or the Paying Agent.

### **Bond Insurance**

Payment of scheduled principal of and interest on the Series 2003 Bonds will be guaranteed by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation. The financial guaranty insurance policy will be issued concurrently with the issuance of the Series 2003 Bonds, will be noncancellable and will extend for the term of the Series 2003 Bonds. See "**BOND INSURANCE**" herein and "**APPENDIX E – FORM OF BOND INSURANCE POLICY**" hereto.

### **Restrictions on Application of Gross Receipts Tax**

Section 67.657(8) of the Revised Statutes of Missouri permits the City to submit to the voters a proposal for a tax not to exceed 3-1/2% of the amount of sales or charges for all sleeping rooms paid by the transient guest of hotels and motels situated within the City (the "Gross Receipts Tax") for the purposes of funding debt service, lease payments or other expenses of the Convention Center. A proposal to establish the Gross Receipts Tax was presented to the voters of the City and was approved in the general election on April 6, 1993. Any revenues derived from the collection of the Gross Receipts Tax are remitted to the City and deposited in a special trust fund known as the "City Convention and Sports Facility Fund" (the "Trust Fund"). 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, 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 PROCEEDS OF THE GROSS RECEIPTS TAX ARE NOT PLEDGED AS SECURITY FOR THE SERIES 2003 BONDS AND THE EXPENDITURE OF THE PROCEEDS OF THE GROSS RECEIPTS TAX, IF ANY, IS SUBJECT TO ANNUAL APPROPRIATION BY THE CITY.** Revenues of the Gross Receipts Tax, however, are limited to the uses prescribed in the above-referenced statute.

### **BOND INSURANCE**

Payment of principal of and interest on the Series 2003 Bonds, excluding premium, if any, is insured pursuant to a financial guaranty insurance policy of Ambac Assurance Corporation (referred to herein as "Ambac Assurance" or the "Credit Facility Provider") issued concurrently with the issuance of the Series 2003 Bonds.

Set forth below is a brief summary of certain information concerning Ambac Assurance and the terms of the financial guaranty insurance policy provided by Ambac Assurance. Information with respect to Ambac Assurance has been supplied to the Corporation by Ambac Assurance. The following discussion does not purport to be complete and is qualified in its entirety by reference to the financial guaranty insurance policy.

### **Ambac Assurance Corporation**

Ambac Assurance Corporation (“Ambac Assurance” or the “Credit Facility Provider”) is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,115,000,000 (unaudited) and statutory capital of approximately \$3,703,000,000 (unaudited) as of December 31, 2002. Statutory capital consists of Ambac Assurance’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s Investors Service and Fitch, Inc. have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Corporation on the Series 2003 Bonds. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Policy due to nonappropriation of funds by the City.

Ambac Assurance makes no representation regarding the Series 2003 Bonds or the advisability of investing in the Series 2003 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading “BOND INSURANCE”.

### **Available Information**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the “Company”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “NYSE”), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance’s financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

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

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;
- 2) The Company's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
- 3) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
- 4) The Company's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
- 5) The Company's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002;
- 6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002;
- 7) The Company's Current Report on Form 8-K dated October 16, 2002 and filed on October 17, 2002;
- 8) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2002 and filed on November 14, 2002;
- 9) The Company's Current Report on Form 8-K dated November 18, 2002 and filed on November 20, 2002;
- 10) The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
- 11) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003; and
- 12) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

## **Payment Pursuant to Financial Guaranty Insurance Policy**

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2003 Bonds effective as of the date of issuance of the Series 2003 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms

are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Series 2003 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2003 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2003 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2003 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2003 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent/Bond Registrar has notice that any payment of principal of or interest on a Series 2003 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Corporation has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2003 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2003 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation and will be fully subrogated to the surrendering Holder's rights to payment.

### **THE CONVENTION CENTER**

The following is a summary description of the Convention Center located in the City of St. Louis, Missouri.

The Convention Center 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, it 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 recent years, the ability of the Convention Center to attract a competitive level of large, high impact trade shows and conventions has been challenged by increased competition from larger, more modern facilities in other parts of the nation. In order to enhance the competitiveness of the Convention Center, the City undertook a major expansion and renovation program. The City completed a program of acquisition of land and expansion more than doubling the size of the Convention Center, including 502,000 square feet of exhibit space. The Convention Center now consists of a 1,001,000 square foot facility.

**Management and Operations**

The Convention Center is managed by the St. Louis Convention and Visitors Commission (the “CVC”). The CVC was established in 1984 by Missouri Revised Statute 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 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 sells the Convention Center use and the City as a convention, meeting and leisure travel destination.

The CVC serves as both marketer and facility manager and this creates a major 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 11/15th of a 3.75% Convention and Tourism Hotel Tax paid by visitors who use hotel sleeping rooms in the City and St. Louis County.

The following table reflects annual collections of the Convention and Tourism 3.75% Hotel Tax. The table shows such tax revenue for both the CVC and the Regional Arts Commission (the “RAC”).

**CONVENTION & TOURISM 3.75% HOTEL TAX  
SUMMARY OF TAX COLLECTIONS  
ST. LOUIS CITY AND COUNTY**

(Includes Allocation of 2.75% for CVC & Allocation of 1% for RAC)

Calendar Year	Total	City	County	% Increase
2002	\$14,552,197	\$5,400,369	\$9,151,828	-2.0%
2001	14,849,329	5,410,931	9,438,399	0.0%
2000	14,849,871	5,144,822	9,705,050	9.1%
1999	13,611,831	4,781,972	8,829,859	3.9%
1998	13,096,509	4,653,527	8,442,982	5.4%
1997	12,428,270	4,481,811	7,946,459	4.9%
1996	11,843,113	4,236,473	7,606,640	6.3%
1995	11,140,824	4,070,279	7,070,545	8.5%
1994	10,267,682	3,747,263	6,520,419	11.3%
1993	9,229,353	3,291,887	5,937,466	0.3%

Private revenue from membership dues and corporate sponsorships also supports the CVC’s efforts to increase convention business and tourism in 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 3.5% tax paid by visitors who use hotel sleeping rooms in St. Louis is collected by the City to fund Convention Center debt service. (See “**RESTRICTIONS ON APPLICATIONS OF GROSS RECEIPTS TAX,**” herein.)

### **Service Area**

The Convention Center hosts regional, national and international conventions and tradeshow, plus annual consumer shows and special events that draw attendees from the local and regional market. Additionally, the ballroom and 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 St. Louis’ competitiveness among second-tier destinations and some first-tier cities, it has been determined that nineteen (19) cities are St. Louis’ primary competitors in the meetings/convention and tradeshow markets. Not all of these cities can compete with St. Louis in all market segments since the Edward Jones Dome, adjacent to the Convention Center Property, 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**

St. Louis’ 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 made world headlines and broke attendance records. The facility’s unique design, flexibility and professional operating staff were spotlighted when the largest indoor gathering ever held 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 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 sold-out world tour concerts by the Rolling Stones, U2 and Backstreet Boys, plus collegiate sporting events such as the annual Gateway Classic football championship and exciting regional rivalries, including the University of Missouri Tigers football team versus the University of Illinois Fighting Illini. The design of the Edward Jones Dome, adjacent to the Convention Center Property, contributed to St. Louis’ selection for future 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, has recently increased St. Louis’ capacity and competitiveness for major conventions that use more than 1,000 hotel rooms per night. In 2002, the CVC booked twenty-five (25) conventions that use more than 1,000 rooms per night. With the addition of the convention headquarters hotel, the CVC projects that by 2004, the number will increase to thirty (30) conventions that use more than 1,000 hotel rooms per night.

## **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 and other portions of the Middle East, as well as in North Korea), 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 Lease Payments under the Lease Purchase Agreement.

However, 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. Though at first glance it appears that the City's downtown hotel occupancy has not recovered as quickly, this is due in part to the increased inventory of hotel rooms, since 1,100 hotel rooms have been added in this market in the past two years. 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.

The national tragedy on September 11, 2001 has also had an impact on the costs of security in most of the country's municipalities, including the City of St. Louis. The increase in security costs impacts budgets for the City's police department, fire department, public health department, airport, city water division and building facilities. The majority of the costs are either one-time costs in new equipment or costs for additional security personnel. The majority of the additional security costs are within the budget of the City's enterprise funds, not the City's general revenue fund. In addition, the generation of revenues has been reduced in the aftermath of the events of September 11, 2001 and by the continuing recession as noted above.

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**CONVENTION VISITORS COMMISSION – CONVENTION CENTER ACTIVITY TABLES  
TOP 25 CONVENTIONS  
BOOKED FOR 2003**

Group	Dates	Total Attendance	Peak Room Block	Total Room Block
Travel Industry Association of America International Pow Wow	5/23-5/27	4,750	5,500	24,975
Benevolent Protective Order of the Elks - USA	7/05-7/10	4,100	22,074	12,000
National Catholic Education Association	4/22-4/25	3,800	4,500	14,510
The American Legion	8/20-8/29	3,700	13,000	25,700
National Recreation & Parks Assn.	10/22-10/25	3,450	7,000	18,490
National Athletic Trainers' Assn.	6/25-6/28	3,000	7,600	14,604
National Association of College Stores	3/7-3/11	2,500	4,000	12,375
National Baptist Sunday School & Baptist Training Union	6/6-6/15	2,000	20,000	9,180
Green Industry Expo	11/3-11/10	1,850	6,000	6,925
National Association of Student Personnel Administrators	3/20-3/27	1,600	2,600	6,680
State Beauty Supply	5/1-5/4	1,500	3,650	5,000
National Wood Flooring Association	4/6-4/13	1,500	3,000	6,109
Youth Specialties	11/19-11/25	1,400	3,000	6,150
Solid Waste Association of North America	10/13-10/16	1,300	3,500	6,130
The Supreme Council 33 <sup>rd</sup> Degree A.A.S.R. Scottish Rite	9/18-9/24	1,300	6,000	2,450
National Conference on Child Abuse and Neglect	3/31-4/5	1,000	2,500	4,531
Association for Education in Journalism and Mass Communication	8/5-8/10	950	2,000	3,705
American Towman	6/4-6/8	800	1,500	2,600
National Association of Blacks in Criminal Justice	7/19-7/27	700	800	3,180
Reliv International	7/22-7/27	700	3,000	3,180
Sister Cities International	7/22-7/26	700	1,000	3,035
Automatic Meter Reading Association	9/3-9/10	650	1,700	2,705
National Private Truck Council	4/24-5/1	650	800	2,085
American School Bus Association	6/25-7/1	600	1,500	2,030
Missouri Baptist Convention	10/27-10/29	600	3,000	1,900

## CONVENTION AND VISITORS COMMISSION BUSINESS OVERVIEW

	Groups 2000+	Room Nights	1000- 1999	Groups Room Nights	Groups 500-999	Room Nights	Groups 0-499	Room Nights	Total Groups	Total Room Nights
<b>1992</b>										
<b>Act.</b>	5	67,284	5	23,015	9	22,509	232	85,123	251	197,931
<b>1993</b>										
<b>Act.</b>	9	132,092	11	53,049	17	43,910	236	78,602	273	307,653
1994										
<b>Act.</b>	10	160,922	13	87,662	16	41,821	294	88,634	333	379,039
1995										
<b>Act.</b>	9	138,990	17	82,790	18	39,062	339	115,848	383	376,690
1996										
<b>Act.</b>	13	212,017	20	90,117	22	44,386	279	104,953	334	451,473
1997										
<b>Act.</b>	17	218,160	13	54,377	25	58,555	323	93,599	378	424,691
1998										
<b>Act.</b>	14	161,070	19	86,596	22	58,431	326	107,579	381	413,676
1999										
<b>Act.</b>	18	249,216	12	54,224	12	25,933	326	101,284	368	430,657
<b>2000</b>										
<b>Act.**</b>	16	269,692	16	66,410	19	50,119	377	123,813	428	510,034
<b>2001</b>										
<b>Act.**</b>	17	242,287	14	80,282	18	45,832	349	128,569	398	496,970
<b>2002</b>										
<b>Act.</b>	12	182,168	13	46,569	26	70,374	303	114,499	354	413,610
<b>2003</b>										
<b>Act.*</b>	12	187,461	12	57,165	16	36,475	139	72,877	179	353,978
<b>Prj.**</b>	12	210,000	17	90,000	38	91,200	337	126,712	404	517,912
<b>2004</b>										
<b>Act.*</b>	8	132,561	12	64,966	17	41,092	46	46,528	83	285,147
<b>Prj.**</b>	15	225,000	15	85,000	45	112,500	375	131,200	470	553,700
<b>2005</b>										
<b>Act.*</b>	8	191,003	6	31,765	9	20,322	13	15,016	36	258,106
<b>Prj.**</b>	20	315,000	20	110,000	50	121,000	425	148,750	515	694,750
<b>2006</b>										
<b>Act.**</b>	3	53,161	10	78,154	2	3,040	3	2,301	18	136,656
<b>Prj.**</b>										

Note:

\* Actual bookings as of 01/03/03

\*\* Projection with Convention Center Hotel that opened February 2003

## **CERTAIN INVESTMENT CONSIDERATIONS AND RISK FACTORS**

The Series 2003 Bonds are subject to certain investment considerations and risk factors, and the discussion below should be reviewed in evaluating the Corporation's responsibility to pay the principal of, premium, if any, and interest on the Series 2003 Bonds. This discussion of these considerations and risk factors is not intended to be exhaustive.

### **Lease Payments of City Not a General Obligation**

The City is not obligated to pay Rentals or Additional Rentals beyond the fiscal year which ends June 30, 2003. Neither the Rentals nor Additional Rentals under the Lease Purchase Agreement nor any payments on the Series 2003 Bonds constitute a general obligation or other indebtedness of the City or a mandatory payment obligation of the City in any fiscal year beyond the current year for which an appropriation thereof has been made.

The obligations of the City under the Lease Purchase Agreement are limited to those funds of the City which are specifically budgeted and appropriated annually by the Board of Aldermen of the City for such purpose. The failure to renew the Lease Purchase Agreement would mean the loss of occupancy of the 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 2003 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.

### **Early Redemption**

For the circumstances in which the Series 2003 Bonds are subject to redemption, see the caption "**DESCRIPTION OF THE SERIES 2003 BONDS – REDEMPTION OF SERIES 2003 BONDS**" herein.

### **Realization of the Full Value of the Security for the Series 2003 Bonds**

Because the payment of the principal of and the interest on the Series 2003 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 2003 Bonds. The primary risk affecting timely payment of the Series 2003 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 any 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 2003 Bonds, the Series 1993A Compound Interest Bonds, the Series 2000 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 2003 Bonds if payments made under the financial guaranty insurance policy are insufficient to redeem the Bonds.

### **Special Use Facility**

The Convention Center is not easily used for purposes other than a convention center. Because it is a special purpose building, in the event that the Trustee was required to foreclose on the property, it is uncertain that the Convention Center Property could be sold for an amount sufficient to redeem the Bonds in full.

### **Additional Bonds**

Additional Bonds, may be issued for the purposes and subject to the conditions set forth under such heading. See the heading “**DESCRIPTION OF SERIES 2003 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 foreclosure on such property that could be used to pay the Series 2003 Bonds in the event of a default thereon.

### **Cross Default**

The Series 2003 Bonds, the Series 1993A Compound Interest Bonds and any Additional Bonds are parity obligations under the Indenture. In addition, the Authority’s Series 2000 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 2003 Bonds. Such a default could lead to the early maturity or redemption of all such Bonds. See “**DESCRIPTION OF THE SERIES 2003 BONDS – CROSS-DEFAULT**” herein.

### **Insolvency of Credit Facility Provider**

The obligations of the Credit Facility Provider under the financial guaranty insurance policy and the Series 2003 Surety Bond are general obligations of the Credit Facility Provider and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Credit Facility Provider. In the event of insolvency of the Credit Facility Provider, each Bondholder would have to depend entirely on the ability of the City to pay the principal of and interest on the Series 2003 Bonds.

### **Remedies May be Unenforceable**

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.

### **Potential Environmental Risks**

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

### **Homeland Security**

The national tragedy on September 11, 2001 has had an impact on the costs of security in most of the country's municipalities, including the City of St. Louis. The increase in security costs impacts budgets for the City's police department, fire department, public health department, airport, city water division and building facilities. The majority of the costs are either one-time costs in new equipment or costs for additional security personnel. The majority of the additional security costs are within the budget of the City's enterprise funds, not the City's general revenue fund. In addition, the generation of revenues has been affected in the aftermath of the events of September 11, 2001 and by the continuing recession.

### **Risks 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 and other portions of the Middle East, as well as in North Korea), 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 Lease Payments under the Lease Purchase Agreement.

## **FINANCIAL STATEMENTS**

The audited basic financial statements of the City and the related report of the City's independent certified public accountants for the fiscal year ended June 30, 2002, are included in Appendix B hereto. The City's independent public accountants have not completed an audit of any financial statements of the City for any period subsequent to June 30, 2002, and have not conducted any procedures with respect to the fiscal 2002 financial statements subsequent to their audit.

## **THE TRUSTEE**

BNY Trust Company of Missouri, is acting as the Trustee for the Series 2003 Bonds.

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc. have assigned ratings of "Aaa" and "AAA," respectively, to the Series 2003 Bonds, with the understanding that upon delivery of the Series 2003 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 2003 Bonds. Such ratings reflect only the views of such organizations 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, 25 Broadway, New York, New York 10004. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such

downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2003 Bonds.

## LITIGATION

The Corporation represents that there is no litigation pending or, to the knowledge of the Corporation, threatened, affecting the Corporation and seeking to restrain or enjoin (i) the issuance or delivery of the Series 2003 Bonds or the proceedings or authority under which the Series 2003 Bonds are issued and sold, or (ii) the right or authority of the Corporation to enter into and perform its obligations under the Lease Purchase Agreement. The Corporation further represents that there is not now pending or, to the knowledge of the Corporation, threatened, any litigation affecting the Corporation which could reasonably be expected to materially or adversely affect the validity or enforceability of the Series 2003 Bonds, the Lease Purchase Agreement, the Indenture, the Escrow Deposit Agreement or the Deed of Trust.

## APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, issuance and sale by the Corporation of the Series 2003 Bonds and with regard to the tax-exempt status of the Series 2003 Bonds are subject to the approving opinions of Armstrong Teasdale LLP, St. Louis, Missouri, and The Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel. Copies of such opinions in the form set forth in “**APPENDIX D – FORM OF CO-BOND COUNSEL OPINION**” will be available at the time of the delivery of the Series 2003 Bonds.

Certain legal matters will be passed upon by the City Counselor for the City of St. Louis, Missouri, and the Corporation, as Counsel to the City and the Corporation. Certain legal matters will be passed upon by Bryan Cave LLP, St. Louis, Missouri, and Caldwell & Singleton, LLC, St. Louis, Missouri, co-counsel to the Underwriters.

## TAX EXEMPTION

### Federal and State Income Taxation

The opinions of Armstrong Teasdale LLP, St. Louis, Missouri, and The Hardwick Law Firm, LLC, Kansas City, Missouri, Co-Bond Counsel, to be delivered upon the issuance of the Series 2003 Bonds will state that, under existing law and assuming continuing compliance by the Corporation and the City with certain covenants to comply with the requirements of Internal Revenue Code of 1986, as amended (the “Code”), interest on the Series 2003 Bonds (including any original issue discount properly allocable to the owners thereof as discussed in the portion of this Official Statement captioned “**TAX-EXEMPT ORIGINAL ISSUE DISCOUNT BONDS**” is excludable from the gross income of the owners thereof for federal income tax purposes and is exempt from income taxes imposed by the State under Chapter 143 of the Revised Statutes of Missouri. No opinion is expressed regarding the applicability with respect to the Series 2003 Bonds or the interest on the Series 2003 Bonds of the taxes imposed by the State on financial institutions under Chapter 148 of the Revised Statutes of Missouri.

In addition, the opinions of Co-Bond Counsel will state that under existing law, the Series 2003 Bonds are not “specified private activity bonds” within the meaning of the alternative minimum tax provisions of the Code and, accordingly, interest on the Series 2003 Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations and the federal environmental tax on corporations.

However, interest on the Series 2003 Bonds will be included in a corporate taxpayer’s adjusted current earnings for purposes of calculating its federal alternative minimum tax and environmental tax

liabilities. Furthermore, the 2003 Bonds are not “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code (relating to financial institution deductibility of interest expense).

In the Lease Purchase Agreement and the Tax Compliance Agreement, the Corporation and the City have agreed to comply with certain covenants and with the requirements of the Code, regarding, among other matters, use, expenditure and investment of Series 2003 Bond proceeds (including the timely rebate, if required, of certain net arbitrage earnings). In the event that the Corporation and the City fail to comply with the covenants in the Lease Purchase Agreement or the Tax Compliance Agreement, interest on the Series 2003 Bonds may become includable gross income of the Bondholders (and thus taxable) from the date of issuance of the Series 2003 Bonds.

The ownership of tax exempt obligations (such as the Series 2003 Bonds) may result in other federal (and, in some cases, state and local) tax consequences to certain Bondholders, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess net passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who have incurred or continued indebtedness to purchase or carry the Series 2003 Bonds. Prospective purchasers of the Series 2003 Bonds should consult their tax advisors as to the applicability of any such other tax consequences.

From time to time proposed legislation is considered by the U.S. Congress that, if enacted, would affect the tax consequences of owning obligations, such as the Series 2003 Bonds. Thus, prospective purchasers of the Series 2003 Bonds should be aware that future legislation may have an adverse effect on the tax consequences of owning the Series 2003 Bonds.

### **Tax-Exempt Original Issue Discount Bonds**

The initial public offering price of a portion of the Series 2003 Bonds due in 2006, 2007, 2008, 2009, 2010, 2011, 2012 and 2014 (the “Tax-Exempt OID Bonds”), is less than the amount payable at maturity. The difference between the initial public offering price to the public (excluding bond houses and brokers) at which price a substantial amount of each maturity of the Tax-Exempt OID Bonds is sold and the amount payable at maturity constitutes original issue discount, which will be excludable from gross income to the same extent as interest on the Series 2003 Bonds for Federal and Missouri income tax purposes. The Code provides that the amount excludable accrues in accordance with a constant interest method based on the compounding of interest, and that a Bondholder’s adjusted basis for purposes of determining a Bondholder’s gain or loss on disposition of such Bonds will be increased by such amount. A portion of the original issue discount that accrues in each year to an owner of a Tax-Exempt OID Bond which is a corporation will be included in the calculation of the corporation’s Federal alternative minimum tax liability and Federal environmental tax liability. Consequently, corporate owners of any Tax-Exempt OID Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or an environmental tax liability although the owner of such Tax-Exempt OID Bond has not received cash attributable to such original issue discount in such year.

Owners of Tax-Exempt OID Bonds should consult their personal advisors with respect to the determination for Federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Bonds, other tax consequences of owning Tax-Exempt OID Bonds and the other state and local tax consequences of holding such Tax Exempt OID Bonds.

### **Original Issue Premium Bonds**

The Series 2003 Bonds to be sold in the initial offering at a price greater than the principal amount thereof (the “Premium Bonds”) are offered at a price in excess of the principal amount thereof resulting in a yield less than the interest rate for each such maturity as shown on the inside cover page hereof. Under the Code, the difference between the principal amount of a Premium Bond and the cost

basis of such Premium Bond to an owner thereof is "bond premium." Under the Code, bond premium is amortized over the term of a Premium Bond (i.e., the maturity date of a Premium Bond or its earlier call date) for federal income tax purposes. An owner of a Premium Bond is required to decrease his or her basis in such Premium Bond by the amount of the amortizable bond premium attributable to each taxable year (or portion thereof) he or she owns such Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate determined with respect to the yield on a Premium Bond compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Owners of Premium Bonds (including purchasers of Premium Bonds in the secondary market) should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of such Premium Bonds and with respect to the state and local consequences of owning and disposing of such Premium Bonds.

### **FINANCIAL ADVISOR**

P.G. Corbin & Company, Inc. ("P.G. Corbin") has been retained by the Corporation as financial advisor to render certain professional services. As such, P.G. Corbin has provided advice on the plan of financing and structure of the Series 2003 Bonds and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. The information set forth herein has been obtained from the Corporation, the City and other sources which are believed to be reliable. P.G. Corbin has not independently verified the factual information contained in the Official Statement, but relied on the information supplied by the Corporation, the City and other sources and the City's certificate as to the Official Statement and the diligence and accuracy of the Corporation, the Credit Facility Provider and the City who have certified that it contains no material misstatement or omission of information.

### **INVESTMENT ADVISOR**

Columbia Capital Management LLC ("Columbia Capital") serves as an investment advisor to the Treasurer of the City. Columbia Capital assisted in the planning, investment and allocation of certain accounts authorized by the Indenture. Columbia Capital also provided other advice related to the investment of proceeds of the Series 2003 Bonds and funds invested in connection therewith. Columbia Capital has not participated in the preparation, drafting or review of this Official Statement.

### **UNDERWRITING**

The underwriters listed on the cover page hereof (the "Underwriters") have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase all, but not less than all, of the Series 2003 Bonds from the Corporation at an aggregate purchase price equal to \$127,240,682.25 (which amount constitutes the aggregate principal amount of the Series 2003 Bonds of \$118,575,000.00, plus net premium on the Series 2003 Bonds of \$9,439,682.25, less Underwriters' discount on the Series 2003 Bonds of \$774,000.00). The Underwriters will be obligated to purchase all such Series 2003 Bonds if any such Series 2003 Bonds are purchased. The Series 2003 Bonds may be offered and sold to certain dealers (including underwriters and other dealers depositing such Series 2003 Bonds into investment trusts) at prices or yields lower than the public offering prices or yields and such public offering prices or yields may be changed, from time to time, by the Underwriters.

### **VERIFICATION OF MATHEMATICAL AND ARITHMETICAL CALCULATIONS**

The accuracy of the mathematical and arithmetical computations (i) of the adequacy of the maturing principal amounts of the federal securities together with the interest income thereon and uninvested cash, if any, to pay when due the principal of and redemption premium and interest on the Series 1993A Current Interest Bonds to be refinanced; and (ii) relating to the determination of compliance with the regulations and rulings promulgated under the Code, as amended, will be verified by The

Arbitrage Group, Tuscaloosa, Alabama. Such verification of arithmetical accuracy and mathematical computations shall be based upon information and assumptions supplied by the Corporation and on interpretations of the Code, provided by Bond Counsel.

### **CERTAIN RELATIONSHIPS**

Caldwell & Singleton, LLC, St. Louis, Missouri, and Bryan Cave LLP, St. Louis, Missouri, are serving as co-counsel to the Underwriters and have represented the Underwriters in connection with the issuance of the Series 2003 Bonds. Caldwell & Singleton, LLC, St. Louis, Missouri, and Bryan Cave LLP, St. Louis, Missouri, each also represent the City from time to time on other transactions or matters. In addition, Armstrong Teasdale LLP, St. Louis, Missouri, and The Hardwick Law Firm, LLC, Kansas City, Missouri, are serving as Co-Bond Counsel with respect to the issuance of the Series 2003 Bonds, and each also represent the City and certain of the Underwriters, from time to time on other transactions or matters.

### **CONTINUING DISCLOSURE**

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

The City and the Trustee have entered into a Continuing Disclosure Agreement dated as of April 15, 2003, pursuant to which the City has covenanted for the benefit of holders and beneficial owners of the Series 2003 Bonds to provide (i) audited financial statements of the City and certain statistical data relating to the City by not later than one hundred eighty (180) days following the end of the City’s Fiscal Year (which currently ends on June 30 each year) (the “Annual Report”), commencing with the report for the 2003 Fiscal Year, and (ii) notice of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the City with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by or on behalf of the City with each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and the state repository, if any. These covenants have been made in order to assist the Underwriters in complying with the SEC Rule 15c2-12(b)(5) (the “Rule”). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

If characterized as an “Obligated Person” under the Rule, certain information reporting requirements must be satisfied with respect to such entity. The City has determined that the City is an Obligated Person.

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Continuing Disclosure Agreement, any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an event of default under the Indenture or the Series 2003 Bonds, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

### **CERTIFICATION OF OFFICIAL STATEMENT**

Simultaneously with the delivery of the Series 2003 Bonds, the City will furnish to the Underwriters a certificate which shall state that, to the best of the signator’s knowledge and belief, this

Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Series 2003 Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

**MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement between or among the Corporation, City and the purchasers or holders of any of the Series 2003 Bonds. Any statement made in this Official Statement involving matters of opinion herein are subject to change without notice and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City, or its agencies and authorities, the Corporation or the Credit Facility Provider since the date hereof.

It is anticipated that CUSIP identification numbers will be delivered with the Series 2003 Bonds, but neither the failure to print such numbers on any Series 2003 Bonds, nor any error in printing of such numbers will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2003 Bonds.

This Official Statement, its execution, and its delivery to and distribution by the Underwriters to prospective purchasers of the Series 2003 Bonds, have been duly approved and authorized by the Corporation and the City.

**ST. LOUIS MUNICIPAL FINANCE CORPORATION**

By: \_\_\_\_\_  
Ivy Neyland-Pinkston, President

**THE CITY OF ST. LOUIS, MISSOURI**

By: \_\_\_\_\_  
Francis G. Slay, Mayor

By: \_\_\_\_\_  
Darlene Green, Comptroller

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**APPENDIX A –  
INFORMATION REGARDING THE CITY OF  
ST. LOUIS**

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

**Table of Contents**

	<b>Page</b>
ORGANIZATION AND GOVERNMENT.....	1
General .....	1
Government .....	1
MUNICIPAL SERVICES .....	2
General .....	2
Water and Sewer/Transportation .....	2
Fire Protection.....	2
Education .....	2
Medical .....	2
Homeland Security .....	3
Local Governmental Commissions and Agencies .....	3
ECONOMIC AND DEMOGRAPHIC DATA .....	4
Population and Other Statistics .....	4
Employment.....	6
Major Employers .....	8
Economic Development.....	8
Major Taxpayers .....	13
Building and Construction Data.....	15
FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS .....	16
Introduction.....	16
Accounting and Reporting Practices.....	16
Budget Process.....	17
Financing Controls.....	18
Cash Management.....	19
Cash Management Investment Policy.....	19
General Revenue Fund.....	19
General Revenue Fund Expenditures.....	20
GENERAL REVENUE RECEIPTS.....	22
General Revenue Fund Receipts by Category .....	22
Earnings Tax .....	22
Franchise Tax.....	23
Sales Tax .....	23
Gross Receipts Tax .....	24
Natural Gas Tax .....	24
Motor Vehicle Sales Tax .....	24
Motor Fuel Tax .....	25
Real and Personal Property Taxes .....	25
Payroll Tax.....	26
Other Taxes.....	27
License Fees.....	27

Departmental Receipts .....	28
Operating Transfers .....	28
The Board of Police Commissioners .....	29
The Hancock Amendment .....	29
INSURANCE.....	30
DEBT OF THE CITY .....	30
General .....	30
Tax Increment Financing Projects .....	32
Short-Term Borrowing.....	33
Outstanding Debt .....	33
Capital Leases .....	34
Direct and Overlapping Debt .....	35
Debt Ratios .....	35
Legal Debt Margin.....	35
EMPLOYEES AND EMPLOYEE RELATIONS .....	35
RETIREMENT SYSTEMS .....	36
LITIGATION.....	36

## **APPENDIX A INFORMATION REGARDING THE CITY OF ST. LOUIS**

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 will not create any implication that there has been no change in the affairs of the City since the date hereof or that the information contained or incorporated by reference in this Appendix is correct as of any time subsequent to its date.

### **ORGANIZATION AND GOVERNMENT**

#### **General**

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

The City is popularly known as the “Gateway to the West,” due to its central location and historical role in the nation’s westward expansion. Commemorating this role is the 630 foot stainless steel Gateway Arch, the world’s tallest man made monument, which is the focal point of the 86 acre Jefferson National Expansion Memorial 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, Chairman of the Department of Finance for the City and also has broad investigative 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 EXPENDITURES CONTROLS -- Budget Process**” herein.

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

## **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 “Airport”), both of which are self-supporting enterprises. All of the 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”). 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 the Airport. Services to the City are provided from 30 fire stations currently staffed by approximately 631 full-time fire fighters.

### **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 and The Junior College District of St. Louis and St. Louis County. These districts are independent of the City, having their own elected or appointed officials, budgets and administrators. These districts are empowered to levy taxes, separate and distinct from those levied by the City, sufficient to finance the operations of the respective public school system within their jurisdictions.

### **Medical**

Historically, the City has provided health care services for the indigent citizens of the City at public clinics and hospitals. More recently, however, the City has entered into contracts for private third parties to provide such services. Saint Louis ConnectCare, Inc. (“ConnectCare”) was formed as a nonprofit corporation in 1997 to provide indigent health care services for the citizens of the City. The

City and ConnectCare entered into an agreement under which the City contributed \$10,000,000 prior to June 30, 2000, from various sources, toward ConnectCare. A portion of local use tax revenues are earmarked for providing health care services and were appropriated for payment to ConnectCare during fiscal years 2002 and 2003. Pursuant to annual agreements between the City and ConnectCare adopted each fiscal year, the City has contributed the following amounts for health services:

<b>Year</b>	<b>Amount Contributed</b>
2001	\$5,000,000
2002	5,000,000
2003	2,500,000 (through 02/15/2003)

Additional payments totaling \$2,500,000 will be made in March 2003 and June 2003.

### **Homeland Security**

The national tragedy on September 11, 2001 has had an impact on costs of security in most of the country's municipalities, including the City of St. Louis. The increase in security costs impacts the budgets for the City's police department, fire department, public health department, airport, city water division and building facilities. The majority of the costs are either one-time costs in new equipment or costs for additional security personnel. The majority of the additional security costs are within the budget of the City's enterprise fund, not the City's general revenue fund.

### **Local Governmental Commissions and Agencies**

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

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 of the State of Missouri, with the advice and consent of the State Senate. The Police Board has many duties and powers, including the power to administer oaths, summon witnesses and establish a police force. The level of employment, salaries, holidays, vacations, pensions and other employment benefits of the police force are set by state statute. The Police Board may provide 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, a decision of the Supreme Court of Missouri, in *State ex. rel Sayad v. Zych*, 642 S.W.2d 907 (Mo. banc 1982), 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 for one line item of such appropriation to any other line item without the approval of the Board of Estimate and Apportionment.

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. The Bi-State Development Agency has authority to issue bonds payable out of revenues collected for the use of facilities leased, owned or operated by it in the City, St. Louis County and Illinois counties within the St. Louis Metropolitan Area. At present there is a special ½ cent sales tax authorized by the State of Missouri which is assessed by the City and St. Louis County and is primarily used to pay a portion of the costs of the bus transportation system of the Bi-State Development Agency. In August 1994, an

additional 1/4 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. The Bi-State Development Agency operates the MetroLink system between Belleville, Illinois and the Airport. Construction of the MetroLink system began in April 1990, operation in late 1993 and extension of service to the Airport in 1994. In October 1996, the Bi-State Development Agency was awarded a full funding grant agreement of \$244 million to be matched by a ½ cent sales tax increase totaling \$95.2 million paid by the taxpayers of St. Clair County for a 17.4 mile eastward expansion of MetroLink to Southwestern Illinois College (formerly known as Belleville Area College) in Illinois, constituting Phase I of a two-phase planned expansion of the system. Phase I Project construction began in March 1998 and was completed and in operation in May of 2001. The construction of the Phase II Project will be dependent upon the availability of State of Illinois and federal monies.

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. If the MetroLink system should operate at a deficit, the City and other nearby jurisdictions may be asked to increase their funding to the Bi-State Development Agency. However, the City presently has no legal obligation to increase its level of funding to the Bi-State Development Agency. The deck of Eads Bridge is currently being refurbished with a mid-2003 opening anticipated.

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 100 staff members, including executive, real estate, business development, commercial development, planning, urban design, neighborhood housing, research, communications, legal, finance and administration divisions. 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; and Operation Impact.

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 and Other Statistics**

The City is a part of the St. Louis Consolidated Standard Metropolitan Statistical Area (the “Metropolitan Area”) consisting of the City and Franklin, Jefferson, Lincoln, St. Charles, St. Louis and Warren Counties in Missouri and Clinton, Jersey, Madison, Monroe and St. Clair Counties in Illinois. The Metropolitan Area, covering 6,375 square miles in the States of Missouri and Illinois, is the 18th largest metropolitan area in the United States. During the past 35 years, there has been a strong population growth in the outermost counties surrounding the City. At the same time, the City has experienced a substantial population loss. The following table sets forth population statistics for the Metropolitan Area for the indicated calendar years:

<b>Calendar Year</b>	<b>City of St. Louis</b>	<b>Metropolitan Area</b>
1996	350,482	2,548,238
1997	343,096	2,559,065
1998	338,940	2,563,801
1999	333,960	2,569,029
2000	348,189	2,604,000

Source: U.S. Bureau of Census.

St. Louis employers have approximately 90,000 employees working downtown. It is the office center in a region of approximately 2.6 million residents with 24 million square feet of office space. The St. Louis region ranks as the nation's sixth largest corporate headquarters market with eight Fortune 500 corporations according to the April, 2002, issue of Fortune Magazine. The number of Fortune 500 corporations has decreased in the past year due to corporate consolidations.

According to the St. Louis Convention and Visitors Commission, recent surveys indicate that the City and St. Louis County, combined, rank among the top 25 markets nationwide for hotel room inventory and in 2000 provided accommodations for more than 16.7 million visitors, who spent an estimated \$3.8 billion in the area. Downtown St. Louis has 22 hotels within a mile of the Convention Center which offer 7,400 sleeping rooms. In 2001, the City hosted 35 city-wide conventions (i.e., conventions using 1,000 or more rooms on their peak night). The opening of the new Renaissance Grand Hotel St. Louis in February 2003 along with its sister property, the Renaissance Suites, added 1,083 sleeping rooms adjacent to the America's Center convention complex. This new hotel has given St. Louis a needed headquarters property that national meeting planners have demanded for many years. The St. Louis Convention and Visitors Commission projects that 40 groups will use more than 1,000 sleeping rooms on peak nights in 2005 and 515 total groups using 694,750 sleeping rooms. In 2002, 25 groups used more than 1,000 rooms on peak and 354 total groups that used 413,610 sleeping rooms.

The City ranks as the second largest inland port in the United States in terms of weight shipped or carried through the area. Lambert-St. Louis International Airport, owned and operated by the City, in 2002 was the sixteenth busiest airport in the country for aircraft operations and eighteenth busiest in total passengers in the United States and 25<sup>th</sup> in total passengers in the world according to Airport Council International. In 2002, there were approximately 437,117 commercial aircraft operations at the Airport and approximately 25,626,114 passengers passing through at the Airport, with approximately 587 average daily departures. The Airport has 81 gates serving 10 major airlines. The Airport is undergoing a \$1.1 billion multi-year expansion program. This expansion will add a third parallel runway, improving capacity in all weather conditions. American Airlines ("American") is the Airport's primary air carrier. In calendar year 2002, American was responsible for 54.7% of the originating enplanements at the Airport and 79.4% of the connecting enplanements.

MidAmerica Airport, a joint-use facility with Scott Air Force Base, is located in Illinois approximately 25 miles from downtown St. Louis. MidAmerica opened in November, 1997, and serves as the Metropolitan Area's cargo, corporate aircraft, and reliever airport. MidAmerica is a \$210 million first-class metropolitan airport, the construction of which began in 1992. With the exception of certain overseas flights that require a longer runway for take-offs, MidAmerica's 10,000 foot runway can accommodate all types of aircraft in use today. MidAmerica is expected to enhance the Metropolitan Area's presence as one of the nation's premiere transportation centers. The Bi-State Development

Agency, which operates the MetroLink system, is currently extending the MetroLink line to Southwestern Illinois College and another 8.9 miles to reach MidAmerica.

St. Louis is also home to three major professional sports teams, the St. Louis Rams, the St. Louis Blues, and the St. Louis Cardinals. In addition to being successful on the field, the three teams also contribute to the economy of the St. Louis metropolitan area. The economic impact of these teams comes from ticket sales, dollars spent on concessions and merchandise, and money spent at local restaurants and hotels. When the Rams advanced to the Super Bowl in 2002, the two home playoff games generated approximately \$20 million in direct and indirect economic activity. The Blues success in the 2001 playoffs generated another \$9.7 million for the region. The RCGA projects the Cardinals 2003 regular season will generate an estimated \$159 million in economic activity. The three teams have an additional economic impact in the increased national media attention and recognition they create for St. Louis. St. Louis has also achieved great success as an outstanding event host city. In 2001 the region hosted the Women's Final Four that generated \$21 million in economic impact. Among its teams, fantastic fan support, and accomplishments as an event host market, St. Louis is regarded as one of America's Best Sports cities.

### Employment

The Metropolitan Area and the City are major industrial centers in the Eastern Missouri Southwestern Illinois area with a broad range of manufacturing enterprises. According to information provided by the Missouri Division of Employment Security, in December 2002 manufacturing represented 14.6% or 197,838 of the total 1,349,909 non-agricultural jobs in the Metropolitan Area. There has been an overall increase in total jobs in the Metropolitan Area, with 117,000 new jobs created since January 1995. The Metropolitan Area's major industries include aviation, biotechnology, chemicals, electrical utilities, food and beverage manufacturing, refining, research, telecommunications, and transportation.

The following table reflects the City's employment by industry group at the end of fourth quarter of 2002.

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

Industry Group	Employees	Percentage
Manufacturing	31,423	13.2%
Services	80,695	33.9
Government	40,602	17.1
Retail Trade	25,616	10.8
Transportation, Communication and Public Utility	19,636	8.3
Finance, Insurance and Real Estate	18,490	7.8
Wholesale Trade	12,606	5.3
Construction	8,075	3.4
Other	710	0.3
<b>Total</b>	<u>237,853</u>	<u>100.0%</u>

Source: Missouri Department of Labor and Industrial Relations.

There were 237,853 total non-farm jobs within the City at the end of the fourth quarter of 2002 representing 18.4% of the region's job base. The City has remained a significant source of employment for the region. Job growth in the City has been concentrated in the service sector since the City is growing as a service center and 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.

Relocations to the City in recent years have added jobs. Hardee's Food Systems, Inc., a wholly-owned subsidiary of CKE Restaurants, Inc., relocated its corporate headquarters and administrative center to downtown St. Louis and houses approximately 125 employees. ITIVITI, a London-based company providing interactive customer relationship management, will open operations in downtown St. Louis within the next three years housing approximately 70 employees. Transload Services selected St. Louis as the site for a new multi modal Steel Distribution facility on the south riverfront. The new facility is capable of handling one million tons per year and will employ 35 employees. URS, an architectural and engineering firm, will be consolidating its two regional operations at the Highlands at Forest Park. The majority of the jobs will come from St. Louis County where the company had operated. In 2001, Jacobs Engineering consolidated its two major operations centers in the region into a single downtown location. This consolidation brought an additional 450 jobs to downtown from St. Louis County. SM Wilson, a general contractor, relocated its headquarters to the City of St. Louis from Granite City. GPX Electronics consolidated its operations into 200,000 square feet at St. Louis Commerce Center. In addition to retaining its City operations, the satellite repair facility in High Hill will relocate to the City. Sigma Chemical has completed construction of a \$55 million national research facility at the former Laclede Town site and approximately 200 scientists will work at the new facility. American Beverage has opened the former Beverage Concepts Building and it is anticipated that this new beverage manufacturer will employ 120 people. New World Pasta, which acquired the assets of Borden Pasta, made the decision to close its Omaha plant and expand operations at the former Borden Pasta plant in south St. Louis. Approximately 300 jobs will be saved or created by the New World Pasta decision.

However, some impact from the recent downturn in the economy has been resulted in some work force reduction in the City. In response to the effects of September 11, 2001, lower than expected earnings for the third quarter of 2001 and other factors, A.G. Edwards reduced its non-branch salary expenses by 8% by reducing its workforce through layoffs, voluntary retirements and attrition. No additional workforce reductions are anticipated.

The following table indicates average employment levels for City residents in the calendar years below, except at otherwise indicated:

	<b><u>Average</u></b> <b><u>2002</u></b> <sup>*</sup>	<b><u>Average</u></b> <b><u>2001</u></b>	<b><u>Average</u></b> <b><u>2000</u></b>	<b><u>Average</u></b> <b><u>1999</u></b>	<b><u>Average</u></b> <b><u>1998</u></b>
Labor Force	156,976	160,050	156,738	153,394	158,040
Number Employed	144,298	148,730	146,338	143,389	146,741
% City Unemployed	8.1%	7.4%	6.6%	6.5%	7.7%
% State Unemployed	4.8%	4.4%	3.5%	3.4%	4.2%
% U. S. Unemployed	5.7%	5.8%	4.0%	4.1%	4.5%

\* Preliminary, subject to change.

Source: Missouri Department of Labor and Industrial Relations.

## Major Employers

The following table presents information relating to the top twenty employers in the City based on the average of the fourth quarter payroll tax reports of 2001:

### TOP TWENTY EMPLOYERS 2001

Name	Employees
BJC Health System	16,137
Washington University	11,463
City of St. Louis	9,772
St. Louis Board of Education	8,803
St. Louis University	8,663
SBC	8,095
United States Postal Service	7,213
State of Missouri	6,409
Anheuser Busch	5,984
A. G. Edwards & Sons	5,850
May Department Stores	5,693
Tenet Healthsystems	4,302
Defense, Finance & Accounting Service**	3,539
Schnucks	3,511
National Finance Center**	3,314*
Bank of America	3,292
AmerenUE	2,764
Junior College District	2,608
Bi-State Development Agency	2,566
U.S. Bank NA	2,431

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\* 2000 data.

\*\* Federal payroll agency. The Federal government withholds on 12,325 employees total.

Source: City Collector of Revenue.

## Economic Development

Since 1997, there has been more than \$1.8 billion of development completed in the City of St. Louis. Now being developed are a number of other major new projects including the completion of a new convention headquarters hotel across the street from the America's Center (Renaissance Grand Hotel), the development of the St. Louis Arena site (Highlands Center) and development of the near Southside Mixed Use Complex. A number of neighborhood development projects are also planned or underway. Construction is either underway or soon to begin on more than \$2 billion of additional developments.

The following table lists information regarding major development projects totaling more than \$1.8 billion completed since 1997:

<b>Completed</b>	<b>Project Type</b>	<b>Estimated Cost Of Project</b>	<b>Completion Date</b>
Convention Headquarters Hotel	Renovation/New Construction	\$ 270,000,000	2003
Rudman Loft	Renovation	8,000,000	2003
Tech Electronics	New Construction	4,500,000	2003
Cupples Station Parking Garage	New Construction	10,000,000	2002
Crown Lofts	Rehabilitation	4,600,000	2002
Vashon High school	New Construction	50,000,000	2002
Wireworks	Renovation	8,600,000	2002
City Criminal Justice Center	New Construction	91,000,000	2002
Continental Building	Renovation	23,500,000	2002
BJC Health System Phase I	New/Rehabilitation	225,000,000	2002
Drug Enforcement Agency Office	New Construction		2002
Lofts at Lafayette Square	Renovation	15,600,000	2002
Gravois Plaza	New Construction	17,000,000	2002
Gateway Classic FNO	New Construction	1,800,000	2002
Merchandise Mart Apts	Renovation	47,000,000	2002
Pulitzer Foundation for the Arts	New Construction	9,000,000	2001
Greater Ville Homes	New-Single Family	3,325,000	2001
705 Office building	Renovation	5,000,000	2001
210 North Tucker Office Building	Renovation	5,000,000	2001
Argyle Parking Garage/Library/Retail	New Construction	11,400,000	2001
Maple Acres	New – Single Family	9,000,000	2001
Marquette Garage	New Construction	11,000,000	2001
Dr. MLK Business Center (450,000 sq. ft.)	New Industrial	4,500,000	2001
Greeley Building – Laclede’s Landing	Office Rehabilitation	5,000,000	2001
Sheraton Hotel/Edison Condos	Renovation	53,000,000	2001
Dickmann Building	Office/Retail Rehabilitation	3,500,000	2001
Tums	Renovation	16,600,000	2001
Center for Emerging Technology	Renovation	6,000,000	2001
A.G. Edwards Garage	New Construction	20,000,000	2001
Carondelet Pasta Plant	Expansion	18,000,000	2001
Sigma Chemical R & D	New Construction	50,000,000	2001
Adams School and Community Center	Renovation/New	15,000,000	2001
Crowns Foods-Residential	Renovation/New	5,500,000	2001
Pageant Theater	New Construction	4,000,000	2001
The Highlands Center Phase I	New Construction	15,000,000	2001
Saint Louis University Expansion	New Construction	80,000,000	2001
2300 Locust – SJI Fulfillment	Office Rehabilitation	4,500,000	2001
Cupples Station Westin Hotel	Renovation	50,000,000	2001
President Casino Complex	Renovation	6,000,000	2001
Hilton Pointe Apts. Phase II	New Construction	4,250,000	2001
Merchandise Mart Annex (23 lofts)	Adaptive Rehabilitation	4,400,000	2001

<b>Completed</b>	<b>Project Type</b>	<b>Estimated Cost Of Project</b>	<b>Completion Date</b>
Federal Courthouse	New Construction	\$ 180,000,000	2001
Drury Plaza Fur Exchange Hotel	Renovation	35,000,000	2000
1627 Washington Loft Building	Adaptive Rehabilitation	3,600,000	2000
History Museum	Renovation/ Expansion	24,000,000	2000
Kiel Triangle Park	New Construction	3,000,000	2000
Sigma Chemical Co.	New Construction	13,000,000	1999
Garage Improvements-St. Louis Centre North & East Garages	Renovation	2,000,000	1999
FBI Headquarters	New Construction	10,000,000	1999
Chase Park Plaza (208 Apts./Theater/Retail)	Adaptive Rehabilitation	70,000,000	1999
Marquette Parking Garage (360 spaces)	New Construction	8,000,000	1999
Broadway Petroleum 201 E. Nagel	New Construction	2,000,000	1999
Murphy Park Apartments-Phase I	New Construction	17,000,000	1999
Small Business Technology Incubator	Rehabilitation	6,000,000	1998
Lone Star Industries	Expansion	4,500,000	1998
LaSalle Park Apartments	Rehabilitation	3,609,464	1998
Harris Stowe State College Library	New Construction	2,000,000	1998
City Plaza Shopping Center Phase I	New Construction	6,000,000	1998
Boxes Inc.	Rehabilitation	7,000,000	1998
Blumeyer Elderly Apts.	Rehabilitation	3,088,125	1998
A.G. Edwards Annex	New Construction	2,000,000	1998
1 Public School	New Construction	7,650,000	1998
515 Olive Office Building	Rehabilitation	10,400,000	1997
A.G. Edwards Office Building	New Construction	30,000,000	1997
Affordable City Homes – West End	New – Apartments	4,500,000	1997
Art Loft Associates	Rehabilitation	5,000,000	1997
Blumeyer Housing Improvements	Rehabilitation	15,041,268	1997
Carr Square Phase I Comp. Mod.	New Construction	6,861,768	1997
Carr Square Village	Rehabilitation	36,000,000	1997
Clinton-Peabody Phase III Housing	Rehabilitation	8,243,615	1997
Cochran Improvements	Rehabilitation	4,179,738	1997
Concordia Publishing Co.	Renovation	2,500,000	1997
Elderly Public Housing ADA Improvements (System Wide)	Rehabilitation	3,120,635	1997
Home Depot	New Construction	10,500,000	1997
International Building	Rehabilitation	3,500,000	1997
KETC Channel Nine	New Construction	6,000,000	1997
Malcolm Bliss State Hospital	New Construction	20,000,000	1997
Mark Twain Hotel	Rehabilitation	3,000,000	1997
Missouri Botanical Garden Resource Center	New Construction	5,000,000	1997
Northview Village	Rehabilitation	3,000,000	1997
Planet Hollywood	Renovation	4,000,000	1997
State Psychiatric Hospital	Rehabilitation	27,500,000	1997
Sverdrup Plaza	Renovation	6,000,000	1997

<b>Completed</b>	<b>Project Type</b>	<b>Estimated Cost Of Project</b>	<b>Completion Date</b>
AFT Terminal Railroad Trestle Reconstruction	New Construction	\$ 13,000,000	1997
Inc. Nursing Home	New Construction	4,500,000	1997

Source: St. Louis Development Corporation

The following table lists information regarding major development projects totaling approximately \$1.8 billion currently planned or under construction in the City:

<b>Planned or Under Construction</b>	<b>Project Type</b>	<b>Estimated Cost Of Project</b>	<b>Completion Date</b>
Elder Shirt Loft	Rehabilitation	\$ 2,800,000	2003
703 N. 13th (34 condo loft)	Renovation	6,000,000	2003
A.G. Edwards (office 500,000 sq. ft.)	New Construction	100,000,000	2003
Washington Ave Streetscape	Renovation	17,000,000	2003
Hampton Inn /333 Washington Ave	Renovation	20,000,000	2003
312 N. 8th Condo	Renovation	4,500,000	2003
Forest Park Apt.	Renovation	17,000,000	2003
300 N. Tucker	Office Rehabilitation	12,000,000	2003
1110 Washington	Renovation	15,000,000	2003
Terra Cotta Loft Condos	Rehabilitation	20,000,000	2003
Martin Luther King Plaza Retail	New Construction	7,000,000	2003
Mississippi Lofts (40 units)	Renovation	10,000,000	2003
Murphy Park Apartment III	New Construction	20,000,000	2003
Coronado Hotel (3701 Lindell)	Renovation	23,300,000	2003
H.G. Phillip Senior Apt	Renovation	25,000,000	2003
1206 Washington	Renovation	4,000,000	2003
Old Post Office	Renovation	54,000,000	2003
Contemporary Arts Gallery	New Construction	5,000,000	2003
Cardinal Ritter High School	New Construction	15,000,000	2003
Walter Knoll Florist	Expansion/New Construction	3,000,000	2003
St. Vincent Homes (105 Homes)	New Construction	25,000,000	2003
Retail 4301 Natural Bridge	Rehabilitation/Expansion	3,500,000	2003
Phyllis Whembley Apt. 2709 Locust	Rehabilitation	7,300,000	2003
Marriott/Wash U Medical Hotel	New Construction	25,000,000	2003
1141-51 S. 7 <sup>th</sup> Street Office	Rehabilitation	6,500,000	2003
1324 Washington Ave Loft	Renovation	9,800,000	2004
Cupples Station Office (150,000 sq. ft.)	Adaptive Rehabilitation	20,000,000	2004
Chouteau/Compton Indust.	Construction	14,500,000	2004
S. G. Adams Building (24 lofts)	Adaptive Rehabilitation	5,700,000	2004
Merchants/Laclede Hotel-Hilton	Rehabilitation	25,000,000	2004
Westminster Place V Apt	New Construction	7,000,000	2004
City Hosp Condo/Mixed use	Renovation	28,000,000	2004
9th/ Olive Parking Garage	New Construction	18,000,000	2004

<b>Planned or Under Construction</b>	<b>Project Type</b>	<b>Estimated Cost Of Project</b>	<b>Completion Date</b>
Highlands PH II Office	New Construction	\$ 15,000,000	2004
1110 Washington	Renovation	10,000,000	2004
Justice Center Garage	New Construction	10,000,000	2004
Near Southside Mixed Use Development	New Construction	150,000,000	2004
Multi-Model station	New Construction	25,000,000	2004
Forest Park Restoration	Renovation	86,000,000	2004
Highland Apartments	New Construction	35,000,000	2004
7 <sup>th</sup> /Olive Parking Garage	New Construction	14,500,000	2004
Cupples Station Apartments	Rehabilitation	45,000,000	2004
Majestic Stove Lofts	Rehabilitation	22,100,000	2004
4200 Lindell Condominiums	Rehabilitation	6,000,000	2004
Euclid/Lindell Condominiums	New Construction	35,000,000	2004
Louderman Condominiums	Rehabilitation	15,100,000	2004
Target Store – Hampton/Chippewa	New Construction	14,700,000	2004
Conrad Properties 4531 Forest Park	New Construction	36,400,000	2004
Sporting News Building, 2013 St. Charles Condominium	Rehabilitation	21,000,000	2004
Terra Cotta Annex and Parking Garage	Rehabilitation/New Construction	24,000,000	2004
1214 Washington Condominiums	Rehabilitation	3,500,000	2004
1000 Locust (20 Lofts)	Rehabilitation	5,000,000	2004
Paul Brown Apartments	Rehabilitation	46,000,000	2004
Southtown Centre	New Construction	30,000,000	2005
St. Louis University Arena	New Construction	80,000,000	2005
Harris Stowe State College Expansion Phase II	New Construction	16,000,000	2005
St. Louis Art Museum Expansion Phase I	Renovation	50,000,000	2006
Baseball Stadium	New Construction	340,000,000	2006
Baseball Village PA.I.	New Construction	60,000,000	2009

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Source: St. Louis Development Corporation

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## Major Taxpayers

The following tables set forth information regarding the top payers of earnings tax, payroll tax, real estate tax and personal property tax to the Collector of Revenue for the indicated period:

### TOP TWENTY TAXPAYERS EARNINGS TAX -- 2002 CALENDAR YEAR

Anheuser Busch	\$ 5,246,755
BJC Health System	4,325,348
SBC Communications	4,181,025
Washington University	4,059,902
City of St. Louis	3,150,931
A.G. Edwards & Sons	3,041,427
St. Louis Board of Education	2,404,792
St. Louis University	2,206,598
Defense Fin. & Acct. Services	1,972,941
US Postal Service	1,962,336
AmerenUE	1,772,413
Tenet Health System	1,739,985
May Company	1,705,641
St. Louis Telecommunications	1,671,597
Bank of America	1,323,018
State of Missouri	1,294,150
National Finance Center	1,273,871
Sigma Chemical	1,086,332
Ralston Purina Co.	897,960
Rightchoice Managed Care	794,183

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Source: City Collector of Revenue

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**TOP TWENTY TAXPAYERS  
PAYROLL EXPENSE TAX -- 2002 CALENDAR YEAR**

Anheuser Busch	\$ 2,005,298
SBC Communications	1,783,987
A.G. Edwards & Sons	1,265,623
May Company	815,678
Tenet Health Systems	687,640
Bank of America	624,434
AmerenUE	618,392
Ralston Purina Co.	441,277
Union Pacific Railroad	354,065
Sigma Chemical	343,519
Tyco Healthcare Group	340,936
Rightchoice Managed Care	265,452
US Bank NA	262,418
St. Louis Cardinals LP	260,873
Laclede Gas	233,342
St. Louis Post Dispatch LLC	231,791
Kiel Center Partners	224,449
Peabody Holdings	207,559
AT&T Corp.	172,462
Bryan Cave LLP	161,718

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Source: City Collector of Revenue

**TOP TWENTY TAXPAYERS  
REAL ESTATE TAX -- 2002 CALENDAR YEAR**

Anheuser Busch	\$ 5,353,623
AmerenUE/Union Electric	5,217,842
Laclede Gas	4,607,670
Southwestern Bell	3,600,253
A.G. Edwards & Sons	2,590,066
Trezechahn St. Louis, Inc.	1,829,134
UGP - Kiener/Stadium	1,802,475
Tenet Health System	1,516,139
US Bank NA	1,507,474
St. Louis Broadway Hotel Inc.	1,077,754
Union Centre Redevelopment	1,069,868
St. Louis PTA 800 Market Street	993,937
Seven-Seventeen Redevelopment	938,526
Mallinckrodt/Tyco	759,667
Ralston Purina	726,418
St. Louis RPFIV Gateway One Assn.	657,558
May Department Stores	624,947
Kingsdell LP	574,285
TrizecHahn Office Properties, Inc.	488,981
Laclede Tower Associates	370,656

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Source: City Collector of Revenue

**TOP TWENTY TAXPAYERS  
PERSONAL PROPERTY TAX -- 2002 CALENDAR YEAR**

SBC Service Inc.	\$ 4,718,526
Laclede Gas	1,248,935
Anheuser-Busch Inc.	986,069
Cybertel Cellular	707,939
Tenet Health System	686,753
A. G. Edwards & Sons	670,616
Union Electric Co.	559,110
Ralston Purina	547,793
IBM Credit Corp	442,815
Charter Communication	417,055
Laclede Gas Co.	373,775
Comdisco Inc.	321,528
Ameren Union Electric Co.	307,419
May Department Stores Co.	290,472
President Riverboat Casino	280,855
IOS Capital	280,017
Mallinckrodt Inc.	270,531
Healthy Alliance Life Inc	264,380
J.S. Alberici Construction	262,441
Tenet DI Inc.	243,406

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 set forth below:

<b>Calendar Year</b>	<b>Value of Housing</b>		<b>Value of Commercial, Industrial or other Non- Housing</b>	<b>Total Number of Permits</b>	<b>Total Value</b>
	<b>New</b>	<b>Rehabilitation</b>			
1998	\$ 18,126,089	\$ 21,699,641	\$ 234,446,942	4,347	\$ 274,272,672
1999	31,240,582	19,553,289	205,602,820	4,420	256,396,691
2000	33,594,010	49,847,765	431,876,501	5,047	515,318,276
2001	24,626,272	42,009,902	366,737,303	5,095	433,373,477
2002	41,590,777	103,583,045	335,566,980	5,627	480,740,802

Source: City Building Division.

## 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 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 and account group.

*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 following are the City's governmental type funds:

*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 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 facilities (other than those financed by proprietary funds and trust funds).

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

*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. The following describes the City's fiduciary fund:

*Trust and Agency Funds* -- Trust and Agency Funds are used to account for assets held in trust or 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.

The financial statements of the various funds of the City, other than the Enterprise Funds, are presented, generally, on a modified accrual basis of accounting. An annual audit is made of the accounts and the records of the City. This examination is conducted by an independent certified public accountant, engaged by the Mayor for this purpose.

### **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.

Under a City Charter Amendment adopted in 1987, 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 then 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 City 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 "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS - The Hancock Amendment**" herein.

Should the Board of Estimate and Apportionment not 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. This effort has been successful. The City's Comprehensive Annual Financial Report for fiscal year 2001 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA). It was the fifteenth year the City has received this prestigious award. The Certificate of Achievement is awarded to recognize a governmental unit which 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, 2002. 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, materials, contractual services and equipment.

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 Treasurer, an elected official, maintains bank accounts, invests funds and maintains account records.

All cash not restricted by law to specific accounts is pooled into the "General Pooled Cash" and invested by the City Treasurer. The Treasurer provides cash forecasting so that adequate cash is available while investments are maximized. All investments held by the Treasurer as of February 28, 2003 totaled \$309,463,906 at cost. Consistent with state law, all investments held by the 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.

## **Cash Management Investment Policy**

On March 6, 1998 the City adopted its revised Public Funds Investment Policy, through the Funds Committee of the City. The investment policy applies to all financial assets of the City, including the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, Internal Service Funds, Enterprise Funds, Trust and Agency Funds and proceeds of bond issues, but does not apply to the City's pension funds. The objectives stated in the policy (in order of priority) are (a) security, (b) liquidity, (c) investment return, (d) local economic benefit, and (e) social policy. The policy applies a prudent man standard to management of the overall portfolio, with investments limited to U.S. Government obligations, obligations of any agency or instrumentality of the U.S., bonds of the State of Missouri or the City, certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions. Certificates of deposit, repurchase agreements maturing within 90 days and deposits with listed institutions must be collateralized. The City's revised Public Funds Investment Policy has been approved for certification by the Municipal Treasurers' Association of the United States and Canada. Columbia Capital Consultants, LLC serves as investment consultant to the Treasurer's office.

## **General Revenue Fund**

In accordance with generally established 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.

## General Revenue Fund Expenditures

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

**TABLE I**  
**CITY OF ST. LOUIS**  
**General Revenue Fund**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Accrual Basis – Fiscal Years Ended June 30**  
**(In Thousands)**

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
<b>Revenues</b>					
Taxes	\$ 313,482	\$ 329,498	\$ 311,310	\$ 306,628	\$ 297,000
Licenses & Permits	15,691	15,191	15,891	19,792	15,033
Intergovernmental Aid	12,175	13,155	8,255	3,139	5,550
Charges for Services	12,283	15,312	14,668	13,683	11,904
Court Fines & Forfeitures	8,200	7,132	8,450	7,535	8,070
Interest	3,544	3,680	4,729	2,846	6,890
Interfund Services provided	4,864	-	-	-	-
Miscellaneous	<u>4,367</u>	<u>3,455</u>	<u>3,155</u>	<u>2,724</u>	<u>8,820</u>
Total Revenues	<u>\$ 374,606</u>	<u>\$ 387,423</u>	<u>\$ 366,458</u>	<u>\$ 356,347</u>	<u>\$ 353,267</u>
<b>Expenditures</b>					
General Government	\$ 39,043	\$ 39,254	\$ 37,461	\$ 38,331	\$ 40,986
Convention & Tourism	2,219	2,159	1,936	2,042	2,027
Parks and Recreation	17,765	16,929	16,275	15,916	14,166
Judicial	39,393	35,608	34,100	32,480	31,523
Streets	31,680	29,245	28,565	29,470	28,593
Public Safety <sup>2</sup>	205,618	76,570	75,941	73,702	105,215
Health and Welfare	11,332	12,103	11,668	11,046	16,111
Public Services	22,868	22,961	20,550	20,992	18,678
Capital Outlay	15	2,134	3,920	649	1
Debt Service	<u>26,209</u>	<u>22,702</u>	<u>30,041</u>	<u>23,567</u>	<u>21,399</u>
Total Expenditures	<u>\$ 396,142</u>	<u>\$ 259,665</u>	<u>\$ 260,457</u>	<u>\$ 248,195</u>	<u>\$ 278,699</u>
<b>Excess of Revenues Over (Under) Expenditures</b>					
<b>Other Finance Sources/(Uses)</b>	<u>\$ (21,536)</u>	<u>\$ 127,758</u>	<u>\$ 106,001</u>	<u>\$ 108,152</u>	<u>\$ 74,568</u>
Proceeds from Capital Leases	-	-	-	-	28,695
Issuance of Note Payable	-	1,980	-	-	-
Issuance of refunding bonds – leasehold revenue bonds	65,348	-	2,773	-	-
Premium on leasehold revenue bonds	1,935	-	-	-	-
Discount on leasehold revenue bonds	-	-	-	-	-
Payment refunded to Bond Escrow Agent	(62,789)	-	-	-	-
Transfers In	18,686	10,823	13,682	11,988	14,421
Operating Transfers from Component Units <sup>2</sup>	-	125	125	-	-
Transfers Out	(9,802)	(12,322)	(24,281)	(14,179)	(11,008)
Operating Transfers to Component Units <sup>2</sup>	-	(118,378)	(114,458)	(112,522)	(105,151)
Total Other Financing Sources (Uses)	<u>\$ 13,378</u>	<u>\$(117,772)</u>	<u>\$(122,159)</u>	<u>\$(114,713)</u>	<u>\$ (73,043)</u>
<b>Excess of Revenues &amp; Other Finance Sources Over (Under) Expenditures &amp; Other Uses</b>	(8,158)	9,986	(16,158)	(6,561)	1,525
Fund Balances (Beginning of Fiscal Year) <sup>1</sup>	<u>96,077</u>	<u>86,091</u>	<u>80,523</u>	<u>87,084</u>	<u>85,559</u>
Fund Balances (End of Fiscal Year)	<u>\$ 87,919</u>	<u>\$ 96,077</u>	<u>\$ 64,365</u>	<u>\$ 80,523</u>	<u>\$ 87,084</u>

<sup>1</sup> Fund Balances (Beginning of Fiscal Year) at June 30, 2001 differ from Fund Balances (End of Fiscal Year) of the preceding Fiscal Year due to the adoption of GASB No. 33 and other accounting matters.

<sup>2</sup> During 2002, the City was required to show transfers to component units as expenditures.

Source: Audited Financial Statements.

Table II shows a General Revenue Fund Summary of Operations on a budgetary (cash) basis for the Fiscal Years ended June 30, 2002, June 30, 2001 and June 30, 2000. The City provides funding for several significant municipal services which are not subject to direct City management and control.

**TABLE II**  
**CITY OF ST. LOUIS**  
**General Revenue Fund**  
**Summary of Operations**  
**Cash Basis - Fiscal Years Ended June 30**  
**(In Thousands)**

	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Revenues</b>			
Taxes	\$ 324,371	\$ 330,750	\$ 309,988
Licenses & Permits	15,675	15,110	15,938
Intergovernmental Aid	5,914	5,511	3,644
Charges for Services	17,713	15,934	14,567
Court Fines & Forfeitures	4,604	4,293	5,199
Interest	1,258	2,668	2,909
Miscellaneous	<u>4,070</u>	<u>3,004</u>	<u>3,219</u>
Total Revenues	\$ <u>373,605</u>	\$ <u>377,270</u>	\$ <u>355,464</u>
<b>Expenditures</b>			
General Government	\$ 39,259	\$ 40,744	\$ 40,220
Convention & Tourism	2,216	2,154	1,939
Parks & Recreation	17,797	16,991	16,091
Judicial	39,267	35,886	33,277
Streets	31,352	29,761	28,457
Public Safety	85,414	76,798	75,487
Police	116,994	116,994	114,118
Health & Welfare	11,583	12,348	11,952
Public Services	23,121	22,765	20,353
Debt Service	<u>22,279</u>	<u>21,730</u>	<u>21,491</u>
Total Expenditure	\$ <u>389,282</u>	\$ <u>376,171</u>	\$ <u>363,385</u>
<b>Excess of Revenues</b>			
<b>Over (Under) Expenditures</b>	<u>(15,677)</u>	<u>1,099</u>	<u>(7,921)</u>
<b>Other Financial Sources (Uses):</b>			
Transfers In	\$ 19,776	\$ 19,201	\$ 18,362
Transfers Out <sup>1</sup>	<u>(5,906)</u>	<u>(11,787)</u>	<u>(11,203)</u>
Total Other Finance Sources (Uses)	<u>13,870</u>	<u>7,414</u>	<u>7,159</u>
<b>Excess of Revenues &amp; Other</b>			
<b>Finance Sources Over (Under)</b>			
Expenditures & Other Finance Uses	\$ (1,807)	\$ 8,513	\$ (762)
Fund Balances (Beginning of Fiscal Year)	31,019	26,606	28,000
Transfer to Capital Improvements Funds	<u>(218)</u>	<u>(4,100)</u>	<u>(632)</u>
Fund Balances (End of Fiscal Year)	\$ <u>28,994</u>	\$ <u>31,019</u>	\$ <u>26,606</u>

<sup>1</sup> Transfers out have been restated to include transfers to 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 set forth below:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
TAXES:			
Earnings	30.91%	32.04%	31.38%
Franchise	13.11	14.95	13.55
Sales	12.08	13.02	12.87
Gross Receipts	3.11	2.96	2.51
Motor Vehicle Sales Tax	0.98	1.08	.98
Motor Fuel	2.36	2.67	2.82
Real Estate	7.44	7.21	7.10
Personal Property	3.10	3.03	2.91
Payroll	8.98	9.08	8.41
Other Taxes	<u>.35</u>	<u>.42</u>	<u>.39</u>
Total Taxes	82.42	86.46	82.92
LICENSE FEES	3.98	3.95	4.26
DEPARTMENTAL RECEIPTS	8.53	4.36	7.84
27th PAY RESERVE TRANSFERS	0.05	.21	.06
TRANSFERS	<u>5.02</u>	<u>5.02</u>	<u>4.92</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 31% of the total General Revenue Fund revenues for the Fiscal Year ended June 30, 2002. 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 was initially set at the rate of one-half of one percent of the gross income of individuals and of net profits of businesses within the City. The current rate of one percent 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 set forth below was as follows:

<b>Year</b>	<b>Earnings Tax</b>
1998	\$110,144,735
1999	114,108,431
2000	117,304,729
2001	122,594,135
2002	121,656,641

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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 (formerly Union Electric Company) is 10% of the gross receipts from their commercial customers and 4% from their residential customers. Charter Communications, Inc. is taxed on 5% of gross revenues for its City cable franchise. Charter Communications is not included in General Fund. The Southwestern Bell Telephone Company, Trigen Energy Corp. and the Water Division of the City are taxed 10% of their gross receipts from all users and the Lambert-St. Louis International Airport pays to the General Revenue Fund 5% of its gross revenues. 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 set forth below was as follows:

<b>Year</b>	<b>Franchise Tax</b>
1998	\$50,166,650
1999	53,456,024
2000	50,645,837
2001	57,189,210
2002	51,581,018

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Source: City Comptroller's Office

### **Sales Tax**

A City Sales Tax, which was authorized by the Missouri General Assembly and was approved by voters at an election held in 1969, became effective in 1970 at a rate of one percent of sales within the City. This tax is collected on a monthly basis by the State of Missouri along with the State sales tax and remitted to the City by the 10th of the following month. On August 3, 1993, voters approved a three-eighths cent sales tax increase for general operations and a one-half cent sales tax increase for capital improvements.

On November 7, 2000, voters in the City of St. Louis, approved a one tenth of one percent sales tax to fund a Metropolitan Park and Recreation District which took effect on July 1, 2001. Fifty percent of revenue collected from the tax will go to the metropolitan district as will funds from other counties which have a similar tax to fund the Metropolitan Park and Recreation District. Fifty percent of the tax

revenues is returned to the City and placed in a special fund, the “Metro Parks Trust Fund” for local park improvement. On April 10, 2001, City voters approved a use tax at the same rate as local sales tax, currently a rate of 2.725 percent, to provide funds for the development and preservation of affordable and accessible housing and public health care services. A use tax return need not be filed by persons who spend less than two thousand dollars (\$2,000) on purchases from out of state in any calendar year. This tax took effect on July 1, 2001.

The City’s General Fund Revenue Sales Tax receipts for the Fiscal Year set forth below were as follows:

<b>Year</b>	<b>Sales Tax</b>
1998	\$46,329,812
1999	47,317,689
2000	48,134,756
2001	49,807,227
2002	47,555,507

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Source: City Comptroller’s Office

**Gross Receipts Tax**

The City’s Gross Receipts Tax is comprised of three components: (1) public garage and parking lots tax; (2) amusements admission tax and (3) one-half cent restaurant tax.

The City’s Gross Receipts Tax revenue for the Fiscal Years set forth below was as follows:

<b>Year</b>	<b>Gross Receipts Tax</b>
1998	\$ 8,353,462
1999	8,905,848
2000	9,375,323
2001 <sup>1</sup>	11,304,969
2002 <sup>1</sup>	12,236,354

<sup>1</sup> Rams’ football gross receipts tax was placed in a Special Revenue Fund prior to Fiscal Year 2001 to finance the City’s portion of the Rams’ practice facility.

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Source: City Comptroller’s Office

**Natural Gas Tax**

During fiscal year 1998, the natural gas tax was ruled invalid by the Missouri Court of Appeals. The three-judge appellate panel said the City lacked the authority to enact such a fee, reasoning that it is really a use tax for which the City has no power under state law to impose.

**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. A constitutionally-mandated portion of the proceeds of the State sales tax is

distributed to local governments, including the City, based on their proportionate share of the State's total population.

The City's General Fund Motor Vehicle Sales Tax revenue for the Fiscal Years set forth below was as follows:

<b>Year</b>	<b>Motor Vehicle Sales Tax</b>
1998	\$3,484,553
1999	3,890,624
2000	3,670,827
2001	4,134,656
2002	3,868,712

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Source: City Comptroller's Office

### **Motor Fuel Tax**

The City receives a share of the State motor fuel tax based upon the City's proportionate share of the State's population. Motor fuel tax is collected by the State on a monthly basis and remitted to the City monthly.

The City's General Fund Motor Fuel Tax revenue for the Fiscal Years set forth below was as follows:

<b>Year</b>	<b>Motor Fuel Tax</b>
1998	\$ 9,946,698
1999	9,883,983
2000	10,552,422
2001	10,219,892
2002	9,275,077

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Source: City Comptroller's Office

### **Real and Personal Property Taxes**

Taxes are levied on all real and personal property 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. Reassessments are reflected in the value below for the indicated years. 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 as a result of the reassessment.

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<b>Calendar Year</b>	<b>Real Property<sup>1</sup></b>		<b>Personal Property<sup>1</sup></b>		<b>Manufacturers Inventory Value<sup>2</sup></b>	<b>Total Assessed Value</b>
	<b>Assessed Value</b>	<b>Estimated Actual Value</b>	<b>Assessed Value</b>	<b>Estimated Actual Value</b>		
1998	\$1,804,665,643	\$7,594,277,913	\$842,766,603	\$2,530,830,740	\$248,451,394	\$2,895,883,640
1999	1,912,873,863	8,012,686,519	769,881,598	2,211,956,751	265,996,552	2,948,752,013
2000	1,923,262,482	8,042,460,306	805,857,347	2,419,992,033	304,558,850	3,033,678,679
2001	2,056,858,341	8,606,069,224	901,303,561	2,706,617,300	305,621,759	3,263,783,661
2002	2,059,506,810	8,616,895,464	811,285,903	2,436,294,003	305,359,625	3,176,152,338

Source: <sup>1</sup> City Assessor's Office.  
<sup>2</sup> 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>Calendar Year</b>	<b>Commercial</b>	<b>Residential</b>	<b>Total Real Property</b>
1998	\$2,782,714,150	44,811,563,763	\$7,594,277,913
1999	3,003,564,803	5,009,121,716	8,012,686,519
2000	3,039,961,722	5,002,498,584	8,042,460,306
2001	3,243,886,066	5,362,183,158	8,606,069,224
2002	3,248,435,938	5,368,459,526	8,616,895,464

Source: City Assessor's Office.

The tax rate levied on real and personal property for the General Revenue Fund of the City during Fiscal Year 2003 was \$1.4574 per \$100 of assessed valuations and during Fiscal Year 2002 was \$1.4478 per \$100 of assessed valuations. The collection rate for the Fiscal Year 2002 was 87.8% compared to the rate of 89.4% for Fiscal Year 2001. 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 set forth below, on a cash basis, was as follows:

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>
1998	\$24,459,215	\$11,004,557
1999	26,287,484	11,910,347
2000	26,543,628	10,881,453
2001	27,602,292	11,583,306
2002	29,274,005	11,583,306

Source: City Comptroller's Office

### Payroll Tax

In an election held in 1988, voters approved a Payroll Tax. The Payroll Tax is one-half of one 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 set forth below, on a cash basis, was as follows:

<b>Fiscal Year</b>	<b>Payroll Taxes</b>
1998	\$28,717,504
1999	29,485,466
2000	31,434,827
2001	34,719,193
2002	35,358,684

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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 set forth below, on a cash basis, was as follows:

<b>Fiscal Year</b>	<b>Other Taxes</b>
1998	\$1,041,480
1999	1,262,246
2000	1,444,646
2001	1,595,189
2002	1,358,594

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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 license 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 set forth below, on a cash basis, was as follows:

<b>Fiscal Year</b>	<b>License Fees</b>
1998	\$15,494,049
1999	15,046,360
2000	15,938,251
2001	15,118,463
2002	15,674,582

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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.

The City's General Fund Departmental Receipts revenue for the Fiscal Years set forth below, on a cash basis, was as follows:

<b>Fiscal Year</b>	<b>Departmental Receipts</b>
1998	\$27,530,903
1999	27,012,552
2000	29,296,276
2001	31,134,787
2002	33,559,853

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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 Child Support Unit-Circuit Attorney Fund and the Columbia Bottoms Fund. 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 set forth below, on a cash basis, were as follows:

<b>Fiscal Year</b>	<b>Operating Transfers<sup>1</sup></b>
1998	\$20,776,765
1999	19,057,627
2000	18,361,988
2001	19,200,864
2002	19,775,991

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

## **The Board of Police Commissioners**

The Board of Police Commissioners of the City of St. Louis, Missouri (the “Police Board”) was established by Chapter 84 of the Revised Statutes of Missouri to provide the police force for the City. The Police Board employs the police force, administers the police department and provides offices, police stations and equipment for the police department.

Although the Police Board is not subject to direct City management and control, it derives almost all of its revenue from the City and has no power to levy taxes for any purpose. The Police Board does receive from time to time special grants and proceeds from asset forfeitures that amount in total to approximately 5% of their budget. The Police Board is required by law to prepare on or before the last day of February of each year a written estimate of the amount which will be necessary for the upcoming Fiscal Year to enable the Police Board to discharge its duties and meet the expenses of the police department and to certify the amount to the Board of Aldermen of the City.

The Board of Aldermen of the City is required by State statute to make the necessary appropriation for the amount certified, payable out of revenues of the City after deducting the amount necessary to make the City’s indebtedness payments, and to pay City hospital, health department and lighting expenses, but it has been held that the Board of Aldermen is not required under the statute to appropriate for the Police Board for any Fiscal Year a sum in excess of \$66,634,713, which was the amount of the budget certified as of the effective date of the amendment to the Constitution of Missouri commonly known as the “Hancock Amendment,” which became effective on December 4, 1980. For additional information, see “**The Hancock Amendment**” herein.

Although the Board of Aldermen is not required to do so, it may appropriate sums for the Police Board in excess of \$66,634,713 per Fiscal Year, and the Board of Aldermen has done so for each of the past eleven Fiscal Years. The Board of Aldermen, however, did not approve the entire amount of the initial budget submitted for each of those Fiscal Years. The budget as approved by the Board of Aldermen for Fiscal Year 2001 was \$118,303,537, for Fiscal Year 2002 was \$123,377,796, and for Fiscal Year 2003 is \$128,227,999. The Police Board entered into a lease agreement in August 1988 in connection with the \$12,890,000 Missouri Industrial Development Board’s Capital Improvement and Refunding Leasehold Revenue Bonds, Series 1988 (Board of Police Commissioners of the City of St. Louis, Missouri, Lessee). The proceeds of the financing were used to purchase, construct and equip three new police stations. The lease was refinanced in February 2003 for \$6,665,000. The additional proceeds generated were used for further capital improvements. The lease obligation will be financed by a portion of the 1/2 cent sales tax earmarked for this purpose. The payments under the lease average \$1,423,000 per annum. See “**DEBT OF THE CITY - Capital Leases**” herein.

The amount budgeted by the Board of Aldermen for the Police Board is included in the budget for the City’s General Revenue Fund. See “**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS – Budget Process**” herein. The budget of the Police Board is prepared under the cash basis of accounting and any unexpended appropriations lapse and are returned to the City.

## **The Hancock Amendment**

An amendment to the Missouri Constitution limiting taxation and government spending was approved by Missouri 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 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 recent decisions of the Missouri Supreme Court have indicated that it does not apply to traditionally set fees. The limitations imposed by the Hancock Amendment restrict the City’s ability to increase many but not all taxes, licenses and certain fees without obtaining voter approval.

### **INSURANCE**

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high risk activities or as required by law. Damage to City property, repair or replacement costs, if excessive in nature, would have to be made from the operating budget, or possibly, bond funds. All liability claims not covered by insurance are handled by the City Counselor’s Office. The City’s staff of attorneys attempts to settle or defend all claims which may be 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 during the last five Fiscal Years were:

<b>Fiscal Year</b>	<b>Expenditures</b>
1998	\$1,782,545
1999	2,126,023
2000	1,359,187
2001	1,967,405
2002	1,726,155

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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 of the number and severity of workers’ compensation claims. This has also enabled the City to process claims and payments more timely as well as provide more timely and accurate statistical data. Effective June 15, 2002, the City became self-insured for its employees’ health insurance. An internal service fund has been established to account for payment of health insurance claims for participants.

### **DEBT OF THE CITY**

#### **General**

The City is authorized to issue general obligation bonds payable from unlimited ad valorem taxes upon a two-thirds (2/3) majority vote of the qualified voters voting on the specific proposition. In August 1988, Missouri voters approved an amendment to the Missouri Constitution. The amendment reduced the majority vote required for the incurrence of debt for various public purposes by local government and other political subdivisions from two-thirds (2/3) to four-sevenths (4/7) at elections on the general municipal election days or the state primary or general election days. Because the City Charter presently

requires a two-thirds (2/3) 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. Such a Charter amendment was submitted to City voters in August and November 1988; 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 is also 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.

Likewise, the City is authorized by statute to issue "Tax Increment Financing" obligations pertaining to 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. Such obligations are secured by increments of revenues attributable to property and other taxes generated by improvements to the project area, and may also 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 aforementioned incremental revenues are at least equal to 150% of the annual debt service payments on said bonds for five consecutive years. According to the Comptroller's office, the City has not covered any shortfalls to date; however, there can be no assurances that they will not be called upon to do so in the future.

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## Tax Increment Financing Projects

The City has entered into the following Tax Increment Financing projects. To the extent that the City has issued or will issue Tax Increment Revenue Bonds to finance the projects, such bonds will be paid from the payments in lieu of taxes generated in the respective tax increment areas and are not anticipated to affect the City's General Fund:

TIFs	Estimated TIF Costs	TIF Area Approved
St. Louis Marketplace (Scullin) <sup>(1)</sup>	\$ 15,000,000	07/20/1990
Cupples <sup>(2)</sup>	52,200,000	03/08/1991
4548 West Pine <sup>(1)</sup>	300,000	12/22/1997
Argyle <sup>(4)</sup>	3,000,000	12/11/1998
Chouteau/Compton <sup>(3)</sup>	3,600,000	12/17/1998
Center for Emerging Technology	978,000	09/24/1999
Edison Brothers <sup>(3)</sup>	5,300,000	01/29/2000
Robert E. Lee	600,000	01/29/2000
100 North Condominium LLC	400,000	02/09/2000
Convention Center Hotel <sup>(5)</sup>	50,000,000	04/17/2000
3800 Park <sup>(2)</sup>	390,000	08/01/2001
Gravois Plaza <sup>(6)</sup>	4,049,000	11/30/2001
4100 Forest Park <sup>(2)</sup>	7,000,000	12/20/2001
Lafayette Square <sup>(7)</sup>	2,040,250	12/26/2001
Tech Electronics <sup>(2)</sup>	900,000	02/21/2002
MLK Development <sup>(7)</sup>	2,250,000	03/18/2002
4200 Laclede <sup>(6)</sup>	925,400	06/20/2002
Post Office Square TIF <sup>(1)</sup>	6,655,220	07/23/2002
1505 Missouri <sup>(6)</sup>	621,100	08/05/2002
Grand Center <sup>(6)</sup>	80,000,000	02/02/2002
1141-1151 S. Seventh St. <sup>(6)</sup>	1,136,800	12/10/2002
Paul Brown/Arcade <sup>(6)</sup>	3,264,200	12/10/2002
1100 Locust – Loudeeman building <sup>(6)</sup>	2,444,400	12/21/2002
920 Olive/1000 Locust <sup>(6)</sup>	2,667,732	12/21/2002
Walter Knoll Florist <sup>(6)</sup>	1,036,000	12/21/2002

(1) Financed by the City's Tax Increment Revenue Bonds.

(2) Not yet financed, but the City anticipates that it will issue Tax Increment Revenue Bonds to finance the Project by the end of the fiscal year.

(3) Financed by developer held notes which may be assumed by the City in three years.

(4) Financed by parking revenue bonds with the Tax Increment Revenue Bonds to supplement repayment in the event surplus operating revenues fall short.

(5) Financed by Section 108 Loan from Department of Housing and Urban Development, with Community Development Block Grant Funds and Contractual PILOTS received from the Hotel Developer.

(6) Financed by developer held notes.

(7) "Pay as you go" TIF.

Source: City Comptroller's Office

**Short-Term Borrowing**

The City first issued Tax and Revenue Anticipation Notes (“TRANs”) during the Fiscal Year 1984. The following table sets forth certain information concerning the issuance of TRANs since Fiscal Year 1999.

<b>Fiscal Year</b>	<b>TRANs Issued During Fiscal Year</b>	<b>As a Percent of General Fund Revenues<sup>1</sup></b>
1999	\$38,000,000	10.33%
2000	40,000,000	10.70%
2001	42,000,000	10.59%
2002	43,000,000	10.85% <sup>2</sup>
2003	46,000,000	11.19% <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 the above mentioned Tax Increment Financing obligations, issued by the City which were outstanding as of February 28, 2003:

<b>Bonds</b>	<b>Amount Outstanding</b>
General Obligation Bonds	\$ 54,684,742
Water Revenue Bonds	38,920,000
Parking Revenue Bonds	63,450,000
Airport Revenue Bonds	<u>966,075,000</u>
<b>Total</b>	<b><u>\$ 1,123,129,742</u></b>

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:

Description	Amount Outstanding February 28, 2003	Remaining Term in Years	Issue Date
Convention and Sports Facility Project and Refunding Bonds <sup>1</sup>	\$ 60,585,000	19	Feb. 1997
Convention Center 1993A	122,527,205	11	June 1993
Police Board Lease <sup>3</sup>	6,665,000	5	Feb. 2003
Justice Center Series 1996A <sup>2</sup>	10,965,000	5	Aug. 1996
Justice Center Series 1996B	24,260,000	10	Aug. 1996
Civil Courts Improvements	22,480,000	10	June 1994
Forest Park Revenue Improvements	16,610,000	19	Mar. 1997
Kiel Site Rev Refunding Series 1997A	6,615,000	18	Aug. 1997
Kiel Site Rev Refunding Series 1997B	5,445,000	14	Aug. 1997
Firemen's Retirement System	19,405,000	6	Apr. 1998
Justice Center Leasehold Improvement Bonds Series 2000A	20,000,000	17	Feb. 2000
Rolling Stock	7,889,481	6	Nov. 2002
Justice Center Leasehold Revenue Refunding Bonds, Series 2001A	62,205,000	17	Sept. 2001
Carnahan Courthouse Leasehold Revenue Bonds, Series 2002A	<u>21,750,000</u>	25	Apr. 2002
	<u>\$ 407,401,686</u>		

<sup>1</sup> This pertains to the lease financing by the City, St. Louis County, and the State of Missouri, of an east expansion of the Convention Center. The bonds for the east expansion were issued by the Regional Convention and Sports Complex Authority, an entity created by State law. In addition to lease payments to pay debt service on the bonds, the City has agreed to pay the Authority \$1,000,000 per annum during the term of the bonds to pay for renovations and repairs to the facility.

<sup>2</sup> Refinanced in September 2001.

<sup>3</sup> Refinanced Police Board Lease, Series 1994.

Source: City Comptroller's Office.

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### Direct and Overlapping Debt

The direct and overlapping general obligation debt of the City as of February 28, 2003 is set forth below:

	<b>General Obligation Bonds Outstanding</b>	<b>Percent Applicable to St. Louis</b>	<b>City's Direct and Overlapping Debt</b>
The City of St. Louis	\$ 54,684,742	100.00%	\$ 54,684,742
Board of Education of the City of St. Louis	<u>201,162,309</u>	100.00%	<u>201,162,309</u>
Total	<u>\$ 255,847,051</u>		<u>\$ 255,847,051</u>

Source: City Comptroller's Office

### Debt Ratios

The following table sets forth the City's direct and overlapping general obligation debt ratios as of February 28, 2003. These figures do not include lease agreements.

	<b>Amount</b>	<b>Per Capita<sup>1</sup></b>	<b>Ratio to Assessed Value</b>
Total Direct Debt	\$ 54,684,742	\$157.05	1.90%
Total Direct and Overlapping Debt	\$255,847,051	\$734.79	8.91%

<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 February 28, 2003:

	<b>City Purposes Basic Limit</b>	<b>Streets and Sewers Additional Limit</b>
2002 Assessed Value	\$ 3,176,152,338	\$ 3,176,152,338
Debt limit - 10% of assessed value	317,615,233	317,615,233
Less: General Obligation Bonds	<u>54,684,742</u>	<u>--</u>
Legal Debt Margin	<u>\$ 262,930,491</u>	<u>\$ 317,615,233</u>

Source: City Comptroller's Office

### EMPLOYEES AND EMPLOYEE RELATIONS

The City currently employs approximately 6,300 persons who are paid from the City's General Revenue Fund, approximately 2,000 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 Board of Police Commissioners within the maximum established by the General Assembly, with the provision that the City need not appropriate sums in excess of the limit established by the Hancock Amendment. All City employees, other than the commissioned employees of the Police Department, 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. City police officers have no such rights. 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 to all plans for the Fiscal Year ended June 30, 2002, totaled \$8,470,292 from the City’s General Revenue Fund.

<b>Benefits</b>	<b>Actuarial Value of System Assets</b>	<b>Actuarial Accrued Liability</b>	<b>(In Thousands) Plan Assets in Excess of (Unfunded) Plan Benefits</b>
Employee’s Retirement System	\$466,631	\$542,547	\$(75,916)
Police Retirement System	739,439	721,995	17,444
Firemen’s Retirement System	456,144	470,608	(14,464)

Source: City Comptroller’s Office.

## LITIGATION

On June 14, 2002, the Circuit Court of the City of St. Louis rendered a decision in a case styled *Junior College District of St. Louis v. City of St. Louis*, awarding damages in favor of the plaintiff Junior College District and against defendant City of St. Louis in the principal amount of \$5,825,161.00, together with interest from October 23, 1997 to the date of Judgment in the amount of \$2,434,596.30, for a total of \$8,259,757.30 (L.F. 45-56). The City appealed the decision to the Missouri Court of Appeals, Eastern District, which heard oral arguments on the appeal on February 6, 2003. The judgment continues to accrue interest at the rate of 9% per annum while the case is on appeal. While the City is confident that at least part of the award (specifically, the award of prejudgment interest) will be reversed, it cannot predict an outright reversal of the judgment as a likely outcome. There is a reasonable likelihood that the judgment may be further reduced (aside from the reversal of the award of prejudgment interest) based upon apportionment of fault. The exact amount of such reduction cannot be determined at this time.

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**APPENDIX B –  
INDEPENDENT AUDITOR’S REPORT AND  
BASIC FINANCIAL STATEMENTS  
OF THE CITY OF ST. LOUIS, MISSOURI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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10 South Broadway  
Suite 900  
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, 2002, 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, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 92% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 57% and 2%, respectively, of the assets of the aggregate discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 16% and 7%, respectively, of the revenues of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center 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 and Harry S. Truman Restorative Center discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, during fiscal year 2002, the City of St. Louis, Missouri, implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB)



Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 10, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management’s Discussion and Analysis on pages 3 through 17, the Budgetary Comparison Information on pages 109 through 114, and the Firemen’s Retirement System of St. Louis Information on page 115 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 – other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked “unaudited”, on which we express no opinion, 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

January 10, 2003



**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Net Assets**  
**June 30, 2002**  
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	IJSTRC	SWMDC
<b>ASSETS</b>							
Cash and cash equivalents	\$ 34,056	14,093	48,149	9,011	2,676	226	385
Investments	130,112	11,653	141,765	27	2,470	-	419
Receivables, net	111,273	16,156	127,429	11,396	885	955	-
Inventories	-	4,010	4,010	-	776	56	-
Restricted assets	115,230	739,615	854,845	-	1,436	-	-
Deferred charges	4,082	27,845	31,927	-	-	-	-
Internal balances	10,843	(10,843)	-	-	-	-	-
Receivable from primary government	-	-	-	6,605	7,053	-	-
Receivable from component unit	888	-	888	-	-	-	-
Net pension asset	24,316	-	24,316	-	-	-	-
Property held for development	-	-	-	18,372	-	-	-
Capital assets, net	693,521	1,268,497	1,962,018	19,773	25,502	1,558	5,824
Other assets	85	1,796	1,881	747	-	21	-
<b>Total assets</b>	<b>1,124,406</b>	<b>2,072,822</b>	<b>3,197,228</b>	<b>65,931</b>	<b>40,798</b>	<b>2,816</b>	<b>6,628</b>
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	24,680	18,309	42,989	2,701	8,362	770	-
Accrued salaries and other benefits	7,493	3,176	10,669	-	-	-	-
Accrued interest payable	11,870	25,407	37,277	372	-	-	-
Deferred revenue	13,853	10,778	24,631	2	893	-	-
Payable to primary government	-	-	-	-	888	-	-
Payable to component units	13,113	400	13,513	-	-	-	-
Long-term liabilities:							
Due within one year	41,241	47,990	89,231	10,763	14,084	14	-
Due in more than one year	587,119	942,244	1,529,363	31,554	42,205	-	-
<b>Total liabilities</b>	<b>699,369</b>	<b>1,048,304</b>	<b>1,747,673</b>	<b>45,392</b>	<b>66,432</b>	<b>784</b>	<b>-</b>
<b>NET ASSETS</b>							
Invested in capital assets, net of related debt	321,159	696,850	1,018,009	6,084	17,487	1,558	5,824
Restricted:							
Asset forfeiture	-	-	-	-	1,888	-	-
Debt service	30,859	161,866	192,725	2,507	1,423	-	-
Capital projects	35,136	-	35,136	-	-	-	-
Passenger facility charges	-	113,972	113,972	-	-	-	-
Other purposes	48,515	-	48,515	-	-	-	-
Unrestricted (deficit)	(10,632)	51,830	41,198	11,948	(46,432)	474	804
<b>Total net assets</b>	<b>\$ 425,037</b>	<b>1,024,518</b>	<b>1,449,555</b>	<b>20,539</b>	<b>(25,634)</b>	<b>2,032</b>	<b>6,628</b>

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Activities**  
**For the year ended June 30, 2002**  
**(dollars in thousands)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units			
					Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC
<b>Primary Government:</b>										
Governmental activities:										
General government	\$ 68,853	41,517	2,584	-	(24,752)	-	(24,752)	-	-	-
Convention and tourism	6,188	-	-	-	(6,188)	-	(6,188)	-	-	-
Parks and recreation	20,066	763	600	-	(18,703)	-	(18,703)	-	-	-
Judicial	48,382	10,269	10,594	-	(27,519)	-	(27,519)	-	-	-
Streets	51,056	5,481	1,313	-	(44,262)	-	(44,262)	-	-	-
Public safety:										
Fire	54,000	2,734	2,382	-	(48,884)	-	(48,884)	-	-	-
Police:										
Payment to SLPD	124,551	-	-	-	(124,551)	-	(124,551)	-	-	-
Other	780	-	-	-	(780)	-	(780)	-	-	-
Other	41,523	8,447	2,306	-	(30,770)	-	(30,770)	-	-	-
Health and welfare	35,563	2,332	30,051	-	(3,180)	-	(3,180)	-	-	-
Public service	65,202	165	870	5,593	(58,574)	-	(58,574)	-	-	-
Community development	50,280	-	28,259	-	(22,021)	-	(22,021)	-	-	-
Interest and fiscal charges	29,601	-	-	-	(29,601)	-	(29,601)	-	-	-
Total governmental activities	596,045	71,708	78,959	5,593	(439,785)	-	(439,785)	-	-	-
Business-type activities:										
Airport	151,590	160,039	1,779	37,510	-	47,738	47,738	-	-	-
Water Division	43,458	39,676	-	95	-	(3,687)	(3,687)	-	-	-
Parking Division	10,859	11,525	-	1,000	-	1,666	1,666	-	-	-
Total business-type activities	205,907	211,240	1,779	38,605	-	45,717	45,717	-	-	-
Total primary government	801,952	282,948	80,738	44,198	(439,785)	45,717	(394,068)	-	-	-
<b>Component Units:</b>										
SLDC	29,385	13,320	14,093	-	-	-	(1,972)	-	-	-
SLPD	136,115	305	4,521	876	-	-	-	(130,413)	-	-
HSTRC	10,835	7,865	3,623	-	-	-	-	-	653	-
SWMDC	486	316	-	186	-	-	-	-	-	16
Total component units	\$ 176,821	21,806	22,237	1,062	-	-	(1,972)	(130,413)	653	16
General revenues:										
Taxes:										
Property taxes, levied for general purpose					42,616	-	42,616	-	-	-
Property taxes, levied for debt service					4,497	-	4,497	-	-	-
Sales taxes					132,418	-	132,418	-	-	-
Earnings/payroll taxes					155,760	-	155,760	-	-	-
Gross receipts taxes (includes franchise tax)					61,188	-	61,188	-	-	-
Miscellaneous taxes					17,556	-	17,556	-	-	-
Unrestricted interest earnings					6,720	32,811	39,531	349	251	7
Gain on sale of capital assets					-	2,830	2,830	-	-	-
Miscellaneous					-	-	-	-	186	-
Support provided by City of St. Louis, Missouri					-	-	-	-	124,551	-
Transfers					7,033	(7,033)	-	-	-	-
Total general revenues and transfers					427,788	28,608	456,396	349	124,988	7
Change in net assets					(11,997)	74,325	62,328	(1,623)	(5,425)	660
Net assets - beginning of year					437,034	950,193	1,387,227	22,162	(20,209)	1,372
Net assets - end of year					\$ 425,037	1,024,518	1,449,555	20,539	(25,634)	2,032

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2002**  
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents:					
Restricted	\$ 1,773	-	-	2,834	4,607
Unrestricted	6,506	16,340	-	11,084	33,930
Investments:					
Restricted	23,462	50,304	28,250	8,607	110,623
Unrestricted	27,999	72,705	-	29,215	129,919
Receivables, net of allowances:					
Taxes	82,249	2,657	-	20,480	105,386
Intergovernmental	2,002	1,415	-	841	4,258
Charges for services	232	-	-	30	262
Notes and loans	-	-	-	512	512
Other	43	812	-	-	855
Due from component units	888	-	-	-	888
Due from other funds	10,133	-	-	832	10,965
Total assets	<u>155,287</u>	<u>144,233</u>	<u>28,250</u>	<u>74,435</u>	<u>402,205</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable and accrued liabilities	3,001	12,857	7,365	272	23,495
Accrued salaries and other benefits	6,588	49	565	284	7,486
Due to component units	7,053	-	-	6,060	13,113
Due to other funds	3,885	154	6,529	222	10,790
Deferred revenue	45,981	-	13,853	9,950	69,784
Other liabilities	860	-	-	72	932
Total liabilities	<u>67,368</u>	<u>13,060</u>	<u>28,312</u>	<u>16,860</u>	<u>125,600</u>
Fund balances:					
Reserved:					
Encumbrances	4,774	43,838	-	1,026	49,638
Debt service	24,941	1,451	-	11,417	37,809
Capital projects	-	56,074	-	-	56,074
Unreserved, reported in:					
General fund	58,204	-	-	-	58,204
Special revenue funds	-	-	(62)	45,132	45,070
Capital projects fund	-	29,810	-	-	29,810
Total fund balances	<u>87,919</u>	<u>131,173</u>	<u>(62)</u>	<u>57,575</u>	<u>276,605</u>
Total liabilities and fund balances	<u>\$ 155,287</u>	<u>144,233</u>	<u>28,250</u>	<u>74,435</u>	<u>402,205</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**  
**For the year ended June 30, 2002**  
**(dollars in thousands)**

Total fund balances - governmental funds - balance sheet \$ 276,605

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. 693,470

Various taxes related to fiscal year 2002 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. 9,066

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, 2002 and payable on December 31, 2002 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements. 46,865

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. (6,873)

The City reports a net pension asset on the statement of net assets to the extent contributions to the City's retirement plan exceeds the annual required contribution. This asset is not reported within the fund financial statements as it is not available to liquidate current financial obligations. 24,316

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. 4,082

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 as an adjustment to interest expense on the government-wide financial statements.

Balances as of June 30, 2002 are:

Accrued compensated absences	(29,389)
Net pension obligation	(2,951)
Accrued interest on bonds	(11,870)
Arbitrage rebate liability	(435)
Landfill closure liability	(185)
Capital lease	(17,881)
Bonds and notes payable	(562,653)
Unamortized discounts	1,675
Unamortized premiums	(3,219)
Unamortized deferred amounts on refunding	4,414
	<u>4,414</u>

Total net assets - governmental activities - statement of net assets \$ 425,037

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2002**  
**(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>Fund</u>		<u>Funds</u>	<u>Funds</u>
<b>REVENUES</b>					
Taxes	\$ 313,482	20,722	-	81,217	415,421
Licenses and permits	15,691	-	-	2,576	18,267
Intergovernmental	12,175	8,217	61,401	2,614	84,407
Charges for services, net	12,283	-	-	12,624	24,907
Court fines and forfeitures	8,200	-	-	213	8,413
Investment income	3,544	1,322	-	1,854	6,720
Interfund services provided	4,864	-	-	-	4,864
Miscellaneous	4,367	8,517	-	2,357	15,241
Total revenues	<u>374,606</u>	<u>38,778</u>	<u>61,401</u>	<u>103,455</u>	<u>578,240</u>
<b>EXPENDITURES</b>					
Current:					
General government	39,043	-	3,538	12,738	55,319
Convention and tourism	2,219	-	-	83	2,302
Parks and recreation	17,765	-	16	302	18,083
Judicial	39,393	-	5,751	1,458	46,602
Streets	31,680	-	-	191	31,871
Public Safety:					
Fire	48,002	-	-	23	48,025
Police	123,499	1,312	-	520	125,331
Other	34,117	-	136	4,423	38,676
Health and welfare	11,332	-	14,290	9,024	34,646
Public services	22,868	-	9,566	31,064	63,498
Community development	-	-	49,682	-	49,682
Interfund services used	-	-	-	16	16
Capital outlay	15	83,756	-	593	84,364
Debt service:					
Principal	10,580	9,559	1,185	4,239	25,563
Interest and fiscal charges	15,629	8,350	2,237	4,127	30,343
Total expenditures	<u>396,142</u>	<u>102,977</u>	<u>86,401</u>	<u>68,801</u>	<u>654,321</u>
Excess (deficiency) of revenues over expenditures	<u>(21,536)</u>	<u>(64,199)</u>	<u>(25,000)</u>	<u>34,654</u>	<u>(76,081)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of general fixed assets	-	111	-	-	111
Issuance of note payable	-	-	-	460	460
Issuance of refunding bonds - leasehold revenue bonds	65,348	18,607	-	-	83,955
Premium on leasehold revenue bonds	1,935	-	-	-	1,935
Discount on leasehold revenue bonds	-	(160)	-	-	(160)
Issuance of section 108 loan guarantee assist	-	-	25,000	-	25,000
Payment to refunded bond escrow agent	(62,789)	-	-	-	(62,789)
Transfers in	18,686	17,050	-	2,943	38,679
Transfers out	(9,802)	-	-	(21,844)	(31,646)
Total other financing sources (uses), net	<u>13,378</u>	<u>35,608</u>	<u>25,000</u>	<u>(18,441)</u>	<u>55,545</u>
Net change in fund balances	<u>(8,158)</u>	<u>(28,591)</u>	<u>-</u>	<u>16,213</u>	<u>(20,536)</u>
Fund balances:					
Beginning of year	96,077	159,764	(62)	41,362	297,141
End of year	<u>\$ 87,919</u>	<u>131,173</u>	<u>(62)</u>	<u>57,575</u>	<u>276,605</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**  
**For the year ended June 30, 2002**  
**(dollars in thousands)**

Net change in fund balances - governmental funds - statement of revenues, expenditures, and changes in fund balances \$ (20,536)

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. This is the amount by which capital outlays, meeting the capitalization threshold, exceeded depreciation expense in the current period. 54,177

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	901	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	<u>(2,069)</u>	(1,168)

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net loss of internal service funds attributable to governmental activities is reported on the statement of activities. (381)

The City reports a net pension asset or obligation on the statement of net assets to the extent actual contributions to the City's retirement plans exceed or fall below the annual required contribution. This asset or obligation is not reported in the fund financial statements. Fluctuations in net pension assets or obligations are reported in the statement of activities. (7,174)

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, repayment 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:		
Leasehold revenue bonds payable	(21,750)	
Refunding leasehold revenue bonds payable	(62,205)	
Section 108 loan guarantee assistance	(25,000)	
Master note repurchase agreement	(460)	
Repayments during the current year:		
Advance refunding of leasehold revenue bonds	58,115	
Annual principal payments on bonds and notes payable	23,514	
Annual principal payments on capital leases	<u>2,049</u>	(25,737)

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	(13,960)	
Accrued interest on bonds	(1,102)	
Arbitrage rebate liability	(435)	
Landfill closure liability	(185)	
Discounts on debt issuances, net of amortization	678	
Premiums on debt issuances, net of amortization	(3,219)	
Deferred bond issuance costs, net of amortization	4,082	
Deferred advanced refunding differences on debt issuances, net of amortization	<u>2,963</u>	(11,178)

Change in net assets - governmental activities - statement of activities \$ (11,997)

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**June 30, 2002**  
(dollars in thousands)

	<b>Major Funds - Enterprise Funds</b>			<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
	<b>Lambert- St. Louis International Airport</b>	<b>Water Division</b>	<b>Parking Division</b>		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 97,082	6,070	1,399	104,551	-
Unrestricted cash and cash equivalents	5,758	5,496	2,839	14,093	126
Receivables, net of allowances:					
Intergovernmental	1,741	-	-	1,741	-
Charges for services	8,854	4,172	51	13,077	-
Accrued interest	1,338	-	-	1,338	-
Prepaid assets	-	-	-	-	85
Due from other funds	15	-	-	15	10,153
Inventories	2,500	1,510	-	4,010	-
Other current assets	1,737	59	-	1,796	-
<b>Total current assets</b>	<b>119,025</b>	<b>17,307</b>	<b>4,289</b>	<b>140,621</b>	<b>10,364</b>
Noncurrent assets:					
Investments:					
Restricted investments	614,021	14,092	6,951	635,064	-
Unrestricted investments	-	10,096	1,557	11,653	193
Capital assets:					
Property, plant, and equipment	703,219	231,067	36,896	971,182	172
Less accumulated depreciation	(408,260)	(93,322)	(7,236)	(508,818)	(121)
	294,959	137,745	29,660	462,364	51
Land	693,567	1,238	16,151	710,956	-
Construction in progress	83,432	9,205	2,540	95,177	-
Capital assets, net	1,071,958	148,188	48,351	1,268,497	51
Deferred charges and other assets:	25,585	635	1,625	27,845	-
<b>Total noncurrent assets</b>	<b>1,711,564</b>	<b>173,011</b>	<b>58,484</b>	<b>1,943,059</b>	<b>244</b>
<b>Total assets</b>	<b>1,830,589</b>	<b>190,318</b>	<b>62,773</b>	<b>2,083,680</b>	<b>10,608</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable and accrued liabilities	2,726	2,020	52	4,798	68
Accrued salaries and other benefits	2,129	863	184	3,176	7
Contracts and retainage payable	13,079	-	432	13,511	-
Accrued interest payable	24,309	1,000	98	25,407	-
Current portion of revenue bonds	34,415	2,090	935	37,440	-
Short-term revenue bonds payable	-	-	2,271	2,271	-
Due to other funds	2,846	6,119	1,275	10,240	103
Due to component unit	-	-	400	400	-
Claims payable	-	-	-	-	17,921
Deferred revenue	7,419	1,146	2,213	10,778	-
Accrued vacation, compensatory and sick time benefits	5,212	2,912	155	8,279	-
<b>Total current liabilities</b>	<b>92,135</b>	<b>16,150</b>	<b>8,015</b>	<b>116,300</b>	<b>18,099</b>
Noncurrent liabilities:					
Revenue bonds payable, net	854,656	36,599	38,866	930,121	-
Deposits held for others	-	1,115	-	1,115	-
Other liabilities	9,795	1,113	100	11,008	-
<b>Total noncurrent liabilities</b>	<b>864,451</b>	<b>38,827</b>	<b>38,966</b>	<b>942,244</b>	<b>-</b>
<b>Total liabilities</b>	<b>956,586</b>	<b>54,977</b>	<b>46,981</b>	<b>1,058,544</b>	<b>18,099</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	579,149	109,987	7,714	696,850	51
Restricted:					
Debt service	145,393	8,123	8,350	161,866	-
Passenger facility charges	113,972	-	-	113,972	-
Unrestricted (deficit)	35,489	17,231	(272)	52,448	(7,542)
<b>Total net assets</b>	<b>\$ 874,003</b>	<b>135,341</b>	<b>15,792</b>	<b>1,025,136</b>	<b>(7,491)</b>

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

Certain internal service fund assets are included within business-type activities

(618)

Net assets of business-type activities - government-wide statement of net assets

\$ 1,024,518

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2002**  
**(dollars in thousands)**

	<b>Major Funds - Enterprise Funds</b>				<b>Total Enterprise Funds</b>	<b>Internal Service Funds</b>
	<b>Lambert- St. Louis International Airport</b>	<b>Water Division</b>	<b>Parking Division</b>			
<b>OPERATING REVENUES</b>						
Aviation revenues	\$ 69,698	-	-	69,698	-	-
Concessions	34,237	-	-	34,237	-	-
Water sales	-	37,504	-	37,504	-	-
Lease revenue	12,800	-	-	12,800	-	-
Parking	2,554	-	11,525	14,079	-	-
Charges for services	-	-	-	-	-	16,474
Miscellaneous	-	2,172	-	2,172	-	-
Total operating revenues	<u>119,289</u>	<u>39,676</u>	<u>11,525</u>	<u>170,490</u>	<u>16,474</u>	<u>16,474</u>
<b>OPERATING EXPENSES</b>						
Claims incurred	-	-	-	-	-	12,953
Premiums	-	-	-	-	-	3,926
Personal services	39,026	15,356	4,935	59,317	-	148
Material and supplies	4,831	6,675	190	11,696	-	381
Purchased power	-	2,569	-	2,569	-	-
Contractual services	26,179	1,713	911	28,803	-	46
Miscellaneous	-	3,505	240	3,745	-	-
Depreciation and amortization	32,380	4,088	1,475	37,943	-	16
Interfund services used	2,442	2,406	-	4,848	-	-
Total operating expenses	<u>104,858</u>	<u>36,312</u>	<u>7,751</u>	<u>148,921</u>	<u>17,470</u>	<u>17,470</u>
Operating income (loss)	<u>14,431</u>	<u>3,364</u>	<u>3,774</u>	<u>21,569</u>	<u>(996)</u>	<u>(996)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenue	1,779	-	-	1,779	-	-
Investment income	31,047	1,276	488	32,811	-	-
Interest expense	(44,988)	(2,371)	(2,584)	(49,943)	-	-
Passenger facility charges	40,750	-	-	40,750	-	-
Amortization of bond issue costs	(1,335)	(87)	-	(1,422)	-	-
Gain on sale of capital assets	-	2,830	-	2,830	-	-
Legal judgment	-	(3,400)	-	(3,400)	-	-
Miscellaneous, net	(294)	(807)	(502)	(1,603)	-	(3)
Total nonoperating revenues (expenses), net	<u>26,959</u>	<u>(2,559)</u>	<u>(2,598)</u>	<u>21,802</u>	<u>(999)</u>	<u>(999)</u>
Income before transfers and contributions	<u>41,390</u>	<u>805</u>	<u>1,176</u>	<u>43,371</u>	<u>(999)</u>	<u>(999)</u>
Transfers in	-	-	807	807	-	-
Transfers out	(5,152)	(2,513)	(175)	(7,840)	-	-
Capital contributions	37,510	95	1,000	38,605	-	-
Change in net assets	73,748	(1,613)	2,808	74,943	-	(999)
Total net assets - beginning of year	800,255	136,954	12,984	949,193	-	(6,492)
Total net assets - end of year	<u>\$ 874,003</u>	<u>135,341</u>	<u>15,792</u>	<u>1,025,136</u>	<u>(7,491)</u>	<u>(7,491)</u>

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

Certain internal service fund assets are included within business-type activities	(618)
Change in net assets of business-type activities - government-wide statement of activities	<u>\$ 74,325</u>

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2002**  
**(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	\$ 131,475	41,285	11,411	184,171	-
Receipts from interfund services provided	-	-	-	-	9,797
Other operating cash receipts	2,554	-	61	2,615	-
Payments to suppliers of goods and services	(32,318)	(14,585)	(1,678)	(48,581)	(9,611)
Payments to employees	(34,770)	(13,651)	(4,791)	(53,212)	(148)
Payments for interfund services used	(2,618)	(2,930)	-	(5,548)	-
Net cash provided by operating activities	<u>64,323</u>	<u>10,119</u>	<u>5,003</u>	<u>79,445</u>	<u>38</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	807	807	-
Transfers to other funds	(5,152)	(2,513)	-	(7,665)	-
Cash paid for financing of retirement plan	(310)	-	-	(310)	-
Net cash provided by (used in) noncapital financing activities	<u>(5,462)</u>	<u>(2,513)</u>	<u>807</u>	<u>(7,168)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Cash collections from passenger facility charges	40,750	-	-	40,750	-
Receipts from federal financing assistance	37,548	-	-	37,548	-
Acquisition and construction of capital assets	(219,718)	(8,362)	(6,893)	(234,973)	-
Proceeds from sale of capital assets	16	2,846	-	2,862	-
Proceeds of short-term revenue bonds	-	-	2,271	2,271	-
Principal paid on revenue bond maturities	(38,375)	(1,980)	(890)	(41,245)	-
Interest paid on revenue bonds	(42,095)	(2,849)	(2,446)	(47,390)	-
Net cash used in capital and related financing activities	<u>(221,874)</u>	<u>(10,345)</u>	<u>(7,958)</u>	<u>(240,177)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	(3,022,571)	(99,356)	(18,683)	(3,140,610)	(193)
Proceeds from sales and maturities of investments	3,153,877	103,178	18,633	3,275,688	225
Investment income	31,655	1,253	471	33,379	-
Net cash provided by investing activities	<u>162,961</u>	<u>5,075</u>	<u>421</u>	<u>168,457</u>	<u>32</u>
Net increase (decrease) in cash and cash equivalents	<u>(52)</u>	<u>2,336</u>	<u>(1,727)</u>	<u>557</u>	<u>70</u>
<b>Cash and cash equivalents:</b>					
Beginning of year:					
Unrestricted	13,950	2,887	2,582	19,419	56
Restricted	88,942	6,343	3,383	98,668	-
	<u>102,892</u>	<u>9,230</u>	<u>5,965</u>	<u>118,087</u>	<u>56</u>
End of year:					
Unrestricted	5,758	5,496	2,839	14,093	126
Restricted	97,082	6,070	1,399	104,551	-
	<u>\$ 102,840</u>	<u>11,566</u>	<u>4,238</u>	<u>118,644</u>	<u>126</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 14,431	3,364	3,774	21,569	(996)
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>					
Depreciation and amortization	32,380	4,088	1,475	37,943	16
<b>Changes in assets and liabilities:</b>					
Receivables, net	2,577	2,190	(5)	4,762	-
Inventories	(47)	153	-	106	-
Other assets, net	(507)	-	5	(502)	(78)
Accounts payable and accrued liabilities	(393)	185	(93)	(301)	30
Accrued salaries and other benefits	3,009	261	45	3,315	7
Claims payable	-	-	-	-	7,736
Deferred revenue	6,627	(286)	(49)	6,292	-
Due to/from other funds	487	(48)	(249)	190	(6,677)
Deposits held for others	-	(295)	-	(295)	-
Other long term liabilities	5,759	507	100	6,366	-
Total adjustments	<u>49,892</u>	<u>6,755</u>	<u>1,229</u>	<u>57,876</u>	<u>1,034</u>
Net cash provided by operating activities	<u>\$ 64,323</u>	<u>10,119</u>	<u>5,003</u>	<u>79,445</u>	<u>38</u>

**Noncash investing, capital and financing activities:**

During the year ended June 30, 2002, the Parking Division received a contribution of property with a fair market value of \$1,000. During the year ended June 30, 2002, Lambert St. Louis International Airport, the Water Division, and the Parking Division recognized gains on investments in the amounts of \$3,755, \$129, and \$25, respectively.

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2002**  
(dollars in thousands)

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents - unrestricted	\$ 5,550	21,152
Investments - unrestricted	1,509,421	10,807
Receivables, net of allowances:		
Taxes	-	16,314
Contributions	3,949	-
Accrued interest	7,676	-
Other	8,420	152
Total assets	<u>1,535,016</u>	<u>48,425</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	1,988	549
Deposits held for others	114	24,492
Due to component units	-	145
Due to other governmental agencies	-	23,239
Other liabilities	45,499	-
Total liabilities	<u>47,601</u>	<u>48,425</u>
<b>NET ASSETS</b>		
Net assets held in trust for pension benefits	<u>\$ 1,487,415</u>	<u>-</u>

See accompanying notes to basic financial statements.

**CITY OF ST. LOUIS, MISSOURI**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the year ended June 30, 2002**  
**(dollars in thousands)**

	<u>Pension Trust Funds</u>
<b>ADDITIONS</b>	
Contributions:	
Members	\$ 6,436
Employers	6,383
Investment income:	
Interest and dividends	51,031
Net depreciation in fair value of investments	(175,147)
	<u>(124,116)</u>
Less investment expense	<u>(5,622)</u>
Net investment income	<u>(129,738)</u>
Total additions	<u>(116,919)</u>
<b>DEDUCTIONS</b>	
Benefits	85,265
Refunds of contributions	6,891
Administrative expense	2,468
Total deductions	<u>94,624</u>
Net decrease	<u>(211,543)</u>
Net assets held in trust for pension benefits:	
Beginning of year	1,698,958
End of year	\$ <u><u>1,487,415</u></u>

See accompanying notes to basic financial statements.

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 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 accounting principles generally accepted in the United States of America 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. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on the City. 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 and 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 or acquiring, leasing or subleasing real property and improvement thereon, and personal property to the City.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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St. Louis Municipal Finance Corporation (SLMFC – II)

The SLMFC – II, established in 1993, is governed by a five-member board of persons in designated City positions. The SLMFC – II 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 or acquiring, leasing or subleasing real property and improvements thereon, and personal property to the City.

2) Discretely Presented Component Units

The component units columns in the statement of net assets and statement of activities include the financial data of the City's four 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, 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 due to its operational and financial relationship with the City. The City is financially accountable for SLDC due to their fiscal dependency on the City.

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.

Harry S. Truman Restorative Center, James J. Wilson, City Counselor, Receiver (HSTRC)

The HSTRC is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court ordered receivership, the City has administrative oversight responsibility for HSTRC and appoints a voting majority of HSTRC's advisory board. This advisory board consists of one representative from each of the offices of the Mayor, Comptroller, President of the Board of Aldermen and the City Counselor (the Receiver) as well as two executive employees of HSTRC. The City is able to impose its will on HSTRC.

Solid Waste Management and Development Corporation (SWMDC)

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

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

St. Louis Development Corporation  
1015 Locust Street  
St. Louis, Missouri 63103-2845

The Metropolitan Police Department of the City  
of St. Louis  
1200 Clark Avenue  
St. Louis, Missouri 63101

Harry S. Truman Restorative Center  
5700 Arsenal Street  
St. Louis, Missouri 63139-1699

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, County, and 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

## CITY OF ST. LOUIS, MISSOURI

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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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, County, and 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 (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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 good, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities), Lambert-St. Louis International Airport (Airport), Water Division, and Parking Division. Each of these enterprise funds is major funds 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:

### Governmental Fund Types

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

The following are the City's governmental major funds:

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

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

Grants Fund – The grants fund is a special revenue fund which 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.

### 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 Lambert – St. Louis International Airport, the Water Division, and the Parking Division. The Airport is used to

## CITY OF ST. LOUIS, MISSOURI

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

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

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### 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 and reported similar to the governmental funds. 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 and pension trust fund financial statements. 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 funds types, and agency funds, and the accrual basis of accounting for the proprietary fund types and pension trust 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 sixty days of fiscal year-end, except for government grants, which is within one hundred and twenty 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 (i.e. matured).

GASB Statement No. 33 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 and 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 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 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 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 non-operating 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 which are capital, financing, or investing related are reported as non-operating 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 non-operating 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 non-operating revenues and expenses.

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

#### Component Units – SLDC, SLPD, HSTRC and SWMDC

The SLDC, HSTRC, and SWMDC proprietary funds are recorded on the accrual basis of accounting. The governmental fund types of SLDC and SLPD, and the fiduciary fund type of SLPD, follow the modified accrual basis of accounting.

#### 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 2001 was \$1.5991 per \$100 of assessed valuation of which \$1.4478 is for the general fund and \$.1513 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 which 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

Governmental activities capital assets

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

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network 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 statue, 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; and
- 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 or 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
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

Business-type activities capital assets

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

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:

	<u>Years</u>
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

Water Division

Capital assets were originally recorded 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 were 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:

	<u>Years</u>
Buildings and structures	44 to 55
Reservoirs	44 to 55
Boiler plant equipment	44 to 55
Pumping equipment	28 to 44
Purification basins and equipment	50 to 100
Water mains, lines, and accessories	50 to 100
Equipment	5 to 25
Motor vehicle equipment	5

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

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 contribution is 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	40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

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 5 years.

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 cost 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	5 to 10

Component Unit – SLPD

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

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

	<u>Years</u>
Buildings and improvements	50 to 100
Furniture and fixtures and other equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

Component Unit – HSTRC

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of each asset. Donated property and equipment are reported at fair value as an increase to unrestricted net assets.

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. Other Liabilities

Airport

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of \$7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bonds Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bonds Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bonds Series 1993A). In exchange, the Airport has contracted to buy qualified, eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called or are refinanced. The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest expense. In April 1996, this agreement was amended to replace the Bonds Series 1987 with the Airport Revenue

Refunding Bonds, Series 1996 (Bonds Series 1996). A \$95 termination payment was made in consideration for the amendment. The Airport's obligation under the forward purchase agreement of \$3,183 at June 30, 2002 is recorded in other noncurrent liabilities.

Water Division

In 1996, the Water Division entered into a forward purchase agreement with a financial institution. Under this agreement, the Water Division received a lump-sum interest payment of \$941 (present value of future interest earnings based on an interest rate of 6.20%) and deposited it into the waterworks revenue account. In exchange, the Water Division has contracted to buy qualified eligible (as defined in the agreement) securities from this institution on the 10th of every month until the water revenue bonds mature, are called, or are refinanced. The institution, in turn, receives the actual interest earned on the Water Division securities purchased every month. During 1999, the forward purchase agreement was amended to include the 1998 Water Revenue Bonds revenue account. The Water Division's obligation under the forward purchase agreement of \$554 is recorded in other noncurrent liabilities at June 30, 2002.

j. 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. Prior to December 2001, the facility charge was \$3.00 (in dollars) per enplaned passenger. 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 \$.08 (in dollars) per ticket operating fee retained by the airlines. During 2002, the Airport changed its method of accounting for PFC receivables and deferred revenue. Prior to 2002, the Airport recorded a receivable and deferred revenue for amounts remitted to the Airport in the month following fiscal year end. This change had no effect on net assets. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

k. Capital Contributions

Capital contributions to the Airport and Water Division 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 which are not restricted for capital purposes are reflected as nonoperating intergovernmental revenue.

l. 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 fund types within the fund financial statements.

m. 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 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.

n. 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 (i.e. matured) during the fiscal year ended June 30, 2002.

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 within accounts payable and accrued expenses 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 normal work day which are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to forty hours and will be paid to employees upon resignation, retirement, or death.

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

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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

o. 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, \$3,400 will remain in force and will be liquidated under the current year's budget and \$46,238 will automatically be reappropriated and re-encumbered as part of subsequent year budgets.

p. Interfund Transactions

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

Transfers

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

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, direct expenses are not eliminated from the various functional categories. Indirect expenses 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.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

q. Reserved Fund Balance

Within the fund 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, 2002 are comprised of the following:

General Fund

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

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.

Other Governmental Funds

Cash and investments with a trustee to be used for debt service of the Scullin Tax Increment Financing Bonds and West Pine Tax Increment Financing Bonds and other bond principal payments.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

t. Individual Fund Deficit

At June 30, 2002, the grants fund has a deficit fund balance of \$62. This amount will be offset by future revenues. Additionally, the PFPC internal service fund has deficit net assets of \$8,128. The accumulated deficit will be offset by charges for services to other funds in future years.

u. Accounting Change and Restatement of Fund Balance

During fiscal year 2002, the City adopted GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* (GASB No. 34), GASB Statement No. 37, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus* (GASB No. 37), GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (GASB No. 38) and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB No. 34 (as amended by GASB No. 37) represents a very significant change in the financial reporting model used by state and local governments.

GASB No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City’s governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Additionally, the City’s statement of net assets includes capital assets and long-term liabilities of the City, which were previously recorded in the general fixed assets account group and the general long-term debt account group, respectively. In addition to the fixed assets previously recorded in the general fixed assets account group, the City retroactively capitalized infrastructure assets that were acquired beginning with fiscal year ended June 30, 1981. In addition, the government-wide statement of activities reflects depreciation expense on the City’s capital assets, including infrastructure.

In addition to the government-wide financial statements the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting for the City’s general fund, capital projects fund, grants fund, other governmental funds, and agency funds, which is similar to that previously presented for these funds in the City’s financial statements, although the format of financial statements has been modified by GASB No. 34. Additionally, the proprietary funds and pension trust funds fund financial statements continue to focus on the determination of net income and capital maintenance.

GASB No. 34 also includes, as required supplementary information, Management’s Discussion and Analysis, which provides an analytical overview of the City’s financial activities. In addition, a budgetary comparison schedule is presented that compares the original and final revised general fund budget with actual results and certain pension information is presented.

GASB No. 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB No. 34. While this statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and amended including descriptions of activities of major funds, future debt service and lease obligations in five year increments, short-term obligations, and interfund balances and transactions.

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to July 1, 2001. Restatement of net assets within the government-wide financial statements is as follows:

General Fund	\$	96,077
Special Revenue Funds		30,998
Debt Service Fund		10,134
Capital Projects Fund		159,764
Enterprise Funds		950,193
Internal Service Funds		<u>(6,492)</u>
Total fund equity, June 30, 2001	\$	<u>1,240,674</u>
Required GASB 34 adjustments:		
Capital assets, net accumulated depreciation	\$	639,291
Long-term and other liabilities		(578,546)
Revenue recognition		57,269
Net pension asset		<u>28,539</u>
Total net assets, June 30, 2001	\$	<u>1,387,227</u>

## 2. DEPOSITS AND INVESTMENTS

While certificates of deposit are defined as investments for the statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes, for custodial risk disclosure they are shown as deposits. In addition, money market mutual funds are classified as cash deposits (for all funds except pension trust funds) on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

At year-end, the carrying amount of cash deposits was \$158,619 and the bank balances totaled \$178,597. Of the bank balance, \$1,547 was insured by the Federal Depository Insurance Corporation (FDIC), \$168,387 was covered by collateral held by the pledging bank's trust department or agent in the City's name, and \$6,241 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name, and \$2,422 was uninsured and uncollateralized.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. For City funds other than pension trust funds, investments may be made in obligations of the United States government or any agency or instrumentality thereof, or bonds of the State or any city within the state with a population of 400,000 inhabitants or more, certificates of deposit, commercial paper, bankers acceptances, money market mutual funds or state investment pools, provided that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into a repurchase agreement maturing

## CITY OF ST. LOUIS, MISSOURI

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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and becoming payable within 90 days secured by United States Treasury obligation or obligations of the United States government agencies or instrumentalities, of any maturity, as provided by law. Pension trust funds are authorized to invest in the following:

- United States government securities;
- Common stocks of corporations organized under the laws of the United States; however, the investment in common stock cannot exceed 45% of total investments at cost;
- Common stocks of foreign corporations through commingle fund investments;
- Publicly issued corporation bonds, debentures, notes, or other evidence of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of "A" or better by Moody's Investors Service; and
- Short-term securities with a maximum maturity of one-year including institutional liquid assets, United States Treasury obligations, federal agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

The Firemen's Retirement System of St. Louis, a pension trust fund (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 100% 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. At the Firemen's System's fiscal year end, \$31,607 in loans were outstanding to borrowers. The Firemen's System earned income of \$53 for its participation in the securities lending program for the year ended August 31, 2001.

The Employees' Retirement System of St. Louis, a pension trust fund (the Employees' System), invests in global fixed income portfolio that includes foreign governmental obligations. To hedge the exchange rate risk of holding foreign governmental obligations, the Employees' System also invests in forward foreign currency exchange contracts. The net value of the forward foreign currency exchange contracts is reflected in the financial statements of the Employees' System as a plan liability. The net gains and/or losses related to these contracts are reflected in the financial statements of the Employees' System as a part of net appreciation (depreciation) in fair value of investments.

The Police Retirement System of St. Louis, a pension trust fund (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 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

counter party 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, 2001, outstanding loans to borrowers were \$61,916. The Police System earned income of \$125 for its participation in the securities lending program for the year ended September 30, 2001.

City funds in the form of cash on deposit or certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the City Treasurer, City Comptroller, Circuit Clerk and the City's trustees and fiscal agents.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty, or by its trust department or agent, but not in the City's name.

	<u>Category</u>			<b>Total Carrying Value</b>
	<u>1</u>	<u>2</u>	<u>3</u>	
Investments:				
U.S. government agency securities	\$ 3,490	184,822	602,411	790,723
Pension trust funds investments:				
U.S. government securities	-	-	204,171	204,171
Corporate bonds	-	-	260,961	260,961
Stocks	-	-	618,704	618,704
Foreign government obligation	-	-	44,104	44,104
Mortgage-backed securities	-	-	137,616	137,616
	<u>\$ 3,490</u>	<u>184,822</u>	<u>1,867,967</u>	2,056,279
Money market mutual funds				132,499
Commercial paper				15,779
Pension trust funds investments:				
FHA mortgages				56
Mortgages on real estate				8
Collective investment funds				171,042
Money market mutual funds				19,301
Managed international equity funds				38,106
Total investments (excluding certificates of deposit) – primary government				<u>\$ 2,433,070</u>

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

The following is a reconciliation of the City's deposit and investment balances of June 30, 2002:

	<u>Cash and Investments</u>	<u>Investments</u>	<u>Restricted Assets</u>	<u>Total</u>
Bank deposits	\$ 3,150	46,311	109,158	158,619
Investments	71,701	1,615,682	745,687	2,433,070
	<u>\$ 74,851</u>	<u>1,661,993</u>	<u>854,845</u>	<u>2,591,689</u>

	<u>Government-wide Statement of Net Assets</u>	<u>Fiduciary Funds Statement of Fiduciary Net Assets</u>	<u>Total</u>
Cash and cash equivalents	\$ 48,149	26,702	74,851
Investments	141,765	1,520,228	1,661,993
Restricted assets (noncurrent)	854,845	-	854,845
	<u>\$ 1,044,759</u>	<u>1,546,930</u>	<u>2,591,689</u>

Component Unit – SLDC

At June 30, 2002, the carrying amount of SLDC's cash deposits was \$9,011 and the bank balance was \$9,852. Of the bank balance, \$884 was covered by federal depository insurance and \$8,968 was covered by collateral held by the pledging institution's trust department or agent in SLDC's name.

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.

SLDC's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2002. These categories are the same as for the primary government.

	<u>Category</u>			<u>Total Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Stock	\$ -	27	-	<u>27</u>

At June 30, 2002, the market value of all investments approximates the carrying amount.

Component Unit – SLPD

At June 30, 2002, the carrying amount of SLPD's cash deposits was \$2,571 and the bank balances were \$2,847. Of the bank balances, \$200 was insured by the FDIC and the remainder was covered by collateral pledged by financial institutions and held by the financial institution's trust department or the Federal Reserve Bank of Boston in SLPD's name, except for \$110, which was neither covered by FDIC or covered by pledged collateral.

State statutes and City 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 SLPD's name. Actual investment decisions are made by the Director of Budget and Finance, the Board of Police Commissioners, and SLPD's fiscal agents.

While repurchase agreements are classified as cash and cash equivalents on the statement of net assets, they are defined as investments for custodial risk disclosure.

SLPD's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. These categories are the same as for the primary government.

	Category			Carrying Value
	1	2	3	
Investments:				
Repurchase agreements	\$ 1,373	-	-	1,373
Federal home loan note	-	2,470	-	2,470
U.S. government agencies	13	-	-	13
Total investments	\$ 1,386	2,470	-	3,856
Mutual fund:				
Fidelity treasury mutual fund				155
				\$ 4,011

Component Unit – HSTRC

At June 30, 2002, the carrying amount of HSTRC's cash deposits was \$226 and was uncollateralized.

Component Unit – SWMDC

At June 30, 2002, the carrying amount of SWMDC's cash deposits was \$385 and the bank balance was \$635. Of the bank balance, \$100 was insured by the FDIC and \$535 was uncollateralized.

SWMDC's investments of \$419 at year-end consisted entirely of U.S. government securities, and were held by the bank's trust department in SWMDC's name (category 2).

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

3. RECEIVABLES, NET

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental activities:</b>						
General Fund	\$ 82,249	2,002	232	—	43	84,526
Capital Projects Fund	2,657	1,415	—	—	812	4,884
Other Governmental Funds	20,480	841	30	512	—	21,863
Total governmental activities	<u>\$ 105,386</u>	<u>4,258</u>	<u>262</u>	<u>512</u>	<u>855</u>	<u>111,273</u>
<b>Business-type activities:</b>						
Airport	—	1,741	8,854	—	1,338	11,933
Water Division	—	—	4,172	—	—	4,172
Parking Division	—	—	51	—	—	51
Total business-type activities	<u>\$ —</u>	<u>1,741</u>	<u>13,077</u>	<u>—</u>	<u>1,338</u>	<u>16,156</u>

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

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

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

<b>Governmental activities:</b>	
Taxes receivable – General Fund	\$ 108
Taxes receivable – Other Governmental Funds	48
<b>Business-type activities:</b>	
Charges for services receivable – Airport	260
Charges for services receivable – Water Division	<u>2,214</u>
	<u>\$ 2,630</u>

5. COMPONENT UNIT – SLDC RECEIVABLES

SLDC receivables consist principally of Small Business Administration (SBA) loans and various other commercial loans made to third parties 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 of Missouri. The proceeds from any repayment of these loans are payable back to the funding source. 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, 2002:

Airport Bond Fund:	
Debt Service Account	\$ 81,372
Debt Service Reserve Account	74,450
Airport Renewal and Replacement Fund	3,500
Passenger Facility Charge Fund	47,496
Airport Development Fund	54,529
Airport Construction Fund	447,899
Airport Contingency Fund	1,857
	\$ 711,103

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) 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 monies 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.

- 5) A subaccount 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 subaccount 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 subaccount 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.
- 6) Airport Contingency Fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system or other local facilities which are owned or operated by the City and are directly related to the actual transportation of passengers or property.
- 7) 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, 2002 are as follows:

Bond funds:	
Waterworks Bond and Interest Account	\$ 3,090
Water Revenue Bond Reserve Account	4,333
Water Replacement and Improvement Account	<u>700</u>
Total bond funds	8,123
Construction funds	10,924
Customer deposits	<u>1,115</u>
	<u>\$ 20,162</u>

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:

1994 Water Revenue Bond Funds

- 1) To the unrestricted Waterworks Operations and Maintenance Account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) To the Waterworks Bond and Interest Account, an amount at least equal to one-sixth of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to one-twelfth 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 payments of bonds principal and interest as the same shall become due.
- 3) To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.
- 4) To the Water Replacement and Improvement Account, an amount equal to \$25 per month until the account balance aggregates \$700. 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 Account. 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.

1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 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.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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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.

Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a two-dollar 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.

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2002 are as follows:

Debt Service Reserve	\$ 4,280
Construction	13
Debt Service	445
Parking Trust – Parking Division Accounts	2,247
Total	<u>6,985</u>
Other restricted assets	1,365
	<u>\$ 8,350</u>

The June 30, 2002, restricted assets are required by the Series 1999, 1998, and 1996 bond indentures. Descriptions of the above funds 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 – Used to pay construction costs to complete the respective projects.
- 3) Debt Service – Monies deposited into this account pay principal and accrued and unpaid interest on the respective Bonds.
- 4) 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.

The Series 1999, 1998, and 1996 Bond indentures requires that net project revenues be deposited into the respective Parking Facility Debt Service Account. From this account, revenues are applied as follows to the respective Bond series funds:

- 1) To the Debt Service, the amount of monies sufficient to meet the debt service requirements for at least one bond year.
- 2) To the Debt Service Reserve, the amounts, if any, required to cure any deficiency in the Debt Service Reserve.
- 3) To the Parking Trust, any amounts withdrawn in connection with the respective refunded Bonds.
- 4) To the Parking Facilities Renewal and Replacement Account, any remaining net project revenues.

Project revenues in excess of the amounts previously described will be applied as follows to the respective Bond series fund:

- 1) To the Parking Trust – Parking Division Accounts – Any amounts previously withdrawn by the trustee.
- 2) To the Renewal and Replacement – One-half of any such excess Project revenues up to a maximum amount on deposit of \$750.
- 3) The remaining revenues will be transferred to the Parking Meters, free of any restriction under the indenture.

On the fifteenth day of each month, the Treasurer of the City will pay to the trustee, to the extent of monies in the Parking Facilities Debt Service Account, an amount equal to (a) the amount required to make the amount on deposit with the trustee in the respective Interest Account equal to accrued and unpaid interest on the respective Bonds as of the first day of the immediately succeeding month (less any amounts on deposit in the Capitalized Interest Account of the Construction Fund), (b) one-twelfth of the principal amount (including mandatory sinking fund payments) due on the immediately succeeding December 15, (c) one-twelfth of the deficiency, if any, in the respective Reserve Fund Requirement as specified by the trustee in a notice given to the City pursuant to the Indenture, and (d) one-twelfth of the aggregate annual amount of any fees owing to the bank under the Reimbursement Agreement.

d. Component Unit – SLDC

Restricted cash and investments at June 30, 2002 are as follows:

Bond Funds	\$ 2,081
Interest Trust	440
Line of Credit Interest Reserve	125
Arena Easement Reserve	50
	\$ 2,696

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

Bond Funds

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 \$2,081.

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.

SLDC is also required to maintain on deposit at a bank in an interest trust account a minimum amount based on the outstanding loan balance. Any deficiency in the balance is required to be replaced within thirty days. At June 30, 2002, the balance in the interest trust account was \$440.

**7. CAPITAL ASSETS**

The following is a summary of changes in capital assets -- governmental activities for the year ended June 30, 2002:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2002</u>
<b>Governmental activities:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,314	18	—	—	77,332
Construction in progress	88,841	64,835	—	—	153,676
Works of art	2,100	111	—	—	2,211
Total capital assets not being depreciated	<u>168,255</u>	<u>64,964</u>	<u>—</u>	<u>—</u>	<u>233,219</u>
<i>Capital assets being depreciated:</i>					
Buildings	272,237	3,371	—	—	275,608
Improvements other than buildings	22,267	5,338	—	—	27,605
Equipment	93,295	4,400	5,561	—	92,134
Infrastructure	325,380	6,187	1,115	—	330,452
Total capital assets being depreciated	<u>713,179</u>	<u>19,296</u>	<u>6,676</u>	<u>—</u>	<u>725,799</u>
<i>Less accumulated depreciation for:</i>					
Buildings	66,477	7,186	—	—	73,663
Improvements other than buildings	11,339	253	—	—	11,592
Equipment	29,966	5,406	4,144	—	31,228
Infrastructure	134,292	15,837	1,115	—	149,014
Total accumulated depreciation	<u>242,074</u>	<u>28,682</u>	<u>5,259</u>	<u>—</u>	<u>265,497</u>
Total capital assets being depreciated, net	<u>471,105</u>	<u>(9,386)</u>	<u>1,417</u>	<u>—</u>	<u>460,302</u>
Governmental activities capital assets, net	<u>\$ 639,360</u>	<u>55,578</u>	<u>1,417</u>	<u>—</u>	<u>693,521</u>

Construction in progress consists primarily of the Transportation Center, Justice Center, Firehouse renovations and improvements at Forest Park.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

The following is a summary of changes in capital assets – business-type activities for the year ended June 30, 2002. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance June 30, 2002</u>
<b>Business-type activities:</b>					
<b>Airport:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 499,012	194,555	—	—	693,567
Construction in progress	62,373	32,306	—	(11,247)	83,432
Total capital assets not being depreciated	<u>561,385</u>	<u>226,861</u>	<u>—</u>	<u>(11,247)</u>	<u>776,999</u>
<i>Capital assets being depreciated:</i>					
Pavings	271,744	1,116	—	7,365	280,225
Buildings and facilities	358,303	1,047	—	1,708	361,058
Equipment	59,529	1,102	(869)	2,174	61,936
Total capital assets being depreciated	<u>689,576</u>	<u>3,265</u>	<u>(869)</u>	<u>11,247</u>	<u>703,219</u>
<i>Less accumulated depreciation for:</i>					
Pavings	164,592	10,342	—	—	174,934
Buildings and facilities	179,876	14,528	—	—	194,404
Equipment	35,293	4,338	(709)	—	38,922
Total accumulated depreciation	<u>379,761</u>	<u>29,208</u>	<u>(709)</u>	<u>—</u>	<u>408,260</u>
Total capital assets being depreciated, net	<u>309,815</u>	<u>(25,943)</u>	<u>(160)</u>	<u>11,247</u>	<u>294,959</u>
Airport capital assets, net	<u>871,200</u>	<u>200,918</u>	<u>(160)</u>	<u>—</u>	<u>1,071,958</u>

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

	<b>Balance June 30, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2002</b>
<b>Water Division:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,254	—	(16)	—	1,238
Construction in progress	12,822	5,000	—	(8,617)	9,205
Total capital assets not being depreciated	14,076	5,000	(16)	(8,617)	10,443
<i>Capital assets being depreciated:</i>					
Buildings and structures	31,503	98	—	5,816	37,417
Reservoirs	29,932	—	—	—	29,932
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,275	62	—	—	8,337
Purification basins and equipment	35,118	37	—	2,221	37,376
Water mains, lines, and accessories	95,336	2,285	(13)	394	98,002
Equipment	10,534	379	—	186	11,099
Motor vehicle equipment	7,952	625	(334)	—	8,243
Total capital assets being depreciated	219,311	3,486	(347)	8,617	231,067
<i>Less accumulated depreciation for:</i>					
Buildings and structures	18,366	447	—	—	18,813
Reservoirs	3,512	573	—	—	4,085
Boiler plant equipment	602	4	—	—	606
Pumping equipment	6,868	149	—	—	7,017
Purification basins and equipment	7,220	667	—	—	7,887
Water mains, lines, and accessories	41,919	1,189	(9)	—	43,099
Equipment	6,924	524	—	—	7,448
Motor vehicle equipment	4,141	535	(309)	—	4,367
Total accumulated depreciation	89,552	4,088	(318)	—	93,322
Total capital assets being depreciated, net	129,759	(602)	(29)	8,617	137,745
Water Division capital assets, net	143,835	4,398	(45)	—	148,188

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

	<b>Balance June 30, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance June 30, 2002</b>
<b>Parking Division:</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 13,763	2,388	—	—	16,151
Construction in progress	—	2,540	—	—	2,540
Total capital assets not being depreciated	<u>13,763</u>	<u>4,928</u>	<u>—</u>	<u>—</u>	<u>18,691</u>
<i>Capital assets being depreciated:</i>					
Buildings and parking garages	30,258	1,610	—	—	31,868
Equipment	1,010	—	—	—	1,010
Parking meters and lot equipment	4,018	—	—	—	4,018
Total capital assets being depreciated	<u>35,286</u>	<u>1,610</u>	<u>—</u>	<u>—</u>	<u>36,896</u>
<i>Less accumulated depreciation for:</i>					
Buildings and parking garages	2,726	920	—	—	3,646
Equipment	627	88	—	—	715
Parking meters and lot equipment	2,483	392	—	—	2,875
Total accumulated depreciation	<u>5,836</u>	<u>1,400</u>	<u>—</u>	<u>—</u>	<u>7,236</u>
Total capital assets being depreciated, net	<u>29,450</u>	<u>210</u>	<u>—</u>	<u>—</u>	<u>29,660</u>
Parking Division capital assets, net	<u>43,213</u>	<u>5,138</u>	<u>—</u>	<u>—</u>	<u>48,351</u>
Business-type activities capital assets, net	\$ <u>1,058,248</u>	<u>210,454</u>	<u>(205)</u>	<u>—</u>	<u>1,268,497</u>

Construction in progress at the Airport consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Construction in progress at the Water Division consists primarily of costs incurred for various improvements to the Waterworks system. Construction in progress at the Parking Division related to the construction of a new parking facility.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

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

<b>Governmental activities:</b>	
General government	\$ 2,114
Convention and tourism	3,861
Parks and recreation	803
Judicial	1,309
Streets	17,748
Public safety:	
Fire	1,420
Other	903
Health and welfare	328
Public service	196
Total depreciation expense, governmental activities	<u>\$ 28,682</u>
<b>Business-type activities:</b>	
Airport	\$ 29,208
Water Division	4,088
Parking Division	1,400
Total depreciation expense, business-type activities	<u>\$ 34,696</u>

Component Unit – SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2002:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,568	346	—	4,914
Total capital assets not being depreciated	<u>4,568</u>	<u>346</u>	<u>—</u>	<u>4,914</u>
<i>Capital assets being depreciated:</i>				
Leasehold improvements	3,000	—	—	3,000
Equipment	626	6	—	632
Parking facilities	18,721	175	—	18,896
Total capital assets being depreciated	<u>22,347</u>	<u>181</u>	<u>—</u>	<u>22,528</u>
<i>Less accumulated depreciation for:</i>				
Leasehold improvements	100	200	—	300
Equipment	554	39	—	593
Parking facilities	6,158	618	—	6,776
Total accumulated depreciation	<u>6,812</u>	<u>857</u>	<u>—</u>	<u>7,669</u>
Total capital assets being depreciated, net	<u>15,535</u>	<u>(676)</u>	<u>—</u>	<u>14,859</u>
SLDC capital assets, net	<u>\$ 20,103</u>	<u>(330)</u>	<u>—</u>	<u>19,773</u>

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

Component Unit – SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2002:

	<b>Balance June 30, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2002</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,646	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	1,646
<i>Capital assets being depreciated:</i>				
Buildings and improvements	31,287	890	—	32,177
Furniture and fixtures and other equipment	2,269	162	—	2,431
Automotive equipment	5,382	3,014	(888)	7,508
Communications equipment	4,615	811	—	5,426
Computers and software	1,022	348	—	1,370
Aircraft	234	24	—	258
Total capital assets being depreciated	44,809	5,249	(888)	49,170
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	14,024	452	—	14,476
Furniture and fixtures and other equipment	1,533	185	—	1,718
Automotive equipment	3,745	1,461	(841)	4,365
Communications equipment	3,595	295	—	3,890
Computers and software	446	280	—	726
Aircraft	98	41	—	139
Total accumulated depreciation	23,441	2,714	(841)	25,314
Total capital assets being depreciated, net	21,368	2,535	(47)	23,856
SLPD capital assets, net	\$ 23,014	2,535	(47)	25,502

Component Unit – HSTRC

The following summarizes capital assets held by HSTRC at June 30, 2002:

Furniture and equipment	\$ 1,902
Kitchen and leasehold improvements	1,649
Less accumulated depreciation	(1,993)
	\$ 1,558

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

Component Unit -- SWMDC

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2002</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 6,902	608	—	7,510
Total capital assets being depreciated	<u>6,902</u>	<u>608</u>	<u>—</u>	<u>7,510</u>
<i>Less accumulated depreciation for:</i>				
Infrastructure	1,451	235	—	1,686
Total accumulated depreciation	<u>1,451</u>	<u>235</u>	<u>—</u>	<u>1,686</u>
SWMDC capital assets, net	<u>\$ 5,451</u>	<u>373</u>	<u>—</u>	<u>5,824</u>

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, 2002, SLDC has established a reserve for impairment of \$6,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Vendors</u>	<u>Contracts and Retainage Payable</u>	<u>Total</u>	<u>Other</u>	<u>Total Payables</u>
<b>Government activities:</b>					
General Fund	\$ 2,897	104	3,001	860	3,861
Capital Projects Fund	5,514	7,343	12,857	—	12,857
Grants Fund	7,352	13	7,365	—	7,365
Other Governmental Funds	198	74	272	72	344
Internal Service	68	—	68	—	68
Reconciliation of balances in fund financial statements to government- wide financial statements	—	—	—	185	185
Total governmental activities	<u>\$ 16,029</u>	<u>7,534</u>	<u>23,563</u>	<u>1,117</u>	<u>24,680</u>
<b>Business-type activities:</b>					
Airport	2,726	13,079	15,805	—	15,805
Water Division	2,020	—	2,020	—	2,020
Parking Division	52	432	484	—	484
Total business-type activities	<u>\$ 4,798</u>	<u>13,511</u>	<u>18,309</u>	<u>—</u>	<u>18,309</u>

**10. RETIREMENT PLANS**

The City contributes to two single-employer 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), and one cost-sharing multiple-employer defined benefit retirement plan, the Employees’ Retirement System of the City of St. Louis (Employees’ System). 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	August 31, 2001
Police	September 30, 2001
Employees’	September 30, 2001

*Firemen’s Retirement System of St. Louis*

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.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly retirement benefit is calculated at 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.

The Firemen’s System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen’s System, in accordance with Ordinance 62994 of the City, initiated during the System’s fiscal year ended August 31, 1994, the Deferred Retirement Option Plan (DROP). The DROP plan is available to members of the System who have achieved at least 20 years of creditable service and have 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 one percent from the normal eight percent. During participation in the DROP plan the member will not receive credit for City contributions or credit for service. A member may participate in the DROP plan 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.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

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Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen’s System, as mandated per 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.

Annual Pension Cost and Net Pension Asset

The City’s annual pension cost and net pension asset to the Firemen’s System for the year ended June 30, 2002, are as follows:

Annual required contribution	\$ (3,544)
Interest on net pension asset	1,993
Adjustment to annual required contribution	<u>(2,205)</u>
Annual pension cost	(3,756)
Contributions made	<u>3,544</u>
Decrease in net pension asset	(212)
Net pension asset, beginning of year	<u>24,528</u>
Net pension asset, end of year	\$ <u>24,316</u>

The net pension asset of \$24,316, as of June 30, 2002, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2002	\$ 3,756	94%	\$ 24,316
2001	3,252	100	24,528
2000	2,837	100	24,528

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

Date of actuarial valuation	September 1, 2001
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation method	3 year smooth market
Inflation rate	3.500%, per year
Investment rate of return	8.125%, compounded annually
Projected salary increases	5.500%, per year to retirement age
Projected post-retirement benefit increases	5.000%

*Police Retirement System of St. Louis*

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; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, 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 at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by State statute.

During the Police System year ended September 30, 1996, deferred retirement option plan (DROP) benefit provisions were added. 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 retirement the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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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. Members of the Police 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.

Annual Pension Cost

No actuarially determined contributions were made to the Police System by the City during the City's fiscal year ended June 30, 2002.

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
2002	\$ -	100%	\$ -
2001	-	100	-
2000	-	100	-

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

Date of actuarial valuation	October 1, 2001
Actuarial cost method	Aggregate (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	8.25%, per year
Projected salary increases	2.50 - 7.00%, varying by age
Projected post-retirement benefit increases	3.00% maximum per year, cumulative 30% cap

Employees' Retirement System of the City of St. Louis

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 City's participation in the Employees' System is greater than 99% of total participation of all employers.

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; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

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 to employees covered by the Employees' System after the employee has attained five years of creditable service. The Board of Trustees approves all withdrawals, benefits and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive 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 after 30 years of creditable service.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, which will establish a Deferred Retirement Option Plan (DROP), 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. 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.

Funding Policy

Employer contribution rates are established annually by the Board of Trustees based on an actuarial study. The Board of Trustees elected to require employer contributions at a rate of 4.1% of active member payroll effective July 2001. Prior to July 1, 2001, the contribution rate was 1.9%.

Employees who became members of the Employees' System prior to October 14, 1977, may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977, may be made up to 6% of qualified employee compensation. These voluntary contributions vest immediately.

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, 2002, are as follows:

Annual required contribution	\$ (17,492)
Interest on net pension asset	366
Adjustment to annual required contribution	<u>(484)</u>
Annual pension cost	(17,610)
Contributions made	<u>7,981</u>
Increase in net pension obligation	(9,629)
Net pension asset, beginning of year	<u>4,580</u>
Net pension obligation, end of year	<u>\$ (5,049)</u>

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

The net pension obligation of \$5,048 is reflected as long-term liabilities within the accompanying basic financial statements as follows:

Governmental activities	\$ 2,951
Business-type activities	1,232
Component unit – SLPD	866
	<u>\$ 5,049</u>

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation)/Asset
2002	\$ 17,610	45.32%	\$ (5,049)
2001	–	100	4,580
2000	–	100	4,580

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

Date of actuarial valuation	October 1, 2001
Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll
Remaining amortization period	18.25 years as of October 1, 2001
Actuarial value of assets	The book value at beginning of year; plus, 25% of the difference between market value and book for the last four years; less the Member Savings Fund
Investment rate of return	8.00%
Projected salary increases	4.50 - 8.50%, depending on age
Projected post-retirement benefit increases	5.00% per year, maximum cumulative increase of 25%

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, 2002 contributions of \$273 which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2002, SLDC's current covered payroll was \$3,031 and total payroll amounted to \$3,322. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5-1/2% 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 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 limitation of the plan.

**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 1,065 retirees, while 1,280 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 65.5 cents for every \$1 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 \$2,325 per retiree (not in thousands) for healthcare and \$8 per retiree (not in thousands) for life insurance for the fiscal year ending June 30, 2002.

**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.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2002:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds payable	\$ 60,250	-	(2,725)	57,525	2,840
Section 108 Loan Guarantee Assistance Programs	55,000	25,000	(1,160)	78,840	2,270
Federal Financing Bank advances	900	-	(25)	875	35
MTFC direct loan agreement	636	-	(636)	-	-
Tax increment financing bonds payable	11,748	-	(746)	11,002	823
Master note purchase agreement	1,198	460	(768)	890	-
Note payable	1,964	-	(1,964)	-	-
Capital lease – rolling stock	7,400	-	(1,694)	5,706	1,794
Obligations under capital leases with component units	12,530	-	(355)	12,175	370
Leasehold revenue improvement and refunding bonds	321,127	83,955	(70,885)	334,197	13,995
Joint venture financing agreement	82,044	-	(2,720)	79,324	2,831
Unamortized discounts, premiums, and deferred amounts on refunding	(171)	(2,899)	200	(2,870)	-
Arbitrage rebate liability	-	435	-	435	-
Net pension obligation	-	2,951	-	2,951	-
Accrued vacation, compensatory, and sick time benefits	15,429	13,960	-	29,389	16,283
Claims and judgments payable	10,185	20,689	(12,953)	17,921	-
Governmental activities long-term liabilities	<u>\$ 580,240</u>	<u>144,551</u>	<u>(96,431)</u>	<u>628,360</u>	<u>41,241</u>

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 and accrued vacation, compensatory, and sick leave benefits are generally liquidated by the general fund.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

	<u>Balance, June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2002</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Airport:					
Revenue bonds payable	\$ 934,975	-	(38,375)	896,600	34,415
Net pension obligation	-	573	-	573	-
Other	4,036	6,000	(814)	9,222	-
Accrued vacation, compensatory, and sick time benefits	3,045	2,167	-	5,212	5,212
Unamortized discounts, premiums, and deferred amounts on refunding	(8,974)	-	1,445	(7,529)	-
Water Division:					
Revenue bonds payable	42,990	-	(1,980)	41,010	2,090
Customer deposits	1,410	-	(295)	1,115	-
Net pension obligation	-	559	-	559	-
Other	606	-	(52)	554	-
Accrued vacation, compensatory, and sick time benefits	1,413	1,499	-	2,912	2,912
Unamortized discounts, premiums, and deferred amounts on refunding	(2,683)	-	362	(2,321)	-
Parking Division:					
Revenue bonds payable	43,335	-	(890)	42,445	935
Short-term revenue bonds payable	-	2,271	-	2,271	2,271
Net pension obligation	-	100	-	100	-
Accrued vacation, compensatory, and sick time benefits	124	31	-	155	155
Unamortized discounts, premiums, and deferred amounts on refunding	(2,784)	-	140	(2,644)	-
Business-type activities long-term liabilities	<u>\$ 1,017,493</u>	<u>13,200</u>	<u>(40,459)</u>	<u>990,234</u>	<u>47,990</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 are being 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 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.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

Principal and interest requirements are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 2,840	2,786	5,626
2004	2,965	2,667	5,632
2005	3,100	2,540	5,640
2006	3,245	2,400	5,645
2007	3,400	2,253	5,653
2008-2012	13,645	12,250	25,895
2013-2017	19,185	5,369	24,554
2018-2019	9,145	709	9,854
	<u>\$ 57,525</u>	<u>30,974</u>	<u>88,499</u>

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 twenty-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.

Principal in the amount of \$1,160 was paid on the Darst-Webbe Housing Redevelopment project from the grants fund during 2002. The note is a twenty-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 is due during fiscal 2007.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 2,270	6,277	8,547
2004	4,070	6,260	10,330
2005	4,280	6,497	10,777
2006	4,550	6,115	10,665
2007	4,850	6,016	10,866
2008-2012	15,570	16,099	31,669
2013-2017	21,090	10,702	31,792
2018-2021	22,160	3,023	25,183
	<u>\$ 78,840</u>	<u>60,989</u>	<u>139,829</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 semi-annually based on rates established by the Secretary of the Treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a Multi Modal distribution center which integrates trucking, railway and waterway transportation and distribution channels. The loan initially consisted of twenty variable rate notes, due in July of each year, to be retired over the twenty years ending July 2016. Interest, payable semi-annually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 35	58	93
2004	35	56	91
2005	40	53	93
2006	40	51	91
2007	45	48	93
2008-2012	280	190	470
2013-2017	400	74	474
	<u>\$ 875</u>	<u>530</u>	<u>1,405</u>

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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e. Missouri Transportation Finance Corporation (MTFC) Direct Loan Agreement

In 1999, the City entered into a principal only loan arrangement with MTFC in the amount of \$10,900 to fund a portion of the costs of constructing the St. Louis Gateway Transportation Center (SLGTC). The City received \$5,450 from this loan agreement during 1999. In 2002, the City paid the final installment of \$636 on the original \$5,450 amount. The City will request the remaining \$5,450 as needed. The major source of repayment funds is the Proposition M local sales tax with the remainder coming from a combination of federal transfers (ISTEA) and project net revenue. The principal will be paid from the capital projects fund. From the date the City receives the second disbursement of \$5,450, \$2,000 will be due in fourteen months and the remainder will be due in twenty-eight months.

When complete, SLGTC will be a central downtown center for persons accessing urban buses, intercity buses, light rail, passenger rail (Amtrak, future commuter rail and high speed rail), the Airport (via Metro Link) and provide parking and commercial space. The terminal building will include Amtrak and Greyhound terminal ticketing, baggage and handling, waiting area facilities, plus concessionaire/food service space.

f. Tax Increment Financing Bonds Payable

In 1991, the City issued \$15,000 in tax increment financing 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 monies legally available in the City's general fund. During 2002, \$622 of payments in lieu of taxes and \$964 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 1998, the City issued \$300 plus accrued interest for 25 months of Tax Increment Revenue Notes (Series 98 TIF Notes) for the 4548 West Pine Redevelopment Area (the 98 Area) in order to provide for the demolition of the existing buildings on the site as well as additional infrastructure and site improvements. Townhouses will be constructed in the 98 Area. The Series 98 TIF Notes were acquired by the Washington University Medical Center at a 7% interest rate. During 2002, \$62 of payments in lieu of taxes were received.

Principal and interest requirements for the two Tax Increment Financing debt issues are as follows:

Year ending June 30:	<u>Series 91 TIF Bonds</u>		<u>Series 98 TIF Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 795	1,034	28	19
2004	875	950	30	17
2005	960	859	31	15
2006	1,055	758	34	12
2007	1,160	647	36	10
2008-2011	5,890	1,243	108	14
	<u>\$ 10,735</u>	<u>5,491</u>	<u>267</u>	<u>87</u>

g. Master Note Purchase Agreement

In February 2000, the St. Louis Municipal Finance Corporation (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 homeowner's as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the monies 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. The principal will be paid from other governmental funds.

In November 2001, the SLMFC, the City and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note along with a portion of the Series 2000 Note reserve account was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners. During 2002, \$759 and \$9 of principal relating to the Series 2000 Note and the Series 2001 Note, respectively, was paid, resulting in balances of \$439 and \$451, respectively, at June 30, 2002.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

**h. Note Payable**

In April 2001, the City entered into a promissory note in the amount of \$1,980 with the General Services Administration of the United States of America to purchase the Federal Building located at Tucker and Market Streets in St. Louis, Missouri. During 2002, the entire balance of this promissory note was repaid with the proceeds of the Series 2002A Leasehold Revenue Bonds out of the capital projects fund.

**i. Loan Agreement with Missouri Department of Natural Resources**

In July 2001, the City agreed to enter into a loan agreement with the Missouri Department of Natural Resources (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. As of June 30, 2002, the City has not drawn against the loan agreement.

**j. Component Unit – SLDC Line of Credit**

In March 2000, SLDC entered into a construction loan agreement set up as a line of credit for \$1,000. The loan agreement requires SLDC to deposit \$115 to an interest reserve account prior to initial disbursement from the loan. All earnings on the reserve account shall remain in the account which will be disbursed upon maturity of the loan. As of June 30, 2002, no disbursements had been made from the loan, and the interest reserve account had a balance of \$124.

**k. 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, 2002:

	<u>Balance, June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2002</u>	<u>Due Within One Year</u>
Due to other governmental agencies	\$ 11,685	1,279	3,345	9,619	1,864
Notes payable	8,513	8,595	2,157	14,951	8,769
Other liabilities	2,777	1,660	380	4,057	-
Revenue bonds	13,810	-	120	13,690	130
	<u>\$ 36,785</u>	<u>11,534</u>	<u>6,002</u>	<u>42,317</u>	<u>10,763</u>

Maturities on notes payable are as follows:

Year ending June 30:	
2003	\$ 8,769
2004	4,481
2005	801
2006	900
	<u>\$ 14,951</u>

Revenue bonds outstanding at June 30, 2002 consist of LCRA Parking Facility Revenue Bonds Series 1999A, Parking Facility Revenue Refunding Bonds Series 1999B, and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Bonds). 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 balance at June 30, 2002 is \$2,350.

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 balance at June 30, 2002 is \$8,300.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%. The balance at June 30, 2002 is \$3,040.

Debt service requirements to maturity for SLDC bonded debt are as follows:

	<u>Series A</u>		<u>Series B</u>		<u>Series C</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 130	202	-	1,138	-	429
2004	240	187	-	1,138	-	429
2005	260	166	-	1,138	-	429
2006	285	142	-	1,138	-	429
2007	310	115	-	1,138	-	429
2008-2012	1,125	160	1,105	5,597	-	2,143
2103-2017	-	-	2,745	4,535	-	2,143
2018-2022	-	-	4,450	1,414	615	2,121
2023-2024	-	-	-	-	2,425	712
	<u>\$ 2,350</u>	<u>972</u>	<u>8,300</u>	<u>17,236</u>	<u>3,040</u>	<u>9,264</u>

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

1. 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, 2002:

	<u>Balance June 30, 2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2002</u>	<u>Due Within One Year</u>
Accrued banked overtime, vacation, and sick time leave	\$ 18,632	7,045	-	25,677	9,314
Capital lease obligation	8,940	-	(925)	8,015	970
Worker's compensation	22,066	-	(335)	21,731	3,800
Net pension obligation	-	866	-	866	-
	<u>\$ 49,638</u>	<u>7,911</u>	<u>(1,260)</u>	<u>56,289</u>	<u>14,084</u>

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (Lessor). In June 1994, the Lessor issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). Proceeds from the 1994 bonds were used to defease the previously issued Leasehold Revenue Bonds, Series 1988 (SLPD Series 1988 Bonds).

Proceeds from the SLPD Series 1988 Bonds were used to finance the purchase, construction, expansion, and improvement of real estate and buildings for SLPD's police patrol buildings. The SLPD Series 1994 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below.

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. These payments, made on behalf of the SLPD, are reflected as expenditures in the SLPD general fund. The lease payments are based on the systematic retirement of the SLPD Series 1994 Bonds which bear interest at rates ranging from 4.9% to 5.7% and mature through 2008. The SLPD future lease payments under these agreements are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 970	418	1,388
2004	1,025	365	1,390
2005	1,070	309	1,379
2006	1,130	249	1,379
2007	1,190	184	1,374
2008	2,630	75	2,705
	<u>\$ 8,015</u>	<u>1,600</u>	<u>9,615</u>

m. Component Unit – HSTRC Long-Term Liabilities

The following represents a summary of changes in long-term liabilities for HSTRC for the year-ended June 30, 2002:

	<b>Balance, June 30, 2001</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance, June 30, 2002</b>	<b>Due Within One Year</b>
Note payable	\$ 14	-	-	14	14

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. Equal payments of \$2,099 are to be made annually from the capital projects fund with the final payment due March 7, 2005.

Year ending June 30:		
2003		\$ 2,099
2004		2,099
2005		2,099
Total future minimum lease payments		6,297
Amount representing interest		(591)
Present value of net minimum lease payments		\$ 5,706

b. Capital Lease – Kiel Site Project

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 1997 A and B bonds were issued by SLDC in

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

September 1997, and the proceeds of which were used to retire SLDC's Station East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund. 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, 2002.

Year ending June 30:	
2003	\$ 974
2004	972
2005	974
2006	970
2007	970
2008-2012	4,850
2013-2017	4,833
2018-2022	4,896
Total future minimum lease payments	19,439
Amount representing interest	(7,264)
Present value of net minimum lease payments	\$ 12,175

**15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS**

Civil Courts

The SLMFC-II issued \$32,505 in Leasehold Revenue Improvement Bonds, Series 1994 (Series 1994 Bonds). The Series 1994 Bonds include serial bonds in the principal amount of \$16,690, and term bonds in the principal amount of \$15,815. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity date of August 1, 2013. The mandatory redemption begins August 1, 2007 and each August 1st thereafter, including August 1, 2013. The proceeds of the Series 1994 Bonds are being used by the City to finance certain improvements, renovations, rehabilitation, remodeling and equipping of the Civil Courts Building.

The City's payments are secured by a pledge agreement between the City and the Series 1994 Bonds trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). The principal amount outstanding is recorded as a long-term liability. The City's payments for debt service requirements are payable from the capital projects fund and are based on the Series 1994 Bonds with interest rates ranging from 3.75% to 5.75%.

Convention Center

On July 15, 1993, SLMFC issued \$153,607 Leasehold Revenue Refunding Bonds (Series 1993 A and B Bonds) in two series. The Series 1993 A and B 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 and B 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 1993 A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) ranging in rates from 3.0% to 6.0% 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%. The Series 1993 B Bonds in the amount of \$9,245 were taxable serial bonds with a final maturity on July 15, 2001, and interest rates ranging from 3.9% to 6.65%.

Lease payments calculated to meet the principal, interest and other costs related to the Series 1993 A and B Bonds are paid for in the City's general fund.

#### Justice Center

In August 1996, the SLMFC issued \$75,705 Leasehold Revenue Improvement Bonds, Series 1996 A (Series 1996 A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996 B (Series 1996 B Bonds) (collectively the 1996 Justice Center Bonds). The Series 1996 A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996 B 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 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. 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 1996 A Bonds are being used to construct the City Justice Center which will replace the former municipal jail that has been demolished and will house a total of seven hundred and thirty-two prisoners. When completed, the facility will be 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 City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City, on February 15, 2010, and at any time thereafter, as a whole at any time in part at any time, and if in part in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101% plus accrued interest thereon to the redemption date.

## CITY OF ST. LOUIS, MISSOURI

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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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. Interest rates on the Justice Center 2000A Bonds range from 4.75% to 6.0%.

On September 1, 2001, the SLMFC issued \$62,205 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%. The net proceeds of \$62,789 (after the addition of a \$1,935 premium less the payment of \$1,351 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the \$58,115 principal of the 1996A bonds. As a result, this portion of the 1996A bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,674. This difference, reported in the accompanying basic financial statements as a reduction of bonds payable, is being charged to operations through the year 2018 using the straight-line method, which approximates the effective interest method.

The City advanced refunded the Series 1996A bonds to reduce its total debt service payments over the next 18 years by approximately \$1,618 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,472.

### Forest Park

On March 1, 1997, the SLMFC issued \$19,270 Forest Park Leasehold Revenue Improvement Bonds, Series 1997, (Series 1997 Bonds). The City has agreed, subject to annual appropriation, to make payments from the Forest Park Subaccount in the capital projects fund sufficient for the prompt payment when due of the principal, and interest on the Series 1997 Bonds. As long as any Series 1997 Bonds remain outstanding, the percentage of the one-half cent capital improvements sales tax approved by City voters on August 3, 1993 allocated to the Forest Park Subaccount may not be reduced. Payments of principal and interest on the Series 1997 Bonds is insured by a policy of municipal bond insurance issued by Financial Guaranty Insurance Company. Interest is payable February 15 and August 15 of each year and principal is payable February 15 of each year until final maturity in 2022. Interest rates on the serial bonds payable 1998 through 2012 range from 3.7% to 5.375% and the term bonds due in 2017 and 2022 have a rate of 5.5%. The City's debt service payments are made from the capital projects fund.

The proceeds of the Series 1997 Bonds are being used to fund a major portion of the City's contribution toward the estimated \$86,000 Forest Park Master Plan (Plan). Forest Park, owned by the City, is one of the largest urban parks in the United States, encompassing 1,293 acres in the western portion of the City. As home to most of the region's important cultural institutions, including the Missouri History Museum, the St. Louis Art Museum, the St. Louis Science Center, the Municipal Opera Theater, the World's Fair Pavilion, the Jewel Box, Steinberg Rink and the St. Louis Zoo, it is a regional magnet drawing 10 to 12 million visitors (five times the population of the region) per year. After two years of planning, the City adopted the Plan in 1995 to integrate Forest Park's natural and man-made systems into a cohesive and mutually beneficial ecosystem. The Plan emphasizes technical and environmental designs that are economical to maintain with a "river-like" flowing water system, simplified road system, and an added 7,500 trees. The Plan is expected to be completed in five phases by 2004, the 100-year anniversary of the 1904 St. Louis World's Fair which was

held in Forest Park. Forest Park Forever, a nonprofit corporation unrelated to the City, has been selected to lead the campaign for raising the estimated \$43,000 needed from private individual and corporate donors to implement the Plan.

#### Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 Firemen's Retirement Systems Lease Revenue Bonds, Series 1998, (Series 1998 Bonds). Interest is paid semi-annually 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 will be 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.

#### Carnahan Courthouse

On April 1, 2002, the SLMFC issued \$21,750 in Leasehold Revenue Bonds, Series 2002A. The bonds include serial bonds in the principal amount of \$12,310, and term bonds in the amount of \$9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15<sup>th</sup> thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A trustee. The City's payments are further insured by the Financial Guarantee Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

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

	<u>Civil Courts</u>		<u>Convention Center</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ending June 30:				
2003	\$ 1,465	1,304	5,755	7,128
2004	1,540	1,226	6,075	6,813
2005	1,620	1,143	6,835	6,461
2006	1,705	1,055	7,815	6,055
2007	1,800	959	8,770	5,586
2008-2012	10,650	3,084	59,620	17,710
2013-2015	5,165	301	33,412	9,513
	<u>\$ 23,945</u>	<u>9,072</u>	<u>128,282</u>	<u>59,266</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:				
2003	\$ 4,480	6,252	470	908
2004	4,700	6,032	490	887
2005	4,935	5,797	515	865
2006	5,380	5,544	540	841
2007	5,860	5,268	565	816
2008-2012	37,460	21,605	3,265	3,623
2013-2017	43,435	11,011	4,245	2,647
2018-2020	15,660	1,207	6,990	1,344
	<u>\$ 121,910</u>	<u>62,716</u>	<u>17,080</u>	<u>11,931</u>

	<u>Fireman's System</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2003	\$ 1,825	1,304
2004	1,935	1,187
2005	2,055	1,062
2006	2,185	927
2007	2,325	784
2008-2011	10,905	1,479
	<u>\$ 21,230</u>	<u>6,743</u>

Year ending June 30:	<b>Carnahan Courthouse</b>	
	<b>Principal</b>	<b>Interest</b>
2003	\$ —	993
2004	—	1,139
2005	—	1,139
2006	—	1,139
2007	—	1,139
2008-2012	—	5,693
2013-2017	4,570	5,317
2018-2022	7,240	3,689
2023-2027	9,940	1,647
	\$ 21,750	21,895

**16. JOINT VENTURE FINANCING AGREEMENT**

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.

Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's \$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds and the Series C 1991 Bonds (collectively the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project). On December 15, 1993, the Authority issued \$121,705 in Series A refunding bonds and \$60,180 in Series B refunding bonds to advance refund \$101,410 of Series A Bonds and \$50,275 of Series B Bonds, respectively.

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. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and \$8,820 remain outstanding. Approximately \$2,100 of the proceeds were used for various project improvements.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

The Authority entered into a Project Financing Construction and Operation Agreement dated August 1, 1991 (Financing Agreement) 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 were 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, 2002, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2003	\$ 1,770	3,169	1,061	6,000
2004	1,885	3,049	1,066	6,000
2005	2,010	2,939	1,051	6,000
2006	2,105	2,842	1,053	6,000
2007	2,200	2,739	1,061	6,000
2008-2012	12,750	11,888	5,362	30,000
2013-2017	16,490	8,032	5,478	30,000
2018-2022	21,374	3,017	2,608	27,000
	<u>\$ 60,584</u>	<u>37,675</u>	<u>18,740</u>	<u>117,000</u>

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

17. REVENUE BONDS PAYABLE

a. Airport

Bonds outstanding at June 30, 2002 are summarized as follows:

Bond Series 1992, interest rates ranging from 5.8% to 6.125%, payable in varying amounts through 2016	\$ 21,260
Bonds Series 1993, interest rates ranging from 6% to 6.2%, payable in varying amounts through 2006	47,715
Bond Series 1993A, interest rates ranging from 6.35% to 6.65%, payable in varying amounts through 2006	27,865
Bonds Series 1996, interest rates ranging from 5.05% to 6%, payable in varying amounts through 2008	22,620
Bonds Series 1997, interest rates ranging from 4.2% to 6%, payable in varying amounts through 2028	198,605
Bonds Series 1998, interest rates ranging from 4.0% to 5.125%, payable in varying amounts through 2016	68,620
Bonds Series 2000, interest rates ranging from 6.0% to 6.25%, payable in varying amounts through 2009	74,730
Bonds Series 2001A, interest rates ranging from 4.13% to 5.625%, payable in varying amounts through 2032	435,185
	896,600
Less:	
Current maturities	(34,415)
Unamortized discounts and premiums	(1,104)
Deferred amounts on refunding	(6,425)
	\$ 854,656

On July 15, 2000, the Airport issued \$87,165 in Series 2000 Letter of Intent Double Barrel Revenue Bonds. The Series 2000 Bonds are limited obligations of the Airport, payable solely from moneys to be received from the FAA pursuant to Letter of Intent Number ACE-98-01 dated November 10, 1998 and amended May 1, 2000; moneys on deposit in the Airport Development Fund; and certain other funds pledged under the bond indenture. None of the general Airport revenues or properties of the Airport have been pledged or mortgaged to secure payment of the Series 2000 Bonds. The net proceeds of the Series 2000 Bonds of \$85,536 (after the deduction of a \$125 original issue discount and the payment of \$1,504 in underwriting fees, legal, accounting, and other issuance costs), together with other available funds, are being applied to pay a portion of the cost of the acquisition of certain land located adjacent to the Airport and the construction of certain improvements thereon.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

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On May 1, 2001, the Airport issued \$435,185 in Series 2001A Airport Revenue Bonds for the purpose of acquiring certain land located adjacent to the Airport and acquiring, designing, constructing, improving, renovating, expanding, rehabilitating, and equipping certain Airport facilities. The net proceeds from the Series 2001A Bonds were \$426,782 (after the deduction of a \$1,050 original issue discount and the payment of \$7,353 in underwriting fees, legal, accounting, and other issuance costs). The Series 2001A Bonds are secured by the net revenues from the operations of the Airport.

The deferred amounts on refunding of \$6,425 relate to the refunded Bond Series 1984, Bond Series 1987, and Bond Series 1992 and are included in revenue bonds payable. The deferred amounts on refunding are amortized using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 2002. Interest payments on the above issues are due semiannually on January 1 and July 1.

As of June 30, 2002, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 34,415	47,819	82,234
2004	39,760	45,688	85,448
2005	42,550	43,274	85,824
2006	43,200	40,707	83,907
2007	24,950	38,785	63,735
2008-2012	144,685	168,283	312,968
2013-2017	139,705	130,426	270,131
2018-2022	137,435	93,543	230,978
2023-2027	156,095	55,285	211,380
2028-2032	133,805	16,802	150,607
	<u>\$ 896,600</u>	<u>680,612</u>	<u>1,577,212</u>

In prior years, the Airport advance refunded \$221,715 of 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, 2002, \$106,440 of outstanding bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2002 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 1994 Water Revenue Bonds, 5.7% to 7.0%, payable in varying amounts through 2006	\$ 11,835
Series 1998 Water Revenue Bonds, 4.1% to 4.75% payable in varying amounts through 2014	29,175
	41,010
Less:	
Current maturities	(2,090)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds	(2,112)
Unamortized discounts	(209)
	\$ 36,599

Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued \$51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from and secured by the revenues of the Waterworks System. The Series 1994 Bonds were issued as part of the \$170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the Waterworks System, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the Bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by Financial Guaranty Insurance Company. This policy which guarantees the payment of principal and interest on the Series 1994 Bonds is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the Waterworks System. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin; (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant; (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants; and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the Waterworks System.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of \$22,664 and \$10,714, respectively. Chain of Rocks treatment plant sedimentation basins were completed in 2001 for a total cost of \$24,490. Chlorination system improvements were completed in 2002 for a total cost of \$7,268.

Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued \$29,225 in Water Revenue Refunding Bonds (Series 1998 Bonds) with an average interest rate of 4.56 percent to advance refund \$27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02 percent. The net proceeds of \$28,451, (after the subtraction of an original issue discount of \$190 and the payment of \$584 in underwriting fees and other issuance costs) plus an additional \$2,508 of Series 1994 Bonds debt service fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the \$27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2002, \$27,775 of the defeased Series 1994 Bonds are outstanding.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,257. This difference, with current carrying value of \$2,112 is reported in the accompanying financial statements as a reduction from revenue bonds payable, is being charged to operations through the year 2014 using the bonds outstanding method.

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy which guarantees the payment of principal and interest on the Series 1998 Bonds is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2003	\$ 2,090	1,854	3,944
2004	2,235	1,727	3,962
2005	2,365	1,590	3,955
2006	2,500	1,444	3,944
2007	2,645	1,286	3,931
2008-2012	16,915	4,387	21,302
2013-2018	12,260	595	12,855
	<u>\$ 41,010</u>	<u>12,883</u>	<u>53,893</u>

c. Parking Division

Revenue bonds outstanding at June 30, 2002 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	\$ 24,005
Series 1998 Revenue Bonds, interest rates ranging from 3.7% to 6.375%, payable in varying amounts through 2023	7,430
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021	<u>11,010</u>
	42,445
Less:	
Current maturities	(935)
Unamortized discount and deferred loss on refunding	<u>(2,644)</u>
	<u>\$ 38,866</u>

On November 1, 1999, the Parking Division issued \$11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The Bonds consist of \$5,840 Series 1999A Tax Exempt Bonds and \$5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 Debt Service Reserve Fund, together with other available funds, are to be used to design, construct and equip a public parking facility on land owned by the City.

On June 1, 1998, the Parking Division issued \$8,000 in Parking Revenue Bonds with interest rates ranging from 3.700% to 6.375%. The net proceeds of \$8,000 were used to construct and equip a parking facility at the Marquette Building location.

On December 5, 1996, the Parking Division issued \$25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund \$22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of \$25,250 (after payment of \$570 of original issue discount) were used to pay underwriting fees, insurance and other issuance costs and the remaining proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2002, \$20,700 of Series 1992 bonds remained outstanding.

The Parking Division issued the Series 1996 bonds with a par value of \$25,820 to (1) pay the remaining costs of completing the Project (acquisition of real estate, the construction of a multilevel public parking garage and other parking facilities), (2) retire the Series 1992 bonds, (3) pay issuance costs and (4) fund the Debt Service Reserve Fund. The Series 1996 bonds are payable from, and secured by, a pledge of (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

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

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 935	2,344	3,279
2004	980	2,297	3,277
2005	1,030	2,246	3,276
2006	1,085	2,191	3,276
2007	1,140	2,132	3,272
2008-2012	7,980	9,535	17,515
2013-2017	10,220	7,676	17,896
2018-2022	16,950	1,604	18,554
2023-2027	2,125	1,209	3,334
	<u>\$ 42,445</u>	<u>31,234</u>	<u>73,679</u>

The Parking Division has a Forward Delivery Agreement with the trustee and a securities supplier. The Parking Division makes a monthly payment to the trustee who then invests the funds. The agreement can be canceled at any time by either party; however, a penalty payment is required if the Parking Division cancels the agreement.

The Parking Division has a standby purchase agreement with a financial institution whereby the financial institution has committed to purchase subordinated parking revenue bonds from the Parking Division at any time and from time to time in an aggregate principal amount not to exceed \$15,000 at any one time outstanding. Bonds issued pursuant to this agreement will bear interest at a tax-exempt rate selected by the financial institution, not to exceed 10% per annum. As of June 30, 2002, \$2,271 in bonds (bearing interest at a rate of 3.606%) were outstanding pursuant to this agreement.

**18. SHORT-TERM DEBT**

Short-term debt activity for the year ended June 30, 2002, was as follows:

	<u>Balance June 30, 2001</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2002</u>
Tax revenue anticipation notes	\$ —	43,000	(43,000)	—

**19. OPERATING LEASES**

- a. At June 30, 2002, the City was committed under miscellaneous operating leases for office space. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2003	\$ 1,216
2004	809
2005	531
2006	367
2007	367
2008-2012	1,711
	\$ 5,001

- b. The Airport has long-term use agreements and leases with signatory air carriers which expire 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.
- 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.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2002, revenues from signatory air carriers accounted for 61% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2002:

	<u>Signatory</u>	<u>Nonsignatory</u>	<u>Total</u>
Airfield	\$ 39,967	3,095	43,062
Terminal and concourses	23,680	516	24,196
Hangars and other buildings	465	-	465
Cargo buildings	1,975	-	1,975
	<u>\$ 66,087</u>	<u>3,611</u>	<u>69,698</u>

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:	
2003	\$ 20,456
2004	15,404
2005	7,851
2006	6,427
2007	6,235
2008-2012	7,827
2013-2017	3,729
2018-2022	3,612
2023-2027	3,562
2028-2032	3,562
2033-2037	1,781
Total minimum future rentals	<u>\$ 80,446</u>

The above amounts do not include contingent rentals which may be received under certain leases. Such contingent rentals amounted to \$22,581 for the year ended June 30, 2002.

The Airport leases computer and other equipment and has service agreements under noncancellable arrangements which expire at various dates through 2007. Expenses for operating leases and service agreements were \$854 for the year ended June 30, 2002. Future minimum payments (excluding payments for snow removal which are not determinable) are as follows:

Year ending June 30:	
2003	\$ 150
2004	90
2005	75
2006	46
2007	23
Total minimum future rentals	<u>\$ 384</u>

c. Component Unit – SLDC

In December 1996, SLDC, in conjunction with the Community Development Agency (CDA), 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 fifteen years. The new agreement, which increased the base rent to \$42 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:	
2003	\$ 232
2004	232
2005	239
2006	255
2007	255
2008-2012	1,305
2013-2017	<u>1,304</u>
	\$ <u>3,822</u>

Rent expenditures, net of \$281 in rents received, were \$319 during the year ended June 30, 2002.

Additionally, at June 30, 2002, SLDC was committed for approximately eleven years under an original twenty-five year operating lease with the City which requires annual rental payments of \$1 (in dollars) for certain property along the St. Louis Riverfront. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

d. Component Unit – SLPD

The SLPD leases buildings, computer equipment, and other miscellaneous items under noncancelable operating leases. Total expenditures for such leases were \$79 for the year ended June 30, 2002.

**CITY OF ST. LOUIS, MISSOURI**  
Notes to Basic Financial Statements, Continued  
June 30, 2002  
(dollars in thousands)

20. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2002 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Special Revenue – Grants Fund	\$ 6,529	
	Other Governmental Nonmajor Funds	80	
	Enterprise:		
	Airport	1,540	
	Water Division	861	
	Parking Division	1,020	
	Internal Service Funds	<u>103</u>	
		<u>10,133</u>	
	Other Governmental Nonmajor Funds	General Fund	536
		Capital Projects Fund	154
Other Governmental Nonmajor Funds		<u>142</u>	
		<u>832</u>	
Enterprise – Airport	General Fund	<u>15</u>	
Internal Service Funds	General Fund	3,334	
	Enterprise:		
	Airport	1,306	
	Water Division	5,258	
	Parking Division	<u>255</u>	
	<u>10,153</u>		
	<u>\$ 21,133</u>		

All of these interfund balances are due to either timing differences or 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, 2003, except for \$3,400 that the Water Division owes the internal service fund and \$2,448 that the general fund owes the internal service fund, both of which are due to a lawsuit, which is currently on appeal (see footnote 22f.)

21. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, consisted of the following:

		<u>Transfer From</u>					<u>Total</u>
		<u>General Fund</u>	<u>Other Govern- mental Funds</u>	<u>Airport</u>	<u>Water Division</u>	<u>Parking Division</u>	
<b>Transfer To</b>	General Fund	\$ -	10,846	5,152	2,513	175	18,686
	Capital Projects Fund	8,002	9,048	-	-	-	17,050
	Other Govern-mental Funds	1,800	1,143	-	-	-	2,943
	Parking Division	-	807	-	-	-	807
		<u>\$ 9,802</u>	<u>21,844</u>	<u>5,152</u>	<u>2,513</u>	<u>175</u>	<u>39,486</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.

22. 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 monies 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 monies. Through June 30, 2002, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to an agreement between the Missouri Department of Natural Resources (MDNR) 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 MDNR as the beneficiary. MDNR 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, 2002, no amounts had been drawn against the letter of credit by MDNR. At June 30, 2002, \$185 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and post-closure costs. The

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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closure plan, which has already been approved by MDNR, was scheduled to be completed in April 2003 with a one-year extension possible. The City has requested a one-year extension for completion of the closing, thereby extending the closure plan to April 2004.

c. Commitments

At June 30, 2002, the Airport had outstanding commitments amounting to approximately \$141,041 resulting primarily from contracts for construction projects. In addition, the Airport has \$12,464 in outstanding commitments resulting from service agreements.

d. Trans World Airlines, Inc. (TWA)

Prior to April 9, 2001, Trans World Airlines, Inc. (TWA) represented the major air carrier providing air passenger service at the Airport. TWA, in combination with American Airlines, Inc. (American) provided 45% of the Airport's total operating revenues and 69% of total revenues from signatory air carriers for the fiscal year ended June 30, 2002.

Acquisition of TWA's Assets by American Airlines

On January 10, 2001, TWA filed a petition for reorganization under Chapter 11 of the United States Bankruptcy Code and filed a petition with the motion to sell substantially all of its assets to American or its designees, including AMR Corp. (AMR), the parent company of American. The motion to sell the assets was approved by the United States Bankruptcy Court for the District of Delaware on March 12, 2001. The sale of TWA's assets to a newly created subsidiary of American (AMR Sub) was closed on April 9, 2001. In a letter dated March 28, 2001 to the Director of the Airport, American expressed its intent to continue operating a system hub at the Airport. This intent was further expressed in AMR's Form 10-K filed with the Securities and Exchange Commission dated March 22, 2001.

Although American has expressed its intent to continue operating a system hub at the Airport, no assurance can be given as to the levels of aviation activity which will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport, (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks, (3) air carrier economics and air fares, (4) the availability and price of aviation fuel, (5) air carrier service and route networks, (6) the capacity of the air traffic control system, and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of operating and nonoperating revenues of the Airport. Should the Airport incur a substantial loss of revenue and any Airport contingency plan to replace such revenue prove unsuccessful, the City's ability to make payments of principal, premium, if any, and interest on the outstanding bonds could be adversely affected. However, payment of the principal and interest on outstanding bonds is insured by a bonds insurance policy.

Use Agreement with TWA

In 1993, the City purchased from 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 AMR Sub, American assumed and assigned to AMR Sub TWA's obligations under the lease agreement.

Under the lease agreement, if during any month AMR Sub 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 AMR Sub would retain only the number of gates which represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if AMR Sub fails to make a payment of any rents, fees or charges, the City may terminate all of AMR Sub's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was \$7,829 for the year ended June 30, 2002. Accounts receivable at June 30, 2002 contained \$2,231 relating to amounts owed to the Airport by AMR Sub.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (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;
- The modernization and renovation of existing terminal facilities;
- The addition of up to 25 new passenger gates;
- Additional terminal facilities, doubling the Airport's existing space;
- Renovation of Lambert's existing runway and taxiway system; and
- The addition of more than 6,000 parking spaces.

The construction for 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 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program.

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.

## CITY OF ST. LOUIS, MISSOURI

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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Land acquisition activities are underway with approximately 2,100 parcels to be acquired. As of August 6, 2002, 1,236 offers have been extended; of these, 1,141 offers have been accepted; of these, 1,124 real estate transactions have been closed; of these, 1,091 properties have been vacated by the sellers and are in the possession of the Airport; of these, 892 homes have been demolished with others to follow in the coming months.

f. Water Main Break

The City has received a judgment from the Twenty-Second Judicial Circuit Court ordering the City to pay \$8,260 relating to damage caused to a private institution by a main break on a private fire line. This judgment is presently under appeal. Of the total judgment amount of \$8,260, the City has determined that \$5,848, consisting of damages and post-judgment interest, is a probable loss for the City. Of this amount, the City has determined that \$3,400 will be funded by the Water Division, and remaining \$2,448 will be funded by the general fund of the City. The remaining judgment amount of \$2,412, consisting of pre-judgment interest, is not considered a probable loss. Accordingly, this amount has not been accrued for within the basic financial statements of the City.

g. 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.

h. Parking Fines

The Parking Division has entered into a partnership with a developer for the construction of a new parking garage located in downtown St. Louis. The Parking Division is required to pay for the construction of the garage, and will receive full ownership and control upon the completion of the garage. Additionally, upon completion of the project, the Parking Division will exercise its option to purchase the developer's interest in the partnership. The option price is \$950; provided, however, that the option price shall be reduced, but not below \$100, by the difference between the actual costs and budgeted costs of construction of the garage.

In January 2002, a class action lawsuit seeking an injunction and damages was filed in the Missouri Circuit Court against the City, alleging that the City lacks the authority to impose and exact certain fines for parking violations. The City believes it has viable defenses to the allegations. The lawsuit questions the legitimacy of certain parking fines from the present time dating back to 1991. It is not currently possible to estimate the potential claims, and the lawsuit itself makes no specific claim for damages. Accordingly, no amount has been reported as a liability within the basic financial statements related to this lawsuit. However, if the defense is not successful, the damages could be substantial. It is the intention of the City to vigorously defend the lawsuit.

i. Component Unit – SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the Community Development Agency of the City as a subrecipient/administrator of the Community Development Block Grant programs.

j. 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 requires compliance with terms and conditions specified in the contract and grant agreements and is 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, 2002.

23. RISK MANAGEMENT

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 worker's compensation, general liability, unemployment benefits, and healthcare. 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.

Effective June 16, 2002, the City became self-insured for healthcare coverage for employees and retirees, as well as employees of HSTRC and Tower Grove Park. The City pays the cost of the lowest available coverage for all City employees. Employees must pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for dependents and spouses. Retirees must contribute a monthly amount to cover the cost of their care if participating in the plan. All funding levels were actuarially determined at the start of the plan.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

The estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$17,434 at June 30, 2002, relating to these matters is recorded in the self insurance internal service fund – PFPC for worker’s compensation and general liability. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC and health on a cost-reimbursement basis.

Additionally, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$487 at June 30, 2002, relating to such matters is recorded in the self insurance internal service fund – health for health insurance coverage provided to the City’s employees and retirees.

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, 2002, and for the years ended June 30, 2002, 2001, and 2000, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2002 and 2001 are as follows:

		<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Ending Balance</b>
	<b>Beginning Balance</b>			
2002	\$ 10,185	20,689	(12,953)	17,921
2001	9,267	8,880	(7,962)	10,185

Additionally, there are 24 general liability cases outstanding, 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 estimateable.

**24. GRANT LOAN PROGRAMS**

The City’s general fund and grants fund include the activities of the CDA which, 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 – 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 monies have not been spent) in the year of receipt.

**25. 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 which 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.

**26. SUBSEQUENT EVENTS**

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 2002, the City issued \$46,000 in Tax and Revenue Anticipation Notes (2002 Notes) payable from the general fund. The 2002 Notes mature on June 26, 2003 and bear interest at a rate of 2.875% per year.

Subordinated Parking Revenue Bonds

In September 2002, the Parking Division issued \$21,005 in Series 2002 Subordinated Parking Revenue Bonds. The proceeds of these bonds will be used to pay the costs of acquisition and construction of two parking facilities in downtown St. Louis, and to redeem the Parking Division's outstanding short-term revenue bonds payable. The Series 2002 bonds mature at various times from 2008 to 2028 at interest rates varying from 5.5% to 7.25%.

Capital Lease – Rolling Stock

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 to 2009 with an annual interest rate of 3.6909%.

**CITY OF ST. LOUIS, MISSOURI**

Notes to Basic Financial Statements, Continued

June 30, 2002

(dollars in thousands)

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Airport Revenue Bonds and Airport Revenue Refunding Bonds

On December 1, 2002, the Airport issued Airport Revenue Bonds, Series 2002A (Capital Improvement Program) in the amount of \$69,195, Airport Revenue Bonds, Series 2002B (Capital Improvement Program) in the amount of \$31,755 and Airport Revenue Refunding Bonds, Series 2002C in the amount of \$17,035. The proceeds of the Series 2002A, Series 2002B and Series 2002C Bonds will be used (i) to finance or reimburse a portion of the cost of the construction, improvement, renovation, expansion, rehabilitation and equipping of certain capital improvement projects at the Airport (The Airport Capital Improvement Program – FY 2003 and FY 2004 Projects), (ii) to refund all of the City's outstanding Airport Revenue Refunding and Improvement Bonds, Series 1992 and (iii) to fund certain capitalized interest, reserve accounts and costs of issuance in connection with the issuance of the 2002 Bonds. The Series 2002A Bonds are due in semi-annual installments from 2006 to 2011 and annual installments from 2012 to 2022 at interest rates varying from 3% to 5.375%. The Series 2002B Bonds are due in annual installments from 2006 to 2022 at interest rates varying from 3% to 5.25%. The Series 2002C Bonds are due in annual installments from 2003 to 2015 at interest rates varying from 2% to 5.5%.

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**APPENDIX C –  
SUMMARIES OF LEGAL DOCUMENTS**

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## APPENDIX C

### DEFINITIONS OF WORDS AND TERMS AND SUMMARY OF LEGAL DOCUMENTS

#### DEFINITIONS OF WORDS AND TERMS

In addition to the words and terms defined elsewhere in this Official Statement, the following are definitions of words and terms used in the Indenture, the Restated Lease Purchase Agreement and the Restated 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.

“Additional Bonds” means any additional Bonds, including Refunding Bonds, issued by the Corporation pursuant to Section 209 of the Indenture.

“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 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 Restated Lease Purchase Agreement.

“Agreement” means 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 2000 Bond Insurance Policy, the Surety Bond, the Series 2003 Surety Bond and the Bond Insurance Policy, and any successors or assigns.

“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.

“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 Restated 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 the Corporation 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 Leasehold Revenue Improvement and Refunding Bonds Bond Fund ratified in Section 501 of the Indenture which may consist of separate accounts or subaccounts, as may hereafter be created by a Supplemental Indenture authorizing a Series of Bonds.

“Bondholder”, “Holder” or “Registered Owner” means the registered owner of any Bond.

“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.

“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 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 Finance Corporation Bond Reserve Fund ratified in Section 501 of the Indenture which may consist of separate accounts and subaccounts as may hereafter be created by a 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 may be satisfied by Bond Reserve Fund Deposits in cash or upon the prior written approval of the Credit Facility Provider, 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.

“Bond Trustee” or “Trustee” means 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, as further described in Exhibit B to the Indenture.

“City” means the City of St. Louis, Missouri, a municipal corporation and political subdivision organized and existing under its Charter and the constitution and laws of the State of Missouri.

“City Representative” means the person or persons at the time designated to act on behalf of the City in matters not requiring legislative authorization relating to the Restated 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.

“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.

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of April 15, 2003 by and among the City, the Corporation, and the Bond Trustee.

“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 Agreement.

“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), 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, 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 Cervantes 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, 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 Restated 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.

“Cost” or “Costs”, as applied to the Series 1993 Project, means all reasonable and necessary expenses of or incidental to the Series 1993 Project directly or indirectly payable or reimbursable by the Corporation and costs reasonable and necessary and related to the authorization, sale and issuance of Bonds with respect to the Series 1993 Project, including but not limited to legal, organizational, marketing or other special services; financial or underwriting fees and expenses and any other fees and expenses incurred including the costs of any Credit Facility; filing and recording fees; initial fees and charges of the Trustee; expenses of feasibility studies; title insurance policies and all other reasonable, necessary and incidental expenses on Bonds issued to finance the Series 1993 Project.

“Costs of Issuance” means all costs incurred in connection with the issuance of the Bonds, including without limitation all printing expenses, financial or other consultant fees and expenses, legal fees and expenses of counsel to the Corporation, the Authority, the City, the Bond Trustee, and the Master Trustee, fees and expenses of special counsel to the Corporation, the Authority and the City, fees and expenses of bond counsel, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, fees of the Bond Trustee, the Master Trustee, the Corporation and the Authority, the fee of independent certified public accounts or consultants for verification services, the initial payment of fees for the Credit Facilities, and the expenses of the St. Louis Development Corporation.

“Costs of Issuance Fund” means the St. Louis Municipal Finance Corporation Costs of Issuance Fund ratified by Section 501 of the Indenture.

“Costs of the Project” means the costs of refunding the Series 1993A Current Interest Bonds; 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 St. Louis Convention Center Headquarters Hotel Project” means a portion of the costs of the St. Louis Convention Center Headquarters Hotel Project permitted to be paid out of proceeds of the Series 2000 Bonds, including the total of all reasonable or necessary expenses of and incidental to the St. Louis Convention Center Headquarters Hotel Project, including without limitation: the expenses of studies and surveys, land title and mortgage guaranty policies, architectural and engineering services and the cost of legal, organization or marketing services; the cost of acquiring, rehabilitating or demolishing existing structures, acquiring development rights for the site, developing the site of and constructing and equipping new buildings; the costs and expenses of the City and its affiliated agencies, including the costs of issuing the Series 2000 Bonds; and any other costs permitted under applicable law.

“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 Restated Indenture with respect to the Series 1993 Bonds, the Series 2000 Bonds and the Series 2003 Bonds, Ambac, and 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.

“Deed of Trust” means the Third Supplemental and Restated Deed of Trust, Security Agreement and Assignment dated as of the date of the Restated Indenture, from the Corporation, as grantor, and the mortgage trustee named therein, the Bond Trustee and Ambac for the benefit of the Bondholders 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 other substitute obligation during any moratorium on the issuance of such obligations of the Department of the Treasury (including obligations issued or held in book entry form), 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”.

“Depository” or “DTC” means Depository Trust Company, New York, New York, a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Security Exchange Act of 1934, and its successors and assigns.

“Escrow Deposit Agreement” means that certain Escrow Deposit Agreement dated as of April 15, 2003, among the Corporation, the City and the Escrow Agent named therein.

“Escrow Agent” means BNY Trust Company of Missouri 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 Restated Lease Purchase Agreement any Event of Default as defined in Section 12.1 of the Restated Lease Purchase Agreement, and (b) with respect to the Indenture any Event of Default as defined in Section 901 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 Restated Lease Purchase Agreement.

“Exchange Agreement” means, to the extent from time to time permitted by applicable law and subject to the prior written consent of the Credit Facility Provider if there shall be in effect a Credit Facility, any interest exchange agreement, interest rate swap agreement, currency swap agreement or other contract or agreement, other than a Qualified Swap, authorized, recognized and approved by the Issuer as an Exchange Agreement and providing for (i) certain payments by the Issuer from the Bond Fund and (ii) payments by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability, or whose obligations under an Exchange Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated not less than [A3] by Moody’s and [A-] by S&P, or the equivalent thereof by any successor thereto; which payments by the Corporation and counterparty are calculated by reference to fixed or variable rates and constituting a financial accommodation between the Issuer and such counterparty.

“First Supplemental Deed of Trust” means the First Supplemental Deed of Trust, Security Agreement and Assignment dated as of August 1, 1999, between the Corporation, the individual trustee named therein, the Bond Trustee, The Sanwa Bank, Limited and Ambac Assurance Corporation.

“First Supplemental Indenture” means the First Supplemental Indenture of Trust dated as of June 15, 1993, between the Corporation and the 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).

“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.

“Guaranty Agreement” means the First Amended and Restated Guaranty Agreement dated as of November 15, 2000 by and between the City and Ambac.

“Holder”, “Bondholder”, “Owner” or “Registered Owner” means the registered owner of any Bond.

“Indenture” means the Original Indenture as amended and supplemented by the First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, and the Restated Indenture, as further amended and supplemented from time to time.

“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.

“Issuer” means, with respect to the Series 1993 Bonds and the Series 2003 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.

“Lease Purchase Agreement” means the Third Supplemental and Restated Lease Purchase Agreement dated as of the date of the Restated Indenture between the Corporation, the Authority and the City, as from time to time supplemented or amended in accordance with Article XIV of the Lease Purchase Agreement and ARTICLE XII of the Indenture.

“Lease Term” shall have the meaning specified in the definition of “Term”.

“Master Indenture” means the Master Credit and Disbursement Indenture dated as of December 1, 2000 by and among Gateway Hotel Partners, L.L.C., Gateway Tower Partners, L.L.C., such other persons as from time to time are members of the obligated group, and State Street Bank and Trust Company of Missouri, N.A., as Master Trustee.

“Master Trustee” means UMB Bank, N.A., as successor-in-interest to State Street Bank and Trust Company of Missouri, N.A., St. Louis, Missouri, or any successor trustee under the Master Indenture.

“Maturity” means, with respect to any Bond, the date on which the principal 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.

“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 of such Series plus premium, if any, less discount and underwriter’s discount.

“Non-Arbitrage Certificate” means the non-arbitrage certificate and any exhibit attached thereto relating to a Series of Bonds executed by the Corporation on the date of closing of such Series of Bonds.

“Original Indenture” means the Indenture of Trust dated as of June 15, 1993, between the Corporation and Mark Twain Bank, predecessor to BNY Trust Company of Missouri, as Bond Trustee.

“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 either of them for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds outstanding under the Indenture, the Purchase Agreement or the Restated 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 Restated Lease Purchase Agreement, (iv) the Restated 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 as of July 29, 1993, (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), or
  - 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.

3. Senior debt obligations of other Government Sponsored Agencies approved by the Credit Facility Provider.

(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
- (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
- (iv) Senior debt obligations of other Government Sponsored Agencies approved by the Credit Facility Provider;

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 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 the bonds or other obligations described in this subsection on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

7. Municipal obligations of 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; and

9. 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, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

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 between the Issuers, the Bond Trustee and 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” means, with respect to the Series 2003 Bonds, the refunding of the Series 1993A Current Interest Bonds and the payment of certain issuance costs.

“Project Fund” means the Leasehold Revenue Bonds Project Fund ratified in Section 501 of the Indenture which may consist of separate accounts and subaccounts, as may hereafter be created by a Supplemental Indenture authorizing a Series of Bonds.

“Purchase Agreement” means the Quitclaim Deed and Bill of Sale between the City and the Lessor dated as of June 15, 1993 conveying the Convention Center Property to the Lessor.

“Qualified Swap” or “Swap Agreement” means, with respect to a Series of Bonds, any financial arrangement (i) that is entered into by the Issuer with the prior written consent of the Credit Facility Provider if there shall be in effect a Credit Facility, with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Issuer shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to the principal amount of the Outstanding Bonds of such Series, and that such entity shall pay to the Issuer an amount based on the interest accruing on a principal amount initially equal to the same principal amount as such Bonds, at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an authorized officer of the Issuer with the prior written consent of the Credit Facility Provider, if there shall be in effect a Credit Facility, as a Qualified Swap with respect to the Bonds; provided, however, that if the Bonds corresponding to such Qualified Swap are retired in whole, unless the Qualified Swap is also terminated, the Qualified Swap Provider shall then be entitled to receive a Counsel’s Opinion from the law firm or firms rendering an opinion as to the Issuer’s obligations under the Swap Agreement on its date of issue as to whether or not the Swap Agreement is a valid and binding obligation of the Issuer after such retirement of the Bonds under then existing law.

“Qualified Swap Provider” means, with respect to a Series of Bonds, an entity whose senior long term debt obligations, other senior unsecured long terms obligations or claims paying ability or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated (at the time the subject Qualified Swap is entered into) at least as high as [A3] by Moody’s, and [A-] by S& P, or the equivalent thereof by any successor thereto.

“Rebate Fund” means the Leasehold Revenue Improvement and Refunding Bonds Rebate Fund ratified in Section 501 of the Indenture.

“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 Restated Lease Purchase Agreement.

“Replacement Bonds” means the Bonds authenticated and delivered by the Bond Registrar pursuant to Section 206 of the Indenture.

“Restated 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, the Bond Trustee, the Mortgage Trustee named therein, and Ambac.

“Restated 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.

“Restated Lease Purchase Agreement” means the Third Supplemental and Restated Lease Purchase Agreement dated as of the date of the Indenture, among the Authority, the Corporation and the City.

“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.

“St. Louis Convention Center Headquarters Hotel 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.

“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, the Bond Trustee, Ambac and the Mortgage Trustee named therein.

“Second Supplemental Indenture” means the Second Supplemental Indenture of Trust dated as of August 1, 1999, between the 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 Original Indenture, pursuant to the Restated 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” shall have the meaning set out in the definition of Prior 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 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 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 1993A Current Interest Bonds” means the current interest bonds issued pursuant to the Original Indenture and the First Supplemental Indenture.

“Series 1993A Costs of Issuance Account” means the account by that name within the Costs of Issuance Fund ratified by Section 501 of the Indenture.

“Series 1993A Interest Subaccount” means the subaccount by that name within the Series 1993A Bond Account ratified by Section 501 of the Indenture.

“Series 1993A Principal Subaccount” means the subaccount by that name within the Series 1993A Bond Account ratified by Section 501 of the Indenture.

“Series 1993A Redemption Subaccount” means the subaccount by that name within the Series 1993A Bond Account ratified by Section 501 of the 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 Continuing Disclosure Agreement” means the Continuing Disclosure Agreement dated as of November 15, 2000 by and among the City, the Authority, and the Bond Trustee.

“Series 2000 Costs of Issuance Account” means the account by that name within the Costs of Issuance Fund ratified by ratified by Section 501 of the Indenture.

“Series 2000 Project Account” means the account by that name within the Project Fund ratified by Section 501 of the Indenture.

“Series 2000 Rebate Account” means the account by that name within the Rebate Fund ratified by Section 501 of the Indenture.

“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 created within the Bond Fund pursuant to Section 501 of the Indenture.

“Series 2003 Bonds” means the \$118,575,000 Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project) issued by the Corporation pursuant to the Restated Indenture.

“Series 2003 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 2003 Guaranty Agreement” means the Guaranty Agreement of even date with the Restated Indenture by and between the City and Ambac.

“Series 2003 Maximum Annual Debt Service” means the largest aggregate payment of principal and interest components, if any, on all Outstanding Series 2003 Bonds for the then current or any future Fiscal Year over the remaining scheduled maturities of the Series 2003 Bonds.

“Series 2003 Rebate Account” means the account by that name created within the Rebate Fund pursuant to Section 501 of the Indenture.

“Series 2003 Redemption Subaccount” means the subaccount by that name created within the Series 2003 Bond Account pursuant to Section 501 of the Indenture.

“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.

“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.

“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.

“Tax Compliance Agreement” means the Tax Compliance Agreement of even date with the Restated Indenture by and among the City, the Corporation, and the Bond Trustee.

“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 Restated Lease Purchase Agreement if the Corporation or the Bond 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 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 Indenture” means the Third Supplemental and Restated Indenture of Trust dated as of November 15, 2000, among the Corporation, the Bond Trustee and the Authority.

“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”.

“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.

“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.

“Written Request” with reference to the Corporation means a request in writing signed by the Corporation Representative, with reference to the City means a request in writing signed by the City Representative, with reference to the Authority means a request in writing signed by the Authority Representative, or any other officers designated by such party to sign such Written Requests.

## **SUMMARY OF CERTAIN PROVISIONS OF THE THIRD SUPPLEMENTAL AND RESTATED LEASE PURCHASE AGREEMENT**

The following is a summary of certain provisions of the Third Supplemental and Restated Lease Purchase Agreement (the “Restated Lease Purchase Agreement”), and is qualified in its entirety by reference to the Restated Lease Purchase Agreement.

**Conveyance; Granting of Leasehold.** The Corporation, pursuant to the Restated Lease Purchase Agreement, rents and leases the Convention Center Property, subject to Permitted Encumbrances, unto the City and the City thereby rents and leases the Convention Center Property from the Corporation for the Rentals and Additional Rentals and subject to the terms and conditions hereinafter set forth.

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 pursuant to the Restated 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 therein contained, without further action on the part of either party; provided, however, that each party to the Restated Lease Purchase Agreement shall, upon the request of the other party thereto or 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 thereunder. The Corporation shall have taken all necessary steps to provide the Bond Trustee and 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 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 2003 Bonds to provide the Bond Trustee and the Credit Facility Provider with a valid and binding lien upon the Convention Center Property with respect to the Series 2003 Bonds, subject only to Permitted Encumbrances, and will provide the Bond Trustee and 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 Restated Deed of Trust in favor of the Bond Trustee and Credit Facility Provider have been duly taken.

**Term of Restated Lease Purchase Agreement; Termination; Annual Appropriation Required.** The Term of the Restated 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 Restated Lease Purchase Agreement, if the Corporation or the Bond 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 remedies as are provided in Section 12.2 of the Restated 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 Restated 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 Restated Lease Purchase Agreement and the Indenture, including the continuation of City's purchase right under Section 10.1 of the Restated 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 Restated Lease Purchase Agreement shall thereafter be satisfied only as provided in the Indenture. The termination or expiration of the term of the Restated 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 Restated 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, for debt service on the Series 2000 Bonds, for

debt service on the Series 2003 Bonds, for payments due under the Guaranty Agreement, for payments due under the Series 2003 Guaranty Agreement, and all other amounts required under the Indenture.

Nothing in the Restated 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 heretofore appropriated). If the City fails to pay any portion of the Rentals or Additional Rentals which are due under the Restated Lease Purchase Agreement, the City, upon the request of the Bond Trustee, the Corporation or the Authority, will 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 Restated Lease Purchase Agreement except as provided therein. 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 Restated 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 Restated 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 Restated Lease Purchase Agreement nor the issuance of the Bonds directly or indirectly or contingently obligates the City to make any payments under the Restated Lease Purchase Agreement beyond those appropriated for the City's then current Fiscal Year; provided, however, that nothing therein shall be construed to limit the rights of the Bondholders or the Bond Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture.

Under the Restated 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 Restated 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 current 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 and the Series 2003 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 Restated 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 at the end of its Fiscal Year) pursuant to Section 11.4(b) of the Restated Lease Purchase Agreement.

The City shall give notice to the Corporation and the Authority with a copy to the Bond Trustee as early as practicable and in any case no later than three (3) Business Days following the date on which

the budget for any Fiscal Year is finally approved by the Board of Aldermen of the City of either (i) the termination of the Restated 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 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 Restated 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 Restated 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 Restated 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 Restated 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 provisions of Section 3.2 of the Restated Lease Purchase Agreement, agrees to pay or cause to be paid the amounts required by the Restated Lease Purchase Agreement as follows:

Until the principal of, premium, if any, and interest on the Series 1993 Bonds, Series 2000 Bonds and Series 2003 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, assignee of the Corporation as to the Series 1993 Bonds and Series 2003 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 (said amounts being defined as "Rentals"). The debt service schedule with respect to the Series 2003 Bonds is attached to the Restated Lease Purchase Agreement as **Schedule 1**.

The City covenants and agrees that it will pay Rentals at such times and in such amounts as to assure that no default in the payment of principal of, premium, if any, or interest on the Bonds shall at any time occur. If the balance in the 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 in accordance with the provisions of the Restated Lease Purchase Agreement, the City will 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.

**Additional Rentals.** The City shall pay or cause to be paid, subject to the provisions of Section 3.2 of the Restated Lease Purchase Agreement, as Additional Rentals, to the Bond Trustee (a) 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 Restated Lease Purchase Agreement); (c) all amounts required under Section 15.1(c) of the Restated 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 to pay to the Credit Facility Provider pursuant to Section 503 of the Indenture; (f) all reasonable expenses and advances incurred or made in connection with the enforcement of any rights under the Restated 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 Restated Deed of Trust, or the Restated 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, 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 Restated Deed of Trust, and the Restated Lease Purchase Agreement; (k) any reasonable amount due and owing by the Authority as a consequence of complying with the Restated Deed of Trust, the Indenture or the Restated 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, 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.

The obligation of the City to pay Rentals and Additional Rentals is subject to the provisions of Section 3.2 of the Restated Lease Purchase Agreement and does not constitute a general obligation or indebtedness of the City for which the City is obligated to levy or pledge any form of taxation, or for which the City has levied or pledged any form of taxation and shall not be construed to be a debt of the City for any purpose whatsoever or in contravention of any applicable constitutional, statutory or charter limitation or requirement, but in each Fiscal Year shall be payable solely from the amounts, if any, appropriated therefor out of the income and revenue provided for such year plus any unencumbered balances from previous years.

**Impositions.** The City shall, subject to the provisions of Section 3.2 of the Restated Lease Purchase Agreement, 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 Restated 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 the Credit Facility Provider or encumber the Corporation's title to the Convention Center Property (all of the foregoing being 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 cancelled without at least 30 days' advance written notice to the Corporation, the Bond Trustee, the Credit Facility Provider and the City. Such policies or copies or certificates thereof shall be furnished to the Corporation, the Bond Trustee, the 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 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). Any such insurance may be subject to reasonable deductibles. The Corporation, the Bond Trustee, the Credit Facility Provider and the City shall each be named as loss payees in any such insurance policy.

**Workers' Compensation Insurance.** The City agrees throughout the Lease Term to maintain, in connection with the Convention Center Property, its status as a qualified self-insurer under Chapter 287 of the Missouri Revised Statutes with regard to Workers' Compensation Insurance or, with the prior written consent of the Credit Facility Provider, similar reasonable and customary insurance.

**Assignment, Etc., by the Corporation and the Authority.** Pursuant to the granting clauses of the Indenture, the Corporation is concurrently assigning the Restated Lease Purchase Agreement and all the rights and interests of the Corporation thereunder, including pledging and granting a security interest in all moneys receivable under the Restated Lease Purchase Agreement (except for payments under Section 4.2(f), Section 4.2(g) and Section 4.2(j) thereof and its rights to indemnification thereunder) and in the Convention Center Property in connection with the Series 1993 Bonds and the Series 2003 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 2003 Bonds and any Additional Bonds. Pursuant to the Indenture and the Restated Lease Purchase Agreement, the Corporation is concurrently assigning the Restated Lease

Purchase Agreement and all rights and interests of the Corporation under the Lease, including pledging and granting a security interest in all moneys receivable thereunder (except for payments under Section 4.2(f), Section 4.2(g) and Section 4.2(j) thereof and its rights to indemnification under the Restated Lease Purchase Agreement) and in the Convention Center Property in connection with the Series 2000 Bonds only to the Authority as security for payment of the principal of, premium, if any, and interest on the Series 2000 Bonds. Pursuant to Indenture and the Restated Lease Purchase Agreement, the Authority is concurrently assigning all its rights and moneys receivable under the Restated Lease Purchase Agreement (except for payments under Section 4.2(f), Section 4.2(g), Section 4.2(h), Section 4.2(j) and Section 4.2(k) thereof and its rights to indemnification thereunder) and in the Convention Center Property, in connection with the Series 2000 Bonds only to the Bond Trustee as security for payment of the principal of, premium, if any, and interest on the Series 2000 Bonds. The City consents to such assignments of the Restated Lease Purchase Agreement and the Rentals and such Additional Rentals receivable thereunder and thereby agrees that, subject to Section 3.2 thereof, 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 Restated Lease Purchase Agreement may not be assigned by the City without the prior written consent of the Corporation, the Authority and the Credit Facility Provider. 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 the Credit Facility Provider. In addition to the receipt of the above consents, each such assignment (the “Assignment”), Sublease and Management Contract must meet certain conditions provided in the Restated 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, convention or other purpose 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, 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 Restated Lease Purchase Agreement.** So long as the City is not in Default under the Restated Lease Purchase Agreement and upon the prior written consent of the Credit Facility Provider, the City reserves 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 and the Series 2003 Bond Account in proportion to the Outstanding Bonds of each such series to the total outstanding principal amount of both such series, or (ii) upon defeasance of the Series 1993 Bonds and the Series 2003 Bonds, to the Series 2000 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 shall entitle the City to any reimbursement of any Rentals or Additional Rentals from the Corporation, the Authority, the Bond Trustee, the Bondholders, or the Credit Facility Provider, nor shall the City be entitled to any abatement or diminution in Rentals or Additional Rentals under the Restated Lease Purchase Agreement, except such diminution as results from redemption of the Series 1993 Bonds, the Series 2003 Bonds or the Series 2000 Bonds, as the case may be, pursuant to the Restated Lease Purchase Agreement and

Article III of the Indenture. The option granted to the City under the Restated Lease Purchase Agreement shall remain prior and superior to the Indenture but subordinate to the Restated Deed of Trust provided that all options granted in the Restated Lease Purchase Agreement shall terminate 90 days following the termination of the Restated Lease Purchase Agreement.

**Release of Certain Land from and Addition of Certain Land to the Restated Lease Purchase Agreement.** Notwithstanding any other provisions of the Restated Lease Purchase Agreement, the parties thereto 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 to amend the Restated Lease Purchase Agreement, without the consent of Bondholders, for the purpose of effecting the release of and removal from the Restated Lease Purchase Agreement and the leasehold estate created thereby and/or the Restated Deed of Trust of any part or parts of the real estate which has not been improved pursuant to the provisions of the Restated Lease Purchase Agreement or for the purpose of effecting the addition to the Restated Lease Purchase Agreement and the leasehold estate created thereby and the Restated 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 or the Series 2003 Bonds are outstanding and unpaid there shall be deposited with the Bond Trustee certain documents as provided in the Restated Lease Purchase Agreement. If all such conditions are met, the Bond Trustee shall be authorized to release any such property from or add any such property to the Indenture and the Restated Deed of Trust, as the case may be. No release or addition effected under the provision of the Restated Lease Purchase Agreement shall entitle the City to any abatement or diminution of the Rentals payable under Section 4.1 thereof, nor shall any such release in any other way whatsoever affect the Restated 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 Restated 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 Restated 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 and shall meet certain other conditions provided in the Restated 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 under the Restated Lease Purchase Agreement 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 set forth in the Restated Lease Purchase Agreement, 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, 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 additions, modifications and improvements made pursuant to the Restated Lease Purchase Agreement, 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 addition, modification or improvement to the Convention Center Property made pursuant to the Restated Lease Purchase Agreement 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 Restated Lease Purchase Agreement, except such diminution as results from redemption of Bonds pursuant to Article III of the Indenture.

**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 Restated 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 Restated Lease Purchase Agreement. Except as otherwise provided in the Restated Lease Purchase Agreement, the City shall give at least sixty (60) days written notice to the Corporation, the Authority, the Credit Facility Provider and to the Bond Trustee of its intent to exercise the option and so terminate the Restated Lease Purchase Agreement. Payment of the final Rentals and Additional Rentals shall constitute exercise of the option granted under the Restated 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 Restated 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 Restated Lease Purchase Agreement upon payment of the purchase price pursuant to Section 10.2 thereof. The City shall give notice of its intent to exercise the option by giving notice thereof to the Corporation, the Authority, the 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 the payment not later than 90 days after it has given notice of its intent to exercise this option to the Corporation, the Authority, the 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 granted in Section 10.1 shall be the sum of the following: (a) an amount of money which, when added to the amounts on deposit in the 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 accrued and to accrue until such redemption of the Bonds; plus (c) an amount equal to all of the obligations of the City and the Corporation under the Non-Arbitrage Certificate

executed with respect to the Series 1993 Bonds, the Series 2000 Tax Compliance Agreement executed with respect to the Series 2000 Bonds or the Tax Compliance Agreement executed with respect to the Series 2003 Bonds; plus (d) reasonable costs incident to the redemption of the Bonds; plus (e) the sum of \$10.00.

**Relative Position of Option and Indenture.** The option granted to the City in the Restated Lease Purchase Agreement 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 Restated Lease Purchase Agreement, provided that such Default will not result in nonfulfillment of any condition to the exercise of any such option and further provided that all options therein granted shall terminate 90 days following the termination of the Restated Lease Purchase Agreement.

**No Obligation to Purchase the Convention Center Property.** 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 Restated Lease Purchase Agreement and terminate the Restated Lease Purchase Agreement as provided therein, 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, 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, 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, any 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 Restated Lease Purchase Agreement as provided in Section 4.2 thereof, and (iii) shall be used to pay all amounts required to be rebated to the federal government pursuant to the Indenture or the Non-Arbitrage Certificate executed with respect to the Series 1993 Bonds, the Series 2000 Tax Compliance Agreement executed with respect to the Series 2000 Bonds or the Tax Compliance Agreement executed with respect to the Series 2003 Bonds.

**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, subject to appropriation of sufficient funds, the City shall complete the work and pay any cost in excess of the amount of the net proceeds, and the City agrees that if by reason of any such insufficiency of the net proceeds, the City shall make any payments pursuant to the provisions in the Restated Lease Purchase Agreement, the City shall not be entitled to any reimbursement therefor from the Corporation or any diminution of any amount payable thereunder.

**Event of Nonappropriation.** In the event that the Board of Aldermen does not budget and appropriate, specifically with respect to the Restated 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 paragraph above, no Event of Nonappropriation shall be deemed to have occurred under the Restated Lease Purchase Agreement if during the Fiscal Year subsequent to that in which an event described in the paragraph above occurs, Rentals and Additional Rentals are timely paid, and further provided that on or before the last day of such Fiscal Year the Board of Aldermen shall budget and appropriate, specifically with respect to the Restated 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 under the Restated 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 Restated 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 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 Bond Trustee upon the termination of the Restated Lease Purchase Agreement as to the City's possessory interest thereunder by reason of an Event of Nonappropriation as provided therein shall be held by the Bond Trustee under the Indenture for the benefit of the Bondholders and the Credit Facility Provider as set forth in the Indenture until the Series 1993 Bonds, the Series 2000 Bonds, the Series 2003 Bonds and the 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, or shall, at the prior written direction of the 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 Restated 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.

**Remedies Regarding City Defaults.** Notwithstanding anything in the Restated 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 and the Series 2003 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 Restated Lease Purchase Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Restated 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 Restated Lease Purchase Agreement.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in 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, 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 will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the Default is corrected.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment of such consequence as would impair the ability of the City to carry on its operation, or adjudication of the City as bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings whether voluntary or involuntary instituted under the provisions of the federal bankruptcy laws, as amended, or under any similar acts which may hereafter be enacted.

(d) Failure by the City to immediately vacate the Convention Center Property upon the request of the Corporation 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 the Guaranty Agreement, 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 referred to in the Restated Lease Purchase Agreement 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, and without any further demand or notice, to take and shall take upon the prior written direction of the 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 Restated 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 Restated 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 Restated 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 Restated 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 Restated 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 Restated Lease Purchase Agreement), or of any of its other obligations under the Restated 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 Restated 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 Restated Lease Purchase Agreement, the Corporation may, with the prior written consent of the Credit Facility Provider (subject, however, to any restrictions in the Indenture against termination of the Restated Lease Purchase Agreement), and shall at the written direction of the 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 Restated Lease Purchase Agreement, elect to terminate the Restated 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 Restated Lease Purchase Agreement shall thereupon be terminated. If in accordance with any of the foregoing provisions of the Restated Lease Purchase Agreement 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, and shall at the written direction of the 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 Restated Lease Purchase Agreement, or any right of the Corporation pursuant to the Restated Lease Purchase Agreement.

(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, and shall at the written direction of the Credit Facility Provider, by notice in writing to the City and the Credit Facility Provider, terminate the City's right of possession under the Restated 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, and shall at the written direction of the 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 Restated Lease Purchase Agreement has been terminated, the Corporation may, at its option and with the prior written consent of the Credit Facility Provider, and shall at the written direction of the 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, and shall at the prior written direction of the 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 the 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 may appear necessary or desirable to collect the Rentals and Additional Rentals then due and thereafter to become due during the Term of the Restated Lease Purchase Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under the Restated Lease Purchase Agreement.

**Limitations on Remedies.** Notwithstanding any provision of the Restated 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 Restated 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 Restated 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 Restated Lease Purchase Agreement which would otherwise have been payable by the City thereunder subsequent to termination thereof. 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 Restated Lease Purchase Agreement and only as to the liabilities described in the Restated 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 Restated Lease Purchase Agreement, then the Corporation, or the Bond Trustee, or the Credit Facility Provider in the Corporation's name, 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, the Bond Trustee or the Credit Facility Provider, and without waiving or releasing the City from any obligation under the Restated 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, the Bond Trustee, or the Credit Facility Provider and all necessary incidental costs and expenses incurred by the Corporation, the Bond Trustee or the Credit Facility Provider in performing such obligations shall be deemed Additional Rentals and shall be paid by the City to the Corporation, the Bond Trustee, or the Credit Facility Provider 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 Restated Lease Purchase Agreement in the case of Default by the City in the payment of Rentals.

**Amendments.** Except as otherwise provided in the Restated Lease Purchase Agreement, the Deed of Trust, or in 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 Restated 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, 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 Restated 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.

**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, on the Series 2000 Bonds or on the Series 2003 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; City to Take Further Action, Etc.; 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. The City shall also deliver to the Credit Facility Provider to the attention of the Surveillance Department and the General Counsel's office of the Credit Facility Provider, as soon as possible after the filing thereof, a copy of any financial statement of the City and a copy of any audit and annual report of the City within 180 days of the start of each Fiscal Year, and shall provide the Credit Facility Provider, with reasonable access to the books, records and accounts and all documents in the City's possession relating to the Convention Center Property and such other information as the Credit Facility Provider may reasonably request. The City shall provide the Credit Facility Provider with a copy of any offering document, disclosure document or other material or information prepared for and circulated in connection with the offering of any additional Bonds or lease purchase obligations within 30 days of the sale of such obligations and such additional information as the Credit Facility Provider may reasonably request from time to time and the Credit Facility Provider may in its sole discretion make available such information to additional parties who share a mutual financial interest in the Credit Facility.

**Rights of the Credit Facility Provider.** Notwithstanding anything to the contrary in the Restated Lease Purchase Agreement no event shall constitute an Event of Default under the Restated Lease Purchase Agreement until such event is declared by the Credit Facility Provider 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 Restated Lease Purchase Agreement solely at the direction of the Credit Facility Provider and only if and as directed in writing by the Credit Facility Provider; and provided, further, that such direction shall not be otherwise than in accordance with the provisions of law and of the Restated 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 Restated Lease Purchase Agreement and the Indenture, including without limitation its rights of consent, so long as the Credit Facility Provider is not in Default under the Credit Facility, and has not failed, has not ceased or is

otherwise unable to act under, or has not wrongfully dishonored a claim against the Credit Facility. References 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 Restated 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 the Credit Facility or either of them to secure the payment of the principal of and interest on the Bonds.

**Assignment of Revenues.** The Corporation shall, pursuant to the Indenture, assign and pledge any rents, revenues and receipts receivable by it under the Restated 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 and the Series 2003 Bonds and the City consents to such pledge and assignment. At such time as the Series 1993 Bonds and Series 2003 Bonds are no longer Outstanding, the Corporation shall, pursuant to the Indenture, assign and pledge any rents, revenues and receipts receivable by it under the Restated Lease Purchase Agreement, to the Authority as security for payment of the principal of, interest and premium, if any, on the Series 2000 Bonds and the City consents to such pledge and assignment and immediately thereafter, the Corporation shall, pursuant to the Indenture, assign and pledge any rents, revenues and receipts receivable by it under the Restated Lease Purchase Agreement to the Authority, who shall assign and pledge such rents, revenue and receipts to the Bond Trustee as security for payment of the principal of, interest and premium, if any, on the Series 2000 Bonds, and the City 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 to the Indenture.

**Authorization, Principal Amount and Series Designation.** The following Bonds have been or are authorized and issued pursuant to the Indenture:

(a) *Series 1993 Bonds.* “St. Louis Municipal Finance Corporation Leasehold Revenue Refunding Bonds, Series 1993A” (the “Series 1993A Bonds”). The Series 1993A Bonds have been issued in the aggregate principal amount of \$144,362,205 and the proceeds therefrom shall have been used to pay the Costs of the Series 1993 Project. The Series 1993A Bonds include bonds the interest on which is payable solely at maturity or upon earlier redemption (the “Series 1993A Compound Interest Bonds”) at the initial offering price of \$2,567,205.

(b) *Series 2000 Bonds.* “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 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 St. Louis Convention Center Headquarters Hotel 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.

(c) *Series 2003 Bonds.* “St. Louis Municipal Finance Corporation, Leasehold Revenue Refunding Bonds, Series 2003 (Convention Center Project)” (the “Series 2003 Bonds”). The Series 2003

Bonds shall be issued in the aggregate principal amount of \$118,575,000, and the proceeds therefrom shall be used to pay the Costs of the Project as hereinafter provided. The Series 2003 Bonds consist of Bonds, the principal of and interest on which are payable solely at maturity, or earlier redemption or acceleration. The form of the Series 2003 Bonds and the Certificate of Authentication thereon shall be in substantively the form set out in Exhibit A to the Restated Indenture.

**Nature of Obligations.** The Bonds and the interest thereon shall be special obligations of the Issuer payable solely out of any Credit Facility in effect, 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 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.

**Method and Place of Payment of the Bonds; Interest Rights Preserved.**

(a) 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.

(b) 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 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.** 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 Restated Indenture or 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 neither the Issuer, the Trustee nor 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, 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 provided in this Section, for the purpose of providing funds (i) to pay the Cost of completing the Series 1990 Project or 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 and (iii) for refunding all or any part of the Bonds

then Outstanding of any Series, including the payment of any redemption premium thereon and interest to accrue to the designated Redemption Date and any expenses in connection with such refunding.

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.

If such Additional Bonds are issued for the purpose of clause (iii) of the first paragraph of this Section, such Additional Bonds shall have the same designation as the Series 1993 Bonds, except for an identifying series letter or date and, if such Additional Bonds are issued only for the purpose stated in such clauses, except for the addition of the words "Improvement and", and if such Additional Bonds are issued only for the purpose stated in clause (ii) of the first paragraph of this Section, except for the deletion of the word "Refunding" and the substitution in lieu thereof of the word "Improvement", shall be numbered, shall bear interest at such rate or rates not exceeding the maximum rate then permitted by law, shall be stated to mature and shall be redeemable at such times and prices (subject to ), all as may be provided by the Supplemental Indenture authorizing such Additional Bonds. Except as to any difference in the date, the Stated Maturities, the rate or rates of interest or the provisions for redemption, such Additional Bonds shall be 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 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.

Except as provided in this Section, the Issuer will 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 Bonds. The Issuer shall provide the Credit Facility Provider with a copy of any offering document, disclosure document or other material and information prepared for and circulated in connection with the offering of any obligations of the Issuer, regardless of whether or not such obligations are payable from Rentals under the Lease Purchase Agreement, within 30 days of the sale of such obligations.

### **Description of the Bonds.**

#### *Series 2003 Bonds.*

1. The Series 2003 Bonds shall have Stated Maturities in the respective principal amounts (subject to prior redemption as provided in ARTICLE III of the Indenture) and shall bear interest at the rates per annum as follows:

**Series 2003 Bonds**

**Serial Bonds**

Maturity	Maturity Value	Interest Rate	Price	Dollar Price
7/15/04	\$7,065,000.00	3.000%	102.078%	\$7,211,810.70
7/15/05	7,745,000.00	4.000%	105.223%	8,149,521.35
7/15/05	1,010,000.00	2.500%	101.930%	1,029,493.00
7/15/06	8,590,000.00	4.000%	106.120%	9,115,708.00
7/15/06	1,000,000.00	2.000%	99.873%	998,730.00
7/15/07	8,845,000.00	5.000%	110.046%	9,733,568.70
7/15/07	3,600,000.00	4.000%	106.043%	3,817,548.00
7/15/07	1,000,000.00	2.400%	99.637%	996,370.00
7/15/08	10,980,000.00	5.000%	110.297%	12,110,610.60
7/15/08	695,000.00	2.800%	99.658%	692,623.10
7/15/09	1,415,000.00	3.200%	99.940%	1,414,151.00
7/15/09	11,500,000.00	5.000%	110.050%	12,655,750.00
7/15/10	12,560,000.00	5.250%	110.972%	13,938,083.20
7/15/10	1,475,000.00	3.500%	99.869%	1,473,067.75
7/15/11	9,060,000.00	5.250%	110.472%	10,008,763.20
7/15/11	880,000.00	3.700%	99.573%	876,242.40
7/15/12	9,190,000.00	5.250%	110.387%	10,144,565.30
7/15/12	2,120,000.00	3.800%	99.225%	2,103,570.00
7/15/13	720,000.00	4.000%	100.000%	720,000.00
7/15/13	11,605,000.00	5.250%	110.415%	12,813,660.75
7/15/14	2,520,000.00	4.000%	99.101%	2,497,345.20
7/15/14	5,000,000.00	5.250%	110.270%	5,513,500.00
	\$118,575,000			\$128,014,682.25

The Series 2003 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 July 15, 2003. Payments shall be applied first to interest due and the remainder to principal.

2. The Bond Trustee is designated as the Corporation's Paying Agent for the payment of the principal of, and redemption premium, if any, and interest on, the Series 2003 Bonds and as Bond Registrar.

3. After delivery of the Series 2003 Bonds the Bond Trustee shall file with the Corporation a record of the numbers assigned to such Series 2003 Bonds upon the initial delivery thereof.

4. The Series 2003 Bonds shall be executed substantially in the form and manner as provided in this Article and delivered to the Bond Trustee for authentication.

5. When the Series 2003 Bonds shall have been executed, authenticated and registered as required by the Indenture, the Bond Trustee shall deliver the Series 2003 Bonds to or upon the order of the purchasers thereof upon payment to the Bond Trustee of the purchase price of the Series 2003 Bonds. The proceeds of the sale of the Series 2003 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.

**Immobilization of Bonds by the Depository.** 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 will 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. 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 in accordance with this Article and the provisions of the Supplemental Indenture authorizing such Series of Bonds.

(a) *Optional Redemption of Series 1993 Bonds.*

1. The Series 1993A Compound Interest Bonds bearing a Stated Maturity of July 15, 2009, and thereafter shall be subject to optional redemption and payment prior to their respective Stated Maturities at the election of the Corporation upon the direction and instruction by the City, on July 15, 2008 as a whole at any time thereafter, or in part, on any Series 1993A Accretion Date, and if in part in such order of maturities as the Corporation at the direction of the City in its sole discretion shall determine, at the respective redemption prices (expressed as a percentage of compound Accreted Value) set forth in the following table:

Redemption Dates ( <u>dates inclusive</u> )	Redemption Prices ( <u>as percentage</u> )
July 15, 2008 through July 14, 2009	102%
July 15, 2009 through July 14, 2010	101
July 15, 2010 and thereafter	100

(b) *Optional Redemption of the Series 2000 Bonds.* The Series 2000 Bonds are not subject to optional redemption.

(c) *Optional Redemption of the Series 2003 Bonds.* The Series 2003 Bonds are not subject to optional redemption.

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 Restated 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 redeemed pursuant to this 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 304 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 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.** (1) The Bonds shall be subject to 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, pursuant to and so long as there shall be in effect a Credit Facility, on any date 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. Bonds redeemed pursuant to Section 302 of the Indenture shall be redeemed at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the Redemption Date fixed for redemption and payment without a premium. If there shall be in effect a Credit Facility, and if such Credit Facility issued thereby is a letter of credit, the Trustee shall demand payment pursuant to such Credit Facility in an amount, at a time and date, and shall deposit such moneys in the Bond Fund in accordance with the Restated Indenture or with the Supplemental Indenture authorizing such Series of Bonds. 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.

In the event that the City, with the consent of the Credit Facility Provider, exercises its option to prepay all or a portion of the amounts payable pursuant to casualty, condemnation, changes in law, or other circumstances as provided above from amounts available under the Indenture, the Series 1993 Bonds, the Series 2000 Bonds and the Series 2003 Bonds shall be subject to optional redemption in whole at any time or in part on any Interest Payment Date, Series 1993A Accretion Date or Series 2000 Accretion Date, as the case may be, 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 Bonds redeemed pursuant to this Section shall be redeemed at a redemption price of 100% of the principal amount thereof, or with respect to the Series 1993A Compound Interest Bonds or the Series 2000 Bonds, 100% of the accreted value of such Bonds to the Redemption Date on all such Bonds to be redeemed. Notwithstanding any provision contained in the Indenture, no Series 2000 Bond may be redeemed pursuant to this Section unless all Series 1993 Bonds and all Series 2003 Bonds have been fully redeemed or provision made therefore.

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

The Series 1993A Compound Interest Bonds and Series 2000 Bonds shall be redeemed only in denominations of \$5,000 of Series 1993A Accreted Value and Series 2000 Accreted Value or any integral multiple thereof on the date of such redemption and Series 2003 Bonds shall be redeemed only in their Authorized Denominations. Each \$5,000 of Series 1993A Accreted Value, each \$5,000 of Series 2000 Accreted Value, and each \$5,000 principal amount of Series 2003 shall hereinafter be referred to as a "\$5,000 Unit." 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 (with the consent of the City) in its written request to redeem as provided in Section 306 of the Indenture. 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.

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 provided in the Indenture upon receipt by the Trustee at least 45 days prior to the Redemption Date of a written request of the Issuer with the consent of the City and if a Credit Facility shall then be in effect, written confirmation from the Credit Facility Provider that the amounts required to be deposited with the Credit Facility Provider pursuant to the provisions of the Credit Facility relating to the Bonds have been so deposited. Such request shall specify the principal amount and Stated Maturities of Bonds so 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 of this paragraph 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 will 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 provided in the Indenture 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 Bonds to be called for redemption and accrued interest thereon on the Redemption Date and the redemption premium, if any, provided, however, the requirements for such deposit need not be met to the extent such redemption is to be made with the proceeds of Additional Bonds to be issued to refund all or a part of the Bonds to be redeemed. Any redemptions pursuant to Section 302 of the Indenture shall be made only from and/or to the extent of the funds or United States Government Obligations so deposited with the Trustee. Upon the happening of the above conditions, and notice having been given as provided in Section 307 of the Indenture, 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.

Prior to any date fixed for redemption pursuant to the Indenture there shall be deposited with the Bond 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 Series 1993A Accreted Value of Series 1993A Compound Interest Bonds to be called for redemption to the Redemption Date and the redemption premium on such Bonds, if any, the Series 2000 Accreted Value of Series 2000 Bonds to be called for redemption to the Redemption Date, and the principal of the Series 2003 Bonds to be called for redemption and accrued interest thereon to the Redemption Date, and the redemption premium on such Bonds, 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. Upon the happening of the above conditions, and notice having been given as provided in Section 307 of the Indenture, 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 the Series 1993A Accreted Value and redemption premium, if any, of the Series 1993A Compound Interest Bonds and the Series 2000 Accreted Value and redemption premium, if any, of the Series 2000 Bonds, accrued interest on such Series 2003 Bonds, are on deposit at the place of

payment at that time, and shall no longer be entitled to the protection, benefit or security of the Indenture and shall not be deemed to be Outstanding under the Indenture. Notwithstanding any provision contained in the Indenture, no Series 2000 Bond may be redeemed pursuant to Section 308 thereof unless provision for payment of all Series 1993 Bonds and all Series 2003 Outstanding has been made as provided in such Section 308.

**Application of Proceeds of Series 2003 Bonds.** From the proceeds of the sale of the Series 2003 Bonds, the Underwriter shall retain its underwriter's discount of \$774,000.00 and pay to Ambac its premium of \$1,145,170.59 with respect to the issuance of the Bond Insurance Policy and its premium of \$355,725.00 with respect to the issuance of the Series 2003 Surety Bond. The remainder of the proceeds of the Series 2003 Bonds in the amount of \$ 125,739,786.66 shall be deposited with the Bond Trustee as follows: (i) the sum of \$125,373,747.49 shall be deposited to the Series 1993A Redemption Subaccount in the Bond Fund to redeem, retire and thereby refund the Outstanding Series 1993A Current Interest Bonds, and (ii) the sum of \$366,039.17 to the Series 2003 Costs of Issuance Account.

### **Ratification and Creation of Funds and Accounts.**

(a) There are ratified and confirmed the establishment in the custody of the Bond Trustee the following separate funds and accounts under the Indenture:

1. "St. Louis Municipal Corporation Leasehold Revenue Bonds Costs of Issuance Fund (herein called the "Costs of Issuance Fund") and within such fund separate and distinct accounts designated:

- (i) Series 1993A Costs of Issuance Account.
- (ii) Series 2000 Costs of Issuance Account.

2. "St. Louis Municipal Corporation Leasehold Revenue Bonds Project Fund" (herein called the "Project Fund") and within such fund a separate and distinct account designated:

- (i) Series 2000 Project Account.

3. "St. Louis Municipal Corporation Leasehold Revenue Bonds Bond Reserve Fund" (herein called the "Bond Reserve Fund").

4. "St. Louis Municipal Finance Corporation Leasehold Revenue Bond Fund" (herein called the "Bond Fund") and within such fund separate and distinct accounts designated:

- (i) Series 1993A Bond Account, and within such account separate and distinct subaccounts designated:
  - (a) Series 1993A Interest Subaccount.
  - (b) Series 1993A Principal Subaccount.
  - (c) Series 1993A Redemption Subaccount.
- (ii) Series 2000 Bond Account.

5. "St. Louis Municipal Finance Corporation Rebate Fund" (herein called the "Rebate Fund") and within such fund a separate and distinct account designated:

(i) Series 2000 Rebate Account.

(b) There are created and ordered to be established in the custody of the Bond Trustee:

1. Series 2003 Costs of Issuance Account created within the Costs of Issuance Fund.

2. Series 2003 Bond Account created within the Bond Fund and within such account a separate and distinct subaccount designated:

(i) Series 2003 Redemption Subaccount.

3. Series 2003 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 2003 Bonds.*

1. Series 2003 Bond Account. The Bond Trustee shall deposit into the Series 2003 Bond Account (i) all accrued interest received in connection with the sale of the Series 2003 Bonds; (ii) all amounts to be deposited in the Bond Fund pursuant to Section 4.1 and Section 4.2 of the Lease Purchase Agreement corresponding to the payments of principal of, redemption premium, if any, and interest on the Series 2003 Bonds; (iii) all interest and other income derived from investments of funds on deposit in the Series 2003 Bond Account; and (iv) all other moneys received by the Bond Trustee which the Bond Trustee is directed to deposit in the Series 2003 Bond Account.

On or before the date of maturity, redemption, or acceleration, the Bond Trustee shall pay the Series 2003 Bonds directly from moneys paid by the City to the Corporation and deposited into the Bond Fund pursuant to the Lease Purchase Agreement. Moneys on deposit in the Series 2003 Bond Account may be used to pay Series 2003 Bonds called for redemption or to purchase Series 2003 Bonds in the open market prior to their Stated Maturity, provided all Series 2003 Bonds at the time Outstanding are called for redemption or purchased and sufficient funds are available therefor. Moneys on deposit in the Series 2003 Bond Account shall be used to pay and retire the Series 2003 Bonds last becoming due unless such Series 2003 Bonds and all interest thereon are otherwise paid.

2. Series 2003 Costs of Issuance Account. The funds deposited in the Series 2003 Costs of Issuance Account as set forth in Section 403 of the Indenture shall be disbursed by the Bond Trustee to pay Bond Counsel fees, Underwriters' Counsel fees, fees of the financial advisor to the City, Bond Trustee fees and other Costs of Issuance, upon receipt by the Bond Trustee of requisition certificates (in substantially the form attached to as Exhibit E to the Restated Indenture) 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 2003 Bonds, all amounts remaining in Series 2003 Costs of Issuance Account shall be transferred by the Bond Trustee to the Series 2003 Bond Account.

3. Series 2003 Rebate Account. There shall be deposited in the Series 2003 Rebate Account such amounts as are required to be deposited therein pursuant to the Tax Compliance Agreement. All amounts on deposit at any time in the Series 2003 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 2003 Bonds shall have no rights in or claim to such money. All amounts held in the Series 2003 Rebate Account shall be governed by this Section and by the Tax Compliance Agreement.

The obligation to pay arbitrage rebate to the United States and to comply with all other requirements of this Section and the Tax Compliance Agreement shall survive the defeasance or payment in full of the Series 2003 Bonds until all rebatable arbitrage shall have been paid.

4. Series 2003 Redemption Subaccount. Moneys in the Series 2003 Redemption Subaccount of the Series 2003 Bond Account, including the investment earnings on amounts deposited therein, shall be applied solely to the payment of the principal or redemption price of and interest on the Series 2003 Bonds, all in accordance with the provisions of Section 301(c) of the Indenture.

**Surety Bond Provisions.** There is ratified and confirmed the delivery of the Surety Bond issued by Ambac to the Bond Trustee guaranteeing payment of certain obligations of the Corporation and the Authority as more fully set forth in the Surety Bond. There is delivered to the Bond Trustee the Series 2003 Surety Bond issued by Ambac to the Bond Trustee guaranteeing payment of certain obligations of the Corporation as more fully set forth in the Series 2003 Surety Bond. Upon maturity or earlier redemption or defeasance of all Series 1993 Bonds, the amount of the Surety Bond Coverage (as defined in the Surety Bond) shall be reduced as provided therein and shall be held by the Bond Trustee in accordance with the Guaranty Agreement. Upon the later of (i) one (1) day after receipt by the Credit Facility Provider of a Demand for Payment (as defined in the Surety Bond and the Series 2003 Surety Bond) executed by the Bond Trustee or Paying Agent, if any, certifying that provision for the payment of principal of or interest on the Bonds when due has not been made or (ii) the payment date specified in the Demand for Payment submitted to the Credit Facility Provider, the Credit Facility Provider shall promptly deposit funds with the Bond Trustee or Paying Agent, if any, sufficient to enable the Bond Trustee or Paying Agent, if any, to make such payments due on the Bonds, but in no event exceeding the Surety Bond Coverage (as defined in the Surety Bond and the Series 2003 Surety Bond). The Trustee, or Paying Agent, if appropriate, shall, after submitting to the Credit Facility Provider the Demand for Payment as provided above, make available to the Credit Facility Provider all records relating to the Funds and Accounts maintained under the Indenture.

The Surety Bond Coverage under the Surety Bond and under the Series 2003 Surety Bond shall be automatically reduced to the extent of each payment made by the Credit Facility Provider under the terms thereof. Pursuant to the Guaranty Agreement or the Series 2003 Guaranty Agreement, as applicable, the City shall reimburse the Credit Facility Provider from Additional Rentals provided by the City pursuant to the Lease Purchase Agreement and held pursuant to the Indenture for any draws under the Surety Bond or the Series 2003 Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond or the Series 2003 Surety Bond shall be reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The respective reimbursement obligation of the Issuers shall be subordinate to the Issuers' respective obligations with respect to the Bonds.

Neither the Surety Bond nor the Series 2003 Surety Bond insures against nonpayment caused by the insolvency or negligence of the Bond Trustee or the Paying Agent, if any.

**Consent of Credit Facility Provider and Bondholders.** Unless otherwise provided in the Indenture, as long as the Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligations thereunder, the Credit Facility Provider's consent shall be required (in addition to Bondholder consent, when required) for the following purposes: (i) execution and

delivery of any Supplemental Indenture or any amendment, supplement or change to or modification of the Restated Lease Purchase Agreement or the Restated Deed of Trust; (ii) removal of the Bond Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) 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 the Credit Facility Provider, and in the event of any reorganization or liquidation, the 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 the 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 the Credit Facility shall be in effect and the 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, the 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 the Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligation thereunder, the Bond Trustee may, with the consent of the Credit Facility Provider, and shall, at the direction of the Credit Facility Provider or 25% of the Bondholders with the consent of the Credit Facility Provider, by written notice to the Issuers and the Credit Facility Provider, declare the principal of the Bonds or any Series of Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds or such Series of 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.

**Right to Direct Accounting.** 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, such Credit Facility Provider shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from such Credit Facility Provider shall be deemed an Event of Default under the Indenture; provided, however, that if compliance cannot occur within such period, then such period shall be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

**Subrogation.** Notwithstanding anything to the contrary in the Indenture, 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 the event that the principal and/or interest due on the Bonds shall be paid by such Credit Facility Provider pursuant to the 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 such Credit Facility Provider, and such Credit Facility Provider shall be subrogated to the rights of such registered owners.

**Provisions Relating to the Bond Trustee.**

(a) 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 the Credit Facility Provider, and may be removed at the request of the Credit Facility Provider for any breach of the trust set forth in the Indenture.

(b) Upon any removal or resignation of the Bond Trustee pursuant to Section 1006 of the Indenture, 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 Provider, notwithstanding any provision in the Indenture to the contrary.

(c) The Credit Facility Provider shall receive prior written notice of any Bond Trustee (or Paying Agent) resignation.

(d) 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 under subsection (e) of Section 610 of the Indenture, 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.

(e) Every successor Bond Trustee appointed pursuant to Section 610 of the Indenture 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 Provider. Any successor Paying Agent, if applicable, shall not be appointed unless the Credit Facility Provider approves such successor in writing.

(f) Notwithstanding any other provision of the Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Bond Trustee (or Paying Agent) shall consider the effect on the Bondholders as if there were no Series 2000 Bond Insurance Policy or Bond Insurance Policy.

(g) 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 Provider, shall be appointed.

**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 Restated 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 of the Indenture. Neither the Trustee nor any Paying Agent shall be under any liability for interest on any moneys received under the Indenture except such as may be agreed upon.

**Investment of Moneys in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Bond Reserve Fund, if Any.** Moneys held in the Project Fund, the Costs of Issuance Fund, the Bond Fund and the Bond Reserve Fund created by the Indenture or any subaccount created by the Supplemental Indenture authorizing any Series of Bonds, if any, shall, pursuant to written direction of the City, signed by the City Treasurer or his designee and in accordance with the Non-Arbitrage Certificate, the Series

2000 Tax Compliance Agreement or the Tax Compliance Agreement, 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 investments permitted by this Section through its own bond department or short-term investment department at the direction of the City Representative.

**Tax Exemption.** The Issuer and the City will comply with Section 16.2 of the Lease Purchase Agreement with respect to the exemption of the interest on Bonds from federal income taxation.

**Rebate.** The Trustee shall annually make or, at the discretion of the Issuer and the City and at the expense of the City, employ an individual or firm having the requisite expertise to make, the calculation(s) required by the Non-Arbitrage Certificate, the Series 2000 Tax Compliance Agreement or the Tax Compliance Agreement, as applicable, and the Issuer shall (i) pay to the United States the amount, if any, required to be rebated by such Non-Arbitrage Certificate, Series 2000 Tax Compliance Agreement or Tax Compliance Agreement and (ii) invest proceeds of the Bonds only as provided therein. Anything in this Section to the contrary notwithstanding, Non-Arbitrage Certificate, the Series 2000 Tax Compliance Agreement or the Tax Compliance Agreement may be amended or superseded by a new Non-Arbitrage Certificate, the Series 2000 Tax Compliance Agreement or the Tax Compliance Agreement accompanied by an opinion of Bond Counsel addressed to the Corporation to the effect that the use of said new Non-Arbitrage Certificate, the Series 2000 Tax Compliance Agreement or the Tax Compliance 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 thereby secured, and the continuance thereof for a period of 60 days after written notice given to the Issuer, the Credit Facility Provider and the City by the Trustee or to the Issuer, the City and the Trustee by the Credit Facility Provider (so long as the Credit Facility Provider is not in default in its payment obligations under the Credit Facility) or to the Trustee, the City, the 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 the Credit Facility Provider, and shall at the prior written direction of the 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 under this subparagraph (c) the City shall

have the rights specified in Section 914(b) of the Indenture; or (d) An Event of Default under Section 1201 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.

Notice of any Event of Default shall be given to the Issuer, the Credit Facility Provider and the City by the Trustee within thirty (30) days of the Trustee's knowledge (provided immediate notice shall be given to the Credit Facility Provider for a payment default) in addition thereof 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 Credit Facility in an amount equal to the principal and accrued interest (or Accreted Value if there shall be issued Compound Interest Bonds) on the Bonds on the payment date established by the Trustee for acceleration. If the payment of the Bonds is accelerated under this Section, 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 thereof, the Credit Facility Provider or Trustee with the prior written consent of the 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 under 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 or the 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 under 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 provided in the Indenture, 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.

While in possession of the Trust Estate, the Trustee shall render quarterly to the Corporation and the City a summarized statement of receipts and expenditures in connection therewith.

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 shall 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 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 equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of and interest on the Bonds then Outstanding, and enforce and compel the performance of the duties and obligations of the Corporation as set forth in the Indenture or to enforce or realize upon any of the rights, powers, liens or interests granted thereby 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 by the Indenture 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) thereof the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by ARTICLE IX of 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) 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 powers hereinbefore granted 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 granted in the Indenture or to institute such action, suit or proceeding in its own name; and such notification, request and provision of indemnity are declared in every case, at the option of the Trustee, 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 therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein 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 and redemption premium, and any, then due and unpaid on all of the Bonds, without preference or priority of principal or premium of any Bond over principal or premium of any other Bond, ratably, according to the amounts due respectively for principal and redemption premium, if any, to the persons entitled thereto, without any discrimination or privilege.

(c) If the principal of all the Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under ARTICLE IX of the Indenture then, subject to subparagraph (b) above in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with subparagraph (a) above.

(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 pursuant to this Section, such moneys shall be applied at such times and from time to time as the Trustee shall determine, having due regard to the amount of such moneys available and which may become available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee

shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all of the Bonds and interest thereon have been paid under this Section, 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 of the Indenture.

Notwithstanding any provision contained in the Indenture, no Series 2000 Bond may be redeemed pursuant to this Section unless provision for payment of all Series 1993 Bonds and all Series 2003 Bonds Outstanding has been made as provided in this Section.

**Opportunity of City to Purchase Corporation's Interest in Event of Default and to Cure Defaults.** Upon receipt of notice by the City of an Event of Default pursuant to 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 grants 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.

**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 as in said Section provided, 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 the Credit Facility Provider.

**Supplemental Indentures Not Requiring Consent of Bondholders.** Subject to Section 1103 of the Indenture, the Corporation and the Authority and the Trustee may from time to time, with the approval of the Board of Aldermen and the Credit Facility Provider, 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 therein; (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondholders 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 covered by the Section above 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 and the Credit Facility Provider 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 the Credit Facility Provider, if there shall be in effect a Credit Facility, to enter into any such Supplemental Indenture for any of the purposes of this Section, 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 provided in the Indenture, 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 under Section 209 of the Indenture shall be deemed to be the consent of the City to the execution of a Supplemental Indenture pursuant to said Section 209. 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 pursuant to said Section 209) 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 Section 12.1 of 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 the Credit Facility Provider, if there shall be in effect a Credit Facility, 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 as provided for in Section 1201 of the Indenture, 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) the Credit Facility Provider, given and obtained as provided in Section 1201 provided that the consent of all the Holders of Bonds and the 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 provided in Section 1302 of the Indenture, and provision shall also be made for paying all other sums payable thereunder, including the fees and expenses of the Trustee and the Paying Agent and any amounts due and owing to the Credit Facility Provider under a Credit Facility, and the Credit Facility shall have been returned to the 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 thereof 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 under Section 510 thereof 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 this Article 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 provided in this Section 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 this Section, 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 of the Indenture 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 set aside and held in trust pursuant to this Section 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 the Credit Facility Provider pursuant to the 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.

(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  
THIRD SUPPLEMENTAL AND RESTATED FIRST DEED OF TRUST,  
SECURITY AGREEMENT AND ASSIGNMENT**

The following is a summary of certain provisions of the Third Supplemental and Restated First Deed of Trust, Security Agreement and Assignment (the “Restated Deed of Trust”), and is qualified in its entirety by reference to the Restated Deed of Trust.

**Title to Mortgaged Property and Lien; Truth of Recitals.** The St. Louis Municipal Finance Corporation (the “Grantor”) 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 Restated Deed of Trust free and clear of all liens, charges or encumbrances whatever, except Permitted Encumbrances as defined in the Indenture, 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 Restated 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 Restated 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 Restated Deed of Trust, according to the true intent and meaning thereof and of the Restated Deed of Trust.

**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 Convention Center Property as defined in the Indenture, 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 Restated 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 the Beneficiaries and Mortgage Trustee any and all such further assurances, mortgages, conveyances or assignments therefor and other instruments with respect thereto as the Beneficiaries and Mortgage Trustee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of the Restated Deed of Trust.

**Compliance with Environmental Laws Generally.** Under the Restated 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 ordinance.

**Condition of Property.** Under the Restated Deed of Trust Grantor warrants and represents that, to the best of its knowledge, after due inquiry, the Mortgaged Property, including all personal property, is free from contamination, that there has not been thereon a release, discharge or emission, or threat of release, discharge or emission, of any hazardous substance, gas or liquid or any other substance, which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, and that the Mortgaged Property does not contain, or is not affected by: (i) asbestos, (ii) urea formeldahyde foam insulation, (iii) PCBs, (iv) underground storage tanks, or (v) landfills, land disposals or dumps.

**Taxes, Charges and Assessments.** Grantor covenants and agrees, subject to the provisions of Section 2.9 of the Restated 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, including but not limited to all sales, use, occupation, real and personal property taxes, tax equivalents, all permit and inspection fees, occupation and license fees and all water, gas, electric, light, power or other utility charges assessed or charged on or against the Mortgaged Property or on account of Grantor's use or occupancy thereof or the activities conducted thereon or therein; 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 Restated 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 Restated 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.

**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 conditions provided in the Restated Deed of Trust.

**Property and Casualty Insurance.** The Grantor agrees to at all times comply or cause the City to comply with the provisions of the Restated 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 Restated Deed of Trust or shall fail to keep the Mortgaged Property in good repair and operating condition, Mortgage Trustee or any 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 Restated Deed of Trust, (ii) remove or cause to be removed any lien, encumbrance or charge pursuant to Section 2.7 thereof, (iii) maintain or cause to be maintained the Mortgaged Property in good repair pursuant to Section 2.10 thereof, (iv) procure the insurance required by Section 2.11 thereof, 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

thereunder, 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 thereof) 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 the Beneficiaries or the 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 Restated Deed of Trust or in the Indenture or the Restated 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) the Credit Facility Provider, 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 the Credit Facility or (ii) the Bond Trustee if the 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, does sell, assign and transfer to Mortgage Trustee all of such sum or sums so due from any such third person or persons, and Mortgage Trustee is authorized to receive, collect and sue for the same and Grantor authorizes and directs that such sum or sums be paid to Mortgage Trustee. Any and all sums received by Mortgage Trustee under the Restated 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 the Credit Facility Provider 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 thereby.

**Title Insurance.** Concurrently with the execution of the Restated Deed of Trust, the Grantor shall deliver to the Bond Trustee an A.L.T.A. Loan Title Insurance Policy (Revised 1992) 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 (i) taxes payable in the year of execution of the Restated Deed of Trust which are not yet due and payable as of the date of execution thereof, (ii) discrepancies or conflicts in boundary lines, shortage in area and encroachments arising after July 29, 1993 at 4:44 p.m. which an accurate and complete survey would disclose, (iii) easements or claims of easement arising after July 29, 1993 at 4:44 p.m. not shown by the Public Records, and (iv) unfiled mechanic's or materialmen's liens, arising after July 29, 1993 at 4:44 p.m.. The insurance required by Section 2.16 of the Restated Deed of Trust may be paid for out of the proceeds of the Bonds.

**Damage, Destruction and Condemnation.** In case of any damage to or destruction of all or any part of the Mortgaged Property or in the case of a taking of all or any part of the Mortgaged Property or any right therein under the exercise of the power of eminent domain or any loss thereof because of failure of title thereto or the commencement of any proceedings or negotiations which might result in such a taking or loss, the Grantor shall comply with the provisions of Article VIII of the Indenture.

**Events of Default.** An “event of default” under the Restated Deed of Trust shall be: (a) the occurrence of any event of default under the Indenture or the Restated 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 Restated Deed of Trust which Grantor is to perform within 30 days after written notice thereof to Grantor by the Mortgage Trustee or any Beneficiary, or the breach by Grantor of any covenant set forth in the Restated Deed of Trust, or any representation or warranty of the Grantor in the Restated 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 Restated Deed of Trust, or in aid of the execution of any power therein granted, or for any foreclosure thereunder, 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 thereunder.

**Mortgage Trustee May Enter and Take Possession, Operate and Apply Income.** During the continuance of any such event of default under the Restated 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 Restated Deed of Trust, the Mortgage Trustee, at the request of any Beneficiary (except that the Bond Trustee may not make such request absent the prior written consent of the Credit Facility Provider) 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 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, and any deed or other instrument of conveyance, assignment or transfer made and delivered by Mortgage Trustee in pursuance of the powers granted and conferred in the

Restated Deed of Trust, and all recitals therein contained shall be prima facie evidence of the facts therein set forth.

**Sale to Accelerate Amounts Payable Under the Indenture.** In the event of any such sale pursuant to the Restated Deed of Trust, the amounts payable under the Indenture, if not previously due, immediately thereupon shall become due and payable, anything in the Indenture and the Restated 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 Restated Deed of Trust as part of the Mortgaged Property or the proceeds thereof, whether under the provisions of Article III of the Restated Deed of Trust or otherwise, shall be applied pursuant to the terms of the Indenture.

**Purchase of Mortgaged Property.** Upon any sale pursuant to Section 3.4 of the Restated Deed of Trust of all or of any portion of the Mortgaged Property pursuant to judicial proceedings, any 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. The Beneficiary may make payment for such Mortgaged Property by presenting to the Mortgage Trustee the Indenture or the Credit Facility, secured by the Restated 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 the Credit Facility, as the case may be.

**Mortgage Trustee Entitled to Appointment of Receiver.** Under the Restated Deed of Trust Grantor 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 Restated 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 Restated Deed of Trust or to enforce the specific performance thereof 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 Restated Deed of Trust. Grantor, if requested so to do by the Mortgage Trustee, will consent to the appointment of any such receiver as aforesaid. The Mortgage Trustee or any Beneficiary may be appointed as such receiver, and if so appointed, shall serve without bond.

**Rights of Credit Facility Provider.**

(a) Notwithstanding anything to the contrary in the Restated Deed of Trust, no event shall constitute an event of default under the Restated Deed of Trust until such event is declared by the Credit Facility Provider to be an event of default 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 Restated Deed of Trust solely at the direction of the Credit Facility Provider and only if and as directed in writing by Ambac; and provided, further, that such direction shall not be otherwise than in accordance with the provisions of law and of the Restated 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.

(b) Ambac shall only be entitled to its rights under the Restated Deed of Trust and the Indenture, including without limitation its rights of consent, so long as Ambac 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.

**Amendments.** Grantor, Mortgage Trustee and the Beneficiaries may from time to time enter into amendments, changes and modifications of the Restated Deed of Trust as shall be mutually agreeable, but only with the consent of the Bond Trustee, Ambac, 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 the Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligation thereunder, any provision of the Restated 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.

**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 Restated 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, assigned or pledged by the Restated Deed of Trust 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 Restated Deed of Trust, and the covenants of Grantor, contained therein, 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 Restated 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 thereunder, to be applied by Grantor as provided in the Indenture.

**Removal, Resignation and Liability of Mortgage Trustee.** The Mortgage Trustee may resign at any time by written instrument to that effect delivered to the Grantor and each Beneficiary. Any Beneficiary shall be entitled to remove, at any time or from time to time, the Mortgage Trustee except that the Bond Trustee may not exercise such option absent the prior written consent of Ambac, as long as the Credit Facility shall be in effect and the Credit Facility Provider shall be in compliance with any payment obligation thereunder. In case of the death, removal, resignation, refusal to act, or other inability to act of the Mortgage Trustee, Bond Trustee shall, upon the prior written consent of Ambac, be entitled to select and appoint a successor Mortgage Trustee thereunder by instrument duly executed, acknowledged and recorded in the manner and form for conveyances of real estate in the State of Missouri except that should the Bond Trustee fail to appoint a successor Mortgage Trustee, Ambac shall be entitled to select and appoint a successor Mortgage Trustee under the Restated Deed of Trust, and any such successor Mortgage Trustee shall thereupon succeed to Mortgage Trustee as Mortgage Trustee thereunder and to all of the rights, powers, duties, obligations, and estate of said Mortgage Trustee as if specifically deemed therein, provided no defect or irregularity in the resignation or removal of said Mortgage Trustee or in the appointment of a successor Mortgage Trustee or in the execution and recording of such instrument shall affect the validity of said resignation, removal or appointment or any act or thing done by such successor Mortgage Trustee pursuant thereto.

It is agreed that Mortgage Trustee shall not be disqualified from acting as Mortgage Trustee under the Restated Deed of Trust or from performing any of the duties of Mortgage Trustee, or from exercising the rights, powers and remedies therein granted, by reason of the fact that Mortgage Trustee is

an officer, employee or stockholder of any Beneficiary, or is interested, directly or indirectly, as the holder of the obligations secured by the Restated Deed of Trust, Grantor expressly consenting to Mortgage Trustee acting as Mortgage Trustee irrespective of the fact that Mortgage Trustee might be otherwise disqualified for any of the foregoing reasons, and that any interest which Mortgage Trustee or any successor shall have, or may acquire in the obligation secured by the Restated Deed of Trust, or the premises and property thereby conveyed, shall neither interfere with nor prevent his or her acting as Mortgage Trustee or from purchasing said property at said sale or sales, and all parties waive any objection to Mortgage Trustee having or acquiring any such interest in the obligations or property aforesaid and continuing to act as Mortgage Trustee.

**Indenture to Control.** Nothing contained in the Restated Deed of Trust shall be construed to limit or impair a right or remedy granted the Bond Trustee, Mortgage Trustee or Ambac under the Indenture, and in the event such right or remedy granted in the Restated Deed of Trust is more restrictive (as determined by Ambac 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 D –  
FORM OF CO-BOND COUNSEL OPINION**

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(Opinion of Co-Bond Counsel)

[Closing Date]

St. Louis Municipal Finance Corporation  
St. Louis, Missouri

Siebert Brandford Shank & Co., LLC  
St. Louis, Missouri

City of St. Louis, Missouri  
St. Louis, Missouri

BNY Trust Company of Missouri  
St. Louis, Missouri

The Industrial Development Authority  
of the City of St. Louis, Missouri  
St. Louis, Missouri

Ambac Assurance Corporation  
New York, New York

Re: \$118,575,000 St. Louis Municipal Finance Corporation Leasehold Revenue  
Refunding Bonds, Series 2003 (Convention Center Project)

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by St. Louis Municipal Finance Corporation (the "*Corporation*") of the above-referenced bonds (the "*Series 2003 Bonds*") pursuant to a Resolution adopted by the Corporation on January 27, 2003 (the "*Resolution*"). In such capacity, we have examined such law and such certified proceedings and other documents and materials as we deem necessary to enable us to render this opinion, including the following documents:

1. Fourth Supplemental and Restated Indenture of Trust (the "*Restated Indenture*") dated as of April 15, 2003, by and among The Industrial Development Authority of the City of St. Louis, Missouri (the "*Authority*"), the Corporation, and BNY Trust Company of Missouri, as Bond Trustee (the "*Bond Trustee*");

2. Third Supplemental and Restated Lease Purchase Agreement (the "*Restated Lease Purchase Agreement*") dated as of April 15, 2003, by and among the Corporation, the Authority, and the City of St. Louis, Missouri (the "*City*");

3. Third Supplemental First Deed of Trust, Security Agreement and Assignment, dated as of April 15, 2003, by and among the Corporation, the Authority and the Mortgage Trustee named therein (the "*Restated Deed of Trust*");

4. Bond Purchase Agreement (the "*Purchase Agreement*") dated March 26, 2003, by and between the Corporation and Siebert Brandford Shank & Co., LLC, as Representative of the Underwriters, as defined therein;

5. Tax Compliance Agreement (the "*Tax Agreement*") dated as of April 15, 2003, by and among the Corporation, the City, and the Bond Trustee;

6. Continuing Disclosure Agreement (the "*Disclosure Agreement*") dated as of April 15, 2003, by and between the City and the Bond Trustee;

7. Escrow Deposit Agreement (the “Escrow Agreement”) dated as of April 15, 2003, by and among the Corporation, the City and the Bond Trustee;
8. Bond Insurance Policy;
9. Surety Bond, and
10. Official Statement (the “*Official Statement*”) dated March 26, 2003, of the Corporation.

As to questions of fact material to this opinion, we have relied upon representations of the Corporation contained in the Resolution, 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 bond insurance in connection with the Series 2003 Bonds are addressed in the opinion of the Vice President and Assistant General Counsel of Ambac Assurance Corporation; (ii) various issues with respect to the City of St. Louis in connection with the Series 2003 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 2003 Bonds are addressed in the opinion of the Authority’s Counsel; and (iv) various issues with respect to the Corporation in connection with the Series 2003 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.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Series 2003 Bonds have been duly authorized, executed and delivered by the Corporation and duly authenticated by the Bond Trustee and are valid and binding limited obligations of the Corporation payable in accordance with the Restated Indenture, are entitled to the benefits and security of the Restated Indenture and evidence proportionate interests in the right to receive Rentals from the City under the Restated Lease Purchase Agreement. Neither the Restated Lease Purchase Agreement nor the Series 2003 Bonds constitute an indebtedness of the Corporation, the City or the State of Missouri or any political subdivision thereof within the meaning of any constitutional or statutory provision or limitation, and neither the full faith and credit nor the taxing power, if any, of the Corporation or the City is pledged to the payment of the Rentals or any other payments under the Restated Lease Purchase Agreement or to the payment of the Series 2003 Bonds.

2. The interest on the Series 2003 Bonds (including any original issue discount properly allocable to the owners thereof) is excluded from gross income for federal and Missouri income tax purposes. Such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. In addition to the foregoing exceptions, the opinions set forth in this paragraph are subject to the condition that each of the parties to the Tax Agreement complies with all requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), that must be satisfied subsequent to the issuance of the Series 2003 Bonds in order that interest thereon (including any original issue discount properly allocable to the owners thereof) be, or continue to be, excluded from gross income for federal and Missouri income tax purposes. Each of the parties to the Tax Agreement has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause interest on the Series 2003 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 2003 Bonds. We express no opinion as to whether the interest on the Series 2003 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.

3. All of the Series 2003 Bonds maturing on July 15, 2004 and 2005, and a portion of the 2003 Bonds maturing on July 15, 2006 through 2014 (collectively, the "Premium Bonds") are being offered at prices greater than their principal amounts. Under the Code, the difference between the principal amount of a Premium Bond and the cost basis of such Premium Bond to an owner thereof is "bond premium." We are of the opinion that an initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of the amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax exempt income for purposes of determining various other tax consequences of owning such Bonds.

Except as stated in paragraphs 2 and 3 above, we express no opinion regarding any other federal or state tax consequences arising with respect to the Series 2003 Bonds.

It is to be understood that the rights of the owners of the Series 2003 Bonds and the enforceability of the Series 2003 Bonds, the Resolution, the Restated Lease Purchase Agreement, the Restated Indenture, the Restated Deed of Trust, the Purchase Agreement, the Tax Agreement and the Disclosure Agreement 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 2003 Bonds, and we express no opinion relating thereto. This opinion is delivered to you for your use only and it may not be used or relied upon by, or published or communicated to, any third party for any purpose whatsoever without our prior written consent.

We call to your attention the fact that our legal opinions are an expression of professional judgment and are not a guarantee of a result.

The opinions set forth above are based on existing law, and we do not undertake to advise you of matter which may come to our attention subsequent to the date hereof and which may affect the legal opinions expressed herein.

Very truly yours,

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**APPENDIX E –  
FORM OF BOND INSURANCE POLICY**

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Obligor:

Policy Number:

Obligations:

Premium:

**Ambac Assurance Corporation (Ambac)**, a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

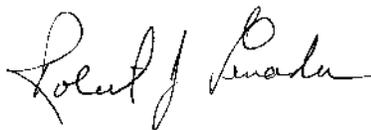
In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President

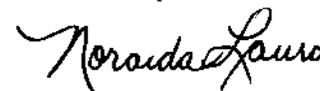


Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



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**APPENDIX F – DTC INFORMATION**

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## **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2003 Bonds and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, 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).

Purchases of the Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2003 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2003

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.

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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to the Corporation or Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2003 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2003 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Corporation and the Underwriters believe to be reliable, but the City, the Corporation and the Underwriters take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should 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.

### **Transfer Outside Book-Entry Only System**

If the book-entry only system is discontinued, the following provisions would apply. The Series 2003 Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Series 2003 Bonds will be issued in fully registered form, and each Series 2003 Bond will be registered in the name of the owner thereof on the registration books maintained by the Trustee. The Series 2003 Bonds are transferable by the registered holder thereof or by such holder's attorney duly authorized in writing upon presentation thereof at the principal corporate trust office of the Trustee

together with a written instrument of transfer duly executed by such registered holder thereof or by such holder's attorney in such form as shall be satisfactory to the Trustee. Any Series 2003 Bonds may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Series 2003 Bonds of the same series and maturity of other authorized denominations. The Trustee and the Corporation may charge a fee covering taxes and other governmental charges in connection with any exchange, change in registration or transfer of any Series 2003 Bonds. The foregoing provisions for the registration, transfer and exchange of the Series 2003 Bonds will not be applicable to purchasers of the Series 2003 Bonds so long as the Series 2003 Bonds are subject to the DTC or other book-entry only system.

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**APPENDIX G –  
SUMMARY OF CONTINUING DISCLOSURE  
AGREEMENT**

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The following is a brief summary of the Continuing Disclosure Agreement (the “Disclosure Agreement”), and is qualified in its entirety by reference thereto, copies of which may be obtained from the City.

## **Definitions**

For purposes of the Disclosure Agreement, the capitalized terms set forth below will have the following meanings, unless the context otherwise requires:

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, the Disclosure Agreement.

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2003 Bonds (including persons holding Series 2003 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2003 Bonds for federal income tax purposes.

“Bond Insurance Policy” means the municipal bond insurance policy issued by the Credit Provider insuring the payment when due of the principal of and interest on the Series 2003 Bonds.

“Credit Provider” means the issuer or issuers of any Credit Enhancement, including a Bond Insurance Policy.

“Disclosure Representative” means the Comptroller of the City or his or her successor or designee, or such other person as the City will designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” means BNY Trust Company of Missouri, acting in its capacity as Dissemination Agent under the Disclosure Agreement, or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation if the Trustee is not the Dissemination Agent.

“Listed Events” means any of the events listed in the Disclosure Agreement.

“Lease” means the Third Supplemental and Restated Lease Purchase Agreement dated as of April 15, 2003 by and among the City, the Corporation and The Industrial Development Authority of the City of St. Louis, Missouri.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the United States Securities and Exchange Commission as of the date of execution and delivery of the Disclosure Agreement are set forth in the Disclosure Agreement.

“Obligated Person” means the City.

“Official Statement” means the Preliminary Official Statement dated March 17, 2003 and the Official Statement dated March 26, 2003 issued in connection with the Series 2003 Bonds.

“Participating Underwriter” means any of the original underwriters of the Series 2003 Bonds required to comply with the Rule in connection with the offering of the Series 2003 Bonds.

“Repository” means each National Repository and each State Repository.

“Rule” means Rule 15c2-12(b)(5) adopted by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” means the State of Missouri.

“State Repository” means any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the United States Securities and Exchange Commission. As of the date of the Disclosure Agreement, there is no State Repository.

### **Purpose of the Disclosure Agreement**

The Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the Bondholders and Beneficial Owners of the Series 2003 Bonds and in order to assist the Participating Underwriters in complying with the Rule.

### **Provision of Annual Reports**

The City shall, or shall cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the City’s fiscal year (which currently ends on June 30 of each year), commencing with the report for the City’s fiscal year ending on June 30, 2003, provide to each Repository and to the Credit Provider as long as the Bond Insurance Policy is in effect an Annual Report which is consistent with the requirements of the Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in the Disclosure Agreement; provided that the audited financial statements of the City may be made available or submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under the Disclosure Agreement.

Not later than fifteen (15) Business Days prior to the date specified above for providing the Annual Report to the Repositories and to the Credit Provider as long as the Bond Insurance Policy is in effect, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received the Annual Report, the Dissemination Agent will contact the City and request that the City comply with the Disclosure Agreement.

If the Dissemination Agent has not received an Annual Report by the date required by the Disclosure Agreement, the Dissemination Agent will send a notice to the Participating Underwriters, the Trustee (if not the Dissemination Agent), the Credit Provider as long as the Bond Insurance Policy is in effect and (i) each Repository or (ii) the Municipal Securities Rulemaking Board and the State Repository, if any.

The Dissemination Agent shall:

1. Determine each year, prior to the date for providing the Annual Report, the name and address of each National Repository and the State Repository, if any; and

2. Provide notice to the City and the Trustee (if the Trustee is not the Dissemination Agent) certifying (A) that the Annual Report has been provided to the Repositories by the Dissemination Agent pursuant to the Disclosure Agreement; and

3. Provide a copy of the Annual Report to the Credit Provider as long as the Bond Insurance Policy is in effect.

### **Content of Annual Reports**

The City's Annual Report shall contain or include by reference the following:

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 Government 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 type included in the Official Statement under the caption "**SECURITY FOR THE SERIES 2003 BONDS**" and in Appendix A under the captions: "**ECONOMIC AND DEMOGRAPHIC DATA,**" "**FINANCIAL MANAGEMENT AND EXPENDITURE CONTROLS,**" "**GENERAL REVENUE RECEIPTS,**" "**INSURANCE,**" "**DEBT OF THE CITY,**" "**EMPLOYEES AND EMPLOYEE RELATIONS,**" "**RETIREMENT SYSTEMS,**" and "**LITIGATION,**" and in Appendix B.

### **Reporting of Significant Events**

In addition, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2003 Bonds, if material (each a "Listed 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 Series 2003 Bonds;
7. modifications to rights of holders of the Series 2003 Bonds;
8. optional, contingent or unscheduled bond calls;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the securities; or
11. rating changes.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of issues with respect to which the City is an “obligated person” (as defined by the Rule), which have been filed with each of the Repositories, the Municipal Securities Rulemaking Board or the United States Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City will clearly identify each such other document so included by reference.

The Dissemination Agent shall, within one Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to the Disclosure Agreement. For the purpose of the Disclosure Agreement, “actual knowledge” of such listed events will mean knowledge by an officer of the Dissemination Agent with responsibility for matters related to the Disclosure Agreement.

Whenever the City obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to the Disclosure Agreement or otherwise, the City shall, as soon as possible, determine if such event would be material under applicable federal securities laws.

If actual knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City will promptly notify the Dissemination Agent and the Credit Provider as long as the Bond Insurance Policy is in effect, in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to the Disclosure Agreement.

If in response to a request pursuant to the Disclosure Agreement, the City determines that the Listed Event would not be material under applicable federal securities laws, the City will so notify the Dissemination Agent, the Credit Provider as long as the Bond Insurance Policy is in effect, in writing and instruct the Dissemination Agent not to report the occurrence pursuant to the Disclosure Agreement.

If the Dissemination Agent has been instructed by written notice from the City to report the occurrence of a Listed Event, the Dissemination Agent will file a notice of such occurrence with (i) each Repository or (ii) the Municipal Securities Rulemaking Board and each State Repository, with a copy to the City, the Trustee, the Credit Provider as long as the Bond Insurance Policy is in effect, and the Participating Underwriters. Notwithstanding the foregoing, notice of Listed Events described in numbers 8 and 9 above need not be given under the Disclosure Agreement any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Series 2003 Bonds pursuant to the Indenture.

### **Termination of Reporting Obligation**

The City’s obligations under the Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2003 Bonds. The Disclosure Agreement shall also terminate upon (i) the Rule being withdrawn, retroactively repealed, or having been found by a court of competent jurisdiction to be invalid in a non-appealable action; or (ii) receipt by the Dissemination Agent, the Trustee (if the Trustee is not the Dissemination Agent) and the City of an opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities to the effect that the Rule is no longer applicable to the Series 2003 Bonds. If the City’s obligations under the Indenture are assumed in full by another entity, such entity will be responsible for compliance with the Disclosure Agreement in the same manner as if it were the City, and the City will have no further responsibility thereunder. If such termination or substitution occurs prior to the final maturity of the Series 2003 Bonds, the City will give notice of such termination or substitution in the same manner as for a Listed Event under of the Disclosure Agreement.

## **Dissemination Agent**

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Disclosure Agreement. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the City. The Dissemination Agent shall also have no duty or obligation to determine the materiality of the Listed Events and shall not be deemed to be acting in any fiduciary capacity for the City, any Beneficial Owner or any other party. If at any time there is not any other designated Dissemination Agent, the Trustee will be the Dissemination Agent.

## **Amendment; Waiver**

Notwithstanding any other provision of the Disclosure Agreement, the City and the Dissemination Agent may amend the Disclosure Agreement (and the approval of the Dissemination Agent to any such amendment will not be unreasonably withheld), and any provision of the Disclosure Agreement may be waived, provided that the undertaking, as amended or taking into account such waiver, would, in the opinion of counsel of nationally recognized expertise in matters relating to securities laws affecting municipal securities, have complied with the requirements of the Rule and all current amendments thereto that are applicable to the Disclosure Agreement.

In the event of any amendment or waiver of a provision of the Disclosure Agreement (other than an amendment relating to accounting principles), the City shall describe such amendment in the next notice of occurrence of a Listed Event, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under the Disclosure Agreement, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

## **Additional Information**

Nothing in the Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is required by the Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by the Disclosure Agreement, the City shall have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

## **Default**

In the event of a failure of the City or the Dissemination Agent to comply with any provision of the Disclosure Agreement, the Dissemination Agent or the Trustee may (and, at the request of any Underwriter, the Credit Provider as long as the Bond Insurance Policy is in effect, or Beneficial Owners of at least 25% aggregate principal amount of Outstanding Series 2003 Bonds, will), or any Bondholder

or Beneficial Owner of the Series 2003 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent, as the case may be, to comply with its obligations under the Disclosure Agreement. A default under the Disclosure Agreement will not be deemed to be an Event of Default under the Lease or Indenture, and the sole remedy under the Disclosure Agreement in the event of any failure of the City or the Dissemination Agent to comply with the Disclosure Agreement shall be an action to compel performance.

### **Duties, Immunities and Liabilities of Trustee and Dissemination Agent**

Certain provisions of the Lease are made applicable to the Disclosure Agreement and the Dissemination Agent as if such provisions were (solely for this purpose) contained in the Disclosure Agreement. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Agreement, and, to the extent permitted by applicable law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties under the Disclosure Agreement, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no responsibility for the City's failure to report a Listed Event to the Dissemination Agent. No provisions of the Disclosure Agreement will be interpreted to limit, prohibit or affect any right of the City or Trustee to provide notice to the Beneficial Owners of the Series 2003 Bonds or any other person pursuant to the terms of the Indenture.





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